

FINANCE DIRECT LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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FINANCE DIRECT LIMITED

**COMPANY DIRECTORY
AS AT 31 MARCH 2017**

Nature of Business	Consumer Based Finance Company	
Registered Office	Level 1, 88 Broadway Newmarket, Auckland 1023 Tel: 0800 399 666	
Company Number	981004	
Incorporated	23 September 1999	
Directors	Josh De Jong (Chairman) Wayne Croad (Managing Director) Richard Lott Kirstin Poole	
Shares Issued	789,157 Ordinary Shares 315,000 Perpetual Preference Shares	
Shareholders		
	Richard Lott	236,747
	Wayne Croad & Tania Croad	552,409
	Wayne Croad	1

	Total Ordinary Shares	789,157
		=====
	Richard Lott	15,000
	Wayne Croad & Tania Croad	50,000
	Charlotte Lee & Vickie Loach (jointly)	250,000

	Total Perpetual Preference Shares	315,000
		=====
Solicitors	Anthony Gore Limited Lawyers 12 Wynyard Street Devonport Auckland 0624	
	KP Legal Level 4, 26 Hobson Street Auckland 1010	
Bankers	ANZ Bank Limited Auckland	
Auditor	Grant Thornton New Zealand Audit Partnership Grant Thornton House 152 Fanshawe Street Auckland 1010	
Trustee	Covenant Trustee Services Limited Level 6, 191 Queen Street Auckland 1010	

FINANCE DIRECT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Directors present the financial statements of Finance Direct Limited and the subsidiary it controls (“the Group”) for the year ended 31 March 2017 and the independent auditor’s report thereon.

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

Directors’ Interests

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

Interested Transactions

During the year ended 31 March 2017, the Group paid consulting fees of \$26,000 (31 March 2016: \$56,000) to KP Legal, a legal firm in which Kirstin Poole (director) is a Partner.

During the year ended 31 March 2017, the Parent company paid expenses of \$89,000 (31 March 2016: \$21,000) on behalf of Lending Crowd Limited, a subsidiary company.

During the year ended 31 March 2017, the Group received motor vehicle lease payments of \$6,000 (31 March 2016: \$8,000) from Gateway Family Trust, an entity related to Wayne Croad (Managing Director).

In addition to annual salary, Wayne Croad also received reimbursement of utilities for his home office and general expenses of \$70,000 (31 March 2016: \$31,000).

At 31 March 2017, \$7,000 was outstanding from Oogaware Limited (31 March 2016, \$7,000) Oogaware Limited is the minority shareholder of Lending Crowd Limited. Loans and borrowings include a balance of \$350,000 from a related party (2016: nil). There were no other outstanding balances with related parties (31 March 2016: Nil). No amounts owed by related parties were written off or forgiven during the year ended 31 March 2017 (31 March 2016: Nil).

C Lee & V Loach, joint shareholders of Perpetual Preference Shares hold a secured debenture stock of \$350,000 in the Parent company, at an interest rate of 12.1% (31 March 2016: Nil).

There were no other transactions during the year ended 31 March 2017 with interested or related parties (31 March 2016: Nil).

Directors’ Remuneration

Remuneration details of Directors were as follows:

	31-Mar 2017	31-Mar 2016
	\$'000	\$'000
Wayne Croad	145	145
Richard Lott	27	37
Josh De Jong	21	18
Kirstin Poole	21	21
	<hr/>	<hr/>
	214	221

FINANCE DIRECT LIMITED
ANNUAL REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

Share Transactions

250,000 Perpetual Preference Shares of \$1 each were issued during the year ended 31 March 2017 (31 March 2016: 65,000 Perpetual Preference Shares of \$1 each were issued).

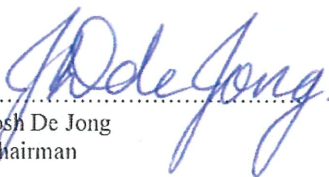
Directors' Loans

There were no loans made by the Group to Directors during the year ended 31 March 2017 (31 March 2016: Nil).

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

For and on behalf of the Board of Directors who approved these financial statements for issue on:

29 JUNE 2017.


.....
Josh De Jong
Chairman


.....
Wayne Croad
Managing Director

Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit Partnership

L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140

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To the Shareholders of Finance Direct Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Finance Direct Limited on pages 8 to 43 which comprise the consolidated statement of financial position as at 31 March 2017 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 financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Finance Direct Limited as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

Directors' responsibilities for the Consolidated Financial Statements

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

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

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the 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 material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:
<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/>

Restriction on use of our report

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

Grant Thornton New Zealand Audit Partnership

A handwritten signature in blue ink that reads "Grant Thornton".

M D Stewart
Partner
Christchurch, New Zealand

29 June 2017

FINANCE DIRECT LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Interest income	3	1,718	1,657
Interest expense	3	(779)	(744)
Net interest income	3	<u>939</u>	<u>913</u>
Fee and commission income	4	1,879	1,381
Fee and commission expense	4	(669)	(522)
Net fee and commission income	4	<u>1,210</u>	<u>859</u>
Other income	5	40	59
Total operating income		<u>2,189</u>	<u>1,831</u>
Net impairment losses	6	(67)	(45)
Operating expenses and staff costs	7	(1,984)	(1,504)
Net profit before income tax		<u>138</u>	<u>282</u>
Income tax expense	9	(44)	(86)
Profit for the period		<u>94</u>	<u>196</u>
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period, net of tax attributable to the shareholders		<u>94</u>	<u>196</u>
Profit for the period attributable to:			
Non-controlling interest		4	(4)
Owners of the parent		90	200
		<u>94</u>	<u>196</u>
Total comprehensive income attributable to:			
Non-controlling interest		4	(4)
Owners of the parent		90	200
		<u>94</u>	<u>196</u>

