Asset Finance Limited

Financial Statements & Annual Report

For the Year ended
31 March 2012

CONTENTS

COMPANY DIRECTORY

Directors

C N George
N A Andresen
D W Hodgetts
D Diggelmann (*Independent Director*)
B J Heapy *(Independent Chairman)*
D Houldsworth *(Independent Chairman until resignation date 19 April 2011)*

Shareholders

% of total	Number of shares	Shareholder
66.13%	4,272,237	George No.2 Family Trust
10.00%	645,970	Hodgetts Family Trust
23.87%	1,541,793	Other minority shareholders
100%	**6,460,000**	**Ordinary Shares**

The largest shareholding included within 'other minority shareholders' accounts for less than 4% of the total shares on issue.

Registered Office

38 Richardson Street
Whakatane 3120

Nature of Business

Financial Services

Company Number

455363

Auditors

Grant Thornton New Zealand Audit Partnership
Auckland

Solicitors

Osborne Attewell Clews
Whakatane

Stace Hammond
Auckland

Tax Accountants

KPMG
Hamilton

Bankers

ANZ National Bank of New Zealand
Whakatane

Bank of New Zealand
Whakatane

DIRECTORS' CERTIFICATE

Attached to this certificate is a set of audited financial statements for the 12 Months ended 31 March 2012.

Approved for and on behalf of the Board dated this 22nd day of June 2012.

Director

Director

Director

Director

Director

FINANCIAL OVERVIEW

FOR THE YEAR ENDED 31 MARCH 2012

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
	$	$
STATEMENT OF COMPREHENSIVE INCOME		
Total revenue	7,111,933	8,063,854
Finance costs	1,959,971	2,153,757
Tax expense	(92,720)	24,211
Net profit/(loss) after income tax	(215,503)	599,423
Total Comprehensive Income/(Loss)	**(215,503)**	**599,423**

All profits and losses were attributed to the Shareholders of the Company.

STATEMENT OF CHANGES IN EQUITY		
Total Equity at start of year	3,277,986	2,678,563
Share capital paid	-	-
Dividend	(251,957)	-
Total Comprehensive Income/(Loss) for the year attributable to Shareholders	(215,503)	599,423
Total Equity at end of year	**2,810,526**	**3,277,986**
Total Equity at end of year consists of:		
Share capital	3,230,000	3,230,000
Retained Earnings/(Accumulated Losses)	(419,474)	47,986

STATEMENT OF FINANCIAL POSITION		
Current assets	11,246,792	12,918,186
Non-current assets	9,865,651	9,364,673
Total assets	**21,112,443**	**22,282,859**
Current liabilities	6,166,921	9,628,913
Non-current liabilities	12,134,996	9,375,960
Total liabilities	**18,301,917**	**19,004,873**
Equity	**2,810,526**	**3,277,986**

All equity is attributable to the Shareholders of the Company.

STATEMENT OF CASH FLOWS		
Net cash flows from or used in operating activities	2,654,844	5,199,746
Net cash flows from or used in investing activities	(38,393)	(159,597)
Net cash flows from or used in financing activities	(1,856,638)	(4,341,713)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Year Ended 31-Mar-12 $	Year Ended 31-Mar-11 $
Interest income	3	3,793,602	4,322,338
Interest expense	3	(1,959,971)	(2,153,757)
Net interest income		1,833,631	2,168,581
Other income	4	3,318,331	3,741,516
Total operating income		**5,151,962**	**5,910,097**
Impairment losses	5	2,063,181	1,013,796
Operating expenses and staff costs	6	3,397,004	4,272,667
Loss on non-current assets held for sale	6	-	-
Net profit/(loss) before income tax		**(308,223)**	**623,634**
Income tax expense	8	(92,720)	24,211
Net profit/(loss) after income tax		**(215,503)**	**599,423**
Other Comprehensive Income		-	-
Total Comprehensive Income/(Loss)		(215,503)	599,423
Attributable to:			
Shareholders		(215,503)	599,423

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Share Capital $	Retained Earnings $	Total Equity $
Balance as at 1 April 2010		3,230,000	(551,437)	2,678,563
Share capital paid	21	-	-	-
Dividends	10	-	-	-
Total Comprehensive Income		-	599,423	599,423
Balance as at 31 March 2011		**3,230,000**	**47,986**	**3,277,986**
Balance as at 1 April 2011		3,230,000	47,986	3,277,986
Share capital paid	21	-	-	-
Dividends	10	-	(251,957)	(251,957)
Total Comprehensive Income		-	(215,503)	(215,503)
Balance as at 31 March 2012		**3,230,000**	**(419,474)**	**2,810,526**

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	As at 31-Mar-12 $	As at 31-Mar-11 $
Current Assets			
Cash and cash equivalents	11	4,241,026	3,481,213
Prepayments and other receivables	12	26,128	21,592
Goods and service tax		(468)	8,502
Loans and advances	13	6,798,249	9,406,879
Tax losses purchased	16	181,857	-
		11,246,792	12,918,186
Non-Current Assets			
Loans and advances	13	8,156,745	7,484,103
Property and equipment	14	759,947	914,963
Tax losses purchased	16	315,336	600,000
Deferred tax	15	633,623	365,607
		9,865,651	9,364,673
Total Assets		**21,112,443**	**22,282,859**
Current Liabilities			
Unearned fee income	38	291,594	357,538
Trade and other payables	17	413,686	343,098
Capital notes	18	567,978	234,783
Secured debenture stock	19	4,858,811	8,647,043
Employee entitlements	20	34,852	46,451
		6,166,921	9,628,913
Non-Current Liabilities			
Unearned fee income	38	145,797	153,934
Capital notes	18	223,109	833,057
Secured debenture stock	19	11,766,090	8,388,969
		12,134,996	9,375,960
Total Liabilities		**18,301,917**	**19,004,873**
Net Assets		**2,810,526**	**3,277,986**
Equity			
Share capital	21	3,230,000	3,230,000
Retained earnings/(Accumulated losses)	22	(419,474)	47,986
Total Equity		**2,810,526**	**3,277,986**

The financial statements were approved for issue for and on behalf of the Board as at 22 *June 2012:*

N A Andresen — *C N George*

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Year Ended 31-Mar-12 $	Year Ended 31-Mar-11 $
Cash flows from operating activities			
Loans and advances - principal received		16,865,717	13,440,936
Loans and advances - new cash advanced		(16,915,384)	(10,411,818)
Interest received		3,716,076	4,288,861
Other income received		3,318,331	3,741,516
Payments to suppliers and employees		(3,221,632)	(4,021,148)
Goods and service tax paid/(refund)		8,971	(8,499)
Tax losses purchased	16	-	(600,000)
Interest paid		(1,117,235)	(1,230,102)
Net cash flow from operating activities	31	2,654,844	5,199,746
Cash flows used in investing activities			
Purchase of property and equipment		(38,393)	(159,597)
Net cash (outflows) from investing activities		(38,393)	(159,597)
Cash flows from financing activities			
New investment deposits received		3,207,673	4,087,122
Existing investment deposits repaid		(4,812,354)	(8,428,835)
Payment of dividends		(251,957)	-
Net cash (outflows) from financing activities		(1,856,638)	(4,341,713)
Net increase/(decrease) in cash held		759,813	698,436
Add opening cash brought forward		3,481,213	2,782,777
Cash balance at end of the year	11	**4,241,026**	**3,481,213**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

The reporting entity is Asset Finance Limited. It is a profit orientated entity, incorporated and domiciled in New Zealand. The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

(b) Statement of Compliance

The financial statements for the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

They comply with the Securities Act 1978, Securities Regulations 2009, International Financial Reporting Standards as issued by the International Accounting Standards Board, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-oriented entities.

(c) Changes in accounting policy

The accounting policies are consistent with those used in the previous financial year. There are no new standards, amendments and interpretations that had any effect on the financial performance or position of the Company as at 31 March 2012. However some standards, amendments and interpretations did give rise to additional disclosures. An overview of standards, amendments and interpretations issued, but not yet effective is given in Note 1(c) (i) below.

