genevaFINANCE

GENEVA FINANCE LIMITED

ANNUAL REPORT

MARCH 2018

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.

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 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 2018, the Receivables Ledger was $93.8 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 9,707 loans, with an average loan size of $9,660. This represents a wide spread of risk due to the large number and relatively small size of each loan. The net book value as at 31 March 2018 after provisions for deferred revenue and doubtful debts was $67.66m.

The Geneva group of companies employs approximately 40 staff, based at its Mt Wellington Head office.

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HIGHLIGHTS AND SIGNIFICANT EVENTS

Profit increase
The after tax profit for the March 2018 year increased by 19% to $6.1m.

Inaugural Interim Dividend:
In December 2017, the company paid it's first interim dividend of 1 cent per share to shareholders.

Moved lending mix to lower risk credit profiles:
Lending volumes increased by 7% over last year, while moving the lending mix more into the tier 1 space and increasing the investment in "smart IT" systems to better manage risk in the tier 2 space. This delivered a 7% lift in the receivables ledger and while contractual yields will be lower than historical levels, we anticipate this being offset by increased volumes, lower bad debts and collection costs.

Insurance:
Premium sales of our core insurance products totaled $8.3m, up $5.2m on last year. As discussed elsewhere the profit benefit from this growth is expected to be recognized in future periods.

Acquisitions:
Both acquisitions made during the year (one settled in April) had a strong IT focus. The first, in the business to business debt collection area, will offer Stellar Collections a product that compliments its existing product range and offers a competitive advantage in the business to business market segment. The second, an invoice factoring operation that serves to broaden the financial services the group is able to offer customers.

Funding
The Group's securitization facility grew to $48.6m, a 14% increase from the prior year.

Credit Rating
Credit rating agency AM Best confirmed Quest Insurance Group Limited's credit rating 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.

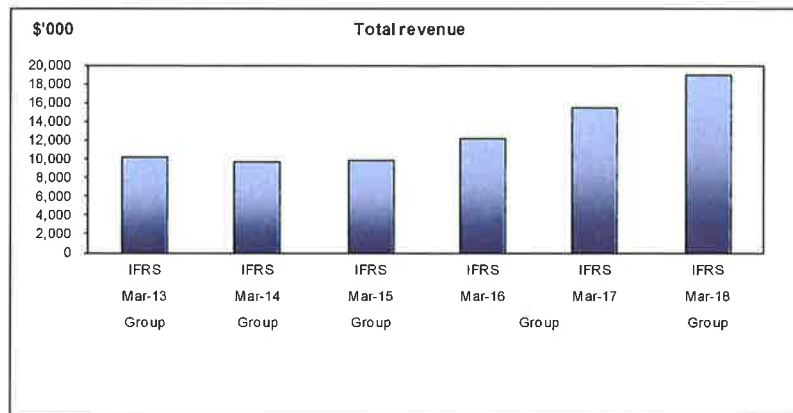
Events subsequent to balance date:
On 13 April 2018, the Group settled a purchase of an invoice financing business. The acquisition broadens the Group's finance business. The consideration for the acquisition was $9.0m.

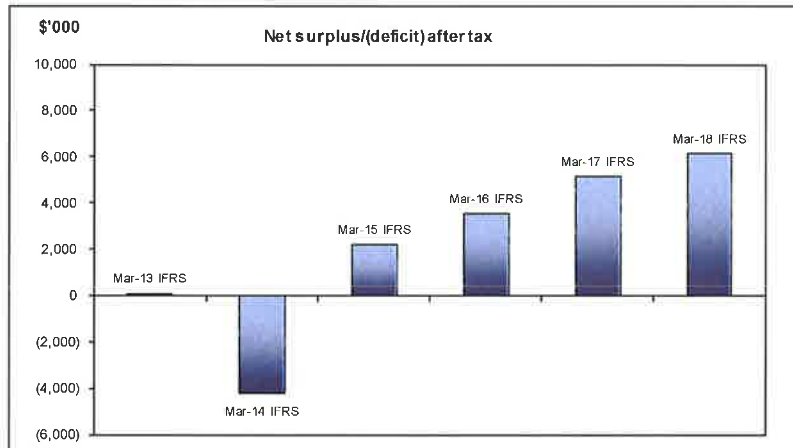
On 14 June 2018 the Company announced a dividend of 2.25 cents per share which was paid on 6 July 2018, an increase of 12.5% on prior year.

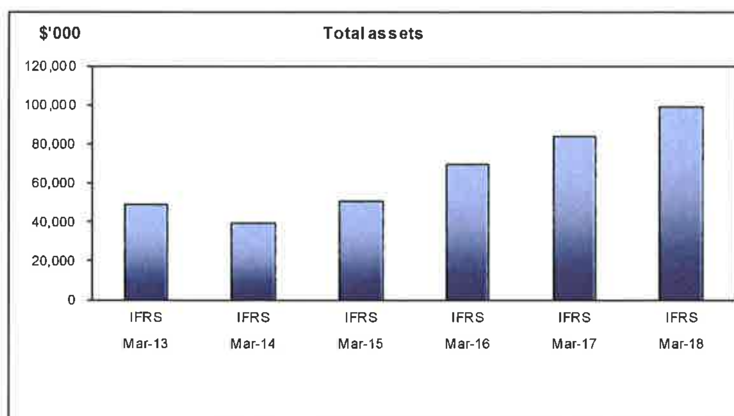
FINANCIAL SUMMARY

	Group	Group	Group	Group		Group
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
	$000	$000	$000	$000	$000	$000
Total revenue	10,107	9,648	9,917	12,230	15,419	18,992
Net surplus/(deficit) before tax	91	(4,197)	1,548	2,379	3,815	4,524
Net surplus/(deficit) after tax	91	(4,201)	2,194	3,529	5,133	6,123
Number of share on issue *	40,125	40,125	69,006	70,435	70,435	70,435
Earnings/(loss) per ordinary share ($)	0.003	(0.105)	0.033	0.051	0.073	0.087
Total assets	48,633	39,288	50,792	69,628	84,177	99,321
Net assets	12,368	8,314	16,064	20,256	24,862	29,168
Total equity and shareholders' subordinated loans	12,368	8,314	16,064	20,256	24,862	29,168
Net assets per ordinary share (Dollars)	0.31	0.21	0.23	0.29	0.35	0.41
Net assets per share (Dollars)	0.31	0.21	0.23	0.29	0.35	0.41
Return on shareholders equity	0.74%		13.66%	17.42%	20.65%	20.99%

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







CHAIRMAN'S REPORT

Dear Valued Shareholders

I am very pleased to introduce you to Geneva's Annual Report for the year ending March 31, 2018. As you will read, our staff and management have delivered solid revenue and profit growth. This in a year where continued low interest loans from banks and other finance suppliers coupled with applicants high personal debt levels has made trading conditions challenging and at times difficult. The Board gives all staff full praise and thanks, for their skill, diligence and perception in achieving these good results.

In my Report last year we mentioned plans to diversify, particularly into other aspects of automobile insurance and distribution channels. This has been successfully achieved and is bearing good fruit. As revenue is drawn during the life of the policies its stream will further underpin our profitability in the year(s) ahead.

As a Board we recognise the need to continue strengthening investment in other financial instruments and diversifying our geographical presence out of Auckland. This process is well underway and will enhance the Company going forward.

This sustained growth during the period to March 18 enabled us to increase the final dividend payout in June 18 and will ensure realistic returns for shareholders in the year ahead.

We continue to enjoy increased support from both our Bankers and clients and can say we as a company are in a very good working space at the present time.

In conclusion I would like to thank you all very much for your continued support of the Board and am personally delighted to see you starting to gain some tangible rewards for that loyalty.

David Smale
Chairman

MANAGING DIRECTOR'S REPORT

Financial Result (12 months to 31st March 2018)

The after tax financial result for the year was a profit of $6.1m vs $5.1m in 2017, a 19% increase. A final dividend of 2.25 cents per share was declared and paid on 6 July 2018, a 2.5% increase on the prior year dividend payment.

Business Performances:

Geneva Financial Services - Lending: Mar 18 pretax profit $5.5m (Mar 17 $4.5m) up 22%

A good result with the increase in profit being due the net receivables ledger increase of 7.4% and operating costs being contained. We have again, moved our lending mix towards the tier one, customer profile, and are focusing on technology solutions to improve efficiencies and further mitigate the risk of operating in the lower tier profiles. Asset quality remains good and contractual yields, though lower than prior year, were maintained at budgeted levels.

Quest Insurance Group - Insurance: Mar 18 pretax profit $0.9m (Mar 17 $0.9m)

The new distribution arrangement (announced 1 Apr 17) and growth through the Quest direct channel delivered a 270% growth in gross written premium to $8.3m. However, the benefits of this increase are not reflected in the profit result achieved by Quest, with the Mar 18 profit of $0.9m being the same as the prior year. The main reason being: premium revenue is deferred over the life of the insurance policy with the deferred amount held in the "unearned premium" account in the balance sheet, which now stands at $7.1m an increase of $4.3m over the March 2017 balance. We expect this "effect" to normalize during the coming year when the benefits of the March 18 increased premium sales begin to flow into the revenue statement.

Stellar Collections: Mar 18 pretax profit $0.6m (Mar 17 $0.2m) up 200%.

The profit increase was achieved by maintaining cash collections on the aged, on balance sheet receivables, supplemented by profits from the MFL business that was acquired on 1 December 2017. MFL is an IT based, business to business debt collection operation that expands SCL's debt collection offering and complements the existing personal loan debt collection services.

Geneva Capital - Invoice Factoring: Mar 18 pretax loss $0.0m (Mar 17 $0.0m)

Pacific Rise Limited's name was changed to, Geneva Capital Limited on 8 March 2018. GCL incurred a small loss as costs incurred in March, in preparation for acquisition of the invoice finance operation were expensed. GCL commenced trading in April 2018. This acquisition adds another finance product that complement the group's existing financial services offer.

Parent Company (Geneva Finance, Corporate) Mar 18 pretax loss $1.9m (Mar 17 $1.6m loss)

The Group has approximately $6.8m (tax effected) of tax losses available and has recognized additional $1.6m of deferred tax this period. Corporate and governance costs continued to be carried by the Parent Company.