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



FINANCE DIRECT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital	Retained Earnings	Total Attributable to Owners of Parent	Non- controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Balance as at 1 April 2015	1,080	621	1,701	-	1,701
Issue of Ordinary Shares	-	-	-	7	7
Issue of Perpetual Preference Shares	65	-	65	-	65
Transactions with Owners	65	-	65	7	72
Net profit after income tax	-	200	200	(4)	196
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	200	200	(4)	196
Balance as at 31 March 2016	1,145	821	1,966	3	1,969
Group					
Balance as at 1 April 2016	1,145	821	1,966	3	1,969
Issue of Perpetual Preference Shares	250	-	250	-	250
Dividends	-	(5)	(5)	-	(5)
Transactions with Owners	250	(5)	245	-	245
Net profit after income tax	-	90	90	4	94
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	90	90	4	94
balance as at 31 March 2017	1,395	906	2,301	7	2,308

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



FINANCE DIRECT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

Assets	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Cash and cash equivalents	10	1,855	753
Loans and advances to customers	11	10,079	9,264
Trade and other receivables	12	60	35
Property, plant and equipment	13	101	50
Intangible assets	14	190	356
Income tax receivable		33	-
Deferred tax asset	15	116	109
Other assets	16	115	198
Total assets		12,549	10,765
Liabilities			
Trade and other payables	17	246	219
Loans and borrowings	18	9,866	8,389
Income tax payable		-	37
Finance lease	19	-	3
Other liabilities	20	129	148
Total liabilities		10,241	8,796
Net assets		2,308	1,969
Equity			
Equity attributable to owners of the parent:			
Share capital	21	1,395	1,145
Retained earnings		906	821
		2,301	1,966
Non-controlling interest		7	3
Total equity		2,308	1,969

For and on behalf of the Board of Directors who approved these financial statements for issue
on 29 JUNE 2017.

.....
Josh De Jong
Chairman

.....
Wayne Croad
Managing Director

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

FINANCE DIRECT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Cash Flows from Operating Activities			
Interest received		1,718	1,661
Interest paid		(779)	(744)
Fee and commission income received		1,858	1,368
Fee and commission income paid		(586)	(496)
Other income received		17	31
Payments to suppliers and employees		(1,743)	(1,352)
Taxation paid		(120)	(92)
Net increase in loans and advances to customers	1(q)	(882)	(1,632)
Net Cash Flow from Operating Activities		<u>(517)</u>	<u>(1,256)</u>
Cash Flows used in Investing Activities			
Purchase of property, plant and equipment		(87)	(16)
Proceeds from sales of property, plant and equipment		8	-
Purchase of intangible assets		(21)	(391)
Net Cash Flow from Investing Activities		<u>(100)</u>	<u>(407)</u>
Cash Flows from Financing Activities			
Net (decrease)/increase in finance lease		(3)	(9)
Net (decrease)/increase in secured debenture stock	1(q)	1,477	727
Proceeds from issue of share capital		250	65
Dividend paid		(5)	-
Net Cash Flows from Financing Activities		<u>1,719</u>	<u>783</u>
Net (decrease)/increase in cash held		1,102	(880)
Cash balance at start of the period		753	1,633
Cash balance at end of the period		<u>1,855</u>	<u>753</u>
Made up as follows:			
Cash and cash equivalents	10	<u>1,855</u>	<u>753</u>

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

FINANCE DIRECT LIMITED

**RECONCILIATION OF NET PROFIT/(LOSS)
WITH CASH FLOWS FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Profit for the Period		94	196
Add:			
Depreciation of property, plant and equipment		23	16
Amortisation of intangible assets		187	174
Loss on disposal of fixed asset		5	-
Increase in collective and specific loan impairment allowances		52	45
Bad debts written off		15	-
Deduct:			
Increase / (decrease) in loans and advances to customers	1(q)	(882)	(1,632)
Decrease/(increase) in accounts receivable and other assets		58	4
Increase / (decrease) in accounts payable and other liabilities		8	(54)
(Increase)/decrease in current tax assets		(70)	12
(Increase) /decrease in deferred tax asset		(7)	(17)
Net Cash Flow from Operating Activities		(517)	(1,256)

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



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

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

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

(b) Basis of Preparation

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

The Consolidated Statement of Comprehensive Income discloses the net interest income, net fee and commission income and other income in line with the Statement of Comprehensive Income presentation used by other Financial Institutions.

The Consolidated Statement of Financial Position discloses assets and liabilities in order of their liquidity in line with the Statement of Financial Position presentation used by other Financial Institutions. Where it is not evident from the financial statement line item, disclosure of the current/non-current split has been made in the Maturity Profile of Financial Assets and Financial Liabilities (see Note 24) or the relevant note.

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

(c) Statement of Compliance

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

The Group fully transitioned to the FMCA 2013 on 14 September 2016. These consolidated financial statements comply with the requirements of the FMCA 2013.

(d) Changes in Accounting Policies and Disclosures

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

A number of new and revised standards are effective for annual periods beginning on or after 1 April 2016, but none of them have a direct impact on the 31 March 2017 consolidated financial statements.

(ii) *Standards and interpretations that have been published but are not yet effective and have not been adopted early by the Group*

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards that are expected to be relevant to the Group's financial statements are provided below.