(i) Standards and interpretations to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance date, and which the Company has not early adopted as below. Other standards and interpretations have been issued but are not expected to have a material impact on the Company’s financial statements. Management is assessing the impact of the standards below on the Company.

<u>NZ IFRS 7 – Financial Instruments: Disclosures (effective from 1 July 2011)</u>

NZ IFRS 7 incorporates many of the disclosure requirements in NZ IAS 32 Financial Instruments: Presentation. The standard applies to risks arising from all financial instruments and requires disclosure of the significance of financial instruments for an entity’s financial position and performance qualitative and quantitative information about exposure to risks arising from financial instruments.

<u>NZ IFRS 9 – Financial Instruments: Disclosures (Amendments) (effective from 1 January 2015)</u>

This standard is part of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement. The entity’s business model is the basis for classification of the management of the contractual cash flow characteristics of the financial asset.

The Accounting Standards Review Board has issued Improvements for International Financial Reporting Standards 2010. Most of these amendments become effective in annual periods beginning on or after 1 January 2012. These amendments are not expected to have a significant impact on the Company’s financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(d) Basis of preparation

The financial statements have been prepared on the basis of historical cost, as modified by the revaluation of certain assets as identified in specific accounting policies below.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2012, and the comparative information presented in these financial statements for the year ended 31 March 2011.

(e) Functional and presentational currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(f) Segment reporting

The Company operates in a single industry, as a finance company. All operations are carried out within New Zealand. For management purposes, the Company is organised by revenue streams and assets based on the following two segments.

<u>Personal Loans</u>
Consumer loans and advances that are governed by the Credit Contracts and Consumer Finance Act (CCCFA) 2003.

<u>Business Loans</u>
Business and commercial loans and advances (including factoring) that are not governed by the CCCFA.

Because the infrastructure, staff and most operating costs required for personal loans are the same as those required for business loans, management does not attribute all its revenues and expenses into these two segments. Decision making is made at the operating income and total assets level.

The segmental reporting that is routinely used by management and how it reconciles to amounts reported in the primary financial statements is shown in note 37. There are no instances where there is revenue arising from a single borrower in excess of 10% of total revenue.

(g) Foreign currency transactions

All transactions entered into are in New Zealand dollars.

(h) Revenue

Recognition of income and expense

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(h) Revenue (continued...)

Interest and similar expense
For all financial instruments measured at amortised cost, interest income and expense 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 and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

The Company recognises interest revenue on an accruals basis when the services are rendered using the effective interest rate method.

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

Lending/Establishment fees
Loan establishment fees that relate to costs incurred are recognised when a loan is drawn down. Any portion of establishment fees charged that exceed the cost incurred are deferred and amortised over the life of the loan using the effective interest method. Other lending fees not directly related to the origination of a loan are recognised over the period of service.

Payment protection plan fees
Borrowers have the option of including the cost of payment protection plan cover as part of their loan. If a borrower chooses to include payment protection cover, the Company will remit instalments on their loan if they get injured or are sick. The Company has determined that Payment Protection is a self-insurance arrangement in accordance with NZ IFRS 4 Appendix B "Definitions of an insurance contract" B19 (c) and therefore NZ IFRS 4 "Insurance Contracts" does not apply.

Payment protection plan income is recognised over the life of the loan using the effective interest method.

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

Dividend Income
Dividend income is recorded in the Statement of Comprehensive Income when the right to receive the dividend is established.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(h) Revenue (continued...)

Fee and commission income (continued...)

Brokerage fees

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

(i) Financial instruments

Financial instruments are classified in one of the following categories at initial recognition: Financial Assets at fair value through profit or loss, Available for Sale Financial Assets, Loans and Receivables, Held to Maturity Investments, Financial Liabilities at fair value through profit or loss and Other Financial Liabilities.

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. All financial instruments are accounted for on a settlement basis.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied to liabilities. 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 balance date.

Where the Company has assets and liabilities offsetting market risk, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies a bid/offer spread adjustment to the net open position as appropriate.

If changes in these assumptions to a reasonably possible alternative would result in a significantly different fair value this has been disclosed with a range of possibilities.

Cash and cash equivalents

These comprise cash balances and deposits deposited with financial institutions that have a Standard & Poor's credit rating of AA- (Moody's Aa3). Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Financial Assets/Liabilities at fair value through profit or loss

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

The Company has not classified any assets or liabilities as Financial Assets or Financial Liabilities at fair value through profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(i) Financial instruments (continued...)

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. These financial assets have neither a fixed maturity nor fixed determinable payments. Available for sale financial assets are measured at fair value, with changes in fair value recognised directly in the Statement of Comprehensive Income.

The Company has not classified any financial assets as available for sale assets.

Loan and receivables
These are recorded at amortised cost using the effective interest rate method, less impairment and include:

Loans and advances
Loans and advances cover all forms of lending to customers. They are initially recognised in the Statement of Financial Position at fair value when cash is advanced to customers. Loans and advances are reported net of allowance for impairment to reflect the established recoverable amount. Refer to Note 1 (n).

Tax losses purchased
Tax losses are recognised in the Statement of Financial Position when the right to use those losses has been established.

Held to Maturity Investments
Assets in this category are measured at amortised cost. The Company has not classified any financial assets as Held to Maturity Investments.

Other financial liabilities
This category includes all financial liabilities other than those at fair value through profit or loss. Liabilities in this category are measured at amortised cost and include:

Loans and borrowings
Loans and borrowings consist of Secured Debenture Stock and Unsecured Capital Notes. All loans and borrowings are initially recognised at cost, being the fair value of the consideration received. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Other Liabilities
These are recorded at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company become obliged to make future payments. These amounts are unsecured.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(j) Property and equipment

Recognition and measurement

Items of property 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. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs

The cost of replacing part of an item of property 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is provided on property and equipment. Depreciation is recognised at the same rate as allowed by the Income Tax Act 2007. The following rates have been used:

Motor vehicles	26% to 36% diminishing value
Furniture and fittings	9% to 60% diminishing value
Equipment	11.4% to 60% diminishing value
Building improvements	4.8% to 48% diminishing value

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the diminishing value method. Leased assets are depreciated over their useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting dates.

(k) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of carrying amount and fair value less cost to sell.

(l) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets that are specified as operating leases are not recognised on the Company's Statement of Financial Position. Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(m) Asset Quality

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

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

Past Due Assets

Past due assets are those loans and advances receivable on which payment of principal or interest is contractually past due 1 day or more.

Restructured Assets

Restructured assets are those loans and advances where:

a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available. The terms and conditions are set out in an entirely new contractual arrangement and often additional security may be taken to protect the position of the Company; and
b) the revised terms of the facility are not comparable with the terms of the new facilities with comparable risks; and
c) they yield on the asset following restructuring is equal to, or greater than, the Company's average cost of funds; and
d) a loss is not expected to result because there is no objective evidence to support impairment of the financial asset as specified in NZ IAS 39 Financial Instruments: Recognition and Measurement.

Impaired Assets

The Company classifies impaired assets into one of two categories:

Financial Assets acquired through the enforcement of security

Financial assets acquired through the enforcement of security are any financial assets which are legally owned as a result of the enforcement of security.

The Company had no financial assets acquired through the enforcement of security as 31 March 2012 (31 March 2011: none).

Other Impaired Assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(n) Impairment

Impairment of Loans and Advances

Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and loans assessed collectively. Losses expected from future events no matter how likely, are not recognised.

Individually assessed loans

At each reporting date, the Company assesses on a case by case basis whether there is any objective evidence that a loan is impaired. This procedure is applied to all accounts that are considered individually significant. In determining individual impairment allowances on these loans, many factors are considered, including the following:

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

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

Collectively assessed loans

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

Loan write offs

Loans are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts in a timely manner.

