GENEVA FINANCE LIMITED

ANNUAL REPORT

MARCH 2019

ABOUT THE COMPANY

Geneva Finance Ltd (Geneva) is a New Zealand-owned finance company that provides finance and financial services to the consumer credit markets. Geneva commenced business on 7 October 2002. The company's loans are originated through three distribution channels (Direct, Broker and Dealer), processed by the central sales desk and administered through a national operations centre located at Mt Wellington, Auckland. During the current period the Company acquired a 60% shareholding in a Tongan based finance company and have also acquired an invoice finance operation.

Geneva's principal activity is to lend to individuals during the course of carrying on its finance company business. A proportion of that finance is for individuals whose personal lending and finance needs are not adequately catered for by trading banks and/or because of the specific nature of the borrowing requirement e.g. secured fixed-term personal asset financing such as vehicle or retail hire purchase finance. The invoice factoring operation is offering finance solutions to SMEs .

The company provides hire purchase finance, and personal loans secured by registered security interests over personal assets such as motor vehicles, and mortgages of residential property. As at 31 March 2019, the Receivables Ledger (excluding the invoice factoring and Tongan operations) was $88.3 million (prior to provisions for deferred revenue and doubtful debts and includes receivables held by the Geneva Warehouse A Trust and Prime Asset Trust gross receivables) spread over 9,106 loans, with an average loan size of $9,6k. The invoice factoring ledger balance was $9.3m as at 31 March 2019 and the Tongan operations receivable ledger was NZD $4.1m spread over 1,384 loans with an average balance of NZD $4,140. This represents a wide spread of risk due to the large number and relatively small size of each loan. The combined net book value as at 31 March 2019 after provisions for deferred revenue and doubtful debts was $80.94m.

The Geneva group of companies employs approximately 45 staff, based at its Mt Wellington Head office.

CONTENTS

HIGHLIGHTS AND SIGNIFICANT EVENTS

Increased Pre Tax Profit
The pre tax profit for the March 2019 year increased by 20% to $5.4m.

Increased Dividends to Shareholders:
The Company paid an interim dividend of 1.25cps on 28th December 2018 (Prior year 1.00cps) and a final dividend of 2.25 cps for the March 2019 period on 12 July 2019 (Prior Year 2.25cps). The Total dividend for the year was 3.50 cps (Prior Year 3.25cps) which represents an increased return to shareholders of 7.6% over the prior year. The directors consider this increased return to shareholders is appropriate given the performance of the company.

Lending
Lending volume and asset quality were maintained during the period and lending volume achieved for the year was 1% down on previous year.

Insurance:
Premium sales increased by $26.6% to $10.4m for the period, (up $2.2m). The unearned premium reserves increased by 47.6% and will result in future benefits as these policies matures.

Acquisitions:
During the year the company completed the 60% purchase of the Federal Pacific Finance Ltd (Tonga), this operation is performing as expected. The company also completed the acquisition of the invoice factoring operation.

Funding
The Group's securitization facility increased to $60m and $56.3m was drawn at 31 March 2019.

Credit Rating
Credit rating agency AM Best confirmed Quest Insurance Group Limited's credit rating on 11 April 2019. The current ratings are, Financial Strength rating of B and an Issuer Credit rating of bb+. Both ratings came with a stable outlook.

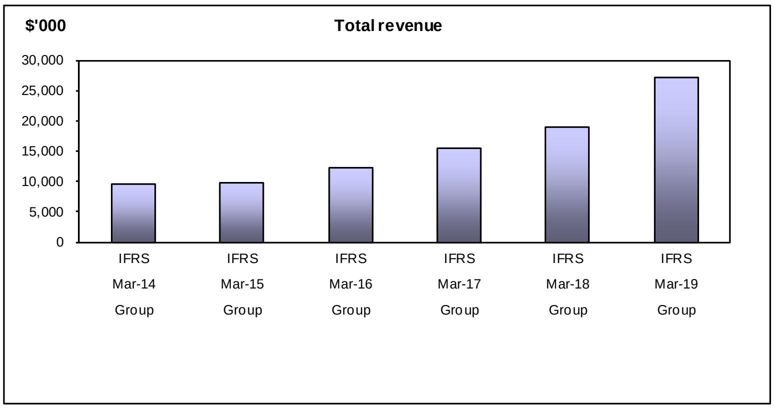
Events subsequent to balance date:

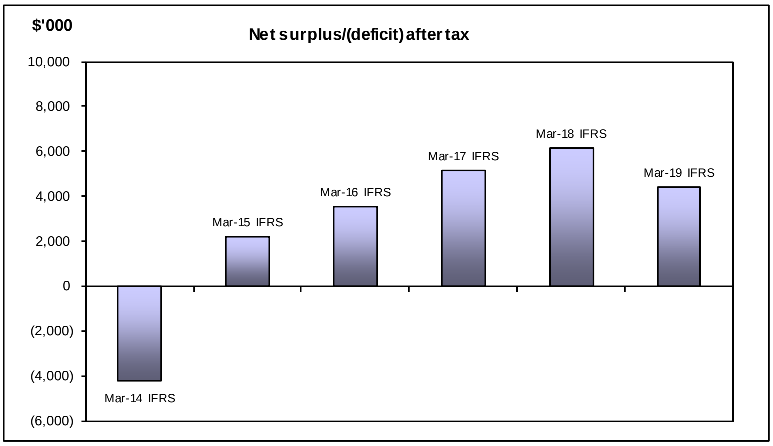
On 14 June 2019 the Company announced a final dividend of 2.25 cents per share which was paid on 12 July 2019.

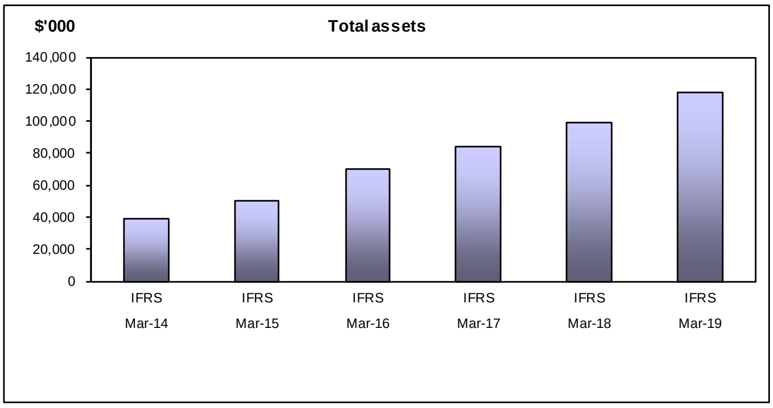
FINANCIAL SUMMARY

	Group Mar-14 IFRS $000	Group Mar-15 IFRS $000	Group Mar-16 IFRS $000	Group Mar-17 IFRS $000	Group Mar-18 IFRS $000	Group Mar-19 IFRS $000
Total revenue	9,648	9,917	12,230	15,419	18,992	27,212
Net surplus/(deficit) before tax	(4,197)	1,548	2,379	3,815	4,524	5,434
Net surplus/(deficit) after tax	(4,201)	2,194	3,529	5,133	6,123	4,394
Number of share on issue *	40,125	69,006	70,435	70,435	70,435	72,935
Earnings/(loss) per ordinary share ($)	(0.105)	0.033	0.051	0.073	0.087	0.062
Total assets	39,288	50,792	69,628	84,177	99,321	117,743
Net assets	8,314	16,064	20,256	24,862	29,168	29,591
Total equity and shareholders' subordinated loans	8,314	16,064	20,256	24,862	29,168	29,591
Net assets per ordinary share (Dollars)	0.21	0.23	0.29	0.35	0.41	0.41
Net assets per share (Dollars)	0.21	0.23	0.29	0.35	0.41	0.41
Return on shareholders equity		13.66%	17.42%	20.65%	20.99%	14.85%

* 7 for 1 share consolidation was completed on 6 July 2016. Prior year values were restated.







CHAIRMAN'S REPORT

Dear Valued Shareholders

On behalf of the Directors, I present you the 2019 Annual Report. It is a credit to the efforts of our staff and management that we have been able to lift our pretax profit by 20% in what for us has been quite a complex and challenging year.

On the positive side our diversification and focus on Quest Insurance has and continues to fulfill increased profit expectations (up 53% on last year). This along with our move into the Pacific Islands has born good fruit with a healthy contribution towards the Group's profit result.

This has ensued the Board to declare a small increase in the dividends to 3.5 cents per share paid relating to the March 2019 financial year.

In the current environment of ease of access to low interest credit, it has not been easy to continue finding volume of quality lending in our priority business of automobile financing. While we were able to hold the profit for this division at the same level as last year, we are currently implementing strategies to enhance it's performance in the 2019/ 2020 year.

We have further work to do with our diversification investment in the invoice factoring business.

We have increased facility support from our bankers and continue to enjoy good growth in our client base. We as your board are confident that this along with the growth moves we have in train will deliver an increased earnings growth for you as our investors in the financial year ahead.

David Smale
Chairman

MANAGING DIRECTOR'S REPORT

Financial Result (12 months to 31st March 2019)

The after tax financial result for the year was a profit of $4.4m vs $6.1m in 2018. The tax charge for the year of $1.0m as compared to a tax benefit/credit in the prior year of $1.6m caused a $2.6m adverse variance in after tax profit between the periods. This tax charge is a non cash item as the company has unutilized tax losses available to offset the current year's profit. The profit before tax for the year was $5.4m which was 20% above the $4.5m prior year result.

Business Sector Performance:

Geneva Financial Services- Lending: Mar 19 pretax profit $5.6m (Mar 18 $5.5m)

The March 19 year has been a challenging period for GFSL. Protecting asset quality was prioritized over growing lending volumes, as a consequence Lending was similar to the prior year, as was the profit result. The benefit of this strategy is that this business sector is well positioned to take advantage of opportunities in the market as they arise. The net receivables ledger amounted to $63.9m at year end.

Quest Insurance Group- Insurance: Mar 19 pretax profit $1.3m (Mar 18 $0.9m)

Premiums written increased by 26.6%. This was driven by good growth from both the Quest direct and Janssen' distribution channels. A substantial portion of this premium growth is reflected in the unearned premium balance which increased by 47.6% to $10.4m. Quest is now seeing the benefit of release to profit of prior period premium growth which in conjunction with investment income and operating being within budget parameters delivered a net profit before tax increase of 53% for the period.

Stellar Collections: Mar 19 pretax profit $0.4m (Mar 18 $0.6m)

The newly acquired MFL collection business acquired in the previous year performed at an acceptable level and is positioned to deliver good profit growth. The debt collection operation similarly performed at an acceptable level. Operational changes, primarily investment in infrastructure have been made over the last six months and we expect this will have a positive impact on the performance of this business segment in the coming year.

Geneva Capital - Invoice Factoring: Mar 19 pretax loss $0.6m (Mar 18 $0.0m)

The newly acquired invoice factoring operation made $0.6m loss in its first year of operation. The ledger growth achieved during the year was lower than expected and was the prime contributor to this result. Systems and operations are all fully integrated and the board expect this business to move into profit for the coming year.

Federal Pacific Finance Tonga – Mar 19 pretax profit $1.2m (Mar 18 N/A)

The company acquired a 60% stake in the operation effective April 2018. This operation has delivered on profit expectations and has shown itself to be a good investment for shareholders. We anticipate this business will continue to deliver good growth over the coming period.

Parent Company (Geneva Finance, Corporate) Mar 19 pretax loss $2.6m (Mar 18 $1.9m loss)

The parent company result includes, the group's corporate and governance costs, adjustment for non-controlling interests, and the group tax charge / benefit. The after tax loss of $3.6m includes a $1m tax charge compared to the after tax loss of $0.3m in March 2018 that included a tax benefit of $1.6m.

Revenues:

Operating revenues comprise interest from receivables ledgers of $14.9m up $2.6m (+21%) on last year. Net insurance premium income of $7.4m up $3.3m (+79%), mainly from the direct introducer channels. Other income amounted to $4.9m, up $2.3m (+89%) and includes a full period of revenue from the Tonga, the invoice factoring and MFL businesses acquired in the prior periods.

Operating Costs:

Group total operating costs increased by 38%. Again this is primarily as result of the operating costs associated with the new businesses acquired.

Balance Sheet:

The net receivables ledger increased to $80.9m (+19.6%), majority if this increase is due to the addition of the invoice factoring business. Term debt increased to $59.7m and other borrowings increased to $13.3m. The Group's equity to total assets ratio of reduced to 25.1% compared to 29.4% the prior year.

Funding:

The group's securitization facility's was extended through to July 2020. Other borrowings comprise funding sourced from wholesale investors and a 2 year evergreen banking term loan of $3.4m from a major trading bank.

Credit Rating:

Quest insurances credit rating was confirmed by AM Best in April 2019 as B outlook stable for its Financial Strength and bb+ outlook stable for its issuer credit rating.

Impairment:

The group reviewed its provisioning to align with IFRS9: "Financial Instruments in line with expected credit losses and the treatment of asset impairment". As a result of this review an adjustment of $1.7m was made to the opening provisioning, $1.2m was allocated against opening retained earnings and $0.5m deferred tax.

Dividends:

The board have approved a final dividend of 2.25 cents per share. The total dividend being 3.5 cents per share up 7.7% on the prior year. The final dividend was paid on 12 July 2019.

Summary:

It has been a challenging year but despite these challenges the company delivered a 20% lift in pretax profits and increased dividend to shareholders to 3.50 cents per share up 7.7% on last year. The insurance business has been given the highest profit lift (+53%), and this in conjunction with the investment in the Tonga business has driven the profit growth. While both the lending operation and the debt collection business have delivered profit levels in line with last year, both these companies are positioned to regain the growth levels achieved in prior years. The losses incurred in the Invoice factoring operation have been disappointing and remedying this is the key focus of the board.

Strategic Direction:

The key focus is on expanding each of the business segments with increased investment in infrastructure, both people and IT. The group continues to consider acquisitions opportunities. The board and management are confident that the business is well positioned to continue to deliver earnings growth to shareholders.

Yours sincerely,

David O'Connell

Managing Director

BOARD PROFILES

David Smale (Non-executive Chairman)

David is a successful business man with + 40 years experience in the establishment, and building of a number of businesses in the primary, horticultural and export sectors. As a result of Geneva's capital reconstruction, David has a shareholding in Geneva, accordingly he has a strong affinity with the position of all shareholders and is committed to see Geneva through the current challenges. David brings hands on, common sense, no nonsense approach to business management. David also serves on Geneva's Audit, Lending and Credit and Executive Remuneration Committees. David does not hold any other public company directorships.

David Gerard O'Connell (Managing Director)

David joined Geneva as the Chief Financial Officer in July 2006. He was appointed as Managing Director on 2 May 2008. He is a member of the NZ Institute of Chartered Accountants and has been an executive director of Geneva since June 2007. Over the last 20 years David has held senior management roles and directorships in major New Zealand companies and has been involved in a number of successful company turnaround situations. David holds a BCA from Victoria University, Wellington. David does not hold any other public company directorships.

Ronald Robin King (Robin)

Robin was the founder and director of the successful building services firm Robin King & Associates, which operated for more than 20 years and remained company accountant after selling out in 1997. He has extensive experience in investment and management, and has held directorships with a number of companies in both New Zealand and Australia. As a result of the capital reconstruction, Robin has a shareholding in Geneva, accordingly, he has a strong affinity with the position of all shareholders and is committed to see Geneva through the current challenges. Robin is chairman of the Audit Committee and also serves on the Executive Remuneration Committee. Robin does not hold any other public company directorships.

Alan Leighton Maiai Hutchison

Alan is the board representative of FedPac. Alan has acted as a company director since 1994 and currently holds directorships in New Zealand and a number of overseas companies including Ireland, Singapore, Australia, and Samoa. Alan holds a Bachelor of Commerce and a LLB from Auckland University and has been admitted as a barrister and solicitor to both the high court of New Zealand and Supreme Court of Samoa.

GOVERNANCE

The Board of Directors

The Board's primary responsibility is to formulate the strategic direction of the company, oversee the financial and operational controls of the business and manage appropriate risk management strategies and policies. The Board is also responsible for fostering the business culture, appointment and remuneration of senior executives, adoption of plans and policies, the approval of major transactions and review of the business risks.

Ethical Conduct

The Board is committed to behaving in an ethical manner at all times. This includes, but is not limited to: Disclosure of conflicts of interest, Disclosure of receipts of any gifts and/or entertainment, behaving fairly in all business dealings and employment contracts.

Selection and Role of Chairman

The Chairman is selected by the Board from the non-executive directors. The Chairman's role is to manage the board effectively, provide leadership and facilitate the Board's interaction with the Managing Director.

Board Membership

The Board currently consists of the (Non executive) Chairman David Smale, two Non-executive Directors Alan Hutchison and Robin King and one Executive Director David O'Connell.

Director Independence

Each of the directors has confirmed that they do not have any conflicts of interest in respect of their obligations as a director of Geneva Finance Limited. Should any conflict arise out of a particular transaction, the directors have undertaken that they will disclose such conflict of interest.

Nomination and Appointment of directors

The Board is responsible for identifying and recommending candidates. Directors may also be nominated by shareholders under Listing Rule 2.3.1. A director may be appointed by an ordinary resolution or the Board. A person so appointed as a director shall retire from office at the next annual meeting of the company, but shall be eligible for re-election at that meeting. One third of directors shall retire from office at the annual meeting of the company each year, but shall be eligible for reelection at that meeting. The directors to retire shall be those who have been longest in office since they were last elected or deemed elected.

Directors Meetings

In the normal course of events the directors meet to review the financial results at least once every 2 months, normally during the last week of the month. The exception to this being December and January each year where Board meetings are not normally scheduled. In addition the Board will meet on an ad hoc basis where it is considered necessary to discuss matters that need attention prior to a scheduled meeting.

	Board Meetings	Audit and Risk Management Meetings
Total Number of meetings held		
David Smale	5	1
David O'Connell	5	
Robin King	5	1
Alan Hutchison	5	1

Diversity

As at 31 March 2019, the gender balance of Geneva Finance Limited directors was as follows

	31 March 2019	31 March 2018
Directors		
Females	0	0
Males	4	4

Indemnification and Insurance of Directors and Officers

The Company has a policy of providing directors and senior officers' liability insurance. These policies are provided by QBE.

BOARD COMMITTEES

Audit Committee:

The role of the audit committee is to assist the board in carrying out its responsibilities under the Companies Act 1993 and the Financial Markets Conduct Act 2013, regarding accounting practices, policies and controls relative to the company's financial position and make appropriate enquiry into the audits of the company's financial statements. This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by the company. This committee compromises of three company directors of which two are independent.

Remuneration Committee:

The Remuneration Committee comprises the non-executive directors. This committee meets annually to determine and approve the remuneration of the Managing Director and selected key executives.

Lending and Credit Committee

The Lending Committee reviews the lending and credit performance policies of the company. This committee plans to meet formally on a four monthly basis in the coming year. It is intended that this committee be comprised of the chairman and two independent directors.

Audit and Risk Management Committee

The Audit and Risk Management Committee oversees the insurance financial reporting, internal and external audits, the appointment of the approved auditor and approved actuary and assist the board in providing an objective, non-executive review of the effectiveness of the insurer's financial reporting and risk management and control processes. This committee meets twice a year.

Managing risk

The Board has overall responsibility for the company's system of risk management and internal control and has procedures in place, i.e. Risk Management Programme to provide effective control of the management and reporting structure. Part of this function is covered by the Lending and Credit Committee.

The financial statements are prepared with full supporting schedules providing analysis of all risk areas on a monthly basis. As set out above, the Board meets at least once every 2 months (excluding December and January) to formally review these reports and receive appropriate explanations from management.

All capital expenditure is controlled and monitored under a structured framework.

The Board maintains an overall view of the risk profile of the company and is responsible for the overall risk assessment processes.

Securities trading

The company has implemented a Securities Trading Policy for directors and staff.   The policy follows the recommendations contained in the guidelines issued by the Listed Companies Association.