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NZ IFRS 9 Financial Instruments (proposed effective date from 1 January 2018)

NZ IAS 39 *Financial Instruments: Recognition and Measurement* will be replaced in its entirety, with NZ IFRS 9. The replacement standard deals with recognition, classification, measurement and de-recognition of financial assets and financial liabilities, the impairment of financial assets taking into account expected credit losses and hedge accounting.

The Group's management has considered NZ IFRS 9 and intends to adopt the standard on its effective date. The full impact of NZ IFRS 9 is yet to be assessed.

NZ IFRS 15 Revenue from Contracts with Customers (proposed effective date from 1 January 2018)

NZ IFRS 15 replaces NZ IAS18 *Revenue*. This standard addresses recognition of revenue from contracts with customers and is applicable to all entities with revenue. It sets out a five-step model for revenue recognition to represent the transfer of promised goods or services to customers in an amount that reflects the consideration, to which the entity expects to be entitled in exchange for those goods or services. The Group intends to adopt NZ IFRS 15 on its effective date and this standard is not expected to have a significant impact.

NZ IFRS 16 Leases (proposed effective date from 1 January 2019)

NZ IFRS 16 *Leases* replaces the current guidance in NZ IAS 17 *Leases*. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. However this exemption can only be applied by lessees. For lessors, the accounting for leases under NZ IFRS 16 is substantially the same under NZ IAS 17. The Group intends to adopt NZ IFRS 16 on its effective date. The full impact of NZ IFRS 16 is yet to be assessed.

(iii) Accounting Policies

The accounting policies below have been consistently applied in the preparation of the 31 March 2017 group financial statements.

(e) Segment Reporting

The Group operates in one industry as a Financial Institution and provider of financial services. Due to the size and nature of the Group's activities, business operations are not organised into separate operating segments. Management monitors the operating results of the business on an entity wide basis for the purpose of making decisions about resource allocation and performance assessment. All business activities are carried out within New Zealand so there is no geographic segment reporting to management. Concentration of credit exposure information has been disclosed in Note 23 to comply with NZ IFRS 7 *Financial Instruments: Disclosures*.

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

(f) Basis of Consolidation

The Group financial statements consolidate those of the parent company and its subsidiary as of 31 March 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary company has a reporting date of 31 March.

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

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

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Basis of Consolidation (cont)

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

(g) Revenue

Recognition of revenue

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

Interest

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

The Group recognises interest revenue on an accruals basis using the effective interest rate method.

Fee and commission revenue

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

Lending/Establishment fees

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

Commissions and other fees

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

Payment protection insurance

The Group acts as an agent for payment protection insurance. Given the agency relationship, income is presented on a net basis rather than on a gross basis. The Group recognises the estimated liability on payment protection insurance refunds for the unexpired portion of the insurance cover at each reporting date. The amount of the liability is estimated using historical refund data.

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments

Financial instruments are classified in one of the following categories at initial recognition: Financial Assets at Fair Value through Profit or Loss, Held to Maturity Investments, Loans and Receivables, Available for Sale Financial Assets, Financial Liabilities at Fair Value through Profit or Loss and Financial Liabilities measured at amortised cost. Furthermore, financial instruments are split between derivative and non-derivative financial instruments.

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

At each reporting date the Group did not hold any of the following types of financial instruments: Available For Sale or Held To Maturity financial assets and none of its financial liabilities were accounted for at Fair Value through Profit or Loss.

Loans and Receivables

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

Cash and cash equivalents

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

Loans and advances to customers

These are recorded at amortised cost using the effective interest rate method, less impairment.

Trade and other receivables

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

Financial Liabilities measured at Amortised Cost

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

Loans and borrowings

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

Other liabilities

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

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Share Capital

Ordinary Shares and Perpetual Preference Shares are classified as equity.

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

(j) Property, Plant and Equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

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

(k) Leases

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease.

See 1(j) for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss within the Consolidated Statement of Comprehensive Income, as finance costs over the period of the lease.

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term.



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Asset Quality

Past Due Assets

An asset is Past Due when a counterparty has failed to make a payment when contractually due. A 90 Day Past Due Asset is any asset which has not been operated by the counterparty within its key terms for at least 90 days and which is not a restructured asset, other individually impaired asset, or a financial asset acquired through the enforcement of security.

Impaired Assets

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

“Restructured asset” means an impaired asset for which:

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

Other impaired assets refer to any credit exposure for which an impairment loss is recognised in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

(m) Impairment

Impairment of Loans and Advances

Losses for impaired loans and advances are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Objective evidence that loans and advances is impaired includes the following events:

- a) significant financial difficulty of the customer; or
- b) a breach of contract such as default in interest or principal payments; or
- c) the Group, for economic or legal reasons relating to the customer’s financial difficulty, granting the customer a concession that the Group would not otherwise consider.

A loan is considered impaired when management determines that it is probable that all amounts owing in accordance with the terms of the original contract will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is decreased by recording specific allowances for the loss to reduce the loan to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

Impairment losses are calculated on individually significant loans and loans assessed collectively. Losses expected from future events no matter how likely, are not recognised.

Individually significant loans

At each reporting date, the Group reviews individually significant loans for evidence of impairment. All relevant information, including the New Zealand economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual impairment allowances.

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

Impairment of Loans and Advances (continued)

Collectively assessed loans

At each reporting date, loans that have been individually assessed but no objective evidence of impairment existed and loans that are not considered individually significant are pooled in similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics. The historical loss experience is then adjusted for the impact of current observable data.