(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 provision is recognised for the amount expected to be paid under a short-term cash bonus or profit-sharing plan, if the Company 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.

(p) Provisions

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(p) Provisions (continued...)

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

(q) Expense recognition

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet 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 assets or liabilities in a transaction that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

(s) Cash Flows

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

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.

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

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

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

(t) Change of accounting policies

There have been no changes in accounting policies during the year ended 31 March 2012.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In applying NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities where it is not readily apparent. Actual results may differ.

The estimates and underlying assumptions, and their bases, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Impairment losses on loans and advances
The Company reviews its loan portfolio to assess loan quality and impairment on a monthly basis. An allowance for impairment is established if there is objective evidence that a loan is impaired (for example, missing out on a payment of principal and/or interest).

A loan is considered specifically 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 specifically impaired, the carrying amount of the loan is reduced by recording specific impairment allowance for loan losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. Past experience and judgement are used in estimating the timing of the expected cash flows.

If a loan is not considered specifically impaired, but payments have been missed, a collective impairment allowance is automatically created. The collective impairment is calculated as a percentage of the loan balance. The percentage is determined by the type of collateral held for the loan, and how far past due it is.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

Deferred tax assets
As described in Note 15, the financial statements include a deferred tax asset of $633,623 (31 March 2011: $365,607). This has been recognised to the extent that it is probable that future taxable profits will be available for set-off against deductible temporary differences. The judgement made by the directors and management is that based on the plans and projections of the Company that it will generate sufficient profitability and therefore the deferred tax asset is realisable in the future.

3. INTEREST INCOME AND EXPENSE

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
	$	$
Interest income		
Loan advances	3,611,022	4,194,439
Interest on impaired assets	38,763	33,477
Cash and short term investments	143,817	94,422
	3,793,602	**4,322,338**
Interest expense		
Capital notes	119,548	277,295
Debenture stock	1,840,423	1,876,462
	1,959,971	**2,153,757**

4. OTHER INCOME

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
	$	$
Lending/Establishment fee income		
Amortised over life of loan	1,051,382	1,129,780
Recognised at drawdown or at time of service	1,197,322	1,443,924
Factoring fee income	134,393	-
	2,383,097	2,573,704
Payment protection plan fees amortised over life of loan	464,064	486,440
Dividend – other	320	-
Brokerage income – other	(190)	(1,193)
Other income	471,040	682,565
	3,318,331	**3,741,516**

The majority of 'Other income' relates to income generated by on-charging specific loan accounts for expenses such as legal and repossession fees that have been paid and which the Company is entitled to recover from customers.

5. IMPAIRMENT

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
	$	$
Impairment changes:		
Movement in collective allowance	(101,502)	82,129
Movement in specific allowance	1,154,174	(91,714)
Loans and advances written off	971,746	989,904
Unwinding of impairment interest	38,763	33,477
	2,063,181	**1,013,796**

6. OPERATING EXPENSES

Profit before income tax includes the following expenses:	Notes	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Operating expense		$	$
Depreciation	14	192,846	187,654
Amortisation of key money		-	18,285
Directors fees		77,913	97,972
Audit fees	7	100,000	147,228
Leasing and rental costs		316,496	358,383
Personnel costs		1,215,919	1,408,170
Administrative expenses		162,480	193,064
Loss on disposal of property and equipment		562	-
Payment protection plan remittance entitlements		49,828	56,846
Provision for payment protection plan remittance entitlements		45,000	2,000
Movement in financial asset		(72,491)	-

7. AUDITOR REMUNERATION

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Amounts paid to the auditor for:	$	$
Auditing financial statements	100,000	147,228
Total auditor's remuneration	**100,000**	**147,228**

The auditor of the Company is the Grant Thornton New Zealand Audit Partnership.

8. INCOME TAX

	Notes	Year Ended 31-Mar-12	Year Ended 31-Mar-11
		$	$
Income tax			
Current income tax		175,296	-
		175,296	-
Deferred tax			
Relating to origination and reversal of temporary differences	15	(268,016)	(1,904)
Reduction in tax rate (from 30% to 28%)	15	-	26,115
		(268,016)	24,211

8. INCOME TAX (continued...)

	Notes	Year Ended 31-Mar-12 $	Year Ended 31-Mar-11 $
Income tax expense/(benefit) reported in Statement of Comprehensive Income		**(92,720)**	**24,211**
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		(308,223)	623,634
Tax at the New Zealand tax rate of 28% (2011: 30%)		(86,302)	187,090
Effect of change in tax rate from 2011 to 28%		-	26,115
Tax amounts which are not deductible in calculating taxable income:			
Non-deductible items		(19,952)	348
Deferred tax unrecognised		50,000	-
Tax losses not previously recognised		(36,466)	(189,342)
		(92,720)	**24,212**

9. IMPUTATION CREDITS

	Year Ended 31-Mar-12 $	Year Ended 31-Mar-11 $
Opening Balance	701,240	701,240
Add		
Income Tax Paid	-	-
Resident Withholding Tax	-	-
Imputation Credits attached to Dividends Received	-	-
	-	-
Deduct		
Imputation Credits attached to Dividends Paid	105,863	-
Income Tax Refund Received	-	-
Closing Balance	**595,377**	**701,240**

10. DIVIDENDS PAID AND DECLARED

The following dividends were declared and paid by the Company.

	Year Ended 31-Mar-12 $	Year Ended 31-Mar-11 $
Final Dividend	251,957	-
Details		
Shares on issue at end of period	6,460,000	6,460,000
Amount per share (Dividend / No. of shares on issue)	0.04	0.00

11. CASH AND CASH EQUIVALENTS

	As at 31-Mar-12 $	As at 31-Mar-11 $
Bank balances		
Credit balances	4,240,852	3,481,081
Overdraft balances	-	(42)
	4,240,852	3,481,039
Cash on hand	174	174
	4,241,026	**3,481,213**

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31-Mar-12 $	As at 31-Mar-11 $
Prepayments	12,468	21,592
Sundry accounts receivable	13,660	-
	26,128	21,592

13. LOANS AND ADVANCES RECEIVABLE

	As at 31-Mar-12 $	As at 31-Mar-11 $
At amortised cost		
Loan advances	17,200,658	18,085,819
Plus: Accrued instalment interest at period end	61,294	59,449
Less: Impaired loan allowance	(2,306,958)	(1,254,286)
	14,954,994	**16,890,982**
Split by maturity:		
Current	6,798,249	9,406,879
Non-current	8,156,745	7,484,103
Net Loan advances	**14,954,994**	**16,890,982**
Impaired loan allowance		
Collective loan allowance	(322,085)	(423,587)
Specific loan allowance	(1,984,873)	(830,699)
	(2,306,958)	(1,254,286)
Collective loan allowance		
Opening balance	(423,587)	(341,458)
Movement in collective impairment allowance	101,502	(82,129)
Closing balance	(322,085)	(423,587)
Specific loan allowance		
Opening balance	(830,699)	(922,412)
Addition to specific impairment allowance	(1,644,683)	(440,826)
Reversal of existing specific impairment allowance	490,509	532,539
Closing balance	(1,984,873)	(830,699)
Total impaired loan allowance	**(2,306,958)**	**(1,254,286)**

Loan advances have been stated including unearned fee income as disclosed in note 38.