Disclosure

The company adheres to the NZX policy of Continuous Disclosure requirements which govern the release of all material information that may affect the value of the company's shares. The Board and senior management team have processes in place to ensure that all material information flows up to the Managing Director to be viewed by the Board and disclosed where appropriate.

Auditor's independence

There is no relationship between the auditors and the company or any related person that could compromise the independence of the auditors. In addition to the audit, Staples Rodway was paid fees for other services (comprises taxation compliance services) totaling $18k

GENEVA FINANCE LIMITED

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

GENEVA FINANCE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 MARCH 2019

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

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

bakertilly
STAPLES RODWAY

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Geneva Finance Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Geneva Finance Limited and its subsidiaries ('the Group') on pages 8 to 65, which comprise the consolidated statement of financial position as at 31 March 2019, 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 significant accounting policies.

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

Our report is made solely to the Shareholders of Geneva Finance Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Geneva Finance Limited and the Shareholders of Geneva Finance Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services, our firm carries out other assignments for Geneva Finance Limited and its subsidiaries in the area of taxation compliance services. The provision of these other services has not impaired our independence.

bakertilly
STAPLES RODWAY

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 year. 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. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of Finance Receivables (including the adoption of NZ IFRS 9 *Financial Instruments*)

As disclosed in Note 16 of the Group's consolidated financial statements, the Group has finance receivable assets of $80.9m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the recognition of impairment in respect of finance receivables and the amount of that impairment.

Management has prepared impairment models to complete its assessment of impairment for the Group's finance receivables as at 31 March 2019.

This assessment involved complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables.

As disclosed in Note 44 and Note 17, on 1 April 2018, the Group adopted NZ IFRS 9 *Financial Instruments*, which resulted in the Group having to develop new impairment models to assess impairment under the expected credit losses model specified in NZ IFRS 9.

In accordance with the transitional provisions in NZ IFRS 9, the Group has applied the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under NZ IAS 39.

As at 31 March 2018, the Group had finance receivable assets of $67.7m. As disclosed in Note 44, on 1 April 2018 upon adoption of NZ IFRS 9, the Group finance receivable assets were restated from $67.7m to $66.0m.

</td><td>

Our audit procedures among others included:

- Evaluating the design and operating effectiveness of the key controls over finance receivable origination, ongoing administration and impairment model data and calculations;
- Challenging and evaluating Management's assessment of the impact of adopting NZ IFRS 9, the logic, key assumptions, and calculation of its new impairment models against the requirements specified in NZ IFRS 9 for recognising expected credit losses on financial assets;
- For individually assessed finance receivables, examining those finance receivables and forming our own judgements as to whether the impairment provision recognised by Management was appropriate as at 1 April 2018 (on adoption of NZ IFRS 9) and as at 31 March 2019 (at reporting date).;
- For the collectively assessed finance receivables, challenging and evaluating the logic of Management's impairment models and the key assumptions used with our own experience as at 1 April 2018 (on adoption of NZ IFRS 9) and as at 31 March 2019 (at reporting date). Also, testing key inputs used in the impairment models and the mathematical accuracy of the calculations within the models;
- Evaluating the related disclosures about the adoption of NZ IFRS 9 in Note 44 in the Group's consolidated financial statements; and
- Evaluating the related disclosures (including the accounting policies) about finance receivable assets, and the risks attached to them which are included in Note 3, 4, 16, 17 and 34 in the Group's consolidated financial statements.

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<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
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Acquisition accounting for business combinations during the reporting period:
<u>Federal Pacific Finance Limited (Tonga) business combination</u>
As disclosed in Note 21 of the Group's consolidated financial statements, the Group acquired the Federal Pacific Finance Limited (Tonga) ('Fed Pac Tonga') business on 1 April 2018. The acquisition of the Fed Pac Tonga business was significant to our audit due to the size of the acquisition, and the subjectivity and complexity inherent in business acquisitions.
As described in Note 4 (g) of the Group's consolidated financial statements, Management have determined that the acquisition of the Fed Pac Tonga business represents a business combination under common control and is therefore outside the scope of NZ IFRS 3 Business Combinations.
This process involved complex and subjective estimation and judgement by Management on the following:

the accounting treatment of the acquisition;
the determination of the acquisition date;
the valuation of consideration transferred; and
identification and valuation of the assets acquired, and liabilities assumed.

Management also engaged an external expert to assist in the determination of the accounting treatment for the acquisition of Fed Pac Tonga, and the determination of the acquisition date.
</td><td>
Our audit procedures among others included:

Reading the sale and purchase, and other agreements relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management.
Evaluating Management's determination of the accounting treatment for the acquisition of the Fed Pac Tonga business as a business combination under common control, and the determination of the acquisition date.
Evaluating the competence, capabilities, objectivity and expertise of Management's external accounting expert and the appropriateness of their work as audit evidence for the relevant assertions.
Engaging our own internal accounting expert to assist in understanding and evaluating the work and findings of Management's expert.
Evaluating the measurement of the consideration transferred.
For the measurement of the identified assets and liabilities, evaluating the carrying values of the identified assets and liabilities at acquisition date.
Evaluating the related disclosures about the acquisition of the Fed Pac Tonga business included in Note 21 in the Group's consolidated financial statements.

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<tr><td>
<u>Heartland Bank's invoice factoring business combination</u>
As disclosed in Note 21 of the Group's consolidated financial statements, the Group acquired Heartland Bank's invoice factoring ('HBIF') business on 1 April 2018. The acquisition of the HBIF business was significant to our audit due to the size of the acquisition and the subjectivity and complexity inherent in business acquisitions.
This process involved complex and subjective estimation and judgement by Management on the following:

the accounting treatment of the acquisition;
the determination of the acquisition date;
the valuation of consideration transferred; and
identification and valuation of the assets acquired, and liabilities assumed.

Management also engaged an external expert to assist in the identification of customer relationships acquired;
</td><td>
Our audit procedures among others included:

Reading the sale and purchase, and other agreements relating to the acquisition to understand key terms and conditions and confirming our understanding of the transaction with Management.
Evaluating the measurement of the consideration transferred.
Evaluating the identified assets and liabilities against the terms of the sale and purchase agreements.
For the measurement of the identified assets and liabilities, evaluating:

the fair values of the identified assets and liabilities at acquisition date;
the cash flow forecasts used in the measurement of the identifiable intangible assets, which included assessing the appropriateness of future cash flow forecasts and discount rates applied to those forecasts against the historic performance of the

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<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>and the determination of their fair values at acquisition date.</td><td>business, and considering the impact and likelihood of known future events; and
o the competence, capabilities, objectivity and expertise of Management's external valuation expert and the appropriateness of their work as audit evidence for the relevant assertions.
▪ Engaging our own internal valuation expert to assist in understanding and evaluating the work and findings of Management's expert.
▪ Evaluating the related disclosures about the acquisition of the HBIF business included in Note 21 in the Group's consolidated financial statements.</td></tr>
<tr><td>Valuation of Insurance Contract Liabilities

As disclosed in Notes 27 and 28 of the Group's consolidated financial statements, the Group has total insurance contract liabilities of $11.3m (outstanding claims liabilities of $0.8m as disclosed in note 27 and unearned premium liabilities of $10.5m disclosed in note 28). The Group's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain.

Management has engaged an external actuarial expert to estimate the Group's insurance contract liabilities as at 31 March 2019.</td><td>Our audit procedures among others included:
▪ Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and Management's review of the estimates;
▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions;
▪ Testing on a sample basis the data provided to Management's external actuarial expert to the Group's records;
▪ Engaging our own actuarial expert to assist in understanding and evaluating:
o the work and findings of the Group's external actuarial expert engaged by Management;
o the Group's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management;
▪ Assessing the selection of methods and assumptions with a view to identify management bias; and
▪ Evaluating the related disclosures about insurance contract liabilities (including the accounting policies), and the risks attached to them which are included in Note 3, 5, 27, 28 in the Group's consolidated financial statements.</td></tr>
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Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2019 (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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

bakertilly
STAPLES RODWAY

Matters Relating to the Electronic Presentation of the Audited Consolidated Financial Statements

This audit report relates to the consolidated financial statements of Geneva Finance Limited and its subsidiaries for the year ended 31 March 2019 included on Geneva Finance Limited's website. The Directors of Geneva Finance Limited are responsible for the maintenance and integrity of Geneva Finance Limited's website. We have not been engaged to report on the integrity of Geneva Finance Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to or from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 31 July 2019 to confirm the information included in the audited consolidated financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

The engagement partner on the audit resulting in this independent auditor's report is G K Raniga.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

31 July 2019

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000's	2018 $000's
Interest income	(6)	14,865	12,242
Interest expense	(7)	4,232	3,584
Net interest income		**10,633**	**8,658**
Net premium revenue	(8)	7,384	4,126
Net claims expense	(9)	(3,244)	(1,399)
Underwriting profit		**4,140**	**2,727**
Other revenue	(10)	4,964	2,624
Operating revenue (net of interest expense and claim expense)		**19,737**	**14,009**
Operating expenses	(11)	(12,606)	(9,122)
Operating profit		**7,131**	**4,887**
Impaired asset expense	(12)	(1,697)	(363)
Net profit before taxation		**5,434**	**4,524**
Taxation (expense)/benefit	(13)	(1,040)	1,599
Net profit after taxation		**4,394**	**6,123**
Attributable to			
Group		4,055	6,123
Non-controlling interest	(20)	339	-
		4,394	**6,123**
Profit per share			
Basic profit per share (cents)	(33)	5.69	8.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000's	2018 $000's
Net profit after taxation		**4,394**	**6,123**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Movement in fair value of available for sale equity securities	(15)	229	200
Cash flow hedge, net of tax	(29)	(232)	96
Other comprehensive income, net of tax		(3)	296
Total comprehensive income		**4,391**	**6,419**
Attributable to			
Group		4,052	6,419
Non-controlling interest	(20)	339	-
		4,391	**6,419**

The attached notes form part of and are to be read in conjunction with these financial statements.

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	2019 $000's	2018 $000's
Assets			
Cash and cash equivalents	(14)	18,253	14,473
Trade and other receivbales, and prepayments	(35)	3,991	4,143
Taxation receivable		13	11
Finance receivables	(16)	80,941	67,664
Financial assets at fair value through profit or loss	(23)	352	423
Deferred insurance contract acquisition costs	(22)	3,652	2,733
Deferred taxation	(24)	4,311	4,565
Financial assets at fair value through other comprehensive income	(15)	3,619	3,390
Plant and equipment	(26)	238	128
Intangible assets	(25)	2,373	1,791
Total assets		117,743	99,321
Liabilities			
Accounts payables and accruals	(35)	3,245	2,211
Outstanding claims liability	(27)	833	570
Employee benefits	(35)	320	313
Unearned premium liability	(28)	10,460	7,085
Derivative financial instruments	(29)	285	53
Bank facilities	(30)	59,691	51,971
Other borrowings	(31)	13,318	7,950
Total liabilities		88,152	70,153
Equity			
Share capital	(32)	52,779	51,287
Reserves	(32)	(1,372)	1,103
Retained earnings		(22,877)	(23,221)
Non-controlling interest	(20)	1,061	-
Total equity		29,591	29,168
Total equity and liabilities		117,743	99,321

For and on behalf of the board, dated 31 July 2019

Director

Director

The attached notes form part of and are to be read in conjunction with these financial statements.

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

		Equity attributable to the equity holders of the parent					
	Note	Share Capital $000's	Reserves $000's	Retained earnings $000's	**Attributable to owners of the parent**	Non Controlling Interest	**Total equity** $000's
Balance at 1 April 2017		**51,287**	**807**	**(27,231)**	**24,862**	**-**	**24,862**
Net profit for the period		-	-	6,123	**6,123**	-	6,123
Other comprehensive income							
Increase in financial assets at FVTOCI	(32)	-	200	-	**200**	-	200
Change in cash flow hedge reserve, net of tax	(32)	-	96	-	**96**	-	96
Total other comprehensive income		**-**	**296**	**-**	**296**	**-**	**296**
Total comprehensive income		-	296	6,123	**6,419**	-	6,419
Transaction with owners							
Dividends paid	(32)	-	-	(2,113)	**(2,113)**	-	(2,113)
Total transactions with owners		**-**	**-**	**(2,113)**	**(2,113)**	**-**	**(2,113)**
Balance at 31 March 2018		**51,287**	**1,103**	**(23,221)**	**29,168**	**-**	**29,168**
Effect of changes in accounting policies resulting from the adoption of NZ IFRS 9 & 15	(44)	-	-	(1,215)	**(1,215)**	-	(1,215)
Balance at 1 April 2018 (Restated)		**51,287**	**1,103**	**(24,436)**	**27,953**	**-**	**27,953**
Net profit for the period		-	-	4,055	**4,055**	339	4,394
Other comprehensive income							
Increase in financial assets at FVTOCI	(32)	-	229	-	**229**	-	229
Exchange differences on translation of foreign operations	(32)	-	(4)	-	**(4)**	-	(4)
Change in cash flow hedge reserve, net of tax	(32)	-	(232)	-	**(232)**	-	(232)
Total other comprehensive income		**-**	**(7)**	**-**	**(7)**	**-**	**(7)**
Total comprehensive income		-	(7)	4,055	**4,048**	339	4,387
Transaction with owners							
Shares issued in consideration for aquistion of subsidiary	(21, 32)	1,492	-	-	**1,492**	-	1,492
Common control reserve arising on the aquistion of subsidiary	(21, 32)	-	(2,468)	-	**(2,468)**	-	(2,468)
Dividends paid	(21, 32)	-	-	(2,496)	**(2,496)**	-	(2,496)
Non-controlling interest arising on acquisition of subsidiary	(21, 32)	-	-	-	**-**	722	722
Total transactions with owners		**1,492**	**(2,468)**	**(2,496)**	**(3,472)**	**722**	**(2,750)**
Balance at 31 March 2019		**52,779**	**(1,372)**	**(22,877)**	**28,530**	**1,061**	**29,591**

The attached notes form part of and are to be read in conjunction with these financial statements.

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000's	2018 $000's
Cash flow from operating activities:			
Cash was provided from:			
Interest received		11,623	10,968
Dividends received		204	231
Receipts from insurance policy sales, collections activities and other sources		15,601	10,478
Proceeds from collections made on purchased debt ledger		265	456
		27,693	22,133
Cash was applied to:			
Net movement in finance receivables		(11,343)	(2,483)
Interest paid		(4,232)	(3,584)
Payments to suppliers and employees		(16,853)	(14,960)
Tax paid		-	-
		(32,428)	(21,027)
Net cash outflow from operating activities	(36)	(4,735)	1,106
Cash flows from investing activities:			
Cash was applied to:			
Purchase of plant and equipment		(183)	(53)
Purchase of intangible assets		(916)	(245)
Purchase of investments		(2,469)	(1,140)
		(3,568)	(1,438)
Net cash outflow from investing activities		(3,568)	(1,438)
Cash flows from financing activities:			
Cash was provided from:			
Net movement of bank facilities: Westpac		7,720	5,846
Net movement of other borrowings		5,368	-
Issue of new shares		1,492	-
		14,580	5,846
Cash was applied to:			
Dividends paid to company shareholders	(32)	(2,496)	(2,113)
Net cash inflow from financing activities	(37)	12,083	3,733
Net increase in cash and cash equivalents held		3,780	3,401
Add: Opening cash and cash equivalents balance at the beginning of the year		14,473	11,072
Cash on purchase of subsidiaries		-	-
Cash and cash equivalents at the end of the year	(14)	**18,253**	**14,473**
Represented by:			
Cash at bank		18,253	14,473
Cash and cash equivalents at the end of the year	(14)	**18,253**	**14,473**

The attached notes form part of and are to be read in conjunction with these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. Reporting entity

Geneva Finance Limited (the 'Company') is incorporated and domiciled in New Zealand. Geneva Finance Limited is registered under the Companies Act 1993 and is listed on the New Zealand Alternative Stock Exchange ('NZAX').

Geneva Finance Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Geneva Finance Limited and its subsidiaries (together "the Group") have been prepared in accordance with the Companies Act 1993, the Financial Reporing Act 2013, and the Financial Market Conduct Act 2013.

The Company's subsidiaries are listed in note 20.

The Group is a for-profit entity.

The Group's primary activities are to lend money to individuals, companies and other entities, issue temporary insurance contracts covering death, disablement and redundancy risk and short term motor vehicle insurance contracts covering comprehensive, third party, mechanical breakdown and guaranteed asset protection, provide debt collection services and invoice factoring services.

The financial statements were authorised for issue by the directors on 31 July 2019.

2. Basis of preparation

a) Statement of compliance
The Company's reporting date is 31 March. These financial statements have been prepared for the year ended 31 March 2019. The comparative period is for the year ended 31 March 2018. The financial statements ('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 entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

b) Basis of measurement
These financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies detailed in note 3.

c) Functional and presentation currency .
The functional currency of each entity within the Group is New Zealand Dollars ($). The presentation currency of and Group is New Zealand Dollars ($) and all amounts are rounded to the nearest thousand dollars ($000) unless otherwise stated.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

a) New and amended standards and interpretations

i) New standards and amendments and interpretation to existing stands that came into effect during the current accounting period beginning on 1 April 2018.

The Group has adopted the NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers which became effective for the year beginning 1 April 2018.

Disclosure relating to the impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Group's financial statements are outline in note 44.

ii) New standards and amendments and interpretation to existing stands that are not yet effective for the current accounting period beginning on 1 April 2018.

The Group has not early adopted any new standards, amendments and interpretations that have been issued but are not yet effective.

The new standards, amendments and interpretations that will have an impact on the Group are discussed below and the Group intends to adopt these new standards, amendments and interpretations when they become mandatory.

NZ IFRS 16 Leases
NZ IFRS 16 Leases will replace NZ IAS 17 Leases. NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their Statements of Financial Position.

Lessor accounting is largely mostly unchanged from NZ IAS 17.

3. Significant accounting policies (continued)

NZ IFRS 16 introduces the followings:

- Use of a control model for the identification of leases. This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer;
- Assets (a right-of-use asset) and liabilities (a lease liability reflecting future lease payments) will now be recognised in respect of all leases, with the exception of certain short-term and low value assets.

The effective date is annual reporting periods beginning on or after 1 January 2019. Early application is permitted, if NZ IFRS 15 Revenue from Contracts with Customers has been adopted.

The indicative impact of implementing NZ IFRS 16 are as follows for all leases that the Group is party to:

- Initial recognition and measurements:
  - Recognition of a right of use ('ROU') asset. Initial measurement of the ROU asset would include the initial present value of the lease liability, the initial direct costs, prepayments made to lessor, less any lease incentives received from the lessor and restoration, removal and dismantling costs;
  - Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.

- Subsequent measurements:
  - ROU asset: Depreciation the ROU asset based on NZ IAS 16 Property, plant and equipment.
  - Lease liability: Accrete liability based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduced the liabilities by payments made.

The Group will adopt NZ IFRS 16 for the accounting period beginning 1 April 2019.

Based on existing lease arrangements, the preliminary assessment of the adoption of IZ IFRS 16 is expected to result in the recognition of the following:

As at 1 April 2019, the recognition of the following on the Group's Statement of Financial Position:

- a ROU asset of $1.3m;
- a lease liability of $1.3m; and
- a net movement in deferred tax of $Nil (comprised as an increase in deferred assets and deferred tax liabilities of $0.4m)

For the year ended 31 March 2020, the recognition of the following on the Group's Statement of Comprehensive Income:

- a decrease in rental expense (included within other operating expenses) of $0.34m;
- an increase in depreciation expense of $0.33m;
- an increase in financial costs of $Nil; and
- an increase in tax expense of $0.04m

For the year ended 31 March 2020, overall there would be no impact on the Group's Statement of Cash flows, however there would be an increase in net cash from operating activities of $0.34m and corresponding decrease in net cash from/(used in) financing activities $0.34m.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17, 'Insurance Contracts', will replace NZ IFRS 4, 'Insurance Contracts'. Under the NZ IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements. NZ IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short-duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The effective date is annual reporting periods beginning on or after 1 January 2021.