Management regularly reviews and adjusts the methodology and assumptions for impairment testing as improved analysis becomes available to minimise any differences between loss estimates and actual loss experience.

Loan write offs

Loans are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from realising the security has been received.

Impairment of Non-Financial Assets

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

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

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

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

(n) Expense Recognition

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

(o) Employee Benefits

Short-term benefits

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

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

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined contribution plans

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

(p) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

(q) Cash Flows

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

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

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

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



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Cash Flows (continued)

In accordance with paragraph 24 of NZ IAS 7 *Statement of Cash Flows*, cash receipts and payments shown under the following headings in the Statement of Cash Flows have been disclosed on a net basis:

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

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

(r) Cash and Cash Equivalents

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

(s) Intangible Assets

Intangible assets comprise acquired computer software and websites.

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

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

2 CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

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

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

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

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



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

Impairment losses on loans and advances

An impairment allowance is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is decreased by recording specific allowances for the loss to reduce the loan to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

There are two methods used in assessing loans for impairment, including specific loan assessment and collective loan assessment. 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 and the time value of future cash flows are taken into account in determining individual allowances.

At each reporting date loans that have been individually assessed but no objective evidence of impairment existed and loans that are not considered individually significant are pooled in similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics. The historical loss experience is then adjusted for the impact of current observable data.

Management regularly reviews and adjusts the methodology and assumptions for impairment testing as improved analysis becomes available, to minimise any differences between loss estimates and actual loss experience.

Recognition of deferred tax assets

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

Management believes that sufficient and suitable taxable profits will be made available by the Group in the future and has accordingly accounted for a deferred tax asset of \$117,000 (31 March 2016: \$109,000).

Consolidation of Subsidiary

Lending Crowd Limited owns 1,000 shares in a company called Lending Crowd Trustee Limited. Lending Crowd Trustee Limited is a corporate trustee company and holds cash on behalf of depositors solely in a fiduciary capacity. At 31 March 2017, \$476,035 (31 March 2016: \$141,153) was held on trust and the Directors hold the view that these amounts should not be consolidated because the Lending Crowd Limited does not control Lending Crowd Trustee Limited nor these funds.

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3 NET INTEREST INCOME

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Interest		
Loans and advances	1,667	1,605
Impaired loans and advances	45	32
Cash and short term investments	6	20
Total interest	1,718	1,657
Interest expense		
Secured debenture stock	768	732
Other	11	12
Total interest expense	779	744
Net interest revenue	939	913

Interest from impaired loans and advances include interest revenue from restructured assets of \$1,000 (31 March 2016: \$2,000). Refer note 25(d).

4 NET FEE AND COMMISSION INCOME

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Fee and commission income		
Lending and credit related fee income	923	638
Brokerage income	503	353
Payment protection insurance commission	453	390
Total fee and commission income	1,879	1,381
Fee and commission expense		
Brokerage and documentation fees	669	522
Total fee and commission expense	669	522
Net fee and commission income	1,210	859



FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5 OTHER INCOME

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Other sundry income	40	59
	40	59

6 NET IMPAIRMENT LOSSES

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Movement in collective loan allowance	11	6	17
Movement in specific loan allowance	11	46	28
Bad debts written off		15	-
		67	45

7 OPERATING EXPENSES AND STAFF COSTS

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Profit before income tax includes the following expenses:			
Executive Director's remuneration		145	145
Non-Executive Directors' fees		69	76
Auditor's remuneration	8	120	92
Depreciation of property, plant and equipment	13	23	16
Amortisation of intangible assets	14	187	174
Leasing and rental costs		118	23
Personnel costs		270	192
Marketing and selling costs		443	354
Legal, accounting, trustee and other corporate costs		282	209
Insurance costs		18	8
Administrative expenses		309	215
		1,984	1,504
Key management compensation included in the above:			
Short-term employee benefits		145	145

No post-employment benefits, other long-term benefits, termination benefits or share-based payments have been made to key management personnel during the reporting period (31 March 2016: \$Nil).

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8 AUDITOR'S REMUNERATION

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Amounts paid/payable to the auditor for:		
Audit financial statements	124	82
Other assurance services	-	10
Total auditor's remuneration	124	92

Other assurance services comprise fees for reporting on Trust Deed requirements and work performed on the parent company's prospectus.

9 INCOME TAX EXPENSE

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Income tax			
Current period		51	103
Deferred tax			
Origination and reversal of temporary differences	15	(7)	(17)
Income tax expense reported in the Statement of Comprehensive Income		44	86
Numerical reconciliation of income tax expense to prima facie tax payable:			
Profit before income tax expense		138	282
Tax at the New Zealand tax rate of 28%		39	79
Tax amounts which are not taxable or deductible in calculating taxable income:			
Non-deductible expenses		5	7
		44	86

Imputation Credit Account

Imputation credits of \$324,000 (31 March 2016: \$274,000) are available for use in subsequent reporting periods.

10 CASH AND CASH EQUIVALENTS

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Cash and cash equivalents include the following components:		
Cash at bank and in hand	1,855	753
	1,855	753

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11 LOANS AND ADVANCES TO CUSTOMERS

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Loans and advances to customers	10,452	9,585
Less: Impaired loan allowance	(373)	(321)
Net loans and advances to customers	10,079	9,264
Impaired loan allowance		
Collective loan allowance	(133)	(127)
Specific loan allowance	(240)	(194)
Total loan allowance	(373)	(321)
Collective loan allowance		
Opening balance	(127)	(110)
(Increase) / decrease in allowance	(6)	(17)
Closing balance	(133)	(127)
Specific loan allowance		
Opening balance	(194)	(166)
(Increase) / decrease in allowance	15	(28)
(Charge)/credit for the period	(61)	-
Closing balance	(240)	(194)
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	321	259

Specific loan allowance includes allowance for restructured assets of \$1,000 (31 March 2016: \$Nil). No restructured assets were written off during the period (31 March 2016: \$Nil).