14. PROPERTY AND EQUIPMENT

Cost or deemed cost	Building improve-ments	Office equipment	Furniture & fittings	Motor vehicles owned	Motor vehicles finance lease	Total
	$	$	$	$	$	$
Balance at 1 April 2010	702,118	319,206	146,771	672,770	-	1,840,865
Additions	59,611	85,296	1,028	55,084	-	201,019
Disposals	(21,137)	(11,444)	(17,551)	(92,033)	-	(142,165)
Balance at 31 March 2011	740,592	393,058	130,248	635,821	-	1,899,719
Balance at 1 April 2011	740,592	393,058	130,248	635,821	-	1,899,719
Additions	10,152	15,948	2,665	10,175	-	38,940
Disposals	-	(6,658)	(2,640)	-	-	(9,298)
Balance at 31 March 2012	750,744	402,348	130,273	645,996	-	1,929,361

Depreciation and Impairment losses	Building improve-ments	Office equipment	Furniture & fittings	Motor vehicles owned	Motor vehicles finance lease	Total
	$	$	$	$	$	$
Balance at 1 April 2010	73,027	225,195	89,371	486,897	-	874,490
Depreciation	84,689	42,045	8,296	52,624	-	187,654
Depreciation recovered on disposal of assets	(7,982)	(9,597)	(7,372)	(52,437)	-	(77,388)
Balance at 31 March 2011	149,734	257,643	90,295	487,084	-	984,756
Balance at 1 April 2011	149,734	257,643	90,295	487,084	-	984,756
Depreciation	77,633	54,746	7,183	53,283	-	192,845
Depreciation recovered on disposal of assets	-	(6,309)	(1,878)	-		(8,187)
Balance at 31 March 2012	227,367	306,080	95,600	540,367	-	1,169,414

Carrying amounts	Building improve-ments	Office equipment	Furniture & fittings	Motor vehicles owned	Motor vehicles finance lease	Total
	$	$	$	$	$	$
As at 1 April 2010	629,091	94,011	57,400	185,873	-	966,375
As at 31 March 2011	**590,858**	**135,415**	**39,953**	**148,737**	**-**	**914,963**
As at 1 April 2011	590,858	135,415	39,953	148,737	-	914,963
As at 31 March 2012	**523,377**	**96,268**	**34,673**	**105,629**	**-**	**759,947**

15. DEFERRED TAX ASSETS AND LIABILITIES

The balance comprises of temporary differences attributable to:

	As at 31-Mar-12	**As at 31-Mar-11**
	$	$
Amounts recognised in profit or loss		
Impairment allowance	645,947	351,200
Provision for employee benefits	9,759	13,007
Accruals	17,741	-
Provision for payment protection plan remittance entitlements	14,000	1,400
Prepayments	(3,824)	-
Unrecognised deferred tax	(50,000)	-
	633,623	365,607
Movements		
Opening balance	365,607	389,818
Credited/(charged) to the Statement of Comprehensive Income	268,016	(24,211)
Closing balance	633,623	365,607

A deferred tax asset has not been recognised in relation to unused tax losses of $0 (31 March 2011: $137,741) and tax losses purchased of $2,371,192 (31 March 2011: $2,998,252).

16. TAX LOSSES PURCHASED

	As at 31-Mar-12	**As at 31-Mar-11**
	$	$
Opening balance	-	-
Tax losses purchased	600,000	600,000
Increase/(decrease) in value of tax losses purchased	(102,805)	-
Closing balance	497,195	600,000
Current	181,857	-
Non-Current	315,338	600,000
	497,195	600,000

Xobyenom Limited (a related company owned by interests of Clive George and Dennis Hodgetts) has a loan owing to Asset Finance as disclosed in note 30(b)(i). Xobyenom Limited had tax losses that were available to Asset Finance by virtue of common shareholding. On 2 September 2010, Asset Finance's board agreed to purchase tax losses totalling $2,998,252 from Xobyenom Limited. The losses were purchased for $600,000 on the basis of a valuation from KPMG dated 18 August 2010.

If the company tax rate remained at 28%, the total amount Asset Finance stood to benefit by once all losses were utilised was $839,511. However, the valuation took into account when the losses would be available for use by Asset Finance and what discount rate to apply. On the basis of the profitability forecasts supplied to KPMG by Asset Finance, the value on 18 August 2010 was assessed as being between $549,412 and $642,590 with a mid range of $600,000 considered reasonable.

16. TAX LOSSES PURCHASED (continued...)

The purchase of the losses was subject to approval from the Company's Trustee and on the basis that the proceeds paid to Xobyenom Limited would be used by Xobyenom Limited to reduce its loan owing to Asset Finance. The approval was granted by the Trustee on 17 September 2010 and the losses were purchased on 30 September 2010 with the proceeds applied to Xobyenom Limited's loan owing to Asset Finance.

The outstanding loan Xobyenom owes to Asset Finance is shown in Note 30(b)(i).

17. TRADE AND OTHER PAYABLES

	As at 31-Mar-12 $	As at 31-Mar-11 $
Accounts payable	186,540	227,359
Wages and salaries accrued	45,305	46,126
Resident withholding tax payable	63,437	62,776
Interest accrual	18	-
Factoring retention liability	68,386	1,837
Provision for payment protection remittance entitlements	50,000	5,000
	413,686	343,098
	413,686	**343,098**

18. UNSECURED CAPITAL NOTES

	As at 31-Mar-12 $	As at 31-Mar-11 $
At amortised cost		
Capital notes on issue	791,087	1,067,840
Current	567,978	234,783
Non-Current	223,109	833,057
	791,087	1,067,840

The unsecured capital notes are issued pursuant to a Trust Deed dated 28 February 2005 made between the Company and Covenant Trustee Company Limited. Interest rates on capital notes range from 11% p.a. to 14% p.a. (31 March 2011: 11% p.a. to 14% p.a.). Refer to note 25 for the current weighted average interest rates.

The Notes are repayable in cash, at any time, following an election of the Company prior to the conversion date. If the Company does not elect to repay the Notes before the conversion date, the Company will convert each Note by allotting such number of ordinary shares which have an aggregate value equal to the aggregate principal amount of the Notes to be converted.

19. SECURED DEBENTURE STOCK

	As at 31-Mar-12 $	As at 31-Mar-11 $
At amortised cost		
Debenture stock on issue	16,624,901	17,036,012
Current	4,858,811	8,647,043
Non-Current	11,766,090	8,388,969
	16,624,901	17,036,012

The debenture stock is secured under a Debenture Stock Trust Deed dated 15 March 2004 between Asset Finance Limited and Covenant Trustee Company Limited as Trustee. The deed creates a floating charge in favour of the Trustee over all of the assets and undertakings of the charging Company (subject to Prior Security Interests).

Interest rates on Debenture Stock deposits range from 5% p.a. to 16% p.a. (31 March 2011: 7.25% p.a. to 16% p.a.). Refer to note 25 for the current weighted average interest rates.

20. EMPLOYEE ENTITLEMENTS

	As at 31-Mar-12 $	As at 31-Mar-11 $
Holiday pay	34,852	46,451
	34,852	**46,451**

21. SHARE CAPITAL

Share capital movements	As at 31-Mar-12 $	As at 31-Mar-11 $
Opening Balance	3,230,000	3,230,000
Share capital paid during the period	-	-
Closing Balance	3,230,000	3,230,000

Composition of share capital	As at 31-Mar-12 $	As at 31-Mar-11 $
Ordinary shares	3,230,000	3,230,000
Share capital	**3,230,000**	**3,230,000**

21. SHARE CAPITAL (continued...)

Share Issue Details and Rights

During the year ended 31 March 2011 there was a 1 for 1 share split to double the number of shares on issue to 6,460,000.

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

	Number of shares	
	As at	**As at**
	31-Mar-12	**31-Mar-11**
Share movements	#	#
Opening Balance	6,460,000	3,230,000
Shares issued during the period	-	3,230,000
Closing Balance	6,460,000	6,460,000

22. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	As at	**As at**
	31-Mar-12	**31-Mar-11**
	$	$
Opening Balance	47,986	(551,437)
Net (loss)/surplus	(215,503)	599,423
Dividends	(251,957)	-
Closing Balance	(419,474)	47,986

23. 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 every financial instrument on issue are disclosed in Note 1 to the financial statements.

Financial risk management objectives

By their nature the Company's activities are principally related to the use of financial instruments. The Company is borrowing funds, primarily from the New Zealand public, by issuing Secured Debenture Stock and Unsecured Capital Notes for various periods pursuant to a registered Prospectus; and lending funds to the public by providing finance in the form of secured personal loans, business loans and factoring. The Company actively manages its interest rate exposures with the objective of enhancing net interest income within prudent risk tolerances.