Revenues:

Operating revenues comprise interest from receivables ledgers of $12.2m up $0.9m (+8%) on last year. Net insurance premium income of $4.1m up $1.6m (+67%) reflects the addition of the two new insurance introducer channels. Other income amounted to $2.6m, up $1m and includes revenue from the new MFL business segment (+65%).

Operating Costs:

Group total operating costs increased by 26%. The main driver of this increase being the additional interest and insurance commissions paid to introducers as a result of the increased volumes.

Balance Sheet:

The net receivables ledger increased to $67.7m (+6%). Term debt increased to $51.9m and other borrowings remained at $8m. The Group's equity to total assets ratio of 29.4% is a slight decrease on prior the prior year's 29.5%.

Funding:

The securitization facility's annual review was completed in August 2017 and the facility was extended through to July 2019. Other borrowings comprise funding sourced from eligible professional investors and a two year evergreen banking term loan of $3.4m from a major trading bank.

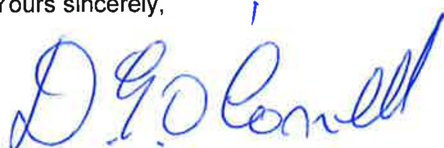
Summary:

During the year we have seen good growth in our core Lending, Insurance and debt collection operations and in addition have made two small acquisitions (one was finalized in April 18), both complement existing operations and include "IT" solutions to streamline and bring increased efficiency to lending and debt collection processes. Overall a good result which we are well positioned to build on.

Strategic Direction:

The group remains committed to the core Finance, Insurance and Debt collection operations and considers acquisition of complementary businesses and investment in 'smart It solutions' as the key factors going forward. We have a strong balance sheet and are actively looking at further acquisition opportunities to pursue.

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 3.2.2. 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.

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, as chairman Robin King and independent directors.

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 NZAX 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 $36k

GENEVA FINANCE LIMITED

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

GENEVA FINANCE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 MARCH 2018

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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 enquiries@staplesrodway.com
W staplesrodway.co.nz

staplesrodway
CHARTERED ACCOUNTANTS

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 6 to 55, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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.

An independent member of
BAKER TILLY
INTERNATIONAL

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>
<tr><td> Valuation of Finance Receivables
As disclosed in Note 16 of the Group's consolidated financial statements the Group has finance receivable assets of $67.7m. Finance receivable assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the timing of the recognition of impairment in respect of finance receivables and the amount of that impairment.
The assessment of impairment is made at both an individual finance receivable level, for individually significant receivables, and a collective level for groups of finance receivables with similar credit risk characteristics.
Management has prepared impairment models to complete its assessment of impairment for the Group's finance receivables as at 31 March 2018.
This assessment involves complex and subjective estimation and judgement by Management on credit risk and the future cash flows of the finance receivables. </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;
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;
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. Also, testing key inputs used in the collective impairment models and the mathematical accuracy of the calculations within the models;
Challenging key inputs used by Management in the collective impairment models by performing sensitivity analyses for reasonably possible changes in these inputs; and
Evaluating the related disclosures about finance receivables, and the risks attached to them which are included in Notes 16, 17, 18 and 35 in the Group's consolidated financial statements.
</td></tr>
<tr><td> Valuation of Insurance Contract Liabilities
As disclosed in Notes 28 and 29 of the Group's consolidated financial statements the Group has total insurance contract liabilities of $7.7m (outstanding claims liabilities of $0.6m as disclosed in note 28 and unearned premium liabilities of $7.1m disclosed in note 29). 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 2018. </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;
Agreeing 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:

the work and findings of the Group's external actuarial expert engaged by Management;
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 identifying management bias;
Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Notes 5, 23, 28 and 29 in the Group's consolidated financial statements.
</td></tr>
</table>

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 2018 (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.

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 2018 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 17 July 2018 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.

STAPLES RODWAY AUCKLAND
Auckland, New Zealand
17 July 2018

GENEVA FINANCE LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000's	2017 $000's
Interest income	(6)	12,242	11,357
Interest expense	(7)	3,584	3,456
Net interest income		8,658	7,901
Underwriting profit		2,727	1,929
Other revenue	(10)	2,624	1,593
Operating revenue (net of interest expense and claim expense)		14,009	11,423
Operating expenses	(11)	(9,122)	(7,257)
Operating profit		4,887	4,166
Impaired asset (expense) / release	(12)	(363)	(351)
Net profit before taxation		4,524	3,815
Taxation benefit	(13)	1,599	1,318
Net profit after taxation		6,123	5,133
Profit per share			
Basic profit per share (cents)	(34)	8.69	7.29

GENEVA FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000's	2017 $000's
Net profit after taxation		6,123	5,133
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Movement in fair value of available for sale equity securities	(15)	200	159
Cash flow hedge, net of tax	(30)	96	371
Other comprehensive income, net of tax		296	530
Total comprehensive income		6,419	5,663

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 2018

	Note	2018 $000's	2017 $000's
Assets			
Cash and cash equivalents	(14)	14,473	11,072
Prepayments and other debtors		4,143	250
Taxation receivable		11	11
Finance receivables	(16)	67,664	64,077
Financial assets at fair value through profit or loss	(24)	423	475
Deferred insurance contract acquisition costs	(23)	2,733	1,400
Deferred taxation	(25)	4,565	3,114
Available for sale equity securities	(15)	3,390	3,190
Plant and equipment	(27)	128	117
Intangible assets	(26)	1,791	471
Total assets		99,321	84,177
Liabilities			
Accounts payable and accruals	(36)	2,211	1,705
Outstanding claims liability	(28)	570	338
Employee entitlements	(36)	313	274
Unearned premium liability	(29)	7,085	2,772
Derivative financial instruments	(30)	53	149
Bank facilities	(31)	51,971	46,127
Other borrowings	(32)	7,950	7,950
Total liabilities		70,153	59,315
Equity			
Share capital	(33)	51,287	51,287
Retained earnings		(23,221)	(27,231)
Cash flow hedge reserve	(30)	(53)	(149)
Available for sale equity reserve	(33)	1,155	955
Total equity		29,168	24,862
Total equity and liabilities		99,321	84,177

For and on behalf of the board, dated 17 July 2018

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 2018

	Note	Share Capital	Share option reserve	Retained earnings	Cash flow hedge reserve	Available for sale equity	Total equity
		$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 April 2016		**51,287**	**-**	**(31,307)**	**(520)**	**796**	**20,256**
Net profit for the period		-	-	5,133	-	-	5,133
Other comprehensive income							
Increase in available for sale equity reserve	(15)	-	-	-	-	159	159
Change in cash flow hedge reserve, net of tax	(30)	-	-	-	371	-	371
Total other comprehensive income		**-**	**-**	**-**	**371**	**159**	**530**
Total comprehensive income		**-**	**-**	**5,133**	**371**	**159**	**5,663**
Transaction with owners							
Dividends paid	(33)	-	-	(1,057)	-	-	(1,057)
Total transactions with owners		**-**	**-**	**(1,057)**	**-**	**-**	**(1,057)**
Balance at 31 March 2017		**51,287**	**-**	**(27,231)**	**(149)**	**955**	**24,862**
Net profit for the period		-	-	6,123	-	-	6,123
Other comprehensive income							
Increase in available for sale equity reserve	(15)	-	-	-	-	200	200
Change in cash flow hedge reserve, net of tax	(30)	-	-	-	96	-	96
Total other comprehensive income		**-**	**-**	**-**	**96**	**200**	**296**
Total comprehensive income		**-**	**-**	**6,123**	**96**	**200**	**6,419**
Transaction with owners							
Dividends paid	(33)			(2,113)			(2,113)
Total transactions with owners		**-**	**-**	**(2,113)**	**-**	**-**	**(2,113)**
Balance at 31 March 2018		**51,287**	**-**	**(23,221)**	**(53)**	**1,155**	**29,168**

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 2018

	Note	2018 $000's	2017 $000's
Cash flow from operating activities:			
Cash was provided from:			
Interest received		10,968	10,220
Dividends received		231	163
Receipts from insurance policy sales, collections activities and other sources		10,478	4,140
Proceeds from collections made on purchased debt ledger		456	434
		22,133	14,957
Cash was applied to:			
Net movement in finance receivables		(2,483)	(8,652)
Interest paid		(3,584)	(3,456)
Payments to suppliers and employees		(14,960)	(7,120)
		(21,027)	(19,228)
Net cash outflow from operating activities	(37)	1,106	(4,271)
Cash flows from investing activities:			
Cash was applied to:			
Purchase of plant and equipment		(53)	(66)
Purchase of intangible assets		(245)	(359)
Purchase of investments		(1,140)	-
		(1,438)	(425)
Net cash outflow from investing activities		(1,438)	(425)
Cash flows from financing activities:			
Cash was provided from:			
Net movement of bank facilities: Westpac		5,846	5,700
Net movement of other borrowings		-	3,100
		5,846	8,800
		(2,113)	(1,057)
Net cash inflow from financing activities	(38)	3,733	7,743
Net increase in cash and cash equivalents held		3,401	3,047
Add: Opening cash and cash equivalents balance at the beginning of the year		11,072	8,025
Cash and cash equivalents at the end of the year	(14)	**14,473**	**11,072**
Represented by:			
Cash at bank		14,473	11,072
Cash and cash equivalents at the end of the year	(14)	**14,473**	**11,072**

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

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').

The Company's name was changed from GFNZ Group Limited to Geneva Finance Limited on 27 June 2016.

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 and the Financial Market Conduct Act 2013.

The Company's subsidiaries are listed in note 21.

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 and provide debt collection services.

The financial statements were authorised for issue by the directors on 17 July 2018

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 2018. The comparative period is for the year ended 31 March 2017. 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

Adoption of new and amended accounting standards that are mandatory for first time adoption.

The following new standards, amendments and interpretations to existing standards mandatory for the first time for the financial period ended 31 March 2018:

- Disclosure Initiative (Amendments to NZ IAS 7 'Statement of Cash Flows')

  Entities are now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

  The adoption of Amendments to NZ IAS 7 'Statement of Cash Flows' has only had an impact on disclosure in the Group's financial statements for the year ended 31 March 2018.
- There are a number of other new and amended standards, and interpretations mandatory for first time adoption for the financial year ended 31 March 2018 but not currently relevant to the Group in preparing these financial statements. These other new and amended standards and interpretations are not expected to have an impact on the Group's financial statements.