The maturity profile of loans and advances to customers is shown in Note 24.

12 TRADE AND OTHER RECEIVABLES

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Accounts receivable	60	35

Accounts receivable include related party receivable of \$7,200 (31 March 2016: \$7,000) from Oogaware Limited. Oogaware Limited is the minority shareholder of Lending Crowd Limited, subsidiary company of Finance Direct Limited.

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicle \$'000	Office Furniture & Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Group				
Cost				
Balance at 1 April 2015	38	105	-	143
Additions	-	11	4	15
Disposals	-	(7)	-	(7)
Balance at 31 March 2016	<u>38</u>	<u>109</u>	<u>4</u>	<u>151</u>
Depreciation and impairment losses				
Balance at 1 April 2015	22	70	-	92
Depreciation charge for the reporting period	3	13	-	16
Disposals	-	(7)	-	(7)
Balance at 31 March 2016	<u>25</u>	<u>76</u>	<u>-</u>	<u>101</u>
Carrying Amount At 31 March 2016	<u>13</u>	<u>33</u>	<u>4</u>	<u>50</u>
Group				
Cost				
Balance at 1 April 2016	38	109	4	151
Additions	25	49	12	86
Disposals	(38)	-	-	(38)
Balance at 31 March 2017	<u>25</u>	<u>158</u>	<u>16</u>	<u>199</u>
Depreciation and impairment losses				
Balance at 1 April 2016	25	76	-	101
Depreciation charge for the reporting period	4	17	2	23
Disposals	(26)	-	-	(26)
Balance at 31 March 2017	<u>3</u>	<u>93</u>	<u>2</u>	<u>98</u>
Carrying Amount At 31 March 2017	<u>22</u>	<u>65</u>	<u>14</u>	<u>101</u>

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

14 INTANGIBLE ASSETS

	Software & Website \$'000	Total \$'000
Group		
Cost		
Balance at 1 April 2015	217	217
Additions	391	391
Disposals	(12)	(12)
Balance at 31 March 2016	596	596
Amortisation and impairment losses		
Balance at 1 April 2015	78	78
Amortisation charge for the reporting period	174	174
Disposals	(12)	(12)
Balance at 31 March 2016	240	240
Carrying Amount At 31 March 2016	356	356
Group		
Cost		
Balance at 1 April 2016	596	596
Additions	21	21
Balance at 31 March 2017	617	617
Amortisation and impairment losses		
Balance at 1 April 2016	240	240
Amortisation charge for the reporting period	187	187
Balance at 31 March 2017	427	427
Carrying Amount At 31 March 2017	190	190



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15 DEFERRED TAX ASSET

	Note	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
The balance comprises temporary differences attributable to:			
Collective loan impairment allowance	11	37	36
Specific loan impairment allowance	11	67	54
Holiday pay accrual		4	4
Tax Loss (LCL)		2	7
Other timing provisions		6	8
Net deferred tax asset		116	109
Movements			
Opening balance		109	91
Credited/(charged) to profit or loss in the Statement of Comprehensive Income	9	7	18
Closing balance		116	109

16 OTHER ASSETS

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Deferred brokerage fees	115	198
	115	198
Current	78	106
Non-Current	37	92
	115	198

17 TRADE AND OTHER PAYABLES

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Accounts payable	69	40
Accrued expenses	177	179
	246	219



FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

18 LOANS AND BORROWINGS

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Secured debenture stock	9,866	8,389

The debenture stock issued by Finance Direct Limited is secured under a Debenture Stock Trust Deed between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Deed creates a floating charge in favour of the Trustee over all of the assets and undertakings of Finance Direct Limited. At 31 March 2017, liabilities totalling \$56,000 (31 March 2016: \$46,000) rank in priority to secured debenture stockholders in the event that Finance Direct Limited was put into receivership.

Loans and borrowings includes a deposit of \$350,000 (2016: nil) from a related party.

The maturity profile of secured debenture stock is shown in Note 24.

19 FINANCE LEASE

The group's telephone system is held under finance lease arrangements. The net carrying amount of the telephone system was nil as at the balance date (31 March 2016: \$3,000).

The Group's finance lease liabilities, which are secured by the related assets held under finance leases are classified as follows:

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Current	-	3
	-	3

Future minimum finance lease payments as at the end of each reporting period were as follows:

	31 March 2017 - Group		
	Within 1 year	1-5 years	Total
	\$'000	\$'000	\$'000
Lease payments	-	-	-
Finance charges	-	-	-
Net present value	-	-	-
	-	-	-
	31 March 2016 - Group		
	Within 1 year	1-5 years	Total
	\$'000	\$'000	\$'000
Lease payments	3	-	3
Finance charges	-	-	-
Net present value	3	-	3
	3	-	3



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



20 OTHER LIABILITIES

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Deferred fee income:		
Current	73	84
Non-Current	56	64
	129	148

21 SHARE CAPITAL

Issued and paid up capital:

	Group 31-Mar 2017 No. of Shares	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 No. of Shares	Group 31-Mar 2016 \$'000
Ordinary Shares	789,157	1,080	789,157	1,080
Perpetual Preference Shares	315,000	315	65,000	65
	1,104,157	1,395	854,157	1,145

No Ordinary Shares were issued by the Parent Company during the year ended 31 March 2017 (31 March 2016: Nil). All Ordinary Shares are issued and fully paid, have no par value and have an equal right to vote, to dividends and to any surplus on winding up.