The Group is yet to assess the impact of NZ IFRS 17. The Group intends to adopt NZ IFRS 17 no later than the financial year beginning 1 April 2021.

b) Basis of consolidation

These financial statements consolidate the financial statements of Geneva Finance Limited and its subsidiaries (together "the Group"). The Company and each its subsidiaries have the same financial reporting period end, being 31 March.

3. Significant accounting policies (continued)

i) Acquisition method of accounting for non-common control business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Acquisition method of accounting for common control business combinations
The consolidated financial statements, incorporate the financial statements of the combining businesses under common control from acquisition date.

The net assets of the combining businesses are combined using the existing book values (predecessor book values) from the controlling parties' perspective (and not adjusted to fair value upon combining). No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control. Any difference between the cost of investment recognised by the controlling entity and the existing book value of the net assets of the combining businesses on acquisition date results in the recognition of a merger reserve.

The merger reserve is released to profit and loss when there is a disposal or impairment charge or amortisation charge posted in respect of the investment that created it.

iii) Non-controlling interests
The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets (as described above). Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (continued)

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

c) Revenue recognition

i) <u>Revenue from contracts with customers</u>

The Group recognises revenue from a contract with a customer when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer).

For a performance obligation satisfied over time, the Group selects an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

For each identified performance obligation, an entity should determine at contract inception whether it satisfies the performance obligation over time or at a point in time. The Group will recognise revenue over time if any of the following criteria are met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

- the Group's performance does not create an asset with an alternative use to the entity (see and the Group' has an enforceable right to payment for performance completed to date.

An entity will recognise revenue at a point in time (that is, when control transfers) for performance obligations that do not meet the criteria for recognition of revenue over time.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Where a significant financing component exist in the contract, the Group adjusts the promised amount of consideration for the effects of the time value of money.

- Revenue from debt collection services

The Group provides credit management and debt recovery services to companies and individuals in New Zealand and Australia. Services include debt collection, legal, investigation and tracing services. Such services are recognised as a performance obligation satisfied over time as the service is provided.

Revenue is recognised for these services either:

- on recovery of debt when the Group has an enforceable right to payment for performance completed to date, or
- upon provision of the legal, and investigation and tracing services.

Revenue is measured based on the consideration to which the Group expects to be entitled to and excludes amounts collected on behalf of third parties. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Payment is typically due within 30 - 60 days from the invoicing of the contract. There is no significant financing component in these contracts.

- Revenue from the administration and servicing of loan receivables

The Group earns fee revenue for the ongoing administration and serving of loans made to companies and individuals in New Zealand and Australia. Services include weekly, fortnightly or month loan fees for the ongoing administration loans, fees for enforcement actions taken upon event of default (i.e. communication fees for letters, phone calls, SMS, visits; repossession related fees). Such services are recognised as a performance obligation satisfied over time as the service is provided.

Revenue is measured based on the consideration to which the Group expects to be entitled to and excludes amounts collected on behalf of third parties. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Service charges are accrued onto the related loans receivables. There is a significant financing component in these contracts and interest income is recognised using the effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

- Revenue from the brokerage of insurance policy sales of third parties

The Group earns brokerage and commission revenue for the brokerage of the sale of third part insurance policies to companies and individuals in New Zealand and Australia. Such services are recognised as a performance obligation satisfied at a point in time when the sale of the police is brokered.

3. Significant accounting policies (continued)

Revenue is measured based on the consideration to which the Group expects to be entitled to and excludes amounts collected on behalf of third parties. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Payment is typically due within 30 - 60 days from the invoicing of the contract. There is no significant financing component in these contracts.

ii) *Other revenue and income*

- Interest income from the financial assets - financial receivables and cash and term deposit

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset. The application of the method has the effect of recognising income on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

- Premium revenue from insurance contracts

Premium revenue comprises amounts charged to policyholders and excludes taxes and duties collected on behalf of statutory parties.

The earned portion of premium received, and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk, over the period related to the insurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of premiums not earned at the reporting date is recognised in the Statement of Financial Position as unearned premium liabilities.

- Reinsurance recoveries relating to reinsurance contracts and other recoveries related to insurance contracts

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported ("IBNR"), and claims incurred but not enough reported ("IBNER") are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Reinsurance does not relieve the originating insurer of its liabilities to policyholders.

- Dividend income

Dividends from investments in equity instruments are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income (OCI) if it relates to an investment measured at fair value through other comprehensive income (FVOCI).

- Other revenue and income

All other revenue and income 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 and the right to receive the revenue has been established.

d) Expense recognition

i) *Interest expense from financial liabilities – bank and other borrowings*

Interest expense and borrowing costs are recognised in profit or loss as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial liability. The application of the method has the effect of recognising expense on the financial liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

ii) *Reinsurance expense for reinsurance contracts*

Outwards reinsurance expense comprises premium ceded to reinsurers.

The incurred portion of outwards reinsurance premium paid or payable is recognised as an expense. Outwards reinsurance expense is recognised as incurred from the date of attachment of risk, over the period related to the reinsurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of outwards reinsurance premium not incurred at the reporting date is recognised in the statement of financial position as deferred reinsurance premiums.

iii) *Claims expense from insurance contracts*

Claims expense represents claim payments adjusted for movement in the outstanding claims liability.

General Insurance claims expenses are recognised when claims are notified with the exception of claims incurred but not reported for which a provision is estimated.

3. Significant accounting policies (continued)

iv) Costs relating to insurance contracts
Commission and operating expenses are recognised in the consolidated income statement on an accruals basis, unless otherwise stated.

Expenses are categorised into acquisition and maintenance on the basis of a detailed functional analysis of activities carried out by the Group.

Expenses are further categorised into general insurance based on new business volumes (acquisition costs) and in-force volumes (maintenance costs).

- Acquisition costs

Policy acquisition costs comprise the costs of acquiring new business, including commission, advertising, policy issue and underwriting costs, agency expenses and other sales costs.

Where the overall product profitability of new insurance business written during the year is expected to support the recovery of acquisition costs incurred in that year, these costs are effectively deferred as an element of life insurance contract assets and amortised over the life of the policies written.

Unamortised acquisition costs are a component of insurance assets. Amortisation of acquisition costs is recognised in profit or loss as a component of net change in insurance contract assets at the same time as policy margins are released.

Commission that varies with and is directly related to securing new life investment contracts is capitalised as a deferred acquisition cost asset along with an administration and marketing allowance.

All other acquisition costs are recognised as expenses in the consolidated income statement when incurred.

The deferred acquisition cost asset is subsequently amortised over the life of the contracts and is recognised in the consolidated income statement as part of net change in life investment contract assets.

- Maintenance costs

Maintenance costs are the fixed and variable costs of administrating policies subsequent to sale. These include general growth and development costs.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in subsequent reporting periods.

Deferred insurance contract acquisition costs are subject to a loss recognition test as to their recoverability.

v) Other expenses
All other expenses are recognised as incurred in profit and loss on an accruals basis.

e) Income tax expense
Income tax expense comprises current and deferred tax. Current and deferred tax is recognised as an expense or income in profit and loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that the timing of the reversal is controlled by the Group. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences and unutilised tax losses 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.

3. Significant accounting policies (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

f) Goods and services tax

The Group provides financial services. Revenues, expenses, assets, receivables and payables are stated with the amount of goods and services tax ("GST") included. The net amount of GST recoverable from, or payable to, the Inland Revenue Department ("IRD") is included as 'accounts payable and accruals' or 'prepayments and sundry debtors' in the statement of financial position.

Cash flows are included in the cash flow statement inclusive of GST. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

g) Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

- Financial assets that meet the following conditions are measured subsequently at amortised cost:
  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

In the comparative period, the Group classified its financial assets into the following categories:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets.

The Group had no financial assets classified held-to-maturity investments; or available-for-sale financial assets.

3. Significant accounting policies (continued)

In the comparative period, the Group’s financial assets measured at amortised cost only consisted of trade and other receivables and the Group intended to hold them and collect contractual cash flows. Measurement under NZ IFRS 9 for trade and other receivables has remained consistent compared to previous recognition under NZ IAS 39.

i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit‑impaired financial assets (i.e. assets that are credit‑impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit‑impaired financial assets, a credit‑adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit‑impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit‑impaired (see below).

For financial assets that have subsequently become credit‑impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit‑impaired financial instrument improves so that the financial asset is no longer credit‑impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets measured at amortised cost include, trade receivables, finance receivables, and other receivables.

ii) Financial assets at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument‑by‑instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short‑term profit‑taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to reserves. Fair value is determined in the manner described in note 3(t).

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘other income’ line item (note c) in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see note15).

The Group's financial assets measured at FVTOCI include an investment in an unlisted property company.

In the comparative period, the Group’s available-for-sale financial assets included of equity investments in an unlisted property company. and the Group held them for investment purposes. Measurement under NZ IFRS 9 for investment in an unlisted property company has remained consistent compared to previous recognition under NZ IAS 39.

3. Significant accounting policies (continued)

iii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). Fair value is determined in the manner described in note 3(t) and note 23.

Financial assets measured at FVTPL include a purchased finance receivable debt ledgers.

In the comparative period, the Group's financial assets at FVTPL included purchased finance receivable debt ledgers, and the Group held them for trading purposes. Measurement under NZ IFRS 9 for purchased finance receivable debt ledgers has remained consistent compared to previous recognition under NZ IAS 39.

<u>*Impairment of financial assets*</u>
The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Group recognises lifetime ECL for trade and other receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets (such as finance receivables), the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial assets at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

- Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The nature of the Group's finance receivables (second tier retail and commercial lending) means there is little or no updated credit risk information that is routinely obtained and monitored on an individual asset until a customer breaches the contractual terms. However, forward looking information relating to key economic indicators that could affect customers ability to meet their repayment obligations is also assessed and if there are any declining trends, then this is factored into the assessment.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

- Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event (see (ii) above); and

3. Significant accounting policies (continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

- Write-off policy

The Group writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

- Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. then magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Classification of financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'); and
- those to be measured at amortised cost.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy).

3. Significant accounting policies (continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in note 3(t).

Financial liabilities measured at FVTPL include derivatives.

ii) Financial liabilities at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities measured at amortised cost include trade and other payables, related party balances, and bank and professional investor facilities and debt securities.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

h) Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 29.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i) Hedge accounting
The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

3. Significant accounting policies (continued)

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

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 29 sets out details of the fair values and movement of the derivative instruments used for hedging purposes.

- *Fair value hedges*

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

The Group has not classified any derivatives as fair value hedges.

- *Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

The Group has classified all of its derivatives as cashflow hedges.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown in current liabilities on the statement of financial position.

k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

3. Significant accounting policies (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

l) Employee benefits

- *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be wholly settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

- *Superannuation plans*

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

m) Insurance business

- *Principle of insurance business*

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The insurance activities of the Group consist of all transactions arising from writing general and life insurance contracts, through its subsidiary Quest Insurance Group Limited.

The Group issues the following insurance contracts:

- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

- *Assets backing insurance contract liabilities*

The Group has determined that all assets of the Group's subsidiary, Quest Insurance Group Limited, are assets backing policy liabilities and are managed and reported in accordance with a mandate approved by the Quest Insurance Group Limited's Board of Directors.

Financial assets are held to back the insurance liabilities on the basis that these assets are valued at fair value in the Statement of Financial Position.

Financial assets backing insurance liabilities consist of liquid and high-quality investments such as cash and cash equivalents and fixed interest securities held by the Company.

Financial assets backing insurance liabilities are invested to reflect the nature of the insurance liabilities.

The financial assets that provide backing for the insurance liabilities are closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from insurance liabilities.

Financial assets backing insurance liabilities are managed on a fair value basis and are reported to the Board on this basis, they have been measured at fair value through profit or loss wherever the applicable standard allows.

Fair value is determined as follows:

- cash assets are carried at face value at reporting date, which approximates fair value;
- fixed interest securities are valued at their fair value at the quoted bid price of the instrument at reporting date;
- investments in equity instruments are valued at their fair value at reporting date.

- *Insurance contract liabilities*

The liability for insurance contracts has been determined in accordance with Appendix C of NZ IFRS 4 Insurance Contracts, and the valuation of any general insurance claims is performed in accordance with PS 30 Valuations of General Insurance Claims issued by the New Zealand Society of Actuaries ('NZSA'), and the valuation of any life insurance policy liabilities is performed in accordance with PS 20 Determination of Life Insurance Policy Liabilities issued by the NZSA.

3. Significant accounting policies (continued)

In terms of these standards, insurance contract liabilities are determined:

- For short term general insurance contacts - using the ‘Margin or Services’ principle. Under Margin of Services profits emerge evenly over the life of the contract as services are provided in a manner that reflects the pattern of risk accepted from the policyholder 'the service'.

  General insurance contract liabilities include outstanding claims liability and the provision for unearned premium (recognised and measured as described in policy 3(g) above).

  The outstanding claims liability is measured as the central estimate of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate.

  The expected future payments include those in relation to claims reported but not yet paid in full, IBNR, and IBNER. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known at reporting date and are estimated based on past experience. The expected future payments are discounted to present value using a risk-free rate.

- For shorter-term life and longer-term life contracts written on yearly renewable premiums - using the accumulation method. Under the accumulation method for risk policies the policy liability is the sum of the unearned premiums, outstanding claims plus an allowance for claims incurred but not yet reported. For investment policies, the policy liability is determined as the policy account balance including accrued interest to the balance date, plus investment fluctuation reserves subject to a minimum of the current surrender value.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit and loss in the year in which the estimates are changed.

- *Liability adequacy test*

The liability adequacy test is an assessment of whether the carrying amount of the insurance liabilities net of deferred acquisition costs is adequate and is conducted at each reporting date. If current estimates of the expected insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability then the unearned premium liability is deemed to be deficient. The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency arising from the test is recognised in profit or loss, with the corresponding impact on the Statement of Financial Position.

No deficiency was identified in the current or comparative reporting periods.

The Directors are confident that the assets held by the Quest Insurance Group Limited are sufficient to meet the estimated outstanding liabilities as at the reporting date.

n) Property, plant and equipment

All property, plant and equipment are initially recognised at cost.

Property (land and buildings) are subsequently carried at revalued amounts less subsequent accumulated depreciation and impairment losses. The valuation is determined by an independent valuer. Land and buildings are revalued with sufficient frequency to ensure that the carrying value of the item does not differ materially from its fair value. Land is not depreciated. Depreciation on buildings, plant and equipment is provided on the straight line method at rates calculated to allocate the cost less estimated residual value over the estimated economic lives of the assets.

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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The depreciation rates used for each class of assets are:

Class of plant and equipment	Depreciation rate basis	Depreciation method
Computer equipment	20%	Straight Line
Furniture and fittings	20%	Straight Line
Office equipment	20%	Straight Line
Leasehold improvements	10%	Straight Line
Motor vehicles	20%	Straight Line

3. Significant accounting policies (continued)

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount, the higher of fair value less cost to sell and value in use, is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised through profit or loss and is calculated on the difference between the sale price and the carrying value of the asset.

o) Intangible assets

Intangible assets comprise costs incurred in acquiring and building software applications and computer systems (referred to as software), goodwill and acquired customer relationships.

- *Computer software*

Computer software is recognised in the statement of financial position at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives of 3 to 5 years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

Direct costs attributed to the computer software under development for internal use are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it; • the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

At each reporting date, the software assets are reviewed for impairment against impairment indicators. If any indication of impairment exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the profit and loss.

- *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint arrangements and represents the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the Group's interest in net identifiable assets acquired, liabilities assumed and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

- *Customer relationships*

Customer relationship related intangible assets are initially recorded at their purchase price and subsequently amortised on a straight line basis over their expected useful life. All customer relationships related intangible assets balances are reviewed annually for indicators of impairment.

p) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated.

3. Significant accounting policies (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

q) Leased assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by another party, being the lessor, are classified as operating leases.

- Operating leases where the Group is the lessee

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 through profit or loss on a straight-line basis over the period of the lease.

- Operating leases where the Group is the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

r) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

s) Distributions

Dividends to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved but not distributed at reporting date.

t) Fair value estimates

Financial instruments classified as fair value through profit or loss or available for sale are presented in the Group's statement of financial position at their fair value. For other financial assets and financial liabilities, fair value is estimated as follows:

- *Cash and cash equivalents*

These assets are short term in nature and the carrying value is equivalent to their fair value.

- *Trade and other receivables*

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.
These assets are short term in nature and the carrying value is equivalent to their fair value.

- *Finance receivables*

Finance receivables have fixed interest rates. Fair value is estimated using a discounted cash flow model based on a current market interest rate for similar products after making allowances for impairment; the carrying value approximates their fair value.

- *Other borrowings*

These liabilities are long term in nature and the carrying value approximates their fair value.

- *Other payables*

These liabilities are short term in nature and the carrying value approximates their fair value.

- *Borrowings, bank and professional investor facilities and debt securities*

Borrowings, bank and professional investor facilities and debt securities have fixed interest rates. Fair value is estimated using a discounted cash flow model based on a current market interest rate for similar products; the carrying value approximates their fair value.

u) Non current assets held for sale

Non current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. Significant accounting policies (continued)

v) Segment reporting
The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments on an entity. The Group has determined the Group's Board of Directors as its chief operating decision-maker as the Board is responsible for allocating resources and assessing the performance of the operating segments and making strategic and operating decisions.

Income and expenses directly associated with each segment are included in determining each segment's performance.

The Group's reportable operating segments are the following: corporate, new business consumer finance, insurance, old business consumer finance (including debt collections), and invoice factoring services and overseas. Refer note 39 for further details on the Group's operating segments.

The Group operates in primarily in two geographic areas, New Zealand and Tonga.

w) Statement of cash flows
The statement of cash flows has been prepared using the direct approach. Cash flows from finance receivables, debentures, bank facilities and professional investor facilities have been netted to provide meaningful disclosure as many of the cash flows are on behalf of the Group's customers or providers of funding and do not reflect the activities of the Group.

- Investing activities

Investing activities are those activities relating to the acquisition of property, plant and equipment and computer software and investments in related party receivables.

- Financing activities

Financing activities are those activities relating to changes in the size and composition of the capital structure of the Group and the payment of dividends (if any).

- Operating activities

Operating activities include all transactions and other events that are not investing or financing activities. Cash flows arising from movements in finance receivables are classified as operating activities. Operating activities are the main trading activities of the Group.

x) Changes in accounting policies
Except as outlined in note 3 (a), all policies have been applied on a basis consistent with those used in the previous reporting period.

4. Critical estimates and judgements used in applying accounting policies

These financial statements are prepared in accordance with NZ IFRS and applicable financial reporting standards. Not withstanding the existence of relevant accounting standards, there are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below:

a) Credit provisioning
Provision for impairment on financial receivables

- Significant increase in credit risk

As explained in note 3(g), ECL are measured as an allowance equal to 12 month ECL for performing assets, or lifetime ECL for doubtful or in default assets. An asset moves to doubtful when its credit risk has increased significantly since initial recognition. NZ IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

- Calculation of loss allowance

Provisions for impairment in customer loans and advances are raised by management to cover actual losses arising from past events. Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on loans assessed collectively. Losses expected from future events, no matter how likely, are not recognised. The amount of the impairment loss is recognised as an expense through profit or loss.

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

4. Critical estimates and judgements used in applying accounting policies (continued)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL is calculated on homogeneous or portfolio by applying an expected loss factor to the outstanding balances in each loan portfolio. The expected loss factor is determined from the Group historical loss experience data.

Historical loss experience data is reviewed by management and adjustments made to reflect current and forward looking economic and credit conditions as well as taking into account such factors as concentration risk in an individual portfolio. In addition, management recognise that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

Management regularly reviews and adjusts its ECL estimates, judgements, assumptions, and methodologies as data becomes available. Changes in these estimates, judgements, assumptions, and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements (refer Note 17. Provision for credit impairment).

If the ECL rates on performing finance receivables increased/(decreased) by 1% higher (lower) as at 31 March 2019, the loss allowance on finance receivables would have been $0.77million higher/(lower).