3. Significant accounting policies (continued)

a) New and amended standards and interpretations (continued)

The following new standards, amendments and interpretations are issued but not yet effective for the Group's accounting periods beginning on or after 1 April 2018 or later periods. The Group has not early adopted them.

- 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. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses 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 effective date is annual reporting periods beginning on or after 1 January 2018, the 31 March 2019 financial statements. Early adoption is permitted. The Group will adopt NZ IFRS 9 on its effective date and there is a project plan in place to assess the full impact of the standard.

The indicative impacts of implementing NZ IFRS 9 are as follows:

• Classification and measurement of financial instruments:

The Group's financial assets and liabilities include only those measured, at amortised cost (being financial assets currently classified under loans and receivables), at fair value through profit or loss (being financial assets and liabilities currently classified under financial assets and liabilities at fair value through profit or loss); and at fair value through other comprehensive income (being financial assets currently classified under available for sale). The Group anticipates that the classification and measurement of its financial assets will remain unchanged under NZ IFRS 9.

• Impairment model change from incurred losses to expected credit losses:

The introduction of the expected credit losses impairment model is expected to involve a change in the timing of when impairment losses are recognised through a change in the way in which credit losses are determined.

Trade and other receivables
With regards to the Group's trade receivables, the Group's incurred credit losses from these financial assets have historically not been material. Consequently, the introduction of the expected credit losses impairment model is not expected to have a material impact on the Group's financial statements, given the Group's low exposure to counterparty default risk as a result of the Group's credit risk management processes that are in place.

Finance receivables
With regards to the Group's trade receivables, the Group's incurred credit losses from these financial assets have historically been material. Consequently, the introduction of the expected credit losses ('ECL') impairment model is expected to have a material impact on the Group's financial statements. The Group has undertaken a preliminary assessment on the possible impact that the introduction of the ECL impairment model will have on the Group's finance receivable impairment provisioning. The preliminary analysis indicates that as at 31 March 2018 it would have resulted in an increase in finance receivable provisioning between $350k to $600k. The Group is continuing to undertake further analysis.

• Hedge accounting
The Group has hedging arrangements; however the recognition and measurement of these arrangements under NZ IFRS 9 will remain largely unchanged.

The Group will adopt NZ IFRS 9 for the accounting period beginning on 1 April 2018.

3. Significant accounting policies (continued)

a) New and amended standards and interpretations (continued)

- NZ IFRS 15 'Revenue from Contracts with Customers'

NZ IFRS 15 'Revenue from Contracts with Customers' introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:
• Step 1: Identify the contracts with the customer;
• Step 2: Identify the separate performance obligations;
• Step 3: Determine the transaction price;
• Step 4: Allocate the transaction price; and
• Step 5: Recognise revenue when a performance obligation is satisfied.

NZ IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2018, the 31 March 2019 financial statements. The Group will adopt NZ IFRS 15 on its effective date and there is a project plan in place to assess the full impact of the standard.

Under NZ IFRS 15 the Group would recognise revenue 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, a company would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Currently the Group's revenue streams from contracts with customers that fall within the scope of NZ IFRS 15 are the following:
• Collections income

The Group has undertaken a preliminary assessment on the possible impact NZ IFRS 15 will have on the Group's financial statements. The preliminary analysis indicates that the standard is unlikely to have a material impact however further analysis is ongoing.

The Group will adopt NZ IFRS 15 for the accounting period beginning on 1 April 2018.

- 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.

The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17.

NZ IFRS 16 introduces the following:
• 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.
• Distinction between operating and finance leases is removed. 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 leases and leases of low value assets.

The effective date is annual reporting periods beginning on or after 1 January 2019, the 31 March 2020 financial year. Earlier application is permitted, if NZ IFRS 15 Revenue from Contracts with Customers has also been adopted. The Group will adopt NZ IFRS 16 on its effective date and there is a project plan in place to assess the full impact of the standard.

The indicative impacts of implementing NZ IFRS 16 are as follows for all leases that the Group is a party to:
Initial recognition and measurement:
• 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; and
• Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals.

3. Significant accounting policies (continued)

a) New and amended standards and interpretations (continued)

Subsequent measurement:
• ROU asset: Depreciate 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 reduce the liability by payments made.

NZ IFRS 16 will have an impact on the Group's financial statements and will be dependent on the leases that the Group is a party to as at the beginning of the year ended 31 March 2020. The Group's operating lease commitments as at 31 March 2018 are set out in note 41, measurement of the lease liability and asset under NZ IFRS 16 is yet to be fully assessed.

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

- 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 31 March 2022 financial year.

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.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Company carries investments in subsidiaries at cost less impairment.

Where subsidiaries have been sold or acquired during the period, their operating results have been included to the date control ceases or from the date control is transferred to the Group.

The acquisition method of accounting is used to account for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If there is a deficit (i.e. a bargain purchase), the deficit is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that revenue can be measured reliably. Expenses are recognised as incurred in profit and loss on an accrual basis. Specific revenue and expense recognition policies have been outlined in accounting policies 'd' to 'l'.

3. **Significant accounting policies (continued)**

d) **Interest income and interest expense**

Interest income, 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 asset or financial liability and allocates the interest income or 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 asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

e) **Premium revenue**

Premium revenue comprises amounts charged to the insurance contract policyholders, excluding taxes collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. Premium earned is earned from the date of attachment of risk over the indemnity period. Earned and unearned premiums are determined by apportioning the premium income written over the indemnity period from date of attachment.

f) **Finance receivable origination and insurance contract acquisition costs**

Direct and incremental costs related to the origination of finance receivables, are initially recognised as part of the cost of acquiring the asset and amortised as an adjustment to its expected yield over its expected life using the effective interest method. The amortisation is to interest income as part of the effective interest rate.

Direct expenses incurred in obtaining insurance contracts are amortised over the life of the contract in proportion to services rendered, in accordance with the Margin of Services reporting principle. Deferred insurance contract acquisition costs are subject to a loss recognition test as to their recoverability.

g) **Fee, commission and brokerage income**

Fee, commission and brokerage income integral to the effective yield of a financial asset or liability are recognised as an adjustment to the effective interest calculation and included in interest income.

Fee, commission and brokerage income that relate to the execution of a significant act (for example, loan servicing fees and insurance commissions) are recognised when the significant act has been completed.

h) **Outward reinsurance**

Premium ceded to reinsurers is recognised as an expense in accordance with pattern of reinsurance services received. A portion of outwards reinsurance premium is treated as a prepayment.

i) **Claims expense**

Claims expense represents payment for insurance claims and the movement in outstanding claims liabilities.

The central estimate of outstanding claims liabilities is the best estimate of the present value of future projected claims payments and associated claims handling costs in respect of claims reported but not yet paid, claims incurred but not reported (IBNR) .

Claims outstanding are assessed by review of individual claim files and estimated changes in the ultimate cost of settling claims. The policyholder liability is provided for on the basis of the total loss forecast including a prudential margin. As the Group's insurance business is short term, the impact of discounting to present value is not considered material, and the liability for claims is measured as the amounts of expected future payments. Claims outstanding have been subjected to an actuarial review which has formed the basis of valuation of the net liability in the statement of financial position (refer to policy 'x').

j) **Collections income**

Collection services income rendering of services is recognised upon the delivery of the service to the customers. Collection services income is recognised in the reporting period in which the services are rendered by reference to the stage of completion if the outcome of the contract can be estimated reliably. The stage of completion is determined by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised are recoverable.

k) **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.

3. Significant accounting policies (continued)

k) Income tax expense (continued)

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.

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.

l) 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.

m) Financial instruments

Basis of recognition and measurement of financial assets and financial liabilities

The Group classifies financial instruments into one of the following categories at initial recognition: financial assets; financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables and held to maturity financial assets; financial liabilities; financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial instruments were entered into. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at reporting date.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows expire or if the Group transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract are extinguished.

In transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognises the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer, such as servicing assets and liabilities, are recognised separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset.

Financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

3. Significant accounting policies (continued)

m) Financial instruments (continued)

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be
The Group's financial assets at fair value through profit or loss comprise; derivatives and purchased debt.

(ii) Available for sale financial assets

Available for sale financial assets are non derivatives, principally equity securities, which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

The Group's available for sale financial assets comprise; available for sale equity securities.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after reporting date which are classified as non-current assets.

The Group's loans and receivables comprise; cash and cash equivalents, finance receivables, related party loans and advances and other receivables.

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

The Group does not have any held to maturity investments.

Financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if borne principally for the purpose of paying in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are either held for trading or are expected to be settled within 12 months of reporting date.

The Group's financial liabilities at fair value through profit or loss include derivatives.

3. Significant accounting policies (continued)

m) Financial instruments (continued)

(ii) Other financial liabilities

This category includes all financial liabilities other than those designated or classified as fair value through profit or loss. Other financial liabilities are recognised initially at fair value, net of transaction costs incurred.

Other financial liabilities are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the other financial liabilities using the effective interest method.

The Group's other financial liabilities comprise trade and other payables; related party balances; bank and professional investor facilities and debt securities.

n) 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.

o) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an on-going basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. Unrecoverable amounts are written off and recognised in profit or loss. Subsequent recoveries of amounts written off are recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

p) Finance receivables

Finance receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as loans and receivables and comprise advances, finance leases, and hire purchase contracts. Finance receivables are initially recognised at fair value including transaction costs that are directly attributable to the issue of the advance, lease or contract. They are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

Impaired assets

An impaired asset is an asset for which an impairment loss has been recognised but is not a restructured asset.

Restructured assets

A restructured asset is an impaired asset for which the original terms have been formally changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms. The yield on the asset is greater than the Group's average cost of funds and a loss is not otherwise expected to occur.

Past-due assets

A financial asset on which a counterparty has failed to make a payment when contractually due and is not a restructured asset or impaired asset.

Assets acquired through the enforcement of security

The Group does not acquire assets through the enforcement of security. Where repossession of security occurs, the assets remain owned by the borrower and any realisation proceeds are applied immediately to the outstanding debt.