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

The Company's activities expose it to credit risk, market risk (including interest rate risk) and liquidity risk.

23. FINANCIAL INSTRUMENTS (continued...)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's lending policy requires that credit approval procedures be undertaken for each loan advance. As a minimum, credit checks are performed on each individual, company and collateral item relating to each loan before the loan is considered.

Loans and advances are secured by charges over residential property, commercial and industrial property, other assets (including but not limited to buildings, plant and motor vehicles) and debenture charges including personal guarantees. Security is used as a means of mitigating the risk of financial loss arising from defaults.

Loan receivables consist of a large number of customers, spread across diverse industries and geographical locations. Certain restrictions exist on maximum exposure to any one borrower or group of related borrowers. The Debenture Stock trust deed sets the limit at 10% of total tangible assets. As at 31 March 2012, no loans exceeded this trust deed ratio.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained. Detail notes on concentration of credit exposure and asset quality is stated in Notes 24 and 26 respectively.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. Interest rate risk is the risk of loss to the Company arising from adverse fluctuation in interest rates.

To mitigate this risk the Company enters into fixed borrowing and lending agreements for various maturity dates and through regular monitoring of rates offered on deposits and those charged on advances.

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

Profit/(loss) for the period ended 31 March 2012 would decrease/increase by $24,945 (31 March 2011: $22,683) if interest rates had been 1.00% p.a. higher/lower and all other variables were held constant.

Liquidity risk

Liquidity is the risk that the Company will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments.

The Company maintains sufficient funds to meet their commitments by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk and exposure is monitored on an ongoing basis. The maturity profile of monetary assets and liabilities is shown on Note 25.

23. FINANCIAL INSTRUMENTS (continued...)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are stated on the following table:

	As at 31/03/2012		As at 31/03/2011	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Financial assets				
Loans and receivables:				
Cash and cash equivalents	4,241,026	4,241,026	3,481,213	3,481,213
Tax losses purchased	497,195	663,934	600,000	839,511
Loan and advances	14,954,994	14,757,170	16,890,982	16,890,982
Financial liabilities				
Borrowings:				
Capital notes	791,087	801,400	1,067,840	1,067,840
Secured Debenture stock	16,624,901	16,973,210	17,036,012	17,036,012

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

Assumptions used in determining fair value of financial assets and liabilities

Cash and cash equivalents

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

Tax losses purchased

Please refer to Note 16.

Loan and advances

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

Secured debenture stock

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

Unsecured capital notes

Notes are repayable in cash at any time following an election of the Company prior to the conversion date. The Company intention is to repay the Notes prior to the conversion date. Therefore, fair value of the Notes has been determined using the discounted cash flow approach using current rates offered for similar liabilities for similar remaining maturities.

24. CONCENTRATION OF CREDIT EXPOSURE

Loans and advances

	As at 31-Mar-12	**As at 31-Mar-11**
Product concentration of Loans and advances	%	%
Personal Loans	55.75	60.48
Business Loans	19.94	19.59
Business Loans - Direct Factoring	3.19	0.05
Business Loans - Indirect Factoring	4.58	0.00
Business Loans - Historic	16.54	19.88
	100.00	100.00

Direct factoring is regular factoring where Asset Finance manages all aspects of the client account. Indirect factoring is factoring whereby Asset Finance is providing funding for factoring clients that are being managed by an independent third party. In these cases the factoring agreements and associated security interests have been transferred/assigned to Asset Finance, but Asset Finance does not manage the day to day running of these accounts.

Historic business loans are older business loans that have been actively managed to help maximise the recoverable value to the Company over time. In some cases the security for the loan has changed since the original loan was initially advanced and in other cases new borrowers have been funded by Asset Finance to purchase the underlying security for a previously non performing loan.

	As at 31-Mar-12	**As at 31-Mar-11**
Geographical concentration of Loans and advances	%	%
Auckland & Northland	24.06	28.90
Waikato	9.03	8.76
Bay of Plenty	25.60	19.08
Central North Island	13.44	18.82
Lower North Island	18.52	18.82
South Island & Other	9.35	5.62
	100.00	100.00

	As at 31-Mar-12	**As at 31-Mar-11**
Primary collateral held against Loans and advances	%	%
First mortgage	16.23	10.72
Second mortgage or agreement to mortgage	22.39	32.69
Ships mortgage or boat (PPSR charge)	2.69	11.96
Motor vehicle (PPSR charge)	49.05	40.54
Machinery and plant (PPSR charge)	1.17	2.72
Other security (PPSR charge)	0.08	0.96
General charge over all personal property (PPSR charge)	0.62	0.37
Accounts receivable (PPSR charge)	7.77	0.00
No security	0.00	0.04
	100.00	100.00

24. CONCENTRATION OF CREDIT EXPOSURE (continued...)

Concentration of Loans and advances to individual counterparties	Number of counterparties	
	As at	**As at**
	31-Mar-12	**31-Mar-11**
	#	#
% of shareholders funds		
10 - 19.9%	3	2
20 - 29.9%	1	1
30 - 39.9%	1	-
40 - 49.9%	-	-
50 - 59.9%	-	-
60 - 69.9%	-	1

Funding

	As at	**As at**
	31-Mar-12	**31-Mar-11**
Product concentration of Funding	%	%
Finance leases	0.00	0.00
Capital notes	4.54	5.90
Debenture stock	95.46	94.10
	100.00	100.00

	As at	**As at**
	31-Mar-12	**31-Mar-11**
Geographical concentration of Funding	%	%
Auckland & Northland	39.27	43.04
Waikato	15.96	11.22
Bay of Plenty	23.72	21.21
Other - North Island	10.54	12.05
South Island	7.28	6.63
Overseas	3.23	5.85
	100.00	100.00

Concentration of Funding from individual counterparties	Number of counterparties	
	As at	**As at**
	31-Mar-12	**31-Mar-11**
	#	#
% of shareholders funds		
10 - 19.9%	5	5

25. MATURITY PROFILE & INTEREST RATE REPRICING PROFILE

The table below analyses the Company's financial assets and liabilities at the Statement of Financial Position date into the relevant maturity groupings, based on the remaining period to the contractual maturity date.

Maturity Profile of Monetary Items

As at 31 March 2012

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
	$	$	$	$	$	$	$
Non-derivative Financial Assets							
Cash and cash equivalents	4,241,026	4,241,026	4,241,026	-	-	-	-
Prepayments and other receivables	26,128	26,128	26,128	-	-	-	-
Loans and Advances	14,954,994	21,453,009	7,202,484	4,617,553	5,651,353	3,981,619	-
Total Assets	**19,222,148**	**25,720,163**	**11,469,638**	**4,617,553**	**5,651,353**	**3,981,619**	**-**
Non-derivative Financial Liabilities							
Unearned fee income	437,391	437,391	145,797	145,797	145,797		
Trade and other payables	413,686	413,686	413,686	-	-	-	-
Employee entitlements	34,852	34,852	34,852	-	-	-	-
Capital notes	791,087	896,129	199,329	447,173	91,170	158,457	
Secured debenture stock	16,624,901	19,243,532	4,299,743	1,959,462	6,613,822	6,370,505	-
Total Liabilities	**18,301,916**	**21,025,590**	**5,093,407**	**2,552,432**	**6,850,789**	**6,528,962**	**-**
Total	**920,232**	**4,694,573**	**6,376,231**	**2,065,121**	**(1,199,436)**	**(2,547,343)**	**-**

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

Loans and advances (expected)	14,954,994	19,146,051	4,895,526	4,617,553	5,651,353	3,981,619	-
Adjusted total	**920,232**	**2,387,615**	**4,069,273**	**2,065,121**	**(1,199,436)**	**(2,547,343)**	**-**

25. MATURITY PROFILE & INTEREST RATE REPRICING PROFILE (continued...)

Maturity Profile of Monetary Items (continued...)