If the ECL rates on doubtful or in default finance receivables increased/(decreased) 1% higher (lower) as at 31 March 2019, the loss allowance on finance receivables would have been $0.25million higher/(lower).

b) Suspended income

To the extent that it is not probable that economic benefits will flow to the Group from revenue, the revenue is not recognised in the income statement but transferred to a suspended income account in the statement of financial position and offset against gross receivables (refer Note 16. Finance receivables and Note 17. Provision for credit impairment).

c) Fair value of financial assets at FVTPL - purchase debt securities

The fair value of financial instruments that are not quoted in active markets are determined by using discounted cash flow models. To the extent practical, models use observable data, however volatilities require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments (Note 23. Financial assets at FVTPL).

d) Fair value of financial assets at FVTOCI - equity securities

The fair value of equity securities not quoted in an active market are determined by using other recognised valuation techniques. To the extent practical, models use observable data, however volatilities require management to make estimates. The fair value of equity securities where the majority of the entity's assets and liabilities are reported in their financial statements at fair value are determined based on the Group share on the entity's net assets (refer Note 15. Financial assets at fair value through other comprehensive income).

e) Deferred tax asset

The Group has recognised a deferred tax assets (relating to temporary differences and tax losses) on its statement of financial position as at reporting date. Significant judgement is required in determining if the utilisation of deferred tax assets is probable. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted or tax losses can be utilised. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Group. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Maintenance of shareholder continuity in the future is also taken into consideration when determining the extent to which deferred tax relating to tax losses is recognised (refer Note 13. Tax reconciliation and Note 24. Taxation).

f) Impairment testing of non-financial assets

- Goodwill

The recoverability of the carrying value of goodwill assessed at least annually to ensure that it is not impaired. With respect to goodwill, this assessment generally requires management to estimate future cash flows to be generated by the related investment or cash generating unit (CGU), which entails making judgements, including the determination of the CGU itself, the expected rate of growth of revenues, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows. (refer Note 25. Intangible assets).

- Customer relationships

Customer relationships are amortised over their estimated useful life of 3 to 7 years. Customer relationships are also assessed for impairment indicators. If any indication of impairment exists, the recoverability of the carrying value of customer relationships is assessed to ensure that it is not impaired. This assessment involves management to comparing current year trading volumes for those customers with those trading volumes on acquisition date. Any non-temporary reduction in trading volumes will result in an impairment of the carrying value of the intangible relating to that particular customer. (refer Note 25. Intangible assets).

4. Critical estimates and judgements used in applying accounting policies (continued)

g) Common control reserve

Where the Board of Directors and Management have determined that an acquisition represented a business combinations under common control, there is no New Zealand International Financial Reporting Standards ('NZ IFRS') or International Financial Reporting Standards ('IFRS') that specifically applies to an acquisition and consolidation under common control. As such the Board of Directors and Management have followed the requirements of NZ IAS 8 and IAS 8 'Accounting policies, accounting estimates and errors', which requires management to use its judgement in developing and applying an accounting policy that results in information that is: relevant to the economic decision-making needs of users; and reliable, in that the financial statements, represent faithfully the financial position, financial performance and cash flows of the entity; reflect the economic substance of transactions, other events and conditions, and not merely the legal form; are neutral, i.e. free from bias; are prudent; and are complete in all material respects.

In making this judgement, the Board of Directors and Management have referred to, and considered the applicability of, the following sources in descending order: the requirements in NZ IFRSs dealing with similar and related issues; and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the New Zealand Conceptual Framework for Financial Reporting ('New Zealand Framework'). Board of Directors and Management have also considered the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the requirements in NZ IFRSs dealing with similar and related issues; and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the New Zealand Framework.

The Board of Directors and Management have treated the acquisition of Federal Pacific Finance Limited (Tonga) described in note 21 in accordance with predecessor accounting where the acquisition is accounted for using predecessor book values as desribed in note 3 (b) (ii) above.

5. Actuarial assumptions and methods

The liability for insurance contracts has been determined by Group's consulting Actuary, Peter Davies, ('the Actuary'), B.Bus.Sc., FIA, a Fellow of the New Zealand Society of Actuaries in accordance with NZ IFRS 4 'Insurance Contacts' issued by the External Reporting Board, and Professional Standard no. 20 of the New Zealand Society of Actuaries – Valuation of Life Insurance Policy Liabilities and no. 30 Valuation of General Insurance Claims. The liability equals the initial single premium, net of acquisition costs, written down on a straight line basis over the life of the policy.

The actuary is satisfied as to the nature and extent of the data used for the valuation.

The life insurance contract liabilities are subject to a loss recognition test, which has been carried out on the following basis:

2019	Mortality:	Population mortality NZ2000 – 2002.
	Deaths:	19% of net unearned premium
	Disability:	19% of net unearned premium
	Redundancy:	19% of net unearned premium
	Expenses:	48% of future claims per policy per year, with no escalation
	Interest:	Nil
	Cancellations:	Consumer credit contracts:
	Future Surrenders:	Nil. Surrender values are lower than unearned premiums
	Surrender value:	Rule of 78 less $35 processing fee
2018	Mortality:	Population mortality NZ2000 – 2002.
	Deaths:	11% of net unearned premium
	Disability:	11% of net unearned premium
	Redundancy:	11% of net unearned premium
	Expenses:	118% of future claims per policy per year, with no escalation
	Interest:	A discount rate of 3.50% per annum
	Cancellations:	Consumer credit contracts:
	Future Surrenders:	Nil. Surrender values are lower than unearned premiums
	Surrender value	Rule of 78 less $35 processing fee

Claim provisions for notified claims have been determined using case estimates provided by the claims manager.

The provision for claims incurred but not reported (IBNR) has been determined by applying the chain ladder method to past claim reporting patterns.

Insurance contract liabilities for motor vehicle business have been calculated as the unearned premium net of deferred acquisition costs.

5. Actuarial assumptions and methods (continued)

The basis for the loss recognition test in respect of motor insurance business is as follows:

2019	Premium liability before risk margin and expenses:	71% of net unearned premium
	Risk margin:	12% of future claims
	Expense allowance:	10% of future claims plus expenses
	Future Surrenders:	Nil. Surrender values are lower than unearned premium
	Surrender value:	Straight line basis
2018	Premium liability before risk margin and expenses:	73% of net unearned premium
	Risk margin:	16% of future claims
	Expense allowance:	10% of future claims plus expenses
	Future Surrenders:	Nil. Surrender values are lower than unearned premium
	Surrender value:	Straight line basis

Claim provisions for notified motor claims have been based on case estimates provided by the claim manager.

The provision for IBNR in respect of motor claims has been determined by applying the chain ladder method to past claim reporting patterns

Under the accumulation method, insurance contract liabilities do not vary with changes in the valuation assumptions, unless a variation in the assumption would lead to the recognition of future losses. The sensitivity of changes in the valuation assumptions on the best estimate liability calculations, carried out as part of the loss recognition tests, is indicated in the following table.

Sensitivity Disclosure
Policy liabilities (unearned premium liability), net of deferred acquisition costs (in dollars).

Group

31 March 2019	Payment Protection & Lifestyle		Motor		Combined	
Policy liability *	551,981		6,255,985		6,807,966	
	Best estimate liability	Variation	Best estimate liability	Variation	Best estimate liability	Variation
Base assumptions	155,217	-	4,974,759	-	5,129,976	-
Discount rate +1%	155,217	-	4,974,759	-	5,129,976	-
Discount rate -1%	155,217	-	4,974,759	-	5,129,976	-
Claims frequencies x 1.1	165,705	10,488	5,418,937	444,175	5,584,642	454,663
Claims frequencies x 0.9	144,729	(10,488)	4,530,584	(444,175)	4,675,313	(454,663)
Admin costs x 1.1	160,251	5,034	5,028,060	53,301	5,188,311	58,335
Admin costs x 0.9	150,183	(5,034)	4,921,458	(53,301)	5,071,641	(58,335)
Cancellation rate x 1.1	155,217	-	4,974,759	-	5,129,976	-
Cancellation rate x 0.9	155,217	-	4,974,759	-	5,129,976	-

* Net of deferred acquisition costs

31 March 2018	Payment Protection & Lifestyle		Motor		Combined	
Policy liability *	416,209		3,935,976		4,352,186	
	Best estimate liability	Variation	Best estimate liability	Variation	Best estimate liability	Variation
Base assumptions	99,807	-	3,332,985	-	3,432,792	-
Discount rate +1%	99,807	-	3,332,985	-	3,432,792	-
Discount rate -1%	99,807	-	3,332,985	-	3,432,792	-
Claims frequencies x 1.1	104,385	4,578	3,620,311	287,326	3,724,696	291,905
Claims frequencies x 0.9	95,229	(4,578)	3,045,659	(287,326)	3,140,887	(291,905)
Admin costs x 1.1	105,209	5,402	3,378,957	45,972	3,484,166	51,375
Admin costs x 0.9	94,405	(5,402)	3,287,013	(45,972)	3,381,417	(51,375)
Cancellation rate x 1.1	99,807	-	3,332,985	-	3,432,792	-
Cancellation rate x 0.9	99,807	-	3,332,985	-	3,432,792	-

* Net of deferred acquisition costs

The best estimate is calculated on the basis of the "best estimate" of the net future cash-flows under insurance policies and exclude future profit. These profits are released to the income statement over the life of the policies and are included in the carrying amount of liabilities disclosed on the statement of financial position. The "best estimate" assumptions have been calculated using the assumptions set out above.

5. Actuarial assumptions and methods (continued)

Group	Note	2019 $000's	2018 $000's
Unearned premium liability (note 28)		(10,460)	(7,085)
Less: Deferred acquisition costs (note 22)		(3,652)	(2,733)
		(14,113)	(9,818)

6. Interest income

	2019 $000's	2018 $000's
Bank accounts	215	138
Finance receivables	14,175	11,404
Finance receivables - impaired	475	700
Total interest revenue	14,865	12,242

7. Interest expense

		2019 $000's	2018 $000's
Bank facilities		3,113	2,616
Other borrowings	(31)	1,119	968
Total interest expense		4,232	3,584

8. Net premium revenue

	2019 $000's	2018 $000's
Premium revenue	10,831	8,489
Movement in unearned premium reserve	(3,375)	(4,313)
	7,456	4,176
Reinsurance expense	(72)	(50)
Net premium revenue	7,384	4,126

9. Net claims expense

	2019 $000's	2018 $000's
Claims expense	3,426	1,573
Recoveries	(182)	(174)
Net claims expenses	3,244	1,399

10. Other revenue

	2019 $000's	2018 $000's
Revenue from contracts with customers		
At a point in time		
Collection services	1,467	734
Commission and brokerage income	648	356
Other fees and finance charges	2,252	899
Other income		
Dividends received	204	231
Net gain on financial assets at FVTPL	209	404
Other Revenue	184	-
Total other revenue	4,964	2,624
Timing of revenue recognition of revenue from contracts with customers		
At a point in time	4,367	1,989
Overtime	-	-
Total revenue from contracts with customers	4,367	1,989

11. Operating expenses

	Note	2019 $000's	2018 $000's
Other operating expenses includes the following:			
Auditor's remuneration			
Audit of financial statements			
- Audit of financial statements		203	164
- Audit of Quest Insurance Group Limited's solvency return		5	3
Other services			
- Tax compliance fees		18	30
Total fees paid to auditor		226	197
Insurance contract acquisition costs		3,159	2,066
Depreciation	(26)	73	43
Amortisation	(25)	334	213
Directors fees		146	143
Employee benefits		3,888	3,157
Lease expense		23	24
(Profit) / Loss on sale of fixed assets		(9)	-
Rent		374	323

12. Impaired asset (release) / charge

	Note	2019 $000's	2018 $000's
Bad debts written off		1	2
Increase / (decrease) in collective provision		2,042	351
Increase / (decrease) in specific provision		(346)	10
	(17)	1,695	361
Total impaired asset charge		1,697	363

13. Tax reconciliation

	2019 $000's	2018 $000's
Net profit before taxation	5,434	4,524
Prima facie taxation @ 28%	1,522	1,267
Non-deductible expenses	2	-
Prior year under provision of taxation	-	-
Non-taxable income	-	-
Reversal of deferred tax not recognised		
Movement in deferred tax recognised	726	(1,599)
Deferred tax not recognised	307	
Deferred tax recognised	1,033	(1,599)
Tax losses not recognised / (utilised)	(1,466)	(1,267)
	1,091	(1,599)
Comprising: Current	314	-
Deferred	726	(1,599)
	1,040	(1,599)

14. Cash and cash equivalents

	2019 $000's	2018 $000's
Cash at bank	15,601	12,181
Cash at bank (professional investor scheme) *	1,686	1,364
Cash at bank (securitisation arrangement) **	965	928
Cash and cash equivalents	18,253	14,473

* Cash at bank relating to the professional investor scheme is cash held within the Prime Asset Trust Limited (refer note 19 and 20). This cash relates to receipts made from receivables that were sold to Prime Asset Trust Limited and do not meet the criteria for derecognition as outlined note 16 and is held to meet the repayment obligation Prime Asset Trust Limited has in relation to the professional investor scheme and is not available to the Group for any other use.

14. Cash and cash equivalents (continued)

** Cash at bank relating to the securitisation arrangement is cash held within The Geneva Warehouse A Trust (refer note 18,19 and 20). This cash relates to receipts made from receivables that were sold into the Securitisation trust and do not meet the criteria for derecognition as outlined in note 16 and is held and distributed as per The Geneva Warehouse A Trust deed, which requires Trustee approval for distribution purposes, and such is not available to the Group.

15. Financial assets at FVTOCI

Financial assets at FVTOCI - Equity securities

	2019 $000's	2018 $000's
Unlisted medical property investment company	3,619	3,390

The 10.47% stake in this company is held by Quest Insurance Group Limited. The investment in the unlisted medical property company is a financial assets at FVTOCI. This investment is denominated in NZ dollars. The Directors have disclosed their intention to sell this investment. This equity security is not quoted in an active market. The fair value of this equity security is based on the Group's share of the entity's net assets at reporting date as reported in the entity's financial statements (valuation technique). The entity is a property investment company that is solely in the business of holding and leasing investment property under operating leases and is in involved in the development of investment property. The majority of the entity's assets and liabilities are reported in their financial statements at either their fair value or their carrying value which approximates their fair value (the significant unobservable inputs). The inter-relationship between key unobservable inputs and fair value measurement is that an increase / (decrease) in the net assets would decrease / (increase) the fair value of the investment.

16. Finance receivables

	Note	2019 $000's	2018 $000's
Gross finance receivables		26,544	31,942
Gross finance receivables (The Geneva Warehouse A Trust)		70,473	59,162
Gross finance receivables (Prime Asset Trust Limited)		1,739	2,656
Total gross finance receivables		98,755	93,760
Less: Unearned interest		18	61
Deferred fee revenue and expenses		3	392
Less: Provision for credit impairment	(17)	17,793	25,643
Net finance receivables		80,941	67,664
Less: Impact of adopting NZ IFRS 9 as at 1 April 2018	(44)	-	1,687
Net financial receivable with adjustment		80,941	65,977

Maturity profile of net finance receivables	2019 $000's	2018 $000's
Current:		
Within 6 months	18,705	14,574
7 - 12 months	15,690	11,461
	34,394	26,035
Non - Current:		
13 - 24 months	24,391	19,357
25 - 60 months	22,156	20,585
Over 60 months	-	-
	46,547	39,942
Total	80,941	65,977

During the year ended 31 March 2019, finance receivables totalling approximately $43.1m were sold to the Trust (2018: $43.2m). As there has been no change in the management of the receivables and because there were no significant changes in the cash flows before and after the sale, the sold receivables did not meet the derecognition criteria. Furthermore, as the sales constitute legally enforceable transfer of equitable interest in the transferred receivables, the carrying values of these receivables at reporting date of $61.2m are subject to limitations on disposal (2018: $59.2m).

While the sale of the finance receivables to the Geneva Warehouse A Trust (the Trust) from Geneva Financial Services Limited constitute a legally enforceable sale and purchase transaction, it does not meet the criteria for the derecognition of financial assets under NZ IFRS 9, 'Financial Instruments: Recognition and Measurement' (NZ IFRS 9) and thus at the time of the sale does not meet the Group's accounting policy for derecognition of a financial asset. NZ IFRS 9 establishes specific guidance for the derecognition of financial assets, such that a financial asset can only de-recognised when substantially all of the risks and rewards of ownership, measured by the change in the variability of the cash flow arising from the financial assets before and after the transfer, is transferred. Refer to note 18 for further information.

16. Financial Receivables (continued)

During the year ended 31 March 2019, no finance receivables were sold to or repurchased from the Prime Asset Trust Limited ('PATL') (March 2018: $Nil sold and $Nilm repurchased). As there has been no change in the management of the receivables and because there were no significant changes in the cash flows before and after the sale, the sold receivables did not meet the derecognition criteria. Furthermore, as the sales constitute legally enforceable transfer of equitable interest in the transferred receivables, the carrying values of these receivables at reporting date of $1.7m are subject to limitations on disposal (2018: $2.7m).

While the sale of finance receivables to PATL from Geneva Financial Services Limited ('GFSL') constitutes a legally enforceable sale and purchase transaction, it does not meet the criteria for the derecognition of financial assets under NZ IFRS 9 (refer note 3 (g) 'financial assets')and thus at the time of sale does not meet the GFSL's accounting policy for derecognising of financial asset. Under NZ IFRS 9, GFSL retains substantially all of the risks and rewards of ownership of the loan receivables transferred to the PATL. This is on the basis that in substance, the arrangement is simply a funding mechanism and effectively there has been no change in the ownership or risk exposure in relation to the underlying loan receivable portfolio. GFSL is exposed to the residual cash flows arising from the transferred portfolio (by virtue of its status as the sole shareholder of PATL) and the fact that the Company has contributed a subordinated loan to the PATL that serves as a first loss piece within the cashflow allocation methodology to the funding providers of PATL ('being Quest Insurance Group Limited). Consequently, GFSL and the Company, together, retain substantially all of the risks and rewards of ownership of the loan receivables transferred to the Trust and the loan receivables do not qualify for derecognition under NZ IFRS 9. The loan receivables transferred continue to appear in the statement of financial position of GFSL.

17. Provision for credit impairment

	Note	2019 $000's	2018 $000's
Closing balance at previous 31 March		25,643	29,889
Impact of adopting NZ IFRS 9	(44)	1,687	-
Balance as at 1 April		27,330	29,889
Increase / (decrease) in provisions	(12)	1,695	361
Decrease in provisioning through sale of impaired debt *		(12,646)	(4,708)
Provision arising on the acquisition of subsidiary	(21)	1,105	-
Other movement		308	101
Closing balance	(16)	17,793	25,643

* During September 2017, finance receivables with a gross value of $5.0m and a carrying value of $274k were sold to Jade Financial Services Limited (unrelated to the Group) for $425k, reducing the collective provision by $4.7m. The sale of these finance receivables met the criteria for the derecognition of financial assets under NZ IFRS 9, 'Financial Instruments: Recognition and Measurement' as all of the substantial risks and rewards of ownership of the finance receivables transferred to Jade Financial Services Limited and the Group no longer has any involvement in the administration, management and collection of these finance receivables.

* During April 2018, finance receivables with a gross value of $12.8m and a carrying value of $110k were sold to Desktop Management Limited (unrelated to the Group) for $60k, reducing the collective provision by $12.6m. The sale of these finance receivables met the criteria for the derecognition of financial assets under NZ IFRS 9, 'Financial Instruments: Recognition and Measurement' as all of the substantial risks and rewards of ownership of the finance receivables transferred to Desktop Financials Limited and the Group no longer has any involvement in the administration, management and collection of these finance receivables.