3. Significant accounting policies (continued)

p) Finance receivables (continued)

Impairment of finance receivables

Finance receivables are regularly reviewed for impairment loss. Credit impairment provisions are raised for receivables that are known to be impaired. Finance receivables are impaired and impairment losses incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and that loss event (or events) has had a reliably measurable impact on the estimated future cash flows of the individual finance receivable or the collective portfolio of finance receivables.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss includes:

- Delinquency in contractual payments of principal or interest;
- Initiation of bankruptcy proceedings; and
- Deterioration in the value of collateral.

Impairment is assessed initially for assets that are individually significant. Impairment is then collectively assessed for assets that are not individually significant. Where an asset is determined to not be individually impaired, it is included in a group of assets with similar risk characteristics and collectively tested with that group for impairment.

The estimated individual impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value at the original effective interest rate. The process of estimating the amount and timing of cash flows involves considerable management judgment. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The provision for credit impairment (specific and collective) is deducted from finance receivables in the statement of financial position and the movement in the provision for the reporting period is reflected in the profit or loss as an impaired asset expense.

When a finance receivable is uncollectible, it is written off against the related provision for finance receivable impairment. Subsequent recoveries of amounts previously written off are taken to the profit or loss.

Where impairment losses recognised in previous periods are subsequently decreased or no longer exist, such impairments are reversed in the profit or loss.

q) Investments

Investments in equity instruments are valued at their fair value. Where investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

r) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

s) Borrowings, bank and professional investor facilities

Borrowings, bank and professional investor facilities and debenture deposits are recognised initially at fair value, net of transaction costs incurred. Borrowings, bank and professional investor facilities and debenture deposits are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings or deposits using the effective interest method.

3. Significant accounting policies (continued)

s) Borrowings, bank and professional investor facilities (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

t) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair market value at each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair values is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivative that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the derivative instrument used for hedging purposes is disclosed in note 30. Movements on the hedge are shown in other comprehensive income. The full fair value of the hedging derivative is classified as a non-current asset or liability when the remaining period to maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedges
The Group has not classified any derivatives in this category.

(ii) Cash flow hedge
The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately through profit or loss.

Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group has classified all of its currently held derivatives in this category.

(iii) Derivatives that do not qualify for hedge accounting
The Group has not classified any derivatives in this category.

u) 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.

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.

3. Significant accounting policies (continued)

u) Provisions (continued)

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.

v) 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.

w) Insurance contracts

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. Through its subsidiary Quest Insurance Group Limited, the Group issues temporary life insurance contracts covering death, disability, disablement and redundancy and short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

x) Outstanding claims liability

The liability for insurance contracts has been determined in accordance with Appendix C of NZ IFRS 4 *Insurance Contracts,* and Professional Standard No 20 of the New Zealand Society of Actuaries.

In terms of these standards, insurance contract liabilities are determined on the "Margin or Services" principle, under which profits emerge evenly over the life of the contract as services are provided.

y) 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.

Any revaluation surplus arising on the revaluation of land and buildings is transferred directly to the revaluation reserve. A revaluation deficit in excess of the revaluation reserve for land and buildings is recognised through profit or loss in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the income statement are recognised as revenue through profit or loss in the period it arises.

Plant and equipment are subsequently carried at cost less, where applicable, any accumulated depreciation and impairment losses. All assets are depreciated over their useful lives. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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)

y) Property, plant and equipment (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.

z) 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

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.

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.

aa) 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)

aa) Impairment of non-financial assets (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.

ab) 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

(i) 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.

(ii) 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.

ac) 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.

Costs which are not directly attributable to the issue of new shares are shown as an expense and included in administrative expenses in the statement of comprehensive income.

ad) 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.

ae) 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.

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.

3. Significant accounting policies (continued)

ae) Fair value estimates (continued)

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.

af) 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.

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal group) in available for immediate sale in its present condition, and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

ag) 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 property. Refer note 39 for further details on the Group's operating segments.

The Group operates in primarily in one geographic area, New Zealand.

ah) 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.

ai) 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:

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

Credit provisioning
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.

The calculation of impairment provisions includes consideration of all expected cash flows associated with the loan. This includes any expected cash flows from realisation of security and interest and takes into account security realisation costs.

Individual provisions
An individual provision is raised where there is an expectation of a loss of principal, interest and/or fees and there is objective evidence of impairment.

At each reporting date, the Group reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/ guarantor, enforceability of guarantees, current security values are taken into account and discounted at the loans original effective interest rate in determining individual provisions. At a minimum, individual provisions are reassessed semi annually, upon receipt of a significant asset realisation or when there is a change in customer circumstances/business strategy.

Collective provisions
A collective provision is calculated for:
- Loans which are not individually impaired, are subject to individual assessment to cover losses which have been incurred but not yet identified; and
- For loans that share similar credit risk characteristics portfolios of loans that are not considered individually significant (e.g. less than $65,000).

The collective provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is then adjusted for the impact of current observable data.

For individually significant loans, historical loss experience used to calculate the individual provision is determined by taking into account historical information on probability of default. The collective provision on homogeneous or portfolio managed receivables is calculated by applying an expected loss factor to the outstanding balances in each loan portfolio. The expected loss factor is determined from internal historical loss data.

The long-term historical loss experience is reviewed by management and adjustments made to reflect current 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 the estimates and methodologies as improved analysis becomes available. Changes in these 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).

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).

Fair value of purchased 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 24. Fair value disclosures).

Fair value of available for sale 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. Equity securities - available for sale).

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

Deferred tax asset
The Group has recognised a deferred tax asset 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. 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 (refer Note 13. Tax reconciliation and Note 25. Taxation).

The ultimate liability arising from claims made under insurance contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is based on a variety of actuarial techniques that analyse experience, trends and other relevant factors. The estimate process involved using Group specific data, relevant industry data and general economic data, including but not limited to, claim frequencies, average claim sizes and historical trends (refer Note 5. Actuarial assumptions and methods).

The derecognition of finance receivables
The Group follows the guidance in NZ IAS 39, 'Financial Instruments: Recognition and Measurement', in transactions where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognises the transferred asset if control over that asset is relinquished. The rights and obligations retained in the transfer, such as servicing assets and liabilities, are recognised separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset. This determination of whether risks and rewards of ownership of a financial asset are neither retained nor transferred requires significant judgement. (refer Note 16. Finance receivables).

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 26. Intangible assets).

Customer relationsips
Customer relationships are amotised over their estimated useful life. 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 26. Intangible assets).

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:

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 (31 March 2017: $50) per policy per year, with no escalation (31 March 2017: 2% p.a.).	
	Interest:	A discount rate of 3.50% per annum (31 March 2017: 2.14%).	
	Cancellations:	Consumer credit contracts:	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.

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

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 premiums
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:

5. Actuarial assumptions and methods (continued)

Liability adequacy test

Liability adequacy tests are performed to determine whether the unearned premium income liability is sufficient to cover the present value of the expected cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the unearned premium income liability less related deferred acquisition costs exceeds the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate then the unearned premium liability is deemed to be sufficient. The risk margins applied to future claims were determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability using the same methodology as described above.

The unearned premium income liability as at reporting date is sufficient (2017: sufficient).

Sensitivity Disclosure

Policy liabilities (unearned premium liability), net of deferred acquisition costs (in dollars):

Group
31 March 2018

Policy liability *	Payment Protection & Lifestyle		Motor		Combined	
	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

Group
31 March 2017

Policy liability *	Payment Protection & Lifestyle		Motor		Combined	
	328,996		1,043,093		1,372,090	
	Best estimate liability	Variation	Best estimate liability	Variation	Best estimate liability	Variation
Base assumptions	131,041		783,445		914,486	
Discount rate +1%	130,100	(942)	783,445	-	913,545	(942)
Discount rate -1%	132,003	962	783,445	-	915,448	962
Claims frequencies x 1.1	135,886	4,844	861,790	78,345	997,675	83,189
Claims frequencies x 0.9	126,197	(4,844)	705,101	(78,345)	831,298	(83,189)
Admin costs x 1.1	134,136	3,094	839,405	55,960	973,541	59,055
Admin costs x 0.9	127,947	(3,094)	734,480	(48,965)	862,427	(52,060)
Cancellation rate x 1.1	133,270	2,228	783,445	-	916,715	2,228
Cancellation rate x 0.9	128,787	(2,254)	783,445	-	912,233	(2,254)

* 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.

	Group 2018	Group 2017
	$000's	$000's
Unearned premium liability (note 29)	7,085	2,772
Less: Deferred acquisition costs (note 23)	(2,733)	(1,400)
	4,352	1,372

6. Interest income

	2018 $000's	2017 $000's
Bank accounts	138	106
Finance receivables	11,404	10,692
Finance receivables - impaired	700	559
Total interest revenue	12,242	11,357

7. Interest expense

	2018 $000's	2017 $000's
Bank facility	356	295
Wholesale funding	2,616	2,686
Other borrowings	612	475
Total interest expense	3,584	3,456

8. Net premium revenue

	2018 $000's	2017 $000's
Premium revenue	8,489	2,989
Movement in unearned premium reserve	(4,313)	(500)
	4,176	2,489
Reinsurance expense	(50)	(20)
	4,126	2,469

9. Net claims expense

	2018 $000's	2017 $000's
Claims expense	1,573	665
Recoveries	(174)	(125)
	1,399	540

10. Other revenue

	2018 $000's	2017 $000's
Net gain on financial assets at fair value through profit or loss	404	280
Commission and brokerage income	356	289
Collection services	734	166
Commission earned as agent	-	-
Commission refunds issued	-	(3)
Dividends received	231	163
Other fees and finance charges	899	698
Total other revenue	2,624	1,593

11. Operating expenses

	2018 $000's	2017 $000's
Other operating expenses includes the following:		
Auditor's remuneration		
Audit of financial statements		
- Audit of financial statements	164	164
- Audit of Quest Insurance Group Limited's solvency return	3	3
Other services		
- Tax compliance fees	30	37
Total other services	30	37
Total fees paid to auditor	197	204

11. Operating expenses (continued)

	Note	2018 $000's	2017 $000's
Insurance contract acquisition costs		2,066	1,715
Depreciation	(27)	43	41
Amortisation	(26)	213	68
Directors fees		143	128
Employee benefits		3,157	2,799
Lease expense		24	28
Rent		323	337

12. Impaired asset (release) / charge

	2018 $000's	2017 $000's
Bad debts written off	2	4
Increase / (decrease) in collective provision	351	358
Increase / (decrease) in specific provision	10	(11)
Increase in other specific asset impairment provision	-	-
	363	351

13. Tax reconciliation

		2018 $000's	2017 $000's
Net profit before taxation		4,524	3,815
Prima facie taxation @ 28%		1,267	1,068
Non-deductible expenses		-	-
Prior year under provision of taxation		-	-
Non-taxable income			
Reversal of deferred tax not recognised		-	-
Deferred tax recognised		(1,599)	(1,318)
Tax losses not recognised / (utilised)		(1,267)	(1,068)
		(1,599)	(1,318)
Comprising:	Current	-	-
	Deferred	(1,599)	(1,318)
		(1,599)	(1,318)

14. Cash and cash equivalents

	2018 $000's	2017 $000's
Cash at bank	12,181	9,008
Cash at bank (professional investor scheme) *	1,364	977
Cash at bank (securitisation arrangement) **	928	1,087
Cash and cash equivalents	14,473	11,072

* Cash at bank relating to the professional investor scheme is cash held within the Prime Asset Trust Limited (refer note 20 and 21). 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.