As at 31 March 2011

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
	$	$	$	$	$	$	$
Non-derivative Financial Assets							
Cash and cash equivalents	3,481,213	3,524,728	3,524,728	-	-	-	-
Prepayments and other receivables	21,592	21,592	21,592	-	-	-	-
Loans and Advances	16,890,982	22,880,621	9,475,723	4,322,010	5,340,108	3,742,780	-
Total Assets	**20,393,787**	**26,426,941**	**13,022,043**	**4,322,010**	**5,340,108**	**3,742,780**	**-**
Non-derivative Financial Liabilities							
Unearned fee income	511,472	511,472	178,769	178,769	153,934		
Trade and other payables	343,098	343,098	343,098	-	-	-	-
Employee entitlements	46,451	46,451	46,451	-	-	-	-
Capital notes	1,067,840	1,291,761	129,161	231,956	721,767	208,877	
Secured debenture stock	17,036,012	19,489,446	4,877,601	5,256,817	4,847,274	4,507,754	-
Total Liabilities	**19,004,873**	**21,682,228**	**5,575,080**	**5,667,542**	**5,722,975**	**4,716,631**	**-**
Total	**1,388,914**	**4,744,713**	**7,446,963**	**(1,345,532)**	**(382,867)**	**(973,851)**	**-**

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

Loans and advances (expected)	16,890,982	21,626,335	5,726,782	4,322,010	7,834,763	3,742,780	-
Adjusted total	**1,388,914**	**3,490,427**	**3,698,022**	**(1,345,532)**	**2,111,788**	**(973,851)**	**-**

25. MATURITY PROFILE & INTEREST RATE REPRICING PROFILE (continued...)

Interest Rate Repricing Profile of Monetary Items

As at 31 March 2012

	Weighted Average Interest Rate	Total	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Non-interest bearing
	% p.a.	$	$	$	$	$	$	$
Non-derivative Financial Assets								
Cash and cash equivalents	3.94	4,241,026	4,241,026	-	-	-	-	-
Prepayments and other receivables	-	26,128	-	-	-	-	-	26,128
Loans and Advances	21.02	14,954,994	3,244,644	3,553,605	4,664,469	3,492,276	-	-
Total Assets	**17.22**	**19,222,148**	**7,485,670**	**3,553,605**	**4,664,469**	**3,492,276**	**-**	**26,128**
Non-derivative Financial Liabilities								
Unearned loan fee income	21.02	437,391	145,797	145,797	145,797	-	-	-
Trade and other payables	-	413,686	-	-	-	-	-	413,686
Employee entitlements	-	34,852	-	-	-	-	-	34,852
Capital notes	12.39	791,087	150,419	417,559	69,755	153,354	-	-
Secured debenture stock	10.63	16,624,901	3,528,433	1,330,378	5,720,744	6,045,346	-	-
Total Liabilities	**10.69**	**18,301,917**	**3,824,649**	**1,893,734**	**5,936,296**	**6,198,700**	**-**	**448,538**
Total	**6.53**	**920,232**	**3,661,021**	**1,659,871**	**(1,271,827)**	**(2,706,424)**	**-**	**(422,410)**

As at 31 March 2011

	Weighted Average Interest Rate	Total	Within 6 Months	Between 6 - 12 Months	Between 1 - 2 Years	Between 2 - 5 Years	Over 5 Years	Non-interest bearing
	% p.a.	$	$	$	$	$	$	$
Non-derivative Financial Assets								
Cash and cash equivalents	2.50	3,481,213	3,481,213	-	-	-	-	-
Prepayments and other receivables	-	21,592	-	-	-	-	-	21,592
Loans and Advances	21.84	16,890,982	6,364,124	3,042,755	4,075,163	3,408,940	-	-
Total Assets	**18.52**	**20,393,787**	**9,845,337**	**3,042,755**	**4,075,163**	**3,408,940**	**-**	**21,592**
Non-derivative Financial Liabilities								
Unearned loan fee income	21.84	511,472	178,769	178,769	153,934	-	-	-
Trade and other payables	-	343,098	-	-	-	-	-	343,098
Employee entitlements	-	46,451	-	-	-	-	-	46,451
Capital notes	12.64	1,067,840	65,044	169,739	637,618	195,440	-	-
Secured debenture stock	11.29	17,036,012	4,001,704	4,645,339	4,181,380	4,207,589	-	-
Total Liabilities	**11.42**	**19,004,873**	**4,245,517**	**4,993,847**	**4,972,932**	**4,403,029**	**-**	**389,549**
Total	**7.10**	**1,388,914**	**5,599,820**	**(1,951,092)**	**(897,769)**	**(994,089)**	**-**	**(367,957)**

26. ASSET QUALITY

(a) Summary of Loan advances

	As at 31-Mar-12	As at 31-Mar-11
Loan advances by Quality	$	$
Past Due but Not Impaired	3,539,066	4,617,543
Specifically Impaired and Restructured	5,032,003	2,937,671
Neither Past Due nor Impaired nor Restructured	8,629,588	10,530,605
Gross loan advances	**17,200,658**	**18,085,819**
Plus: Accrued instalment interest at period end	61,294	59,449
Less: Impaired loan allowance	(2,306,958)	(1,254,286)
Net Loan advances	**14,954,994**	**16,890,982**

(b) Past Due but not Impaired or Restructured Loan advances

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Movement in Past Due but not Impaired Loan advances	$	$
Opening balance	4,617,543	5,644,563
Collected during the period	(4,035,747)	(3,631,788)
Reclassified to Neither Past Due nor Impaired	(251,408)	(359,924)
Reclassified to Individually Impaired Loan advances	(100,380)	-
Reclassified to Restructured Loan advances	(325,815)	-
Bad debts written off	(154,642)	(206,359)
	(4,867,992)	(4,198,071)
Additions	3,789,515	3,171,051
Closing balance	**3,539,066**	**4,617,543**

	As at 31-Mar-12	As at 31-Mar-11
Aging of Past Due but not Impaired Loan advances	$	$
Past due 0 - 30 days	2,222,194	2,533,653
Past due 31 - 60 days	513,843	428,375
Past due 61 - 90 days	167,629	251,397
Past due 91 - 120 days	213,694	229,369
Past due more than 120 days	421,706	1,174,749
Total Past Due but not Impaired Loan advances	**3,539,066**	**4,617,543**

26. ASSET QUALITY (continued...)

(c) Other Impaired Assets

Movement in Individually Impaired Loan advances	**Year Ended 31-Mar-12** $	**Year Ended 31-Mar-11** $
Opening balance	2,494,655	1,707,746
Collected during the year	(1,160,384)	(84,858)
Bad debts written off	(767,871)	(581,834)
	(1,928,255)	(666,692)
Additions	4,032,099	1,453,600
Closing balance	**4,598,499**	**2,494,654**

Security held over Individually Impaired Loan advances	**As at 31-Mar-12** %	**As at 31-Mar-11** %
First mortgage	26.85	47.00
Second mortgage or agreement to mortgage	11.14	9.64
Ships mortgage or boat (PPSR charge)	32.64	0.00
Motor vehicle (PPSR charge)	28.74	11.04
Machinery and plant (PPSR charge)	0.60	22.21
Other security (PPSR charge)	0.00	10.11
No security	0.03	0.00
	100.00	100.00

26. ASSET QUALITY (continued...)

(d) Restructured Assets

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Movement in Restructured Loan advances	$	$
Opening balance	443,016	897,022
Collected during the period	(144,883)	(433,359)
Reclassified to Individually Impaired Loan advances	(192,486)	(10,948)
Reclassified to Past Due not Impaired Loan advances	(46,607)	-
Bad debts written off	(22,176)	(89,245)
	(406,152)	(533,552)
Additions	396,640	79,546
Closing balance	**433,504**	**443,016**