250,000 Perpetual Preference Shares at \$1 each were issued by the Parent Company during the reporting period ended 31 March 2017 (31 March 2016: 65,000 Perpetual Preference Shares at \$1 each were issued). Perpetual Preference Shares are not redeemable. Perpetual Preference Shares have no voting rights. In liquidation of the Parent Company, the Perpetual Preference Shares rank ahead of the Ordinary Shares for a return of the Issue Price. The holders of Perpetual Preference Shares rank equally with each other upon a liquidation of the Company.

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

22 FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the consolidated financial statements.

Financial instruments measured at fair value

There were no financial instruments that after initial recognition were subsequently measured at fair value at 31 March 2017 (31 March 2016: \$Nil).

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

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

Loans and advances to customers

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

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

22 FINANCIAL INSTRUMENTS (CONTINUED)

Loans and borrowings

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

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

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

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

Fair value of financial assets and liabilities

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

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

As loan receivables are not traded in an active market, fair values are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for loans with similar terms and conditions. They have accordingly been classified as Level 3. The Directors consider the carrying value of all other assets and liabilities approximate their respective fair values as they are either short-term in nature or re-price frequently and are of a high credit quality. The following tables summarise the carrying value and fair value of financial assets and liabilities.

	Group 31-Mar 2017 Carrying Amount \$'000	Group 31-Mar 2017 Total Fair Value \$'000	Group 31-Mar 2016 Carrying Amount \$'000	Group 31-Mar 2016 Total Fair Value \$'000
Financial Assets				
<i>Amortised cost:</i>				
Cash and cash equivalents	1,855	1,855	753	753
Loans and advances to customers	10,079	10,010	9,264	9,330
Trade and other receivables	60	60	35	35
Total Financial Assets	11,994	11,925	10,052	10,118
Financial Liabilities				
<i>Amortised cost:</i>				
Loans and borrowings	9,866	10,254	8,389	8,835
Trade and other payables	246	246	219	219
Total Financial Liabilities	10,112	10,500	8,608	9,054

The Group has not classified any financial instruments as Available for Sale, Held to Maturity Investments or Financial Assets and Liabilities at Fair Value through Profit and Loss.

Financial risk management objectives

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

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

22 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

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

Interest rate risk management

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

Loans and advances to customers are provided at fixed interest rates in order to mitigate interest rate risk, terms of which typically range for periods between two and five years. Should loans go into default, interest is charged at penalty rates set when the respective loan agreements are entered into. Interest rates on secured debenture stock are subject to market influences, but are fixed for the duration of the investment term at the time the relevant investments are made by the investors. As a result, the Group is not exposed to material cash flow interest rate risk. If interest rates increase/decrease by 1% profit will increase/decrease by \$8,000 (31 March 2016: \$4,000).

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

Credit risk management

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

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

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

Risk gradings categorise exposures according to the degree of risk of financial loss faced and focus management on the attendant risks. Risk grades are used to determine where impairment allowances may be required. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

Neither past due or impaired – compliance with all terms, good security value, no adverse events affecting the borrower.

- Past due but not impaired – material compliance with all terms, no concerns over security value or future events that may affect the borrower.
- Impaired – non-compliance with terms or evidence of impairment of security held, or adverse event affecting the borrower.

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

22 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Maximum exposure to credit risk is represented by the carrying value of each financial asset in the Consolidated Statement of Financial Position which is net of any impairment allowance. Concentration of credit exposures set out in Note 23 do not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligations.

Liquidity risk management

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

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

On 1 December 2010, the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee, was varied by a Deed of Amendment, primarily to give effect to the capital ratio, liquidity and related party exposure requirements imposed by the Non-bank Deposit Takers Act 2013 and its regulations. As a result, the Group is now required to manage its liquidity to ensure that, for each of the first 3 months of each monthly Liquidity Report submitted to the Trustee, the Group's projected Liquidity Position is positive.

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

The tables in Note 24 detail the Group's expected maturity for its financial assets and the remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period and the cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. In addition, an expected maturity analysis for loans and advances to customers has been provided.

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

22 FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

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

- To maintain a Capital Ratio of not less than 10% of Total Exposure, as required under the Non-bank Deposit Takers Act 2013 and its regulations. The Group's Capital Ratio as at 31 March 2017 was 14.45% (31 March 2016: 12.49%) with a margin of 4.45% (31 March 2016: 2.49%).
- To ensure that Aggregate Related Party Exposures do not exceed 15% of Capital, as required under the Non-bank Deposit Takers Act 2013 and its regulations and the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group does not have related party exposures.
- To maintain a Capital Ratio of not less than 12% of Total Exposure, as required under the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group's Capital Ratio as at 31 March 2017 was 14.45% (31 March 2016: 12.49%) with a margin of 2.45% (31 March 2016: 0.49%).
- To not at any time permit Total Liabilities to exceed 88% of Total Tangible Assets, as required under the Debenture Stock Trust Deed dated 30 September 2004 between Finance Direct Limited and Covenant Trustee Services Limited as Trustee. The Group's Total Liabilities Limitation Ratio as at 31 March 2017 was 83.60% (31 March 2016: 85.23%) with a margin of 4.40% (31 March 2016: 2.77%).

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group also monitors the level of dividends it is able to pay to ordinary shareholders at each reporting date. The Group has complied with all Trustee imposed capital requirements throughout the years ended 31 March 2017 and 31 March 2016. There has been no material change in the Group's approach to capital management during each reporting period.