** Cash at bank relating to the securitisation arrangement is cash held within The Geneva Warehouse A Trust (refer note 19,20 and 21). 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. Equity securities - available for sale

	2018 $000's	2017 $000's
Unlisted medical property investment company	3,390	3,190

The 10.47% stake in this company is held by Quest Insurance Group Limited. The investment in the unlisted medical property company is an available for sale financial asset and is measured at fair value. 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	2018 $000's	2017 $000's
Gross finance receivables		31,942	39,892
Gross finance receivables (The Geneva Warehouse A Trust)		59,162	51,891
Gross finance receivables (Prime Asset Trust Limited)		2,656	2,862
Total gross finance receivables		93,760	94,645
Less: Unearned interest		61	94
Deferred fee revenue and expenses		392	585
Less: Provision for credit impairment	(17)	25,643	29,889
Net finance receivables		67,664	64,077

Maturity profile of net finance receivables

	2018 $000's	2017 $000's
Current:		
Within 6 months	14,947	13,227
7 - 12 months	11,754	10,796
	26,701	24,023
Non - Current:		
13 - 24 months	19,852	18,427
25 - 60 months	21,111	21,627
Over 60 months	-	-
	40,963	40,054
Total	67,664	64,077

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 IAS 39, 'Financial Instruments: Recognition and Measurement' (NZ IAS 39) and thus at the time of the sale does not meet the Group's accounting policy for derecognition of a financial asset. NZ IAS 39 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 19 for further information.

During the year ended 31 March 2018, finance receivables totalling approximately $43.2m were sold to the Trust (2017: $36.8m). 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 $59.2m are subject to limitations on disposal (2017: $51.9m).

16. Finance receivables (continued)

During the year ended 31 March 2018, no finance receivables were sold to or repurchased from the Prime Asset Trust Limited ('PATL') (March 2017: $5.9m sold and $2.6m 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 $2.7m are subject to limitations on disposal (2017: $2.9m).

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 IAS 39 and thus at the time of sale does not meet the GFSL's accounting policy for derecognising of financial asset. NZ IAS 39 establishes specific guidance for the derecognition of financial assets, such that a financial assets can only be derecognised when substantially all of the risks and rewards of ownership of the financial asset have transferred and they are no longer controlled by the entity. The transfer of risks and rewards of ownership is measured by the change in the variability of the cash flow arising from the financial assets before and after the transfer. Under NZ IAS 39, 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 IAS 39. The loan receivables transferred continue to appear in the statement of financial position of GFSL.

17. Provision for credit impairment

	Note	2018 $000's	2017 $000's
Specific provisions			
Opening balance		1,302	1,313
Increase / (decrease) in provisions		10	(11)
Closing balance		1,312	1,302
Collective provision			
Opening balance		28,587	28,135
Increase / (decrease) in provisions		351	358
Decrease in provisioning through sale of impaired debt *		(4,708)	-
Write offs		101	94
Closing balance		24,331	28,587
Total provision for credit impairment	(16)	25,643	29,889

* 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 IAS 39, 'Financial Instruments: Recognition and Measurement' (NZ IAS 39) 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.

18. Impaired and past due assets

	Note	2018 $000's	2017 $000's
Specifically impaired assets			
Opening balance		1,312	1,368
Additions		152	(56)
Deletions		-	-
Closing balance		1,464	1,312
Impairment provision - specific	(17)	(1,312)	(1,302)
Net specifically impaired assets		152	10

18. Impaired and past due assets (continued)

Collectively impaired assets

	Note	2018 $000's	2017 $000's
Opening balance		33,770	33,479
Additions		3,252	9,533
Deletions		(6,019)	(9,238)
Write offs		(1)	(4)
Closing balance		31,002	33,770
Impairment provision - collective	(17)	(24,331)	(28,587)
Net collectively impaired assets		6,671	5,183

	Note	2018 $000's	2017 $000's
Net impaired assets	(35) (a) ii)	6,823	5,193

Restructured assets

	Note	2018 $000's	2017 $000's
Opening balance		99	156
Additions		-	42
Deletions		(44)	(99)
Write offs		-	-
Closing balance	(35) (a) ii)	55	99

Past due assets but not impaired

	Note	2018 $000's	2017 $000's
Opening balance		8,869	5,623
Movement during the year		3,082	3,246
Closing balance	(35) (a) ii)	11,951	8,869

All past due but not impaired assets fall between 0 and 30 days past due.

19. 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 November 2017 (2017: August 2016) and was extended to 31 July 2019 (2017: July 2018). The current facility is $50,000,000 (2017: $45,000,000). 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 IAS 39, 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 IAS 39. 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.

During year ended 31 March 2018 GFSL transferred $43.2m gross value of loans receivables to the Trust (2017: $36.8m). As at 31 March 2018 the carrying value of these assets were $59.2m (2017: $51.9m).

20. 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 personnel (& close family members)	
	2018	2017
Finance receivables	$000's	$000's
Loans receivables	373	273
Impairment provision	(273)	(273)
Net loans receivable	100	-

	Directors and other key management personnel (& close family members)	
	2018	2017
Movement in finance receivables	$000's	$000's
Opening balance as at 1 April	-	76
Loans Issued	100	-
Loans repaid	-	(76)
Impairment provision	-	-
	100	-
Discount adjustment for interest free loans	-	-
	100	-
Interest income earned	5	2

Loans issued to Directors carried an interest rate of 8% up to the 30 September 2007, from 1 October 2007 these loans are interest free. The loans were granted for a period of three to five years. The loans was advanced to purchase shares in Financial Investment Holdings Limited. The loans were fully provided for at 31 March 2018 and 31 March 2017.

During March 2016 a $76,000 loan was issued to the Chief Financial Officer. The loan was issued for the execution of share options issued to senior executive on 7 August 2015. The loan carry an interest rate of 7.1% and has a 24 month term with an early settlement option. This loan was repaid during March 2017 period.

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 is secured by the number of Geneva Finance Shares purchased.

Deposits from related parties

		Directors and other key management personnel (& close family members)	
		2018	2017
Other borrowings, secured debt and subordinated debt.	Note	$000's	$000's
Subordinated debt	(32)	2,400	2,400
Total		2,400	2,400

	Directors and other key management personnel (& close family members)	
	2018	2017
Movement in debentures, subordinated debt and deposits	$000's	$000's
Opening balance as at 1 April	2,400	2,400
Deposits received during the period	-	-
Deposits repaid during the period	-	-
	2,400	2,400

20. Related parties (continued)

Interest expense	174	174

The related party deposits carry interest rates of 9.0%, (31 March 2017: 9.0%).

Key management personnel compensation	2018 $000's	2017 $000's
Salaries short term employee benefits during the period		
Salaries	1,297	1,015
Directors Fees	147	131
Share based payments	-	-
	1,444	1,146

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

	2018 $000's	2017 $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.

21. Group entities

	Nature of business	Country of incorporation	Ownership interest (%) 2018	2017
Geneva Finance NZ Limited	Consumer finance	New Zealand	100	100
Quest Insurance Group Limited	Insurance	New Zealand	100	100
Geneva Capital Limited ***	Property company	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	New Zealand	100	100
Geneva Nominees Limited	Dormant	New Zealand	100	100
The Geneva Warehouse A Trust *	Securitisation Trust	New Zealand	N/A *	N/A *
EFCO Limited **	Dormant **	New Zealand	-	-

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.

** EFCO Limited was incorporated on 29 March 2016 and shares are held by Geneva Financial Services Limited. EFCO Limited was sold on 10 March 2017.

*** Pacific Rise Limited was changed to Geneva Capital Limited on 8 March 2018.

22 Acquisitions of businesses

Acquisition of the MFL Services business

On 30 November 2017, the Group acquired the MFL Services business operation ('MFL') from MFL Services Limited. The principal activity of the MFL Services business is a debt collection, recovery and litigation. The MFL business will fall under the ownership of Stellar Collections Limited. The primary reason for the aquistion was to expand the Group's debt collection business.

22 Acquisitions of businesses (continued)

	30/11/2017
	$'000
Fair Value of consideration transferred	
Cash	1,150
Identified assets acquired and liabilities assumed	
Property plant and equipment	10
Intangible assets - non-contractual customer relationships	530
Deferred tax	(148)
Identifiable net assets	392
Goodwill on acquisition	758
Consideration transferred settled in cash	1,150
Net cash outflow on acquisition	1,150

Identified assets acquired and liabilities assumed

The fair value of the non-contractual customer relationships has been determined using the multi-period excess earnings method. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

Goodwill

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. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is no deductible for tax purposes

Contribution to Group results

In the four months to 31 March 2018 the business contributed revenue of $0.39m and profit of $0.12m to the Group's consolidated results.

If the acquisition had occurred on 1 April 2017, management estimates that the Group consolidated revenue would have been $1.17m and the Group consolidated profit for the year would have been $0.36m.

23. Deferred insurance contract acquisition costs

	2018	2017
	$000's	$000's
Opening balance	1,400	1,082
Deferral of insurance contract acquisition costs incurred during the year	2,149	983
Expense of insurance contract acquisition costs incurred during prior years	(816)	(665)
Closing balance	2,733	1,400

24. Financial assets at fair value through profit or loss

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% (2017: 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.