(e) Loan advances that are neither Past Due nor Impaired nor Restructured

	As at 31-Mar-12	As at 31-Mar-11
Credit quality by security held	%	%
First mortgage	14.76	1.54
Second mortgage or agreement to mortgage	21.02	32.38
Ships mortgage or boat (PPSR charge)	0.15	19.23
Motor vehicle (PPSR charge)	48.22	45.67
Machinery and plant (PPSR charge)	1.17	0.82
Other security (PPSR charge)	0.08	0.28
Accounts receivable (PPSR charge)	14.16	0.00
General charge over all personal property (PPSR charge)	0.44	0.08
	100.00	100.00

	As at 31-Mar-12	As at 31-Mar-11
Credit quality by product type	%	%
Personal Loans	63.17	67.21
Business Loans	22.67	32.79
Business Loans - Direct Factoring	6.29	0.00
Business Loans - Indirect Factoring	7.87	0.00
	100.00	100.00

27. LEASE COMMITMENTS

Leases as lessee

Lease commitments under non-cancellable motor vehicle operating leases

	As at 31/03/2012			As at 31/03/2011		
	Total future minimum payments	Interest charges	Present Value	Total future minimum payments	Interest charges	Present Value
	$	$	$	$	$	$
Less than 1 year	21,152	-	21,152	4,867	-	4,867
Between 1 and 5 years	26,976	-	26,976	-	-	-
Greater than 5 years	-	-	-	-	-	-
Total lease commitment	**48,128**	**-**	**48,128**	**4,867**	**-**	**4,867**

Lease commitments under non-cancellable equipment operating leases

	As at 31/03/2012			As at 31/03/2011		
	Total future minimum payments	Interest charges	Present Value	Total future minimum payments	Interest charges	Present Value
	$	$	$	$	$	$
Less than 1 year	6,481	-	6,481	9,444	-	9,444
Between 1 and 5 years	22,142	-	22,142	10,232	-	10,232
Greater than 5 years	-	-	-	-	-	-
Total lease commitment	**28,623**	**-**	**28,623**	**19,676**	**-**	**19,676**

Lease commitments under non-cancellable building leases

	As at 31/03/2012			As at 31/03/2011		
	Total future minimum payments	Interest charges	Present Value	Total future minimum payments	Interest charges	Present Value
	$	$	$	$	$	$
Less than 1 year	209,680	-	209,680	236,024	-	236,024
Between 1 and 5 years	173,508	-	173,508	364,734	-	364,734
Greater than 5 years	-	-	-	-	-	-
Total lease commitment	**383,188**	**-**	**383,188**	**600,758**	**-**	**600,758**

28. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2012 (31 March 2011: none).

29. CONTINGENT ASSETS AND LIABILITIES

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

If all borrowers that were covered by PPP were to pass away, the total that may be remitted as at 31 March 2012 would be $4,957,021 (31 March 2011: $5,833,601). Because of the diverse geographical spread of borrowers, there is no single event or series of events remotely likely to result in the death of all borrowers covered by PPP, or the death of a significant percentage of those borrowers.

During the year ended 31 March 2012, an estimate of the expected liability under the Payment Protection Plan (PPP) cover has been made based on the history of successful remittances since the commencement of the plan. Based on this estimate, an allowance has been provided for as disclosed as part of note 17. As such, there is no contingent liability recognised for the year ended 31 March 2012.

There are no other contingent liabilities at each reporting date other than normal purchase and lease commitments.

30. RELATED PARTY DISCLOSURE

(a) Related parties

Related party	**Their relationship to Asset Finance**
Clive George	Director of Asset Finance
Dennis Hodgetts	Director of Asset Finance
Xobyenom Limited	Owned by interests associated with Clive George and Dennis Hodgetts, who are directors of Asset Finance. Sole director Clive George is also a director of Asset Finance.
Fusion at Work Limited	Sole director is related to key management
Pacific Securities Limited	Owned by interests associated with Clive George and Dennis Hodgetts, who are directors of Asset Finance. Sole director Clive George is also a director of Asset Finance.
Asset Home Loans Limited	Owned by interests associated with Clive George and Dennis Hodgetts, who are directors of Asset Finance. Sole director Clive George is also a director of Asset Finance.
George No.2 Family Trust	Trust associated with director of Asset Finance.
Asset Cars Limited	Owned by interests associated with Clive George, director of Asset Finance. Sole director Clive George is also a director of Asset Finance.
Hodgetts Family Trust	Trust associated with director of Asset Finance.
Blair George Family Trust	Trust associated with key management of Asset Finance.
McCormick Family Trust	Trust associated with director of Asset Finance.
Morna George	Related to key management
Other related individuals	Individuals are related to key management. Not individually disclosed due to the type and small size of the transactions.

30. RELATED PARTY DISCLOSURE (continued...)

(b) Loans to related parties

Details of related party loans are disclosed below. No related party debts have been written off or forgiven during the year (31 March 2011: nil).

i. Xobyenom Limited

In December 2007, Xobyenom Limited purchased a property in Auckland for $6.3m. The purchased property was being used as security on a loan Asset Finance had made to a third party borrower. The loan to the third party was in default, and a portion of the proceeds of the sale to Xobyenom were used to repay that loan.

To help fund the purchase, Xobyenom Limited borrowed $2.7m from Asset Finance. When originally drawn down, this loan required the consent of the Trustee because it exceeded trust deed limitations on maximum loan size and maximum related party exposure. The consent was granted to the Company prior to draw down. The remaining balance of the loan and transactions that occurred during the year are disclosed below.

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
Loan to Xobyenom Limited	$	$
Opening balance	356,508	1,086,267
- Interest and fees charged	20,255	67,045
- Payments made *	(94,349)	(796,804)
- Specific impairment allowance	(15,797)	-
Closing Balance	**266,617**	**356,508**

** The payments made during the year ended 31 March 2011 include $600,000 being the proceeds of the tax loss purchase. See note 16 for full details.*

The loan balance is secured by a second mortgage over commercial property at 38 Richardson Street, Whakatane owned by interests associated with Clive George, a general security agreement over all the present and after acquired property of Xobyenom Limited, personal guarantees of Dennis Hodgetts and Clive George, and 790,000 Ozone trade dollars. Interest on the loan is being charged at a preferential interest rate of 6.00% p.a. (31 March 2011: 6.00% p.a.), due and payable monthly. The loan is classified as specifically impaired due to the rate being charged being below the Company's cost of funds.

ii. Fusion at Work Limited

Fusion at Work borrowed $15,000 from the Company to purchase a motor vehicle for $25,000.

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
Loan to Fusion at Work Limited	$	$
Opening balance	-	-
- Cash advanced	15,000	-
- Interest and fees charged	1,645	-
- Payments made	(1,700)	-
Closing Balance	**15,273**	-

The loan is secured over the vehicle purchased, personal guarantees of Fusion at Work limited and its sole director. The Company rate of return on the loan is 25.85% p.a. including interest of 12% p.a. and fees.

30. RELATED PARTY DISCLOSURE (continued...)

(c) Investments from Related Parties

The following related parties advanced money to the Company pursuant to the terms of its Prospectus by investing in Secured Deposits and Unsecured Notes. All money borrowed by the Company from related parties was at arms' length and borrowed on normal commercial terms and conditions.

The interest rates applicable are between 14% p.a. and 16% p.a. (31 March 2011: between 14% and 16% p.a.). The weighted average interest rate payable is 15.76% p.a. (31 March 2011: 15.49% p.a.).