18. Securitisation

Geneva Financial Services Limited (GFSL) a wholly owned subsidiary of the Company has a wholesale funding arrangement with Westpac New Zealand Limited (Westpac) under which it securitised loan receivables through The Geneva Warehouse A Trust (the Trust). Under the facility, Westpac provided funding to the Trust secured by loan receivables transferred to the Trust from GFSL. The facility annual review was completed during February 2019 (2018: November 2017) and was extended to 31 July 2020 (2018: July 2019). The current facility is $60,000,000 (2018: $50,000,000). The Trust is a special purpose entity set up solely for the purpose of receiving loans from GFSL with Westpac funding up to 83% of the purchase and the remainder being funded by a subordinated loan from the Company. The NZ Guardian Trust Limited, via NZGT (GF) Trustee Limited, has been appointed as Trustee for the Trust with GFSL as the sole beneficiary.

Under NZ IFRS 9, Financial Instruments: Recognition and Measurement, GFSL retains substantially all of the risks and rewards of ownership of the loan receivables transferred to the Trust. This is on the basis that in substance, the arrangement is simply a funding mechanism and effectively there has been no change in the ownership or risk exposure in relation to the underlying loan receivable portfolio. GFSL is exposed to the residual cash flows arising from the transferred portfolio (by virtue of its status as the beneficiary of the Trust) and the fact that the Company has contributed a subordinated loan (described above) to the Trust that serves as a first loss piece within the cashflow allocation methodology to the Trustee on behalf of Westpac. Consequently, GFSL and the Company, together, retain substantially all of the risks and rewards of ownership of the loan receivables transferred to the Trust and the loan receivables do not qualify for derecognition under NZ IFRS 9. The loan receivables transferred continue to appear in the statement of financial position of GFSL. In addition under, NZ IFRS 10: Consolidated Financial Statements, the GFSL controls the financing and operating activities of the Trust and GFSL continues to administer the loans and collect loan instalments as they fall due, as a result the Trust is controlled by GFSL and is consequently consolidated into the Group financial statements.

18. Securitisation (continued)

During year ended 31 March 2019 GFSL transferred $43.1m gross value of loans receivables to the Trust (2018: $43.2m). As at 31 March 2019 the carrying value of these assets were $61.2m (2018: $59.2m).

19. Related parties

The Company listed on the NZAX on 1 May 2008 and its shares are widely held. The Group has related party transactions with its key management personnel and parties associated with these key management personnel.

- **Loans and advances to related parties**

	Directors and other key management	
	2019	2018
Finance receivables	$000's	$000's
Loans receivables	273	373
Impairment provision	(273)	(273)
Net loans receivable	-	100

	Directors and other key management	
	2019	2018
Movement in finance receivables	$000's	$000's
Opening balance as at 1 April	100	-
Loans Issued	-	100
Loans repaid	(100)	-
Impairment provision	-	-
	-	100
Interest income earned	5	5

On 21 July 2017 a $100,000 loan was issued to the Credit Manager. The loan was issued for the purchase of Geneva Finance Limited Shares in the open market. The loan carry an interest rate of 7.1% and has a 36 month term with an early settlement option and are repayable on termination of employment with the Company. The loan was settled on 30 November 2018.

- **Loans and advances from related parties**

	Note	Directors and other key management	
		2019	2018
Other borrowings, secured debt and subordinated debt.		$000's	$000's
Subordinated debt		7,650	2,400
Other borrowings		214	-
Total		7,864	2,400

The balance of $7.864m has been included in the balance of other borrowings (refer to note 31).

	Note	2019	2018
Movement in debentures, subordinated debt and deposits		$000's	$000's
Opening balance as at 1 April		2,400	2,400
Additional deposits received from existing depositors during the year		50	-
Deposits received from new depositors, Federal Pacific Group Limited (New Zealand)		4,550	-
Deposits received from new depositors, Federal Pacific Group Limited (New Zealand) for consideration paid in the acquisition of the Federal Pacific Finance Limited (Tonga) business	(21)	650	-
		7,650	2,400
Interest expense on subordinated debt		521	174

The related party deposits carry interest rates of 9.0% (31 March 2018: 9.0%).

19. Related parties (continued)

On 1 April 2018, the Group acquired 60% of the shares and voting interests in Federal Pacific Finance Limited (Tonga) ('FPFLT') from 20% Federal Pacific Finance Limited (Samoa) and 40% Federal Pacific Insurance Limited (Tonga) (refer note 21). Federal Pacific Finance Limited (Samoa) and Federal Pacific Insurance Limited (Tonga) are controlled (in accordance with the definition of the Accounting standard within NZ IFRS 10 Consolidated Financial Statements) by Alistair and Alan Hutchison as Directors of those entities. FPFLT has related party transactions with other entities associated with Alistair and Alan Hutchison.

- **Loans and advances from related parties**

	Note	2019 $000's	2018 $000's
Federal Pacific Insurance Ltd			
Opening balance as at 1 April 2018		-	-
Additions through business combinations	(21)	755	-
Repayments		(541)	-
		214	-
Interest Expense		12	-

- **Other Operating expenses from related parties**

	Entities associated with Alistair and Alan Hutchison	
	2019 $000's	2018 $000's
Management fees	61	-
Rent	-	-
Other expenses	10	-
	70	-
Total related party expenses	82	-

- **Key management personnel compensation**

	2019 $000's	2018 $000's
Salaries short term employee benefits during the period		
Salaries	1,513	1,297
Directors Fees	147	147
Share based payments	-	-
	1,660	1,444

Key management personnel is defined as directors and the chief executive whom are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

- **Investments**

	2019 $000's	2018 $000's
Prime Asset Trust Limited ('PATL')	538	538
	538	538

Geneva Financial Services Limited contributed approximately 15% of the funds to scheme created in July 2016. These amounts are eliminated upon consolidation.

20. Group entities

Subsidiaries

Name	Nature of business	Country of incorporation	Ownership interest (%) 2019	2018
Geneva Finance NZ Limited	Consumer finance	New Zealand	100	100
Quest Insurance Group Limited	Insurance	New Zealand	100	100
Geneva Capital Limited **	Invoice factoring	New Zealand	100	100
Stellar Collections Limited	Debt collection	New Zealand	100	100
Geneva Financial Services Limited	Consumer finance	New Zealand	100	100
Prime Asset Trust Limited	Trustee / nominee company	New Zealand	100	100
Federal Pacific Finance Limited (Tonga)	Consumer finance	Tonga	60	-
Geneva Nominees Limited	Dormant	New Zealand	100	100
The Geneva Warehouse A Trust *	Securitisation Trust	New Zealand	N/A *	N/A *

The reporting date of all companies is 31 March.

***** The Geneva Warehouse A Trust is a special purpose entity set up solely for the purpose of the securitisation facility, (refer note 19).The NZ Guardian Trust Limited, via NZGT (GF) Trustee Limited, has been appointed as Trustee for the Trust with Geneva Financial Services Limited as the sole beneficiary.

****** The Group has entered into a Heads of Agreement with a unrelated third party setting out the terms of operations for Geneva Capital Limited. Under this Heads of Agreement, the third party is to enter into a Shareholder's Agreement to obtained a 30% ownership interest in Geneva Capital Limited. As at 31 March 2019 and as at the date of the signing of these financial statements, the Shareholders Agreement has not been finalised or signed. As a result at 31 March 2019, the Group continues to hold 100% of the ownership interest in Geneva Capital Limited. It is the Group's intention to finalise this agreement and divest 30% of its ownership interest in Geneva Capital Limited to the third party.

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

- Federal Pacific Financial Limited (Tonga) (FPFLT)

	2019 $000's	2018 $000's
Current assets	3,227	-
Non-current assets	85	-
Current liabilities	(447)	-
Non-current liabilities	(214)	-
Equity attributable to owners of the Group	(2,313)	-
Non-controlling interest	(339)	-

	2019 $000's	2018 $000's
Revenue	1,835	-
Expense	(673)	-
Profit (loss) for the year	1,161	-
Profit (loss) attributable to owners of the Group	508	-
Profit (loss) attributable to owners of the non-controlling interests	339	-
Profit (loss) for the year	847	-
Dividends paid to non-controlling interest	-	-
Net cash inflow (outflow) from operating activities	790	-
Net cash inflow (outflow) from investing activities	-	-
Net cash inflow (outflow) from financing activities	(541)	-
Net cash inflow/(outflow)	249	-

Non-controlling interest

	2019 $000's	2018 $000's
Balance at beginning of year	-	-
Non-controlling interest arising on the acquisition of Federal Pacific Finance Ltd (Tonga) (refer note 21)	722	-
Share of profit for year - FPFLT	339	-
Balance at end of year	1,061	-

21. Acquisitions of businesses

Acquisition of Federal Pacific Finance Limited (Tonga) business

On 1 April 2018, the Group acquired 60% of the shares and voting interests in Federal Pacific Finance Limited (Tonga) ('FPFLT') from 20% Federal Pacific Finance Limited (Samoa) and 40% Federal Pacific Insurance Limited (Tonga) thus obtaining 'accounting control' (as defined in NZ IFRS 10 Consolidated Financial Statements). Federal Pacific Finance Limited (Samoa) and Federal Pacific Insurance Limited (Tonga) are are controlled (in accordance with the definition of the Accounting standard within NZ IFRS 10 Consolidated Financial Statements) by Alistair and Alan Hutchison as Directors of those entities. The principal activity of the FPFLT business is consumer finance. The primary reason for the acquisition was to expand the Group's presence in the Pacific region. Consideration for this acquisition was cash, issue of Geneva Finance Limited ordinary share capital, and a loan from Federal Pacific Group Limited (New Zealand), also ultimately controlled (in accordance with definitions within NZ IFRS 10 Consolidated Financial Statements) by Alistair and Alan Hutchison.

		01/04/2018
Consideration transferred:	Note	$'000
Cash		1,410
Share Consideration (2.5m shares at a price of 60c per share)	(32)	1,492
Loan from Federal Pacific Group Ltd (NZ), 5 years at 8.5% per annuum	(19)	650
		3,552
Identified assets acquired and liabilities assumed:		
Cash in bank		261
Finance receivables		2,810
Property plant and equipment		84
Accounts payable and accruals		(192)
Other borrowings		(755)
Tax payable		(402)
Identifiable net assets		1,806
Non-controlling interest		(722)
Common control reserve		2,468
Net Assets Required		3,552

Translation of presentation currency

The presentation currency of FPFLT is the Tongan Pa'anga (TOP). This has been translated to the functional currency of GFL, being the New Zealand Dollar (NZD), at a rate on 1 April 2018 of 1 TOP to 0.6344 NZD.

Share issue

The price 60 cents per share price represented value of Geneva Finance Limited's ordinary shares on 1 April 2018.

Common control reserve

The Board of Directors and Management have determined that the acquisition represents a business combination under common control on the basis that the Group and FPFLT are controlled (in accordance with definitions within NZ IFRS 10 Consolidated Financial Statements) by the same party being Alistair and Alan Hutchinson via a series of intermediary entities. There is no NZ IFRS or IFRS that specifically applies to an acquisition and consolidation under common control and therefore outside of the scope of NZ IFRS, the predecessor value ('pooling of interests') method has been adopted. In this case the net assets of the combining entities or businesses are combined using the existing book values (predecessor book values) from the controlling parties' perspective (and not adjusted to fair value upon combining). No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest. Any difference between the cost of investment recognised by the controlling entity and the nominal value of the net assets of the combining entities or businesses on the date at which the combining entities or businesses first came under the accounting control (in accordance with definitions within NZ IFRS 10 Consolidated Financial Statements) of the controlling entity results in the recognition of a common control reserve.

Contribution to the Group results

In the twelve months to 31 March 2019 the business contributed revenue of $1.8m and profit of $1.16m to the Group's consolidated results.

Acquired receivables - finance receivables

Because this acquisition represents a business combination under common control, the acquired finance receivables have been recognised at their carrying value on 1 April 2018 of $2.8m, which represents gross contractual amounts receivable of $3.6m and provision for impairment of $0.8m. At acquisition date, the best estimate of the contractual cash flows expected to be collected were $2.8m.

21. Acquisitions of businesses (continued)

Acquisition of invoice factoring business

On 1 April 2018, invoice factoring business (IF) was acquired from Heartland Bank by Geneva capital Limited (formerly Pacific Rise Limited) which is a subsidiary company of the Group. The primary reason for the acquisition was to add another finance product that complements the Group's existing financial services offered.

	01/04/2018
Fair Value of consideration transferred:	$'000
Cash	9,055
Identified assets acquired and liabilities assumed:	
Finance receivables	8,443
Customer Relationships	40
Employee entilements	(7)
Identifiable net assets	8,475
Goodwill on acquisition	580
Consideration transferred settled in cash	9,055
Net cash outflow on acquisition	9,055

Goodwill on acquisition

Goodwill arose in the acquisition because the consideration paid included amounts in relation to the benefit of expected synergies from combining operations of IF business to the Group's existing debt collection, finance and revenue growth, future market development and the assembled workforce of IF. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is not deductible for tax purposes.

Contribution to the Group results

In the twelve months to 31 March 2019 the business contributed revenue of $1.4m and loss of $0.62m to the Group's consolidated results.

Acquired receivables - finance receivables

There was no material difference between the fair value of acquired finance receivables and the gross contractual amounts receivable from these finance receivables. At acquisition date, all contractual cash flows were expected to be collected and all contractual cash flows were subsequently collected during the year.

22. Deferred insurance contract acquisition costs

	2019	2018
	$000's	$000's
Opening balance	2,733	1,400
Deferral of insurance contract acquisition costs incurred during the year	3,045	2,149
Expense of insurance contract acquisition costs incurred during prior years	(2,126)	(816)
Closing balance	3,652	2,733

23. Financial assets at FVTPL

Financial assets at FVTPL - Purchased debt

Purchased debt is typically past due and non-performing debt acquired by Stellar Collections Limited at a discount to face value. These debt instruments are not quoted in an active market. The fair value on the purchased debt is based on a valuation using discounted cash flow models (the valuation technique) performed by external valuers, Northington Partners. Key assumptions and inputs in the valuation include; a pre-tax weighted average cost of capital rate (discount rate) of 27.5% (2018: 27.5%), projected cash flows for four years based on historical collection rates of similar portfolios and collections costs (the discount rate and projected cashflows being the significant unobservable inputs). The discount rate reflects the mid point target rate of return of debt portfolios with similar risk profiles.

The inter-relationship between key unobservable inputs and fair value measurement are as follows:

- - an increase / (decrease) in the discount rate would decrease / (increase) the fair value of the purchased debt;
- - an increase / (decrease) in the projected cashflow would increase / (decrease) the fair value of the purchased debt;
- - an increase / (decrease) in the collection costs would decrease / (increase) the fair value of the purchased debt.

The purchased debt was designated at fair value through the profit and loss upon initial recognition. The Group manages and evaluates the performance of these assets in accordance with a documented risk management strategy.

23. Financial assets at FVTPL (continued)

Sensitivity
The effect of the following reasonable possible changes in assumptions would be recognised as a movement through the profit and loss.

	2019	2019	2018	2018
	$000's	$000's	$000's	$000's
	-10%	+10%	-10%	+10%
Effect of reducing or increasing cash flow assumptions by 10%	317	388	378	467

	2019	2019	2018	2018
	$000's	$000's	$000's	$000's
	-5%	+5%	-5%	+5%
Effect of reducing or increasing discount rate 5%	335	370	457	393

Reasonable possible changes in collections costs would not have a material impact on the fair of the purchased debt.

	2019	2018
	$000's	$000's
Purchased debt	352	423
	352	423

Maturity profile of financial assets designated at fair value:	2019	2018
	$000's	$000's
Current - within 12 months		
- Purchased debt	110	137
	110	137
Non - Current - more than 12 months		
- Purchased debt	242	286
	242	286
Total	352	423

24. Taxation

a) Deferred income tax

	2019	2018
Deferred tax assets	$000's	$000's
To be recovered within one year	1,652	1,514
Later than one year	2,659	3,051
	4,311	4,565

The gross movement on the deferred income tax account is as follows:

	Intangible Assets	Provisions	Tax losses	Total
	$'000	**$'000**	**$'000**	**$'000**
Balance at 31 March 2017	-	2,486	628	3,114
(Charged) / Credited to profit or loss	8	(458)	2,049	1,599
Deferred tax arising upon acquisition of MFL Services business	(148)	-	-	(148)
Balance at 31 March 2018	**(140)**	**2,028**	**2,677**	**4,565**
Impact of adopting NZ IFRS 9	-	472	-	472
Balance at 1 April 2018	**(140)**	**2,500**	**2,677**	**5,037**
(Charged) / Credited to profit or loss	25	955	(1,706)	(726)
Balance at 31 March 2019	**(115)**	**3,455**	**971**	**4,311**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As the Group has generated taxable profits for the current year and is forecasting profits for the foreseeable future, the Directors considered it probable that a deferred tax asset would be realised.

Tax Losses	**Gross**	**Tax Effected**	**Gross**	**Tax Effected**
	$'000	**$'000**	**$'000**	**$'000**
	2019	**2019**	**2018**	**2018**
Recognised	3,468	971	9,561	2,677
Not recognised	15,500	4,340	14,641	4,100
	18,967	**5,311**	**24,202**	**6,777**

24. Taxation (continued)

Tax losses available to carry forward for the group total $18.967m, (2018 $24.202m), tax effect $5.311m (2018 tax effect $6.777m). Of this balance, tax losses with a value of $3.468m (2018: $9.561m), tax effect $0.971m (2018 tax effect $2.677m) have been recognised at reporting date. These tax losses can be carried forward, with no expiry, for use against future taxable profits of the Group's New Zealand entities, subject shareholder continuity being maintained as required by New Zealand tax legislation.

b) Imputation credits

The balance of imputation credit at reporting date is Nil (2018: Nil).

25. Intangible assets

	Note	2019 $000's	2018 $000's
Computer software			
At cost		3,013	2,716
Accumulated amortisation		(2,425)	(2,184)
Closing balance		588	532
Goodwill			
At cost		1,338	758
Accumulated amortisation / impairment		-	-
Closing balance		1,338	758
Customer Relationships			
At cost		570	530
Accumulated amortisation / impairment		(123)	(29)
Closing balance		447	501
Total intangible assets		2,373	1,791

The reconciliations of the carrying value for Intangible assets are set out below:		2019 $000's	2018 $000's
Computer software			
Opening balance		392	375
Additions		263	201
Amortisation		(241)	(184)
Disposals/write offs		-	-
Closing balance		414	392
Computer software in progress			
Opening balance		140	96
Additions		580	271
Transfers/Disposals		-	(227)
Closing balance		174	140
Goodwill			
Opening Balance		758	-
Additions through business combinations	(21)	580	758
Amortisation		-	-
Closing balance		1,338	758
Customer Relationships			
Opening Balance		501	-
Additions through business combinations	(21)	40	530
Amortisation		(94)	(29)
Closing balance		447	501
Total intangible assets		2,373	1,791

Acquisition of invoice factoring business

On 1 April 2018, invoice factoring business (IF) was acquired as part of a business combination (refer note 21). The excess consideration over the fair value of the net identifiable assets acquired being goodwill of $0.58m will be tested for impairment annually.

25. Intangible assets (continued)

Goodwill arose in the acquisition because the consideration paid included amounts in relation to the benefit of expected synergies from combining operations of IF to the Group's existing debt collection, finance and revenue growth, future market development and the assembled workforce of IF. Management have assessed that there is no foreseeable limit to the period of time over which the goodwill is expected to generate net cash inflows for the Group, and as such goodwill have been assessed as having an indefinite useful life.

Acquisition of MFL Services business operations

On 1 December 2017, the MFL Services business was acquired as part of a business combination (refer note 22). Non-contractual customer relationships arising on acquisition of $0.53m have been identified and recognised as an intangible asset and will be amortised over it's expected useful life of 7 years. The excess consideration over the fair value of the net identifiable assets acquired being goodwill of $0.76m will be tested for impairment annually.

Goodwill arose in the acquisition because the consideration paid included amounts in relation to the benefit of expected synergies from combining operations of the MFL Services business to the Group's existing debt collection, finance and insurance businesses, revenue growth, future market development and the assembled workforce of MFL. Management have assessed that there is no foreseeable limit to the period of time over which the goodwill is expected to generate net cash inflows for the Group, and as such goodwill have been assessed as having an indefinite useful life.