24. Financial assets at fair value through profit or loss (continued)

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

	2018 $000's	2018 $000's	2017 $000's	2017 $000's
	-10%	+10%	-10%	+10%
Effect of reducing or increasing cash flow assumptions by 10%	378	467	415	535
	-5%	+5%	-5%	+5%
Effect of reducing or increasing discount rate 5%	457	393	520	435

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

Financial assets at fair value through profit or loss

	2018 $000's	2017 $000's
Purchased debt	423	475
	423	475

Maturity profile of financial assets designated at fair value:

	2018 $000's	2017 $000's
Current - within 12 months		
- Purchased debt	137	156
	137	156
Non - Current - more than 12 months		
- Purchased debt	286	319
	286	319
Total	423	475

25. Taxation

a) Deferred income tax

	2018 $000's	2017 $000's
Deferred tax assets		
To be recovered within one year	1,514	1,389
Later than one year	3,051	1,725
	4,565	3,114

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

	Note	Intangible Assets $'000	Provisions $'000	Tax losses $'000	Total $'000
Balance at 31 March 2016		-	**1,796**	-	**1,796**
(Charged) / Credited to profit or loss		-	690	628	1,318
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	(22)	(148)	-	-	(148)
Balance at 31 March 2018		**(140)**	**2,028**	**2,677**	**4,565**

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.

25. Taxation (continued)

a) Deferred income tax (continued)

The following deferred tax assets have not been recognised in the statement of financial position but are available for utilisation against future taxable income:

	Tax Losses		Temporary Differences	
	Gross	Tax Effected	Gross	Tax Effected
	$'000	$'000	$'000	$'000
31 March 2016	**28,571**	**8,000**	**2,943**	**824**
Movement for the year	(3,479)	(974)	(482)	(135)
Temporary difference recognised as a deferred tax	-	-	(2,461)	(689)
Tax losses recognised as a deferred tax adjustment	(2,243)	(628)	-	-
31 March 2017	**22,849**	**6,398**	**(0)**	**(0)**
Movement for the year	(843)	(236)	4,332	1,213
Temporary difference recognised as a deferred tax	-	-	(4,332)	(1,213)
Tax losses recognised as a deferred tax adjustment	(7,318)	(2,049)		
31 March 2018	**14,688**	**4,113**	**(0)**	**(0)**

b) Imputation credits

The balance of imputation credit at reporting date is Nil (2017: Nil).

26. Intangible assets

	2018	2017
Computer software	$000's	$000's
At cost	2,716	2,472
Accumulated amortisation	(2,184)	(2,001)
Closing balance	532	471
Goodwill		
At cost	758	-
Accumulated amortisation / impairment	0	-
Closing balance	758	-
Customer Relationships		
At cost	530	-
Accumulated amortisation / impairment	(29)	-
Closing balance	501	-

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

		2018	2017
Computer software		$000's	$000's
Opening balance		375	53
Additions		201	390
Amortisation		(184)	(68)
Closing balance		392	375
Computer software in progress			
Opening balance		96	127
Additions		271	359
Transfers/Disposals		(227)	(390)
Closing balance		140	96
Goodwill			
Opening Balance		-	-
Additions through business combinations	(22)	758	-
Amortisation			-
Closing balance		758	-

26. Intangible assets (continued)

Customer Relationships			
Opening Balance		-	-
Additions through business combinations	(22)	530	-
Amortisation		(29)	-
Closing balance		501	-

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 impairment testing

The recoverable amount of the MFL Services CGU has been determined based on a value-in-use calculation. This calculation 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 MFL Services CGU operates. The key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows. The year 1 forecast cash flows were extrapolated using the a 2% growth rates for years 2 to 5 and a terminal rate of 2.0% A pre-tax discount rate of 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. In assessing the impairment of the goodwill of the MFL Services CGU, a sensitivity analysis for reasonably possible changes in key assumptions was performed. This included reducing the year 1 - 2 growth rates by 1%, increasing and reducing the terminal growth rate by 1% increasing and decreasing the discount rate by 5%. These reasonably possible changes in rates did not cause any impairment.

27. Plant & equipment

	2018 $000's	2017 $000's
Computer equipment		
At cost	1,990	1,976
Accumulated depreciation	(1,955)	(1,943)
	35	33
Furniture and fittings		
At cost	680	680
Accumulated depreciation	(679)	(678)
	1	2
Office equipment		
At cost	272	261
Accumulated depreciation	(260)	(260)
	12	1
Leasehold improvements		
At cost	1,490	1,486
Accumulated depreciation	(1,487)	(1,486)
	3	-
Motor vehicles		
At cost	205	180
Accumulated depreciation	(128)	(99)
	77	81
Total plant & equipment	128	117

27. Plant & equipment (continued)

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

	2018 $000's	2017 $000's
Computer equipment		
Opening balance	33	16
Additions	14	44
Disposals/write offs	-	(13)
Depreciation	(12)	(14)
Closing balance	35	33
Furniture and fittings		
Opening balance	2	-
Additions	-	7
Disposals/write offs	-	(4)
Depreciation	(1)	(1)
Closing balance	1	2
Office equipment		
Opening balance	1	1
Additions	11	1
Disposals/write offs	-	(1)
Depreciation	-	-
Closing balance	12	1
Leasehold improvements		
Opening balance	-	-
Additions	4	38
Disposals/write offs	-	(35)
Depreciation	(1)	(3)
Closing balance	3	-
Motor vehicles		
Opening balance	81	74
Additions	25	30
Disposals/write offs	-	-
Depreciation	(29)	(23)
Closing balance	77	81
Total plant & equipment	128	117

28. Outstanding claims liability

	2018 $000's	2017 $000's
Gross claims undiscounted	484	200
Third party recoverables	(57)	(36)
IBNR provision	143	174
Closing balance	570	338
Reconciliation of movement in outstanding claims liability		
Gross claims undiscounted		
Opening balance	200	126
Movement in ultimate incurred costs	(1,115)	(466)
Payments	1,399	540
Closing balance	484	200
Third party recoverables		
Opening balance	(36)	(12)
Movement	(21)	(24)
Closing balance	(57)	(36)
IBNR provision		
Opening balance	174	138
Movement	(31)	36
Closing balance	143	174

28. Outstanding claims liability (continued)

Solvency disclosure - Quest Insurance Group Limited

The solvency position of the Company as at 31 March 2018 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 2018, net of related party investments and unrecoverable deferred acquisition costs amounted to $6.88m (2017:$7.53m). Quest Insurance Group Limited is required to hold minimum solvency capital of $5.0 million and have a solvency margin of at least $1.

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%

2017	Non Life $'000	Life $'000	Total $'000
Actual Solvency Capital	6,600	935	7,535
Minimum solvency requirement	3,768	-	5,000
Solvency Margin	**2,832**	**935**	**2,535**
Solvency Cover Ratio	175%	n/a	151%

The liabilities recorded on the Statement of Financial Position are $8.3m (2017: $3.2m) and total assets equal $17.6m (2017: $11.4m).

29. Unearned insurance contract premium liabilities

	2018 $000's	2017 $000's
Opening balance	2,772	2,272
Deferral of premium on contracts written during the year	6,116	2,047
Earnings of premiums deferred in prior year	(1,803)	(1,547)
Closing balance	7,085	2,772

30. 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	2018 $000's	2017 $000's
Interest rate swap (at fair value) entered into		
Opening Balance	(149)	(520)
Movement	96	371
Closing Balance	(53)	(149)
Contract / notional amount - (Swap)	23,408	28,031

Hedging activities

The Group's hedging practices and accounting treatment are disclosed in Note 3 (t).

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 19.

There were no ineffectiveness recognised in profit or loss during the period, (2017: Nil).

30. Derivative financial instruments (continued)

Notional amounts and applicable interest rates

2018 Notional Amount $000's	2018 Interest Rate %	2017 Notional Amount $000's	2017 Interest Rate %
		145	3.53
		263	4.05
		478	4.19
28	4.36	907	4.36
2,548	4.37	8,913	4.37
14,312	2.17	17,325	2.17
6,520	2.16		
23,408		**28,031**	

31. Bank facilities

	2018 $000's	2017 $000's
Bank facility: Westpac	48,600	42,754
Capitalised transaction costs: Westpac	(28)	(24)
Bank facility: Kiwi Bank	3,400	3,400
Capitalised transaction costs: Kiwi Bank	(1)	(3)
	51,971	46,127

Maturity profile of bank facilities	2018 $000's	2017 $000's
Current - within 12 months		
- Bank facility: Westpac	1,327	1,244
- Bank facility: Kiwi Bank	240	237
	1,567	1,481
Non - Current - more than 12 months		
- Bank facility: Westpac	47,245	41,486
- Bank facility: Kiwi Bank	3,159	3,160
	50,404	44,646
Total	51,971	46,127

The financing arrangement with Westpac New Zealand Limited (Westpac) as described in note 19.

Stellar Collections Limited secured 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.

32. Other borrowings

	2018 $000's	2017 $000's
Secured	-	-
Capitalised transaction costs	-	-
Unsecured	7,950	7,950
	7,950	7,950

Maturity profile of other borrowings	2018 $000's	2017 $000's
Current - within 12 months		
- Secured	-	-
- Unsecured	4,850	-
	4,850	-

32. Other borrowings (continued)

	2018 $000's	2017 $000's
Non - Current - more than 12 months		
- Secured	-	-
- Unsecured	3,100	7,950
	3,100	7,950
Total	7,950	7,950

The other borrowings relate to professional investor funding. The balance of $4.85m carries an interest rates of 9% and the balance of $3.10m carries an interest rate of 8%.

During the prior period the Company settled no professional investors funding and no funds were reinvested.

33. Capital and reserves

Capital:

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

Share capital (comprised of ordinary shares only):

	Ordinary shares (in thousands)	
	2018 000's	2017 000's
Opening balance	70,435	70,435
Closing balance	70,435	70,435

	2018 $000's	2017 $000's
Opening balance	51,287	51,287
Closing balance	51,287	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. The final dividend for the March 2017 year of 2.00 cents per share was declared on 6 June 2017 and paid on 30 June 2017 (ex dividend date of 22 June 2017). An interim dividend of 1.0 cents was paid was declared on 16 November 2017 and paid on 15 December 2017 (ex dividend date of 7 December 2017). A final dividend or the March 2018 year of 2.25 cents was declared on 24 June 2018 and paid on 6 July 2018 (ex dividend date of 28 June 2018).