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

The Group is exempt from requirements to have a credit rating under Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016. This notice expires on 28 February 2018.

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

23 CONCENTRATION OF CREDIT EXPOSURE

LOANS AND ADVANCES TO CUSTOMERS

Geographical Concentration of Loans and Advances

	Group 31-Mar 2017 %	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 %	Group 31-Mar 2016 \$'000
Auckland and Northland	75.33	7,874	77.37	7,415
Bay of Plenty	2.49	260	2.02	194
Central North Island	2.71	283	2.47	237
South Island	6.22	650	5.32	510
Waikato	4.30	449	5.84	560
Wellington	8.95	936	6.98	669
	100.00	10,452	100.00	9,585

Product Concentration of Loans and Advances

	Group 31-Mar 2017 %	Group 31-Mar 2016 %
Personal Loans	82.49	85.94
Business Loans	17.51	14.06
	100.00	100.00

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

At 31 March 2017, the Group had 800 (31 March 2016: 563) open loans with an average balance of \$13,000 (31 March 2016: \$17,000), which provides a relatively low credit risk. All loans are secured by registered security interests over motor vehicles, boats, charges over business assets, General Security Agreements, personal guarantees and agreements to mortgage real estate (secured by caveats over the relevant real estate) owned by borrowers.

Concentration of Loans and Advances to Individual Counterparties

	Number of Counterparties	
	Group 31-Mar 2017	Group 31-Mar 2016
% of Shareholder Funds		
10 - 19.99%	-	3

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

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

23 CONCENTRATION OF CREDIT EXPOSURE (CONTINUED)

Managed Funds, Securitisation, Custodial and Other Fiduciary Activities

The Group has not had any involvement in funds management, securitisation and/or custodial activities.

Product Concentration of Funding

	Group 31-Mar 2017 %	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 %	Group 31-Mar 2016 \$'000
Secured debenture stock	100.00	9,866	100.00	8,389

Geographical Concentration of Funding

	Group 31-Mar 2017 %	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 %	Group 31-Mar 2016 \$'000
Auckland and Northland	56.44	5,568	55.88	4,688
Bay of Plenty	1.86	184	2.19	184
Central Nth Island	0.96	95	1.11	93
Overseas	23.68	2,336	20.96	1,758
South Island	10.89	1,074	12.68	1,064
Waikato	2.21	218	1.85	155
Wellington	3.96	391	5.33	447
	100.00	9,866	100.00	8,389

24 LIQUIDITY RISK

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

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

FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

24 LIQUIDITY RISK (CONTINUED)

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

31-Mar 2017 - Group

	Weighted Average Effective Interest Rate %	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
Financial Assets								
<i>Non-Derivative:</i>								
Cash and cash equivalents	0.34	1,855	-	-	-	-	1,855	1,855
Loans and advances to customers	17.04	2,941	2,077	2,742	3,577	1	11,338	10,452
Trade and other receivables	-	60	-	-	-	-	60	60
	14.63	4,856	2,077	2,742	3,577	1	13,253	12,367
Financial Liabilities								
<i>Non-Derivative:</i>								
Trade and other payables		(246)	-	-	-	-	(246)	(246)
Secured debenture stock	8.45	(2,584)	(1,693)	(3,395)	(3,540)	-	(11,212)	(9,866)
		(2,830)	(1,693)	(3,395)	(3,540)	-	(11,458)	(10,112)
Total		2,026	384	(653)	37	1	1,795	2,255

The expected maturity differs materially from the contractual maturity in respect of loans and advances for the Group as at 31 March 2017. The expected maturity of loans and advances is reduced by allowance for impairments on loans, being management's best estimate of the expected impact to the gross contractual maturity of loans and advances.

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

31-Mar 2017 - Group

	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000
Loans and advances to customers net of impairment allowance (expected)	2,568	2,077	2,742	3,577	1	10,965
Adjusted Total	1,653	384	(653)	37	1	1,422

FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

24 LIQUIDITY RISK (CONTINUED)

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

		31-Mar 2016 - Group						
	Weighted Average Effective Interest Rate %	0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000	Carrying Amount \$'000
Financial Assets								
<i>Non-Derivative:</i>								
Cash and cash equivalents	0.94	753	-	-	-	-	753	753
Loans and advances to customers	18.96	2,880	3,154	2,605	2,816	-	11,455	9,585
Trade and other receivables		35	-	-	-	-	35	35
	17.80	3,668	3,154	2,605	2,816	-	12,243	10,373
Financial Liabilities								
<i>Non-Derivative:</i>								
Trade and other payables		(219)	-	-	-	-	(219)	(219)
Secured debenture stock	9.23	(1,425)	(2,062)	(3,125)	(3,017)	-	(9,629)	(8,389)
		(1,644)	(2,062)	(3,125)	(3,017)	-	(9,848)	(8,608)
Total		2,024	1,092	(520)	(201)	-	2,395	1,765

The expected maturity differs materially from the contractual maturity in respect of loans and advances for the Group as at 31 March 2017. The expected maturity of loans and advances is reduced by allowance for impairments on loans, being management's best estimate of the expected impact to the gross contractual maturity of loans and advances.