Goodwill	2019	2018
	$000's	$000's
Allocated to MFL Services collections business CGU	758	758
Allocated to the Geneva Capital invoice factoring CGU	580	-
	1,338	758

Impairment testing for cash-generating units (CGU) containing goodwill

The aggregate carrying amounts of brands and goodwill allocated to the cash generating units are outlined below. Goodwill primarily relates to growth expectations, expected future profitability and the substantial skill and expertise of the work force of the cash generating unit. Management have assessed that there is no foreseeable limit to the period of time over which the goodwill and brand is expected to generate net cash inflows for the Group, and as such goodwill and brand have been assessed as having an indefinite useful life.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below. The growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the CGU operates. For each of the CGUs with goodwill and brand the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

- *MFL Services collections business CGU*

The year 1 forecast cash flows were extrapolated using the following growth rates; year 2: 5%, year 3: 5%, years 4: 5%, year 5: 5% and 2% terminal rate (2018: year 2: 5%, year 3: 5%, years 4: 5%, year 5: 5% and 2% terminal rate). A pre-tax discount rate of 25.0% (2018: 25.0%) was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU (2018: weighted average cost of capital taking into account the specific attributes and size of the CGU).

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% (2018: increasing and reducing the terminal growth rate by 1%) and increasing and decreasing the discount rate by 1% (2018: 1%). These reasonably possible changes in rates did not cause any impairment.

- *Geneva Capital invoice factoring CGU*

The year 1 forecast cash flows (-101% on the 2019 year) were extrapolated using the following growth rates; year 2: -219%, year 3: 422%; years 4: 24%, year 5: 5% and 2% terminal rate. The year 1 and 2 negative cashflows are attributed to cash outflows resulting from the Group expanding the Geneva Capital invoice factoring business achieved through increasing its customer base (both new and existing) resulting in an overall increase in invoices factored. A pre-tax discount rate of 15.0% was applied in determining the recoverable amount. The discount rate was established based on weighted average cost of capital taking into account the specific attributes and size of the CGU.

In assessing the impairment of the goodwill and brand value in the insurance CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included increasing and reducing the terminal growth rate by 1% and increasing and decreasing the discount rate by 1%. These reasonably possible changes in rates did not cause any impairment.

26. Plant and equipment

	2019 $000's	2018 $000's
Computer equipment		
At cost	2,158	1,990
Accumulated depreciation	(2,065)	(1,955)
	93	35
Furniture and fittings		
At cost	678	680
Accumulated depreciation	(674)	(679)
	3	1
Office equipment		
At cost	271	272
Accumulated depreciation	(260)	(260)
	11	12
Leasehold improvements		
At cost	1,453	1,490
Accumulated depreciation	(1,449)	(1,487)
	4	3
Motor vehicles		
At cost	195	205
Accumulated depreciation	(69)	(128)
	126	77
Total plant and equipment	238	128

The reconciliations of the carrying value for fixed assets are set out below:

	2019 $000's	2018 $000's
Computer equipment		
Opening balance	35	33
Additions	93	14
Disposals/write offs	-	-
Depreciation	(34)	(12)
Closing balance	93	35
Furniture and fittings		
Opening balance	1	2
Additions	3	-
Disposals/write offs	-	-
Depreciation	(1)	(1)
Closing balance	3	1
Office equipment		
Opening balance	12	1
Additions	-	11
Disposals/write offs	-	-
Depreciation	(1)	-
Closing balance	11	12
Leasehold improvements		
Opening balance	3	-
Additions	1	4
Disposals/write offs	-	-
Depreciation	(1)	(1)
Closing balance	4	3
Motor vehicles		
Opening balance	77	81
Additions	109	25
Disposals/write offs	(22)	-
Depreciation	(37)	(29)
Closing balance	127	77
Total plant and equipment	238	128

27. Outstanding claims liability

	2019 $000's	2018 $000's
Gross claims undiscounted	659	484
Third party recoverables	(32)	(57)
IBNR provision	206	143
Closing balance	833	570

Reconciliation of movement in outstanding claims liability

	2019 $000's	2018 $000's
Gross claims undiscounted		
Opening balance	484	200
Movement in ultimate incurred costs	(3,069)	(1,115)
Payments	3,244	1,399
Closing balance	659	484
Third party recoverables		
Opening balance	(57)	(36)
Movement	25	(21)
Closing balance	(32)	(57)
IBNR provision		
Opening balance	143	174
Movement	63	(31)
Closing balance	206	143

Solvency disclosure - Quest Insurance Group Limited

The solvency position of the Company as at 31 March 2019 has been calculated by the Company's actuary, under the Reserve Bank of New Zealand solvency standard (Section 55 of the Insurance (Prudential Supervision) Act 2010). The actual solvency capital of the Company under this standard as at 31 March 2019, net of related party investments and unrecoverable deferred acquisition costs amounted to $7.44m (2018:$6.88m). Quest Insurance Group Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $1.

2019	Non Life $'000	Life $'000	Total $'000
Actual Solvency Capital	6,288	1,150	7,438
Minimum solvency requirement	5,401	-	5,401
Solvency Margin	**887**	**1,150**	**2,036**
Solvency Cover Ratio	116%	n/a	138%

2018	Non Life $'000	Life $'000	Total $'000
Actual Solvency Capital	5,849	1,031	6,880
Minimum solvency requirement	4,666	24	5,000
Solvency Margin	**1,183**	**1,007**	**1,880**
Solvency Cover Ratio	125%	n/a	138%

The liabilities recorded on the Statement of Financial Position are $11.6m (2018: $8.3m) and total assets equal $22.4m (2018: $17.6m).

28. Unearned insurance contract premium liabilities

	2019 $000's	2018 $000's
Opening balance	(7,085)	(2,772)
Deferral of premium on contracts written during the year	(10,418)	(6,116)
Earnings of premiums deferred in prior year	7,043	1,803
Closing balance	(10,460)	(7,085)

29. Derivative financial instruments

The Group uses interest rate swap contracts to convert a portion of its variable rate debt to fixed rate debt. No exchange of principal takes place. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.

Derivatives designated as cash flow hedges	2019	2018
Interest rate swap (at fair value) entered into	$000's	$000's
Opening Balance	(53)	(149)
Movement	(232)	96
Closing Balance	(285)	(53)
Contract / notional amount - (Swap)	25,922	23,408

Hedging activities
The Group's hedging practices and accounting treatment are disclosed in Note 3 (i).

Cash flow hedges
The Group hedges a portion of interest rate risk that it has assumed as a result of entering into a floating rate bank facility agreement as part of the securitisation agreement refer note 18.

There were no ineffectiveness recognised in profit or loss during the period, (2018: Nil).

Notional amounts and applicable interest rates

2019		2018	
Notional Amount	Interest Rate	Notional Amount	Interest Rate
$000's	%	$000's	%
		28	4.36
10	4.37	2,548	4.37
9,043	2.17	14,312	2.17
		6,520	2.16
12,076	2.21		
4,794	2.05		
25,922		**23,408**	

30. Bank facilities

	2019	2018
	$000's	$000's
Bank facility: Westpac	56,330	48,600
Capitalised transaction costs: Westpac	(38)	(28)
Bank facility: Kiwi Bank	3,400	3,400
Capitalised transaction costs: Kiwi Bank	(1)	(1)
	59,691	51,971

Maturity profile of bank facilities	2019	2018
	$000's	$000's
Current - within 12 months		
- Bank facility: Westpac	1,527	1,327
- Bank facility: Kiwi Bank	240	240
	1,768	1,567
Non - Current - more than 12 months		
- Bank facility: Westpac	54,765	47,245
- Bank facility: Kiwi Bank	3,158	3,159
	57,923	50,404
Total	59,691	51,971

The financing arrangement with Westpac New Zealand Limited (Westpac) as described in note 18.

Stellar Collections Limited entered into a term loan facility of $3.4m with Kiwi Bank during June 2015 (for an initial term of 2 years to 15 June 2017), the facility was then further extended in August 2016 to 15 June 2018; in July 2017 to 15 June 2019; and in July 2018 to 15 June 2020. The term loan is secured by the present and future assets of Stellar Collections Limited with Geneva Finance Limited as the gurantor of the loan.

31. Other borrowings

	2019 $000's	2018 $000's
Secured	-	-
Capitalised transaction costs	-	-
Unsecured	13,318	7,950
Total other borrowings	13,318	7,950
Maturity profile of other borrowings		
Current - within 12 months		
- Secured	-	-
- Unsecured	6,950	4,850
	6,950	4,850
Non-current - more than 12 months		
- Secured	-	-
- Unsecured	6,368	3,100
	6,368	3,100
Total	13,318	7,950

The other borrowings relate to wholesale investor funding. The current portion of other borrowings is comprised of $6.95m at an interest rate of 8% (2018: $4.85m comprised of $4.85m at an interest rate of 9%). The non-current portion of other borrowings is comprise of $6.37m is comprised of $3.85m at an interest rate of 9.3%, $0.95m at an interest rate of 8.4%, $0.7m at an interest rate of 9%, and $0.65m at an interest rate of 8.5% (2018: $3.1m is comprised of $3.1m at an interest rate 9%).

During the prior period the Group settled no wholesale investors funding. $5.55m was re-invested.

Subsequent to balance date, $1.4m of the investment due to mature within 12 months has been re-invested with new terms which are more than 12 months to maturity.

32. Capital and reserves

Capital:
Capital comprises share capital, other reserves and retained earnings.

Share capital (comprised of ordinary shares only):	Note	Ordinary shares (in thousands) 2019 000's	2018 000's
Opening balance		70,435	70,435
Shares issued in consideration for acquisition of subsidiary	(21)	2,500	-
Closing balance		72,935	70,435

Capital comprises share capital, other reserves and retained earnings.

Share capital (comprised of ordinary shares only):		2019 $000's	2018 $000's
Opening balance		51,287	51,287
Shares issued in consideration for acquisition of subsidiary	(21)	1,492	-
Closing balance		52,779	51,287

All issued shares are authorised and fully paid. The holders of ordinary shares rank equally amongst themselves, are entitled to receive dividends from time to time and are entitled to one vote per share at shareholder meetings of the Company and rank equally with regard to the Company’s residual assets.

32. Capital and reserves (continued)

Dividends:
Recognised amounts:

	Declared on	Paid on	Cents per share	Total $'000
2019				
Prior year financial dividend	24/08/2018	6/07/2018	2.25	1,585
Interim dividend	6/12/2018	28/12/2018	1.25	912
				2,496
Final dividend declared	14/06/2019	12/07/2019	2.25	3,955
2018				
Prior year financial dividend	6/06/2017	30/06/2017	2.00	1,409
Interim dividend	16/11/2017	15/12/2017	1.00	704
				2,113
Final dividend declared	4/06/2018	6/07/2018	2.25	3,512

Reserves:	2019 000's	2018 000's
Cash flow hedge reserve	(285)	(53)
Financial assets at FVTOCI reserve	1,385	1,156
Common control reserve	(2,468)	-
Foreign currency translation reserve	(4)	-
Total Movement	(1,372)	1,103

Reconciliation:

	2019 000's	2018 000's
Opening Balance	1,103	807
Movement	(2,471)	296
Closing Balance	(1,368)	1,103

Summary of movement

		2019 000's	2018 000's
Cash flow hedge reserve	(i)	(232)	96
Financial assets at FVTOCI reserve	(ii)	229	200
Common control reserve	(iii)	(2,468)	-
Total Movement		(2,471)	296

(i) Cash flow hedging reserve:
The hedging reserve relates to the fair value of the effective portion of cash flow hedges (Refer note 29).

	2019 000's	2018 000's
Opening balance	(53)	(149)
Movement	(232)	96
Closing balance	(285)	(53)

(ii) Financial assets at FVTOCI reserve:
The financial assets at FVTOCI reserve related to revaluation of an equity investment held by the subsidiary company Quest Insurance Group Limited (Refer Note 15).

The equity investment was initially acquired for a cost of $2.2m. The available for sale reserve represents the difference between the initial cost and the fair value at reporting date of $3.6m (2018: $3.4m) being $1.4m (2018: $1.2m).

	2019 000's	2018 000's
Opening balance	1,156	956
Movement	229	200
Closing balance	1,385	1,156

32. Capital and reserves (continued)

(iii) Common control reserve:
The common control reserve arose upon the acquisition of Federal Pacific Finance Limited (Tonga) (refer note 21).

The Board of Directors and Management have determined that the acquisition represents a business combination under common control (in accordance with definitions within NZ IFRS 10 Consolidated Financial Statements) on the basis that the Group and FPFLT are controlled by the same party being Alistair and Alan Hutchinson via a series of intermediary entities. There is no NZ IFRS or IFRS that specifically applies to an acquisition and consolidation under common control and therefore outside of the scope of NZ IFRS, the predecessor value ('pooling of interests') method has been adopted. In this case the net assets of the combining entities or businesses are combined using the existing book values (predecessor book values) from the controlling parties' perspective (and not adjusted to fair value upon combining). No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest. Any difference between the cost of investment recognised by the controlling entity and the nominal value of the net assets of the combining entities or businesses on the date at which the combining entities or businesses first came under the control of the controlling entity results in the recognition of a common control reserve.

	Note	2019 000's	2018 000's
Opening balance		-	-
Movement	(21)	(2,468)	-
Closing balance		(2,468)	-

33. Profit / (Loss) per share

Basic profit / (loss) per share
The calculation of basic profit per share at 31 March 2019 was based on the profit attributable to ordinary shareholders of $4,060,000 (2018: $6,123,000) and a weighted average number of shares 71,264,042 (2018: 70,435,275) calculated as follows:

Profit / (loss) attributable to ordinary shareholders	2019 $000's	2018 $000's
Net profit / (loss) after taxation	4,055	6,123
Dividends on preference shares	-	-
Net profit / (loss) attributable to ordinary shareholders	4,055	6,123

Weighted average number of ordinary shares (thousands)	2019	2018
Opening balance	70,435	70,435
Shares issued in the reporting period	829	-
Weighted average number of ordinary shares in issue	71,264	70,435
Basic profit per share (in cents)	5.69	8.69

	Note	Date	Number of shares	Time Weighting	Weighted average number of share
Shares issued in consideration for acquisition of subsidiary	(21)	1/12/2018	2,500	121	829

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company only had outstanding share options in the prior year. A calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

No diluted earnings per share was presented for in the prior year as the average share price of the Company's shares over the reported periods was lower than the exercise price of the share options on issue.

34. Management of financial, insurance and capital risk

Financial Risk

(a) Credit risk

Credit risk is defined as the risk that a loss will be incurred if a counter party to a transaction does not fulfil its financial obligations.

Credit risk is the potential loss arising from the non-performance of a counterparty to whom funds have been advanced. Financial instruments, which potentially subject the Group to credit risk principally, consist of bank balances, finance receivables, accounts receivable and interest rate swaps.

The board, audit and risk committees have the responsibility to oversee all aspects of credit risk assessment and management, and delegates authority to perform lending within approved lending policies and guidelines.

To control the level of credit risk taken each customer's credit risk is individually evaluated on a case by case basis and the amount of collateral taken on the provision of financial facility is based on management's credit evaluation of the customer. The collateral taken varies and as at reporting date was primarily in the form of motor vehicles and/or household chattels. Loan agreements provide that if an event of default occurs, collateral can be repossessed. The repossessed collateral is either held until overdue payments have been received or sold in the secondary market. An asset quality committee operates and overdue loans are assessed and reviewed on a regular basis by this body.

To facilitate effective management of arrears accounts, loan receivables are grouped on the number of days in arrears and number of days without making a payment. All overdue accounts are managed by the collections team who have responsibility for securing the Group's position. Collection processes includes telephone contact, standard arrears letters, and if the arrears position deteriorates an escalation through the legal process.

The Group performs credit evaluations on all customers requiring advances. The Group requires collateral or other security to support financial instruments with credit risk. The Group operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body.

The Group's credit risk to cash and cash equivalents represents the potential cost to the Group if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group only banks with registered banks.

The Group's credit risk to interest rate swaps represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group only enters into interest rate swaps with its bank facility provider.

i) Concentrations of credit risk

The Group lending consists of consumer lending (including personal loans) and commercial lending spread across a large number of borrowers in New Zealand. As such there is no material concentration of credit risk to individual borrowers. All finance receivables net of provisions are considered to be fully recoverable.

ii) Concentration of credit risk by 'sector' and by 'sector and then asset category

Finance receivables consist of secured and unsecured business loans and secured and unsecured personal loans. The security on business loans is generally the assets being purchased, typically equipment. The security on personal loans is generally the assets being purchased, typically motor vehicles or chattels. It is impractical to determine the current fair value of the collateral held due to the large number of loans, average size, term to maturity, wide variety and condition of each collateral item.

Concentration of credit risk by sector	Note	2019 $000's	2018 $000's
Personal Loans			
Gross finance receivables		98,072	92,513
Provision for credit impairment		(17,110)	(24,396)
		80,962	68,117
Business loans			
Gross finance receivables		683	1,247
Provision for credit impairment		(683)	(1,247)
		-	-
Gross finance receivables after provision for credit impairment		80,962	68,117
Less:			
Unearned interest		18	61
Deferred fee revenue and expenses		3	392
Net finance receivables		80,941	67,664
Less			
Impact of adopting NZ IFRS 9	(44)	0	(1,687)
Net finance receivables after adjustment		80,941	65,977

34. Management of financial, insurance and capital risk (continued)

Concentration of credit risk exposure by security	2019 $000's	2018 $000's
Personal loans		
Secured	81,489	73,662
Unsecured	16,583	18,851
Total personal loan receivables	98,072	92,513
Business loans		
Secured	683	1,247
Unsecured	-	-
Total business loan receivables	683	1,247

The above amounts are gross of any allowances for impairment. Security is primarily in the form of vehicles and/or household chattels.

Concentration of credit risk by sector and then asset category

31 March 2019	Current $000's	<30 $000's	31-60 $000's	61-90 $000's	91-120 $000's	>120 $000's	Total $000's
Personal loans							
Gross finance receivables after provision for credit impairment	66,824	9,229	643	122	222	3,923	80,962
Business loans							
Gross finance receivables after provision for credit impairment	-	-	-	-	-	-	-
Total gross finance receivables after provision for credit impairment	66,824	9,229	643	122	222	3,923	80,962

1 April 2018 (Restated)	Current $000's	<30 $000's	31-60 $000's	61-90 $000's	91-120 $000's	>120 $000's	Total $000's
Personal loans							
Gross finance receivables after provision for credit impairment	48,451	11,740	1,643	485	224	3,888	66,430
Business loans							
Gross finance receivables after provision for credit impairment	-	-	-	-	-	-	-
Total gross finance receivables after provision for credit impairment	48,451	11,740	1,643	485	224	3,888	66,430

iii) Maximum credit risk

The maximum exposures are net of any provisions for losses on the financial instruments:

	2019 $000's	2018 $000's
Cash and cash equivalents	18,253	14,473
Finance receivables	98,755	93,760
Financial assets designated at fair value	352	423
Prepayments & receivables	3,991	4,143

Prepayments & receivables are aged in note 34 (b) as other receivables. They are considered current unless otherwise stated.

The Group has no off balance sheet credit exposures.

iv) Ageing analysis of loan receivables

		Days past due					
2019	**TOTAL**	Current	<30	31-60	61-90	91-120	>120
Expected credit loss rate		1.39%	1.70%	60.29%	74.66%	62.48%	79.24%
Gross Finance Receivables	**98,755**	67,762	9,390	1,620	486	595	18,903
Provision for Credit Impairment	**17,793**	943	160	977	363	372	14,979
Net Finance Receivables	**80,962**	**66,819**	**9,230**	**644**	**123**	**223**	**3,924**

34. Management of financial, insurance and capital risk (continued)

	Days past due						
1 April 2018 (Restated)	**TOTAL**	Current	<30	31-60	61-90	91-120	>120
Expected credit loss rate		1.92%	1.83%	22.90%	36.45%	39.77%	86.48%
Gross Finance Receivables	**93,760**	49,342	11,951	2,131	764	371	29,201
Provision for Credit Impairment	**27,330**	945	218	488	278	148	25,252
Net Finance Receivables	**66,430**	**48,397**	**11,733**	**1,643**	**486**	**223**	**3,949**

b) Interest rate risk and liquidity risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank facility and other borrowing debt obligations and the Group's finance receivables.