Hedging reserve:
The hedging reserve relates to the fair value of the effective portion of cash flow hedges (Refer note 30).

Available for sale equity reserve:
The available for sale reserve relates to revaluation of an equity investment held by the subsidiary company Quest Insurance Group Limited.

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 $3.4m (2017: $3.2m) being $1.2m (2017: $1.0m).

34. Profit / (Loss) per share

Basic profit / (loss) per share
The calculation of basic profit per share at 31 March 2018 was based on the profit attributable to ordinary shareholders of $6,123,000 (2017: $5,133,000) and a weighted average number of shares 70,435,275 (2017: 70,435,275) calculated as follows:

Profit / (loss) attributable to ordinary shareholders

	2018 $000's	2017 $000's
Net profit / (loss) after taxation	6,123	5,133
Net profit / (loss) attributable to ordinary shareholders	6,123	5,133

34. Profit / (Loss) per share (continued)

Weighted average number of ordinary shares

	2018	2017
Weighted average number of ordinary shares in issue (thousands)	70,435	70,435
Basic profit per share (in cents)	8.69	7.29

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.

On 7 July 2016, every 7 shares held in the Company was consolidated into 1 share, with all fractional entitlements rounded up. Prior year values were restated to reflect the comparable consolidated number of shares.

35. 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.

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

Financial Risk (continued)

(a) Credit risk (continued)

Concentration of credit risk by sector

	2018 $000's	2017 $000's
Personal Loans		
Gross finance receivables	92,513	93,352
Provision for credit impairment	(24,396)	(28,596)
	68,117	64,756
Business loans		
Gross finance receivables	1,247	1,293
Provision for credit impairment	(1,247)	(1,293)
	-	-
Gross finance receivables after provision for credit impairment	68,117	64,756
Less:		
Unearned interest	61	94
Deferred fee revenue and expenses	392	585
Net finance receivables	67,664	64,077

Concentration of credit risk exposure by security

	2018 $000's	2017 $000's
Personal loans		
Secured	73,662	73,256
Unsecured	18,851	20,096
Total personal loan receivables	92,513	93,352
Business loans		
Secured	1,247	1,293
Unsecured	-	-
Total business loan receivables	1,247	1,293

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 2018

	Impaired	Restructured	Past Due But Not Impaired	Neither Past Due or Impaired	Total
	$000's	$000's	$000's	$000's	$000's
Personal loans					
Gross finance receivables after provision for credit impairment (personal loans)	6,823	55	11,951	49,287	68,117
Business loans					
Gross finance receivables after provision for credit impairment (business loans)	-	-	-	-	-
Total gross finance receivables after provision for credit impairment	6,823	55	11,951	49,287	68,117

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

Financial Risk (continued)

(a) Credit risk (continued)

31 March 2017

	Impaired	Restructured	Past Due But Not Impaired	Neither Past Due or Impaired	Total
	$000's	$000's	$000's	$000's	$000's
Personal loans					
Gross finance receivables after provision for credit impairment (personal loans)	5,193	99	8,869	50,595	64,756
Business loans					
Gross finance receivables after provision for credit impairment (business loans)	-	-	-	-	-
Total gross finance receivables after provision for credit impairment	5,193	99	8,869	50,595	64,756

iii) Maximum credit risk

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

	2018	2017
	$000's	$000's
Cash and cash equivalents	14,473	11,072
Finance receivables (net, after provision for credit impairment)	68,117	64,756
Financial assets designated at fair value	423	475
Prepayments & receivables	4,143	250

Prepayments & receivables are aged in note 35 (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

2018	TOTAL	Current	Days past due <30	31-60	61-90	91-120	>120
Gross Finance Receivables	**93,760**	49,342	11,951	2,131	764	371	29,201
Provision for Credit Impairment	**25,643**	-	-	488	278	148	24,729
Net Finance Receivables	**68,117**	**49,342**	**11,951**	**1,643**	**486**	**223**	**4,472**

2017	TOTAL	Current	Days past due <30	31-60	61-90	91-120	>120
Gross Finance Receivables	**94,645**	50,347	9,101	1,364	568	449	32,816
Provision for Credit Impairment	**29,889**	-	-	436	212	190	29,051
Net Finance Receivables	**64,756**	**50,347**	**9,101**	**928**	**356**	**259**	**3,765**

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

Financial Risk (continued)

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 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	-	-	-
Financial assets at fair value	423	698	119	107	189	283
Finance receivables	67,664	101,198	22,355	17,579	29,690	31,574
Equity securities - available for sale *	3,390	3,390	-	3,390	-	-
Other receivables	4,143	4,172	4,145	27	-	-
Total finance assets	90,093	123,931	41,092	21,103	29,879	31,857

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

Financial Risk (continued)

b) Interest rate risk and liquidity risk (continued)

Financial liabilities						
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 19 & 31) otherwise the amounts presented in '25-60 months' would appear in '13-24 months.

31 March 2017
$'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	11,072	11,072	11,072	-	-	-
Financial assets at fair value	475	934	160	147	246	381
Finance receivables	64,077	95,855	19,787	16,150	27,566	32,352
Equity securities - available for sale *	3,190	3,190	-	3,190	-	-
Other debtors	250	250	250	-	-	-
Total finance assets	79,064	111,301	31,269	19,487	27,812	32,733
Financial liabilities						
Bank facilities **	(46,127)	(48,705)	(818)	(663)	(748)	(46,476)
Professional investor scheme	(7,950)	(9,053)	(343)	(341)	(5,207)	(3,162)
Other payables	(143)	(143)	(143)	-	-	-
Total financial liabilities	(54,220)	(57,901)	(1,304)	(1,004)	(5,955)	(49,638)
Derivative gross outflow	(149)	(149)	(71)	(42)	(29)	(7)
Net liquidity gap	24,695	53,251	29,894	18,441	21,828	(16,912)

* 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 19 & 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 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	17.65	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	3.53 - 7.05	(1,327)	-	-	(50,404)	(51,731)
Other borrowings	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	2.16 - 4.37	(31)	(13)	(8)	(1)	(53)
Total		23,284	11,806	16,858	(29,122)	22,826

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

Financial Risk (continued)

b) Interest rate risk and liquidity risk (continued)

31 March 2017 $'000's	Effective Interest Rate					
Financial assets	%	0-6 Months	7-12 Months	13-24 Months	25-60 Months	Total
Cash and cash equivalents	0.00 - 1.50	11,072	-	-	-	11,072
Financial assets at fair value	27.50	81	75	125	194	475
Finance receivables	20.51	13,227	10,796	18,427	21,627	64,077
Total interest bearing finance assets		24,380	10,871	18,552	21,821	75,624
Financial liabilities						
Bank facilities	3.64 - 7.25	(1,481)	-	-	(44,646)	(46,127)
Professional investor scheme	8.00 - 9.00	-	-	(4,850)	(3,100)	(7,950)
Total interest bearing financial liabilities		(1,481)	-	(4,850)	(47,746)	(54,077)
Effect of derivatives held for risk management	2.17 - 4.37	(71)	(42)	(29)	(7)	(149)
Total		22,828	10,829	13,673	(25,932)	21,398

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 2018 (2017: $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 2018			Interest rate risk			
	Note	Carrying Amount $'000	-0.5% Profit $'000	-0.5% Equity $'000	+0.5% Profit $'000	+0.5% Equity $'000
Financial assets						
Cash and cash equivalents	(14)	14,473	(72)	(72)	72	72
Financial assets at fair value	(24)	423	(2)	(2)	2	2
Finance receivables	(16)	67,664	(338)	(338)	338	338
Financial liabilities						
Bank facilities	(31)	(51,971)	260	260	(260)	(260)
Other borrowings	(32)	(7,950)	40	40	(40)	(40)
Derivative financial instruments	(30)	(53)	-	-	-	-
Total increase/(decrease)			(112)	(112)	112	112

31 March 2017			Interest rate risk			
	Note	Carrying Amount $'000	-0.5% Profit $'000	-0.5% Equity $'000	+0.5% Profit $'000	+0.5% Equity $'000
Financial assets						
Cash and cash equivalents	(14)	11,072	(55)	(55)	55	55
Financial assets at fair value	(24)	475	(2)	(2)	2	2
Finance receivables	(16)	64,077	(320)	(320)	320	320
Financial liabilities						
Bank facilities	(31)	(46,127)	231	231	(231)	(231)
Other borrowings	(32)	(7,950)	40	40	(40)	(40)
Derivative financial instruments	(30)	(149)	1	1	(1)	(1)
Total increase/(decrease)			(105)	(105)	105	105

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

Financial Risk (continued)

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.

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 2018

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities available for sale	(15)	-	-	3,390	3,390
Financial assets through profit and loss					
Purchased debt	(23)	-	-	423	423
Total Assets		-	-	3,813	3,813
Derivative financial instruments	(29)	-	(53)	-	(53)
Total liabilities		-	(53)	-	(53)

iii) Assets and liabilities measured at fair value (continued)

31 March 2017

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities available for sale	(15)	-	-	3,190	3,190
Financial assets through profit and loss					
Purchased debt	(24)	-	-	475	475
Total assets		-	-	3,665	3,665
Derivative financial instruments	(30)	-	(149)	-	(149)
Total liabilities		-	(149)	-	(149)

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

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

Financial Risk (continued)

c) Fair value financial assets and liabilities (continued)

iv) Reconciliation of level 3 items

31 March 2018

	Purchased Debt	Available for Sale Equity Securities	Total
	$'000	$'000	$'000
Purchased debt and available for sale equity securities			
At 1 April 2017	475	3,190	3,665
Profits - purchased debt	404	-	404
Increase in fair value in available for sale equity securities	-	200	200
Receipts - purchased debt	(456)	-	(456)
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

iv) Reconciliation of level 3 items (continued)

31 March 2017

	Purchased Debt	Available for Sale Equity Securities	Total
	$'000	$'000	$'000
Purchased debt and available for sale equity securities			
At 1 April 2016	630	3,031	3,661
Profits - purchased debt	279	-	279
Decrease in fair value in available for sale equity securities	-	159	159
Receipts - purchased debt	(434)	-	(434)
At 31 March 2017	475	3,190	3,665

Total gains for the period included in other revenue in the income statement for assets held at 31 March 2017	279

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.