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

		31-March 2016 - Group					
		0 - 6 Months \$'000	7 - 12 Months \$'000	1 - 2 Years \$'000	2 - 5 Years \$'000	5+ Years \$'000	Gross Nominal Inflow/ (Outflow) \$'000
Loans and advances to customers net of impairment allowance (expected)		2,559	3,154	2,605	2,816	-	11,134
Adjusted Total		1,703	1,092	(520)	(201)	-	2,074



FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

24 LIQUIDITY RISK (CONTINUED)

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

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Current		
Loans and Advances to Customers	3,294	3,118
Secured Debenture Stock	(3,634)	(2,817)
Total	(340)	301
 Non-Current		
Loans and Advances to Customers	7,158	6,467
Secured Debenture Stock	(6,232)	(5,572)
Total	926	895
 Total		
Loans and Advances to Customers	10,452	9,585
Secured Debenture Stock	(9,866)	(8,389)
Total	586	1,196

25 ASSET QUALITY

a) Summary of Lending

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Neither past due nor impaired	10,082	9,205
Past due but not impaired	49	121
Impaired	321	259
Gross loans and advances	10,452	9,585
Less: Impaired loan allowance	(373)	(321)
Net loans and advances	10,079	9,264

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



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

25 ASSET QUALITY (CONTINUED)

(b) Loans and Advances Past Due but Not Impaired

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Past Due Assets Not Impaired		
Opening balance	121	144
Collected during the period	(118)	(134)
Additions to Past Due asset status	46	96
Reclassified as Impaired assets	-	15
Closing balance	49	121

	31-Mar 2017 - Group			31-Mar 2016 - Group		
	Total \$'000	Instalment Arrears \$'000	Balance of Loan Principal \$'000	Total \$'000	Instalment Arrears \$'000	Balance of Loan Principal \$'000
Analysis of Past Due Assets Not Impaired:						
0 - 30 Days	33	2	31	56	2	54
31 - 60 Days	-	-	-	-	-	-
61 - 90 Days	4	1	3	12	2	10
90+ Days	12	6	6	53	11	42
Total Past Due Assets Not Impaired	49	9	40	121	15	106

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

(c) Impaired Assets

At 31 March 2017, there were no real estate assets or other assets acquired through the enforcement of security (31 March 2016: \$Nil). The breakdown of the gross amount of other individually impaired loans and advances and individual impairment allowances is as follows:

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Total Gross Impaired Assets		
Opening balance	259	215
Net additions/(deletions)	100	57
Loan repayments received	(22)	(13)
Amounts written off	(16)	-
Closing balance	321	259
Individual Allowance for Impairment	(240)	(194)
Total Net Impaired Assets	81	65



FINANCE DIRECT LIMITED

**NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

25 ASSET QUALITY (CONTINUED)

d) Restructured Assets

At 31 March 2017, there were 2 restructured assets (31 March 2016: 2).

	Group 31-Mar 2017 \$'000	Group 31-Mar 2016 \$'000
Personal loans	6	12
Total Restructured Assets	<u>6</u>	<u>12</u>

26 INTEREST IN SUBSIDIARIES

In October 2015, Lending Crowd Limited obtained its peer to peer lending license under the Financial Markets Conduct Act 2013, until that date this company was dormant and did not trade. The platform that supports its day to day operations was launched on 21 December 2015 and is structured as a subsidiary of Finance Direct Limited, owned 76% by Finance Direct Limited and 24% by Oogaware Limited.

Lending Crowd Limited is incorporated in New Zealand and its principal place of business is in New Zealand. The company has a balance date of 31 March. The comparatives for 31 March 2016 incorporate the trading result of Lending Crowd Limited for the 4 months to 31 March 2016.

As at 31 March 2017, Finance Direct Limited advanced consumer loans of \$2,035,000 (31 March 2016: \$600,000) through the peer to peer lending platform. These advances were included in Loans and Advances to Customers on the Consolidated Statement of Financial Position. Similar to loans advanced by the Parent Company, these loans were secured by motor vehicles and properties. There was one overdue loan (not impaired) as at 31 March 2017 at the value of \$12,000 (31 March 2016: Nil).

27 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2017 (31 March 2016: Nil).

28 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities at 31 March 2017 (31 March 2016: Nil).



FINANCE DIRECT LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

29 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, the Group paid consulting fees of \$26,000 (31 March 2016: \$56,000) to KP Legal, a legal firm in which Kirstin Poole (director) is a Partner.

During the year ended 31 March 2017, the Parent Company paid expenses of \$89,000 (31 March 2016: \$21,000) on behalf of Lending Crowd Limited, a subsidiary company.

During the year ended 31 March 2017, the Group received motor vehicle lease payments of \$6,000 (31 March 2016: \$8,000) from Gateway Family Trust, an entity related to Wayne Croad (Managing Director).

In addition to annual salary, Wayne Croad also received reimbursement of utilities for his home office and general expenses of \$70,000 (31 March 2016: \$31,000).

At 31 March 2017, \$7,000 was outstanding from Oogaware Limited (31 March 2016, \$7,000) Oogaware Limited is the minority shareholder of Lending Crowd Limited.) Loans and borrowings include a balance of \$350,000 from a related party (2016: nil). There were no other outstanding balances with related parties (31 March 2016: Nil). No amounts owed by related parties were written off or forgiven during the year ended 31 March 2017 (31 March 2016: Nil).

C Lee & V Loach, joint shareholders of Perpetual Preference Shares hold a secured debenture stock of \$350,000 in the Parent company, at an interest rate of 12.1% (31 March 2016: Nil).

There were no other transactions during the year ended 31 March 2017 with interested or related parties (31 March 2016: Nil).

30 SUBSEQUENT EVENTS

There are no subsequent events requiring disclosure in the financial statements (2016: The group moved to its new office in April 2016. Lease agreement remains unsigned).