The expected maturity periods and effective interest rates of debt securities are set out in the liquidity gap and interest rate sensitivity analysis. The interest rates are fixed depending on the term and value of the professional investor loans.

Interest rates are managed by assessing the demand for funds, new lending, expected debt repayments and maintaining an adequate portfolio of financial assets and liabilities with a sufficient spread between interest rates on the Group's lending and borrowing. Rates are fixed for lending over the term of the contract. The Group's bank facilities have a floating interest rate. To protect the Group from interest rate volatility on this facility the Group enter into interest rate swaps to hedge at least 40% of the interest rate risk. The Group agreed with other parties to exchange, at specified intervals (monthly), the difference between floating contract rates and fixed rate interest amounts calculated by reference to the agreed notional principal amounts. The Group has not entered into any other derivative transactions.

Changes to interest rates can impact on the Group's financial results by affecting the spread earned on the interest-earning assets and the cost of interest-bearing liabilities.

Interest rate risk is measured by the Executive Directors when establishing fixed rates of interest for issues of debt securities. When approving interest rates for individual loan advances, interest rate risk is either measured by the Executive Directors in accordance with the approved lending policy or by management in accordance with the approved lending policy. The Executive Directors monitor exposure to interest rates on a monthly basis.

Interest rates on advances are normally fixed for the life of the advances.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty to raise funds on short notice to support the subordinated requirement to sustain securitisation facility growth. The Group monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. The key factors in managing liquidity are the timing of the payments of interest and principal on funding and the timing of receipts of interest and principal on finance receivables. The Group has also reduced its liquidity risk through:

- securing the securitisation facility;
- securing a bank facility with Kiwi Bank;
- sourcing debt from professional investors;
- actively searching for alternative funding sources; and
- managing its operations to operate within available resources.

i) Liquidity gap

The following maturity analysis of financial assets and financial liabilities is based on the remaining period to contractual maturity. Managements' expected maturities of the financial assets and financial liabilities are in line with the contractual maturities unless otherwise noted below.

The Group monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. If necessary the Group will build up cash reserves to meet longer term liabilities.

31 March 2019

$'000's

Financial assets	Carrying amount	Gross nominal inflow/ (outflow)	0-6 months	7-12 months	13-24 months	25-60 months
Cash and cash equivalents	18,253	18,253	18,253	-	-	-
Financial assets at FVTPL	352	352	57	53	96	147
Finance receivables	80,941	90,696	20,959	17,581	27,331	24,826
Financial assets at FVTOCI	3,619	3,619	-	3,619	-	-
Other receivables	3,991	3,991	3,953	38	-	-
Total finance assets	107,156	116,911	43,222	21,290	27,426	24,973

34. Management of financial, insurance and capital risk (continued)

31 March 2019

$'000's	Carrying amount	Gross nominal inflow/ (outflow)	0-6 months	7-12 months	13-24 months	25-60 months
Financial liabilities						
Bank facilities **	(59,691)	(60,030)	(13,610)	(10,416)	(20,575)	(15,429)
Professional investor scheme	(13,318)	(15,655)	(437)	(7,435)	(3,300)	(4,483)
Other payables	(320)	(320)	(320)	-	-	-
Total financial liabilities	(73,329)	(76,005)	(14,367)	(17,851)	(23,875)	(19,912)
Derivative gross outflow	(285)	(285)	(73)	(63)	(90)	(58)
Net liquidity gap	33,542	40,621	28,782	3,376	3,461	5,002

* The realisation of these cashflows is not contractual and is based on management's expectation.
** Management's expectations are that the facilities would be extended (Refer note 18 & 31) otherwise the amounts presented in '25-60 months' would appear in '13-24 months'.

31 March 2018
$'000's

Financial assets	Carrying amount	Gross nominal inflow/ (outflow)	0-6 months	7-12 months	13-24 months	25-60 months
Cash and cash equivalents	14,473	14,473	14,473	0	0	0
Financial assets at FVTPL	423	698	119	107	189	283
Finance receivables	67,664	101,198	22,355	17,579	29,690	31,574
Financial assets at FVTOCI	3,390	3,390	0	3,390	0	0
Other receivables	4,143	4,172	4,145	27	0	0
Total finance assets	90,093	123,931	41,092	21,103	29,879	31,857

Financial liabilities	Carrying amount	Gross nominal inflow/ (outflow)	0-6 months	7-12 months	13-24 months	25-60 months
Bank facilities **	(51,971)	(54,797)	(862)	(705)	(819)	(52,411)
Professional investor scheme	(7,950)	(8,492)	(5,083)	(124)	(3,285)	-
Other payables	(426)	(426)	(426)	-	-	-
Total financial liabilities	(60,347)	(63,715)	(6,371)	(829)	(4,104)	(52,411)
Derivative gross outflow	(53)	(53)	(31)	(13)	(8)	(1)
Net liquidity gap	29,693	60,163	34,690	20,261	25,767	(20,555)

* The realisation of these cashflows is not contractual and is based on management's expectation.
** Management's expectations are that the facilities would be extended (Refer note 18 & 31) otherwise the amounts presented in '25-60 months' would appear in '13-24 months'.

ii) Interest rate reset analysis

The following tables include the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Interest rates on finance receivables and debentures are fixed for their term at the time they were issued.

31 March 2019
$'000's

Financial assets	Effective Interest Rate %	0-6 Months	7-12 Months	13-24 Months	25-60 Months	Total
Cash and cash equivalents	0.00 - 1.25	18,253	-	-	-	18,253
Financial assets at fair value	27.50	57	53	96	147	352
Finance receivables	6.35 - 37	18,705	15,690	24,391	22,156	80,941
Total interest bearing finance assets		37,014	15,743	24,487	22,303	99,547
Financial liabilities						
Bank facilities	3.61 - 7.05	(1,768)	-	-	(57,923)	(59,691)
Other borrowings	8 - 9.25	-	(7,168)	(2,450)	(3,700)	(13,318)
Total interest bearing financial liabilities		(1,768)	(7,168)	(2,450)	(61,623)	(73,009)
Effect of derivatives held for risk management	2.16 - 4.37	(73)	(63)	(90)	(58)	(285)
Total		35,174	8,512	21,946	(39,379)	26,253

34. Management of financial, insurance and capital risk (continued)

31 March 2018 $'000's **Financial assets**	Effective Interest Rate %	0-6 Months	7-12 Months	13-24 Months	25-60 Months	Total
Cash and cash equivalents	0.00 - 1.50	14,473	-	-	-	14,473
Financial assets at fair value	27.50	72	65	114	172	423
Finance receivables	20.51	14,947	11,754	19,852	21,111	67,664
Total interest bearing finance assets		29,492	11,819	19,966	21,283	82,560
Financial liabilities						
Bank facilities	3.64 - 7.25	(1,327)	-	-	(50,404)	(51,731)
Professional investor scheme	8.00 - 9.00	(4,850)	-	(3,100)	-	(7,950)
Total interest bearing financial liabilities		(6,177)	-	(3,100)	(50,404)	(59,681)
Effect of derivatives held for risk management	2.17 - 4.37	(31)	(13)	(8)	(1)	(53)
Total		23,284	11,806	16,858	(29,122)	22,826

iii) Interest rate sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and financial liabilities to interest rate risk. The analysis shows the annualised impact on the profit before tax and equity of a reasonably possible movement of +/- 0.5% movement in interest rates. The equity impact takes into the account tax effect of the profit impacts. The tax effect is $Nil for the year ended 31 March 2019 (2018: $Nil) due to the fact that the Group has sufficient accumulated tax losses available for utilisation against future taxable income (provided the Group generates sufficient assessable income, and the statutory requirement for shareholder continuity being met, also refer note 24).

31 March 2019		Interest rate risk				
Financial assets	Note	Carrying Amount $'000	-0.5% Profit $'000	-0.5% Equity $'000	+0.5% Profit $'000	+0.5% Equity $'000
Cash and cash equivalents	(14)	18,253	(91)	(91)	91	91
Financial assets at fair value	(23)	352	(2)	(2)	2	2
Finance receivables	(16)	80,941	(405)	(405)	405	405
Financial liabilities						
Bank facilities	(30)	(59,691)	298	298	(298)	(298)
Other borrowings	(31)	(13,318)	67	67	(67)	(67)
Derivative financial instruments	(29)	(285)	1	1	(1)	(1)
Total increase/(decrease)			(132)	(132)	132	132

31 March 2018			Interest rate risk			
Financial assets	Note	Carrying Amount $'000	-0.5% Profit $'000	-0.5% Equity $'000	+0.5% Profit $'000	+0.5% Equity $'000
Cash and cash equivalents	(14)	14,473	(72)	(72)	72	72
Financial assets at fair value	(23)	423	(2)	(2)	2	2
Finance receivables	(16)	67,664	(338)	(338)	338	338
Financial liabilities						
Bank facilities	(30)	(51,971)	260	260	(260)	(260)
Other borrowings	(31)	(7,950)	40	40	(40)	(40)
Derivative financial instruments	(29)	(53)	-	-	-	-
Total increase/(decrease)			(112)	(112)	112	112

c) Fair value financial assets and liabilities

i) Fair values

The carrying value of all financial assets and liabilities not measured at fair value approximates their fair values as they are either short term in nature, rate insensitive and subject to impairment.

34. Management of financial, insurance and capital risk (continued)

ii) Fair value hierarchy

NZ IFRS 13 specifies a hierarchy of valuation measurements based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, New Zealand Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq, S&P 500).
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of over the counter derivative contracts, traded loans and issued structured debt. The sources of input parameters for yield curves or counterparty credit risk are Bloomberg or Reuters.
- Level 3 - Inputs for assets and liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

iii) Assets and liabilities measured at fair value

31 March 2019	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTOCI	(15)	-	-	3,619	3,619
Financial assets at FVTPL					
Purchased debt	(23)	-	-	352	352
Total Assets		-	-	3,971	3,971
Derivative financial instruments	(29)	-	(285)	-	(285)
Total liabilities		-	(285)	-	(285)

31 March 2018	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTOCI	(15)	-	-	3,390	3,390
Financial assets at FVTPL					
Purchased debt	(23)	-	-	423	423
Total assets		-	-	3,813	3,813
Derivative financial instruments	(29)	-	(53)	-	(53)
Total liabilities		-	(53)	-	(53)

Refer to the notes annotated above for more detail on the valuation methodology for each fair value instrument.

iv) Reconciliation of level 3 items

31 March 2019	Purchased Debt $'000	Financial Assets at FVTOCI $'000	Total $'000
Purchased debt and financial assets at FVTOCI			
At 1 April 2018	423	3,390	3,813
Profits - purchased debt	194	-	194
Increase in fair value in financial assets at FVTOCI	-	229	229
Receipts - purchased debt	(265)	-	(265)
Transfers in/(out) of level 3	-	-	-
At 31 March 2019	352	3,619	3,971
Total gains for the period included in other revenue in the income statement for assets held at 31 March 2019			194

34. Management of financial, insurance and capital risk (continued)

31 March 2018	Purchased Debt	Financial Assets at FVTOCI	Total
	$'000	$'000	$'000
Purchased debt and financial assets at FVTOCI			
At 1 April 2017	475	3,190	3,665
Profits - purchased debt	404	-	404
Increase in fair value in financial assets at FVTOCI	-	200	200
Receipts - purchased debt	(456)	-	(456)
Transfers in/(out) of level 3	-	-	-
At 31 March 2018	423	3,390	3,813

Total gains for the period included in other revenue in the income statement for assets held at 31 March 2018	404

d) Foreign exchange risk

Foreign exchange risk is the risk that the Group may suffer a loss though adverse movement in the exchange rate. The Group has no material exposure to foreign exchange risk.

e) Insurance risk

The Group assumes Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of outstanding claims provision in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payment will exceed the carrying amount of the provision established.

The Group is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. The risk attachment periods under these products are short to mid term and usually between 12 and 36 months.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by strong underwriting discipline and the implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company also uses the services of the appointed Actuary and insurance advisers and brokers to provide advice and assistance on managing insurance risk. In addition, the Company maintains a detailed analysis of historical claims and a detailed knowledge of the current developments in the specific market that the Group operates in. The Group has also maintained a significant reserve of liquid assets to better.

The primary objective in managing insurance risk is to enhance the financial performance of the Group, to reduce the magnitude and volatility of claims and to ensure funds are available to pay claims and maintain the solvency of the business if there is a negative deviation from historical performance.

Initial claims determination is managed by the Group 's claims department with the assistance of the Group's loss adjuster and claims manager. It is the Group’s policy to respond to and settle all genuine claims in a timely manner
and to pay claims fairly, based on policyholders’ full entitlements. Claims provisions are established using valuation models and include a risk margin for uncertainty, refer to note 5.

To further reduce the risk exposure of the Group there are strict claim review policies in place to assess all new and ongoing claims and processes to review claims handling procedures regularly. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

Policies, processes and methods for managing insurance risk are as follows:

- the use of reinsurance policies to limit the Group's exposure;
- pricing of policy premiums to ensure alignment with the underlying risk; and
- regular monitoring of the financial results to ensure the adequacy of policies.

The financial results of the Group are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims liability and the liability adequacy test directly affect the level of estimated claims incurred.

The scope of insurance risk is managed by the terms and conditions of the policies. The level of benefits specified is the key determinant of the amount of future claims although the exact level of claims is uncertain.

34. Management of financial, insurance and capital risk (continued)

f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for investors and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The components of Capital that are managed by the Group are share capital, retained earnings and other reserves.

Being in the finance sector the Group assesses the sufficiency of capital to remain a going concern against the risk expected or unexpected losses arising from lending and insurance operations on a regular basis. In order to maintain or adjust the required capital structure the Group may issue new shares or sell assets to reduce debt.

Group company Quest Insurance Group Limited has a minimum solvency requirement of greater than zero (2018: Greater than zero). Effective 31 March 2018 Quest Insurance Group Limited also have a minimum qualifying capital of $5.0m. The Group has complied with these externally imposed capital requirement during the period.

There are no other externally imposed capital requirements that the Group is required to adhere to.

35. Trade and other receivables, prepayments and accounts payables, accruals and employee benefits

		2019 $000's	2018 $000's
Trade and other receivables and prepayment			
Collections		562	5
Insurance		2,831	1,784
Other receivables		186	374
Prepayments		413	480
Prepaid deposit for investment	(i)	-	1,500
		3,991	4,143

The Group recognises lifetime credit loss for trade receivables. Due to the nature of the Group's trade and other receivables, the expected credit loss rate is 0%.

(i) In the prior year, the prepaid deposit for investments relates to a deposit for the acquisition of the invoice-factoring business, acquired from Heartland Bank which settled on 1 April 2018 (refer to note 21).

Fair value and credit risk

The carrying value of these receivables is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets in other receivables. There is no concentration of credit risk to any individual customers or sectors.

	2019	2018
Accounts Payables and accruals		
Accounts Payable	772	428
Accruals	1,198	1,027
Other Payables	1,275	756
	3,245	2,211
Employee entitlements		
Salaries and Wages	71	61
Annual leave	177	170
Long service leave	73	82
	320	313
(i) Reconciliation of annual leave		
Opening Balance	170	161
Movement	7	9
Closing Balance	177	170
(ii) Reconciliation of long service leave		
Opening Balance	82	60
Movement	(9)	22
Closing Balance	73	82

36. Reconciliation of profit or loss after taxation with cash flow from operating activities

	Note	2019 $000's	2018 $000's
Net profit / (loss) after taxation		4,394	6,123
Add/(Less) Non-cash adjustments			
Depreciation	(26)	73	43
Amortisation	(25)	334	213
Share option expense		-	-
Profit on sale of fixed assets and fixed asset written off		9	-
Movement in finance receivables provision		4,796	462
Bad debts		1	2
Other impairment provisions		-	-
Net movement on financial assets at fair value		71	52
Deferred taxation		1,040	(1,599)
Discount on insurance contract acquisition		(10)	(2)
Gain on bank facility settlement		-	-
Increase / (Decrease) in fair value of swap		-	-
Capitalised transaction costs		-	-
Add/(Less) Movements in other working capital items			
(Increase) / decrease in finance receivables		(17,275)	(2,619)
(Increase) / decrease in other receivables and prepayments		152	(3,893)
(Increase) / decrease in tax receivable		(1)	-
Increase / (Decrease) in trade and other payables		(649)	(695)
(Increase) / Decrease in insurance policyholder liability		3,638	4,545
Increase / (Decrease) in deferred revenue and expenses		(1,309)	(1,526)
Net cash inflow from operating activities		(4,735)	1,106

37. Reconciliation of liabilities arising from financing activities

Summary as at 31 March 2019

			Non-cash changes					
	Opening balance	Financing Cash Flows	Acquisition of subsidiary	Disposal of subsidiary	Fair value adjustments	New Finance Leases	Other changes	Closing Balance
Derivate financial instruments	53	-	-	-	232	-	-	285
Bank facilities	51,973	7,718	-	-	-	-	-	59,691
Other Borrowing advances	7,950	5,368	-	-	-	-	-	13,318
Issue of new shares	51,285	1,494	-	-	-	-	-	52,779
Dividends paid to Company shareholders	-	(2,496)	-	-	-	-	-	(2,496)
	111,261	12,083	-	-	232	-	-	123,576

Summary as at 31 March 2018

			Non-cash changes					
	Opening balance	Financing Cash Flows	Acquisition of subsidiary	Disposal of subsidiary	Fair value adjustments	New Finance Leases	Other changes	Closing Balance
Derivate financial instruments	149	-	-	-	(96)	-	-	53
Bank facilities	46,127	5,846	-	-	-	-	-	51,973
Other Borrowing advances	7,950	-	-	-	-	-	-	7,950
Dividends paid to Company shareholders	-	(2,113)	-	-	-	-	-	(2,113)
	54,226	3,733	-	-	(96)	-	-	57,863

38. Current and term aggregates

	2019	2018
	$000's	$000's
Aggregate current assets	60,379	48,855
Aggregate term assets	57,364	50,466
Aggregate current liabilities	13,400	9,564
Aggregate term liabilities	74,752	60,589

39. Segment analysis

a) By operating segment

The Group's reportable operating segments are as follows:

- Corporate: The operations of this segment include the raising of debt and the advancing loans to other operating segments within the Group.
- New Business: The operations of this segment include the lending of money to individuals, companies and other entities and have a wholesale funding arrangement with Westpac New Zealand Limited (Westpac) under which it securitised loan receivables.
- Insurance: The operations of this segment include the issuing of temporary insurance contracts covering death, disablement and redundancy risks and short term motor vehicle contracts covering comprehensive, third party, mechanical breakdown risk and guaranteed asset protection.
- Old Business: The operations of this segment include the collection and management of money lent to individuals, companies and other entities originally originated by the Group and external debt collection.
- Invoice Factoring: This segments was purchased on 1 April 2018. The operations of this segments include providing debtor finance to companies and collection and management of trade receivables factored.
- Overseas: This segment was acquired on 1 April 2018. The operation of this segments include lending, collection and management of money to individuals, companies and other entities originally originated in Tonga.

Each Group operating segment is operated as a discrete business unit and transactions between segments are on normal commercial terms and conditions. The eliminations arise from transactions between the Group segments and are predominantly interest, commission/brokerage, marketing subsidy and debt collection charges.

None of the Group's operating segments place any reliance on a single major customer amounting to 10% or more of the applicable segments revenue.