Insurance risk

The Group assumes insurance risk through its general insurance activities. The risk is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The risk is random and unpredictable. The key risk arises in respect of claim costs varying from what was assumed in the setting of premium rates.

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.

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.

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

Financial Risk (continued)

d) Foreign exchange risk (continued)

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 (2017: 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.

Insurance Risk

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.

A central part of the Group's overall risk management strategy is the effective management of the risks that affect the amount, timing and certainty of cash flows arising from insurance contracts.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts, industry sectors and geographical areas. 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 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.

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.

36. Accounts payables, accruals and employee benefits

	2018 $000's	2017 $000's
Accounts Payables and accruals		
Accounts Payable	428	143
Accruals	1,027	632
Other Payables	756	930
	2,211	1,705
Employee entitlements		
Salaries and Wages	61	52
Annual leave	170	161
Long service leave	82	60
	313	274
(i) Reconciliation of annual leave		
Opening Balance	161	162
Movement	9	(1)
Closing Balance	170	161
(ii) Reconciliation of long service leave		
Opening Balance	60	33
Movement	22	27
Closing Balance	82	60

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

	Note	2018 $000's	2017 $000's
Net profit / (loss) after taxation		6,123	5,133
Add/(Less) Non-cash adjustments			
Depreciation	(27)	43	41
Amortisation	(26)	213	68
Share option expense		-	-
Profit on sale of fixed assets and fixed asset written off		-	-
Movement in finance receivables provision		462	441
Bad debts		2	4
Net movement on financial assets at fair value		52	155
Deferred taxation		(1,599)	(1,318)
Capitalised transaction costs		(2)	19
Add/(Less) Movements in other working capital items			
(Increase) / decrease in finance receivables		(2,619)	(8,726)
(Increase) / decrease in other receivables and prepayments		(3,893)	(47)
(Increase) / decrease in tax receivable		-	4
Increase / (Decrease) in trade and other payables		(695)	(236)
(Increase) / Decrease in insurance policyholder liability		4,545	586
Increase / (Decrease) in deferred revenue and expenses		(1,526)	(395)
Net cash inflow from operating activities		1,106	(4,271)

38. Reconciliation of liabilities arising from financing activities

Summary as at 31 March 2018

	Opening Balance	Financing Cash Flows	Non-cash changes					Closing Balance
			Acquisition of subsidiary	Disposal of subsidiary	Fair value adjustments	New Finance Leases	Other changes	
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)	-	-	-	-	-	-
	54,226	3,733	-	-	(96)	-	-	57,863

Summary as at 31 March 2017

	Opening Balance	Financing Cash Flows	Non-cash changes					Closing Balance
			Acquisition of subsidiary	Disposal of subsidiary	Fair value adjustments	New Finance Leases	Other changes	
Derivate financial instruments	520	-	-	-	(371)	-	-	149
Bank facilities	40,427	5,700	-	-		-	-	46,127
Other Borrowing advances	4,850	3,100	-	-		-	-	7,950
Dividends paid to Company shareholders	-	(1,057)	-	-		-	-	-
	45,797	7,743	-	-	(371)	-	-	53,169

39. Current and term aggregates

	2018 $000's	2017 $000's
Aggregate current assets	48,855	38,702
Aggregate term assets	50,466	45,475
Aggregate current liabilities	9,564	3,947
Aggregate term liabilities	60,589	55,368

40. 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
- 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
- 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.
- Property: During the period the property investment segment was renamed and will be used as a the Groups new invoice finance segment. This segment will become the Invoice Financing Segment post balance date.

40. Segment analysis (continued)

a) By operating segment (continued)

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.

Group summary revenues and results for the year 31 March 2018

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

Group summary revenues and results for the year 31 March 2017

$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
External revenues	2	12,244	2,680	493	-	-	15,419
Revenue - other segments	1,227	426	263	208	-	(2,124)	-
Total	1,229	12,670	2,943	701	-	(2,124)	15,419
Segment profit/(loss)	(1,585)	4,462	938	230	-	(230)	3,815
Taxation benefit	1,318	-	-	-	-	-	1,318
Net profit/(loss) after taxation	(267)	4,462	938	230	-	(230)	5,133
Interest income	999	11,683	314	255	-	(1,894)	11,357
Interest expense	1,177	3,917	-	256	-	(1,894)	3,456
Depreciation	-	39	2	-	-	-	41
Amortisation	-	68	-	-	-	-	68
Other material non-cash items:							
Impaired assets expense	(230)	1,397	-	(1,046)	-	230	351

40. Segment analysis (continued)

a) By operating segment (continued)

Group summary assets and liabilities as at 31 March 2017

$'000	Corporate	New Business	Insurance	Old Business	Property	Eliminations	Group
Segment assets							
Total assets	35,127	69,279	11,504	9,968	2,814	(44,516)	84,176
Additions to non current assets	(32)	426	31	-	-	-	425
Segment liabilities							
Total liabilities	28,129	56,258	3,279	4,402	-	(32,754)	59,314

b) By geographical segment

The Group operated predominantly in New Zealand and all revenues are derived from New Zealand.

41. Operating lease commitments

The Group is committed under operating leases as follows:

	2018 $000's	2017 $000's
Premises		
Less than 1 Year	332	335
1 - 2 Years	306	338
3 - 5 Years	906	918
5+ Years	-	293
	1,544	1,884
Equipment		
Less than 1 Year	24	21
1 - 2 Years	11	14
3 - 5 Years	4	-
	39	35

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

42. Credit ratings

Credit rating agency AM Best confirmed Quest Insurance Group Limited's credit rating on 16 March 2018 (2017: 11 January 2017) with a Financial Strength rating of B (2017: B) and an Issuer Credit rating of bb+ (2017: bb). Both ratings came with a stable outlook.

43. Contingent liabilities

There are no material contingent liabilities at 31 March 2018 (2017: none).

44. Subsequent events

On 13 April 2018, the Group settled the purchase of an invoice financing business. The acquisition strengthens the Group's finance business. The consideration for the acquisition was $9.0m. The financial impact of the acquisition is not disclosed as the accounting for the business combination has not been completed at the time of signing these financial statements.

On 14 June 2018 the Company announced a dividend of 2.25 cents per share which was paid on 6 July 2018.

On 11 July the Kiwibank facility further extended to 15 June 2020 (refer note 31).

Stock exchange listing

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

Registered principal security holders at 21 June 2018

Rank	Name	Units	% of issued capital
1	Federal Pacific Group NomineesLimited	41,990,208	59.62%
2	Peter Edward Francis & Deborah Anne Francis & Nigel Geoffrey Ledgard Burton	2,432,933	3.45%
3	FNZ Custodians Limited	2,119,583	3.01%
4	David Gerard O'Connell & Vivienne Ellen O'Connell & Liston Trustee Services Ltd	1,146,141	1.63%
5	Robin King & Lynn King	1,110,119	1.58%
6	David W Smale & E M Smale	910,966	1.29%
7	Brookes Lands Limited	871,399	1.24%
8	Ronald Robin King & Lynn Barbara King	811,201	1.15%
9	Jack Wakelin & Margo Wakelin	525,359	0.75%
10	Cardrona Capital Limited	505,024	0.72%
11	Clinton Garwin Hartley & Jillian Leah Hartley & Karen Margaret Mclaughlin	433,721	0.62%
12	Fergley Trustee Limited	414,955	0.59%
13	Suvira Rani Gupta	376,769	0.53%
14	Alexander Arthur Theodore Cox	316,449	0.45%
15	Alexander J Isaac & Pamela A Isaac & Lancelot G Parker	300,206	0.43%
16	John G Webber Limited	300,000	0.43%
17	Albert Boy & Lizel Boy	285,715	0.41%
18	Phil Eketone	285,715	0.41%
19	Richard Charles Wilkinson	285,496	0.41%
20	Fulong Liu	284,211	0.40%

Spread of security holders at 21 June 2018

Range	Number of shareholders	Units	% of issued capital
1 - 1,000	578	316,556	0.45%
1,001 - 5,000	646	1,457,736	2.07%
5,001 - 10,000	182	1,251,448	1.78%
10,001 - 50,000	165	3,599,908	5.11%
50,001 - 100,000	34	2,465,329	3.50%
100,001 and Over	52	61,344,298	87.09%
TOTAL	**1,657**	**70,435,275**	**100.00%**

Country	Number of Shareholders	%	Units	% of issued capital
New Zealand	1,596	96.3%	69,910,304	99.1%
Australia	32	1.9%	157,885	0.4%
United Kingdom	11	0.7%	105,753	0.2%
Other	18	1.1%	261,333	0.4%
	1,657	**100.0%**	**70,435,275**	**100.0%**

Substantial security holders

Pursuant to Section 35F of the Securities Market Amendment Act 2006, the substantial security holders as at 21 June 2018 were as follows:

	Number of Shares	%
Federal Pacific Group Nominees Limited	41,990,208	59.62%

The total number of voting securities of the company on issues on 21 June 2018 was 70,435,275 paid ordinary shares.

Statement of Directors security holdings

As at 31 March 2018 directors held the following securities in the Company:

	Units
R R King	1,921,320
D G O'Connell	1,146,141
D W Smale	910,966

Share transactions disclosed to the board and entered into the Company's Interest Register for the year ended 31 March 2018 were:

	Date of Transaction	Shares Acquired / (Disposed)	Consideration Paid / (Received) $	Nature of relevant interest
D G O'Connell	20/07/2017	(250)	0	Beneficial Owner
R R King	10/08/2017	4,788	2,500	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 2018 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	-	467	100	-	567
	143	467	100	4	714

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 2017.

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

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
Warrington Group Plant Limited
Anglesea Medical Properties Limited

Alan Hutchison
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 2018, is set out below:

Remuneration range	No. of employees
Geneva Finance Limited	
$110,001 - $120,000	1
$150,001 - $160,000	2
$200,001 - $210,000	1
$220,001 - $220,000	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
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 17 July 2018 and are signed on behalf of the board.

Director **Director**