39. Segment analysis (continued)

Group summary revenues and results for the year 31 March 2019

$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
External revenues	5	13,978	7,720	2,123	1,368	1,835	-	27,029
Revenue - other segments	1,592	1,078	279	217	-	-	(3,165)	-
Total	1,597	15,056	7,999	2,340	1,368	1,835	(3,165)	27,029
Segment profit/(loss)	(2,604)	5,609	1,308	406	(615)	508	168	4,781
Taxation expense	(726)	-	-	-	-	-	-	(726)
Non controlling interest profit	-	-	-	-	-	339	-	339
Net profit/(loss) after taxation	(3,330)	5,609	1,308	406	(615)	847	168	4,394
Interest income	1,765	13,483	411	291	954	1,294	(3,333)	14,865
Interest expense	2,434	3,945	-	245	920	21	(3,333)	4,232
Depreciation	-	39	12	2	1	20	-	73
Amortisation	-	201	30	89	14	-	-	334
Other material non-cash items:								
Impaired assets expense	168	2,124	-	(740)	-	313	(168)	1,697

Group summary assets and liabilities as at 31 March 2019

$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
Segment assets								
Total assets	30,525	82,808	22,390	10,894	8,944	3,312	(41,131)	117,743
Additions / (Deletions) to non current assets	(3)	219	79	-	659	105	-	1,060
Segment liabilities								
Total liabilities	22,192	65,096	11,571	4,488	9,559	661	(25,413)	88,154

Group summary revenues and results for the year 31 March 2018

$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
External revenues	5	13,277	4,435	1,275	-	-	-	18,992
Revenue - other segments	1,560	587	299	229	-	-	(2,675)	-
Total	1,565	13,864	4,734	1,504	-	-	(2,675)	18,992
Segment profit/(loss)	(1,913)	5,493	855	612	(27)	-	(495)	4,524
Taxation benefit	1,591	-	-	8	-	-	-	1,599
Net profit/(loss) after taxation	(322)	5,493	855	620	(27)	-	(495)	6,123
Interest income	1,070	12,707	377	268	-	-	(2,180)	12,242
Interest expense	1,565	3,951	-	248	-	-	(2,180)	3,584
Depreciation	-	31	11	1	-	-	-	43
Amortisation	-	176	7	30	-	-	-	213
Other material non-cash items:								
Impaired assets expense	(495)	1,392	-	(1,029)	-	-	495	363

Group summary assets and liabilities as at 31 March 2018

$'000	Corporate	New Business	Insurance	Old Business	Invoice Factoring	Overseas	Eliminations	Group
Segment assets								
Total assets	40,364	81,900	17,621	10,505	-	-	(51,069)	99,321
Additions / (Deletions) to non current assets	28	167	85	18	-	-	-	298
Segment liabilities								
Total liabilities	33,017	63,291	8,339	4,320	-	-	(38,814)	70,153

39. Segment analysis (continued)

b) By geographical segment
The Group operated predominantly in New Zealand and Tonga. $25.1m revenue are derived from New Zealand (2018: all from New Zealand) and $1.8m revenue from Tonga(2018: Nil).

40. Operating lease commitments

The Group is committed under operating leases as follows:	2019 $000's	2018 $000's
Premises		
Less than 1 Year	336	332
1 - 2 Years	338	306
3 - 5 Years	675	906
5+ Years	-	-
	1,349	1,544
Equipment		
Less than 1 Year	22	24
1 - 2 Years	16	11
3 - 5 Years	11	4
	49	39

Operating lease commitments represents the future rentals payable for premises and equipment under current lease agreements.

41. Credit ratings

Credit rating agency AM Best confirmed Quest Insurance Group Limited's on 16 March 2018 with a Financial Strength rating of B and an Issuer Credit rating of bb. Both ratings came with a stable outlook. Subsequent to reporting date, on 11 April 2019 AM Best confirmed Quest Insurance Group Limited's credit rating with a Financial Strength rating of B and an Issuer Credit rating of bb+. Both ratings came with a stable outlook.

42. Contingent liabilities

There are no material contingent liabilities at 31 March 2019 (2018: none).

43. Subsequent events

No significant events subsequent to reporting date.

44. Change in accounting policies

This note explains the impact of the adoption of NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers on the Group's financial statements. The Group adopted NZ IFRS 9 and NZ IFRS 15, respectively, from 1 April 2018.

a) Impact of the adoption of NZ IFRS 9 Financial Instruments
NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

There is now a new expected credit losses impairment model that replaces the incurred loss impairment model used in NZ IAS 39.

For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

NZ IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The adoption of NZ IFRS 9 from 1 April 2018 had a material impact on the financial statements of the Group.

44. Change in accounting policies (continued)

The adoption of NZ IFRS 9 resulted in the following:

- *Classification and measurement of financial instruments:*
  The Group's financial instruments included only those measured at amortised cost (whose classification remains unchanged) and available for sale financial assets (which have now been classified as financial assets at fair value through comprehensive income) and therefore the classification, measurement, presentation and disclosure of the Company's financial instruments remain largely unchanged under NZ IFRS 9.

- *Impairment model change from incurred losses to expected credit losses:*
  The introduction of the expected credit losses impairment model has resulted in a change in the timing of when impairment losses are recognised.

  With regards to the Group's trade receivables, the Group's incurred credit losses from these financial assets have historically been immaterial. Consequently, the introduction of the expected credit losses impairment model did not result in a material impact on the Group's financial statements.

  With regards to the Group's finance receivables, the Group's incurred credit losses from these financial assets have historically been material. Consequently, the introduction of the expected credit losses impairment model is has resulted in a material impact on the Group's financial statements, given the Group's exposure to counterparty default resulting from its lending operations. An opening adjustment to retained earning as at 1 April 2018 was recognised upon transition (refer below).

- *Hedging arrangements*
  The Group's hedging arrangements are immaterial and remained largely unchanged under NZ IFRS 9.

The adoption of IFRS 9, also resulted in changes to the Group's accounting policies with respect to the recognition and measurement of the Group's financial assets. These new accounting policies will be set out in the 'financial instruments' accounting policy set out in note 3 (g).

b) Impact of the adoption of NZ IFRS 15 Revenue from contracts with customers

NZ IFRS 15 'Revenue from Contracts with Customers' will replace NZ IAS 18 'Revenue' and associated pronouncements.

NZ IFRS 15 provides a five‑step model to be applied to the recognition of revenue arising from contracts with customers:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

NZ IFRS 15 also introduces new disclosures for revenue.

Under NZ IFRS 15 the Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised service to a customer (which is when the customer obtains control of that service). A performance obligation may be satisfied at a point in time (e.g. upon recovery of debt) or over time (e.g. upon provision of legal investigating and tracing services or upon the administration and / or serving of loan receivables). For a performance obligation satisfied over time, the Group determines how much revenue should be recognised as the performance obligation is satisfied based on appropriate measure of progress.

The way in which the Group recognised revenue from contacts with its customers under the requirements of NZ IAS 18 'Revenue' is materially consistent with the revenue recognition requirements of NZ IFRS 15 and therefore the adoption of NZ IFRS 15 has not had material impact on the way in which the Group's recognises revenue.

Accordingly, no opening adjustment to retained earning as at 1 April 2018 was recognised upon transition. The adoption of IFRS 15 did, however, result in changes to the Group's accounting policies with respect to the recognition and measurements of revenue from contracts with customers and these are set out in note 3 (c).

44. Change in accounting policies (continued)

c) Impact on retained earning

The total impact on the Group's retained earnings as at 1 April 2018 is as shown below:

Opening retained earning as at 31 March 2018	(23,221)
Impact of adopting NZ IFRS 9 as at 1 April 2018	
Increase in the impairment provision for financial receivables	(1,687)
Increase in deferred tax assets relating to increase in the impairment provisions above	472
Total impact of adopting NZ IFRS 9 as at 1 April 2018	(1,215)
Impact of adopting NZ IFRS 15 as at 1 April 2018	-
Total impact of adopting NZ IFRS 15 as at 1 April 2018	-
Total impact of adopting NZ IFRS 9 and 15 as at 1 April 2018	(1,215)
Adjusted opening retained earnings 1 April 2018	(24,436)

d) Impact on financial statements

Impact of the adoption of NZ IFRS 9 and NZ IFRS 15 on the Statement of Financial Position as at 1 April 2018

	Note	31 March 2018 as originally presented $'000	1 April 2018 NZ IFRS 9 adjustment $'000	2 April 2018 NZ IFRS 15 adjustment $'000	1 April 2018 Restated $'000
Assets					
Cash and cash equivalents	(14)	14,473	-	-	14,473
Trade receivables and prepayments	(35)	4,143	-	-	4,143
Taxation receivable		11	-	-	11
Finance receivables	(16)	67,664	(1,687)	-	65,977
Financial assets at FVTPL	(23)	423	-	-	423
Deferred insurance contract acquisition costs	(22)	2,733	-	-	2,733
Deferred taxation	(24)	4,565	472	-	5,037
Financial assets at FVTOCI	(15)	3,390	-	-	3,390
Plant and equipment	(26)	128	-	-	128
Intangible assets	(25)	1,791	-	-	1,791
Total assets		99,321	(1,215)	-	98,106
Liabilities					
Trade payable and accruals	(35)	2,211	-	-	2,211
Outstanding claims liability	(27)	570	-	-	570
Employee entitlements	(35)	313	-	-	313
Unearned premium liability	(28)	7,085	-	-	7,085
Derivative financial instruments	(29)	53	-	-	53
Bank facilities	(30)	51,971	-	-	51,971
Other borrowings	(31)	7,950	-	-	7,950
Total liabilities		70,153	-	-	70,153
Equity					
Share capital	(32)	51,287	-	-	51,287
Reserves	(32)	1,103	-	-	1,103
Retained earnings		(23,221)	(1,215)	-	(24,436)
Non-controlling interest	(20)	-	-	-	-
Total equity		29,168	(1,215)	-	27,953
Total equity and liabilities		99,321	(1,215)	-	98,106

44. Change in accounting policies (continued)

Presentation of the Statement of Comprehensive Income for the year ended 31 March 2019 as if NZ IFRS 9 and NZ IFRS 15 has not been adopted

	Note	31 March 2019 reported with adopting NZ IFRS 9 & 15	Year Ended 31 March 2019 NZ IFRS 9 Adjustment	Year Ended 31 March 2019 NZ IFRS 15 Adjustment	31 March 2019 Amounts without adopting NZ IFRS 9 & 15
Interest income	(6)	14,865	-	-	14,865
Interest expense	(7)	4,232	-	-	4,232
Net interest income		10,633	-	-	10,633
Net premium revenue	(8)	7,384	-	-	7,384
Net claims expense	(9)	(3,244)	-	-	(3,244)
Underwriting profit		4,140	-	-	4,140
Other revenue	(10)	4,964	-	-	4,964
Operating revenue (net of interest expense and claim expense)		19,738	-	-	19,738
Operating expenses	(11)	(12,606)		-	(12,606)
Operating profit		7,132	-	-	7,132
Impaired asset expense	(12)	(1,697)	1,687	-	(10)
Net profit before taxation		5,435	1,687	-	7,122
Taxation (expense)/benefit	(13)	(1,040)	(472)	-	(1,512)
Net profit after taxation		4,395	1,215	-	5,610
Attributable to					
Group		4,055	1,215	-	5,270
Non-controlling interest	(20)	339	-	-	339
		4,394	1,215	-	5,609
Profit per share					
Basic profit per share (cents)	(33)	5.69			7.87
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Movement in fair value of available for sale equity securities	(15)	229	-	-	229
Cash flow hedge, net of tax	(29)	(232)	-	-	(232)
Other comprehensive income, net of tax		(3)	-	-	(3)
Total comprehensive income		4,391	1,215	-	5,606
Attributable to					
Group		4,052	1,215	-	5,267
Non-controlling interest	(20)	339	-	-	339
		4,391	1,215	-	5,606

44. Change in accounting policies (continued)

Presentation of the Statement of Financial Position as at 31 March 2019 as if NZ IFRS 9 and NZ IFRS 15 has not been adopted

	Note	31 March 2019 reported with adopting NZ IFRS 9 & 15	Year Ended 31 March 2019 NZ IFRS 9 Adjustment	Year Ended 31 March 2019 NZ IFRS 15 Adjustment	31 March 2019 Amounts without adopting NZ IFRS 9 & 15
Assets					
Cash and cash equivalents	(14)	18,253	-	-	18,253
Trade receivables and prepayments	(35)	3,991	-	-	3,991
Taxation receivable		13	-	-	13
Finance receivables	(16)	80,941	1,687	-	82,629
Financial assets at fair value through profit or loss	(23)	352	-	-	352
Deferred insurance contract acquisition costs	(22)	3,652	-	-	3,652
Deferred taxation	(24)	4,311	(472)	-	3,838
Financial assets at fair value through other comprehensive income	(15)	3,619	-	-	3,619
Plant and equipment	(26)	238	-	-	238
Intangible assets	(25)	2,373	-	-	2,373
Total assets		117,743	1,215	-	118,958
Liabilities					
Accounts payable and accruals	(35)	3,245	-	-	3,245
Outstanding claims liability	(27)	833	-	-	833
Employee entitlements	(35)	320	-	-	320
Unearned premium liability	(28)	10,460	-	-	10,460
Derivative financial instruments	(29)	285	-	-	285
Bank facilities	(30)	59,691	-	-	59,691
Other borrowings	(31)	13,318	-	-	13,318
Total liabilities		88,152	-	-	88,152
Equity					
Share capital	(32)	52,779	-	-	52,779
Reserves	(32)	(1,372)	-	-	(1,372)
Retained earnings		(22,877)	1,215	-	(21,662)
Non-controlling interest	(20)	1,061	-	-	1,061
Total equity		29,591	1,215	-	30,806
Total equity and liabilities		117,743	1,215	-	118,958

SHAREHOLDER AND STATUTORY INFORMATION

Stock exchange listing

The Company's ordinary shares are listed on the New Zealand Alternative Stock Exchange.

Registered principal security holders at 16 July 2019

Rank	Name	Units	% of issued capital
1	Federal Pacific Group Nominees Limited	44,899,708	61.56%
2	Peter Edward Francis & Deborah Anne Francis & Nigel Geoffrey Ledgard Burton	2,432,933	3.34%
3	FNZ Custodians Limited	2,107,765	2.89%
4	David Gerard O`Connell & Vivienne Ellen O`Connell & Liston Trustee Services Ltd	1,146,141	1.57%
5	Robin King & Lynn King	1,126,005	1.54%
6	David W Smale & E M Smale <D W & E M Smale Partnership	978,392	1.25%
7	Brookes Lands Limited	901,399	1.24%
8	Ronald Robin King & Lynn Barbara King <Robin & Lynn King Family Trust	811,201	1.11%
9	Cardrona Capital Limited	677,852	0.93%
10	Jack Wakelin & Margo Wakelin	525,359	0.72%
11	Clinton Garwin Hartley & Jillian Leah Hartley & Aswan Hartley Trustees Limited	500,000	0.69%
12	Fergley Trustee Limited	414,955	0.57%
13	Suvira Rani Gupta	376,769	0.52%
14	John G Webber Limited	340,000	0.47%
15	Alexander J Isaac & Pamela A Isaac & Lancelot G Parker	300,206	0.41%
16	Albert Boy & Lizel Boy	285,715	0.39%
17	Phil Eketone	285,715	0.39%
18	Fulong Liu	284,211	0.39%
19	Hoon Choo Merlyn Yin	268,572	0.37%
20	Ivan Dyer & Diane Dyer	247,670	0.34%

Spread of security holders at 16 July 2019

Range	Number of shareholders	Units	% of issued capital
1 - 1,000	562	306,904	0.42%
1,001 - 5,000	625	1,406,719	1.93%
5,001 - 10,000	175	1,208,624	1.66%
10,001 - 50,000	161	3,517,586	4.82%
50,001 - 100,000	33	2,367,234	3.25%
100,001 and Over	51	64,128,208	87.92%
TOTAL	**1,607**	**72,935,275**	**100.00%**

Country	Number of Shareholders	%	Units	% of issued capital
New Zealand	1,549	96.4%	72,426,689	99.3%
Australia	31	1.9%	153,997	0.2%
United Kingdom	10	0.6%	104,488	0.1%
Other	17	1.1%	250,101	0.3%
	1,607	**100.0%**	**72,935,275**	**100.0%**

SHAREHOLDER AND STATUTORY INFORMATION

Substantial security holders

Pursuant to Section 35F of the Securities Market Amendment Act 2006, the substantial security holders as at 16 July 2019 were as follows:

	Number of Shares	%
Federal Pacific Group Nominees Limited	44,899,708	61.56%

The total number of voting securities of the company on issues on 16 July 2019 was 72,935,275 paid ordinary shares.

Statement of Directors security holdings

As at 31 March 2019 directors held the following securities in the Company:

	Units
R R King	1,937,206
D G O'Connell	1,146,141
D W Smale	978,392

Share transactions disclosed to the board and entered into the Company's Interest Register for the year ended 31 March 2019 were:

	Date of Transaction	Shares Acquired / (Disposed)	Consideration Paid / (Received) $	Nature of relevant interest
R R King	21/09/2018	12,080	7,248	Beneficial Owner

Share transactions and holdings

The share transactions effected by directors as noted above have been recorded in the Interest Register.

Directors' remuneration and other benefits

The names of Directors of the Company during the year ended 31 March 2019 and the details of the remuneration and other benefits received for their services to the Company for the period ended on that date are:

	Fees $'000	Salary $'000	Bonus $'000	Other $'000	Total $'000
D S Smale	60	-	-	2	62
R R King	41	-	-	2	43
A L M Hutchison	41	-	-	-	41
D G O'Connell	-	507	129	-	636
	143	507	129	4	783

Entries recorded in the interests register

Loans

The following director has been granted a loan. The loan carried an interest rate of 8% up to the 30 September 2007, from 1 October 2007 the loan is interest free. The loans was advanced to purchase shares in Financial Investment Holdings Limited. This loan was fully provided for at 31 March 2019.

	Original loan $'000	$'000
D G O'Connell		
THL No 2 Limited	274	274

SHAREHOLDER AND STATUTORY INFORMATION

Other directorships

The following represents the interests of directors in other companies as disclosed to the Company and entered into the Interest Register:

David Smale

DWEM Limited

Robin King

CQ Hotels Wellington Limited
Energy Assets Limited
Athena Debt Management Limited
Advance Loans Limited

David O'Connell

The Warrington Group Limited
WGL - Mitchelson St Limited
Haast Trustee Services Limited
Haast Investment Limited
Anglesea Medical Properties Limited
Architectural Interiors Construction Limited

Alan Hutchison

Fexco (NZ) Limited
Federal Pacific Group Limited
Federal Pacific Group Nominees Limited

Employees' remuneration

The number of employees or former employees of the Group, not being directors of Geneva Finance Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded $100,000 for the year ended 31 March 2019, is set out below:

Remuneration range	No. of employees
Geneva Finance Limited	
$170,001 - $180,000	1
$180,001 - $190,000	1
$190,001 - $200,000	1
$240,001 - $250,000	1
$250,001 - $260,000	1

CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

Corporate directory

Directors

David W Smale (*Chairman*)
Appointed 12 November 2008

Ronald R King (*Non- executive director*)
Appointed 13 June 2008

Alan Leighton Maiai Hutchison (Non-executive director)
Appointed 20 November 2013

David G O'Connell (*Executive director*)
Appointed 19 June 2007

Registered office and address for service

6B Pacific Rise, Mt Wellington
PO Box 14923, Panmure, Auckland
Telephone: 0800 800 133
Facsimile: (09) 573 5597
Email: investments@genevafinance.co.nz
Web: www.genevafinance.co.nz

Auditor
Baker Tilley Staples Rodway

Bankers
ANZ National Bank Limited
Westpac NZ Limited
Kiwi Bank Limited

Solicitor
Dermot Ross

Shareholder information

Company publications

Financial calendar

Half year results announced	December
Half year report	December
End of financial year	31 March
Annual results announced	June
Annual report	July
Annual dividend payment	N/A

Enquiries
Shareholders with enquiries about transactions, change of address or dividend payments should contact Link Market Services on +64 9 375 5998. Other questions should be directed to the Company at the registered address.

Share registrar
Link Market Services Limited

Level 7, Zurich House, 21 Queen Street, Auckland 1010
PO Box 91976, Auckland, 1142
Telephone: +64 9 375 5998
Facsimile: +64 9 375 5990
Email: enquiries@linkmarketservices.co.nz

The financial statements are dated 31 July 2019 and are signed on behalf of the board.

Director

Director