Investment from George No2. Family Trust		
Opening balance	-	-
- Interest paid and deposits	163,039	-
- RWT deducted and withdrawals	(343)	
Closing Balance	**162,696**	**-**
Investment from Hodgetts Family Trust		
Opening balance	256,000	255,030
- Interest paid and deposits	281,411	296,358
- RWT deducted and withdrawals	(30,742)	(295,388)
Closing Balance	**506,669**	**256,000**
Investment from Blair George Family Trust		
Opening balance	100,000	100,000
- Interest paid and deposits	40,449	14,000
- RWT deducted and withdrawals	(50,449)	(14,000)
Closing Balance	**90,000**	**100,000**
Investment from McCormick Family Trust		
Opening balance	11,662	521,667
- Interest paid and deposits	1,237	294,320
- RWT deducted and withdrawals	(12,899)	(804,325)
Closing Balance	**-**	**11,662**
Investment from Asset Home Loans		
Opening balance	27,089	93,399
- Interest paid and deposits	2,444	7,916
- RWT deducted and withdrawals	(29,533)	(74,226)
Closing Balance	**-**	**27,089**
Investments from Other related individuals		
Opening balance	18,998	16,223
- Interest paid and deposits	2,434	2,575
- RWT deducted and withdrawals	(3,505)	(568)
Closing Balance	**17,927**	**18,230**

30. RELATED PARTY DISCLOSURE (continued...)

(d) Other transactions

i. The McCormick Trust has provided additional collateral against two customer loans to non-related parties. As at 31 March 2012, the collateral is valued at $650,000 and the net loan balances the collateral is secured against total $1,274,722. The collateral provided by the McCormick Trust is in addition to that provided by the customers and will remain in place for the entire term of the loans. If this additional collateral had not been provided, the two loans would require an increase in specific impairment allowance.

ii. The Company paid George No.2 Family Trust rent for the premises in Whakatane occupied by the Company. The total rent paid for the year ended 31 March 2012 was $133,170 (31 March 2011: $132,446).

iii. The Company has sent bad debts written off to Pacific Securities Limited for collection. Pacific Securities charges commission of 20%+GST on all moneys collected. The amount collected, less commission, is then paid from Pacific Securities to Asset Finance.

During the year ended 31 March 2012, total commission of $10,257 was charged on total money collected of $44,594 (31 March 2011: $8,282 commission charged on $40,558 collected)

iv. The Company paid Morna George (related to key management) commission for work done for Asset Finance as an independent broker. The commission paid for 31 March 2012 totalled $32,370 (31 March 2011: $nil).

v. During the year ended 31 March 2011, Dennis Hodgetts (Director) purchased a vehicle from the Company at its opening carrying value of $16,034 and sold a second vehicle to the Company for its fair value of $20,000. In the same month, Asset Finance traded the second vehicle to an unrelated third party for $20,000 as part of the purchase of a new vehicle.

vi. The Company purchased tax losses from Xobyenom Limited for $600,000 in the year ending 31 March 2011. Full disclosure on this item is contained in note 16. Tax Losses Purchased.

vii. The Company purchased marketing and staff training and development services from Fusion at Work Limited. The total amount purchased for the year ended 31 March 2012 was $13,916.81 (31 March 2011: $17,075.80).

(e) Key management compensation

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

	Year Ended 31-Mar-11	Year Ended 31-Mar-11
Short term employee benefits	$	$
Salaries/wages	330,995	304,218
Other taxable allowances and bonus	2,324	15,455
	333,319	319,673
Directors' fees	77,913	101,035
	411,232	423,184

The number of employees within the Company, other than Directors, who received remuneration above $100,000 during the period, as is required to be disclosed in accordance with section 211(g) of the Companies Act 1993 is: $nil (31 March 2011: $nil). There are no post employment benefits, other long term benefits, termination benefits or share based payments for the year ended 31 March 2012 (31 March 2011: none)

(f) Remuneration by Director

The remuneration and value of other benefits received by each director or former director (as required by Section 211(1)(f) of the Companies Act 1993) from the Company during the year is set out below. Remuneration for non-independent directors includes a wages/salary component for their day to day duties and a fee for their directorship duties.

	Year Ended 31-Mar-12	Year Ended 31-Mar-11
Salary/wage, directors fees and other benefits	$	$
C N George	89,499	82,000
N A Andresen	88,909	92,577
D W Hodgetts	104,077	98,154
D Houldsworth (Independent)	5,400	50,000
D Diggelmann (Independent)	8,000	-
B J Heapy (Independent)	30,000	12,000
	325,885	334,731

31. RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
	$	$
Total Comprehensive Income/(Loss) for the period	(215,503)	599,423
Adjustments for		
Depreciation	192,846	187,654
Depreciation recovered	-	(1,594)
Impairment allowance	1,052,672	(9,585)
Loans and advances written off	971,746	989,904
Other expenses non cash	562	43,233
	2,217,826	1,209,612
Deduct		
(Increase)/Decrease in receivables	2,608,630	3,237,801
Increase/(Decrease) in payables	58,990	31,807
Increase/(Decrease) in tax liability	102,806	(600,000)
(Increase)/Decrease in trade and other receivables	(4,536)	(9,581)
Increase/(Decrease) in GST	8,970	(8,499)
Increase/(Decrease) in depositors	(2,453,782)	(210,312)
Decrease/(Increase) in deferred tax asset	(268,015)	24,211
	53,063	2,465,427
Items reclassified as investing/financing activities	599,458	925,284
Net cash from operating activities	2,654,844	5,199,746

32. RANKING OF LIABILITIES

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

As at 31 March 2012, there were no outstanding prior security interests that had been granted by the Company (31 March 2011: none). The only interests that rank ahead of the first interest given to the Trustee are those given preference by law such as PAYE and RWT.

The secured debenture stock deposits totalling $16,624,901 as at 31 March 2012 (31 March 2011: $17,036,012) reported in these financial statements by the Company are secured by a first ranking floating debenture charge over the Company’s assets in favour of the Trustee, and rank ahead of the other secured liabilities (other than permitted prior security interests and claims given preference by law, such as outstanding taxes and payments to employees).

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

33. SUBSEQUENT EVENTS

a) On 6 June 2012, the McCormick Trust paid cash of $203,567.35 to repay a customer loan. The loan was one of two that the McCormick Trust had pledged an asset as security for. The asset remains in place as security on one other customer loan. More information on the loans as at 31 March 2012 is contained under note 30(d)(i).

b) On 13 April 2012 the Financial Markets Authority ("FMA") issued Asset Finance Limited with an "interim order prohibiting the allotment of securities". This order meant Asset Finance could not issue new investment certificates, and had to put new and reinvesting deposits into our solicitors trust account while the FMA checked our Prospectus and Investment Statement ("Offer Documents") to ensure they complied with the current regulations. The lending side of our business was unaffected by the interim order.

   The FMA issued the interim order because they believed Asset Finance's Offer Documents were likely to be misleading in a material way. Asset Finance disagreed, but decided it would be less costly to comply with the FMA order than to dispute it. As a result of the FMA order, the Trustee acting on behalf of investors decided to have aspects of our business independently reviewed at Asset Finance's cost. This independent review was in addition to the audit of our 30 September and 31 March financial statements that occurs each year.

   The interim order expired on 4 May 2012, and the FMA chose not to extend it despite having the power to do so. At the time the order expired, Asset Finance was preparing for the regular audit of its 31 March 2012 financial statements. Because of our strong liquidity position and the fact that we ordinarily start to draft a new Prospectus in June each year including the audited 31 March financial statements, the Directors felt it made more sense to wait for the completion of the audit before issuing an updated Prospectus.

   The Trustee's independent review has since completed and no material issues were found that were not already part of the standard audit. Asset Finance will be submitting a new Prospectus for registration upon the completion of the audit of these financial statements, so the financial statements have been prepared on a going concern basis. Should Asset Finance not be able to register a new Prospectus, the going concern status of the Company would be in doubt.

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

34. ASSETS HELD FOR SALE

There are no assets held for sale as at 31 March 2012 (31 March 2011: none).

35. AVAILABLE FOR SALE FINANCIAL ASSETS

There are no available for sale financial assets as at 31 March 2012 (31 March 2011: none).

36. CAPITAL MANAGEMENT

When managing capital, management's objective is to maintain acceptable capital ratios to support the business and ensure the Company continues as a going concern. In order to achieve this objective, the Company performs monthly reviews of its capital structure in light of current and forecast financial performance and economic conditions. Business initiatives and strategies are developed in response to these reviews. Should it need to, the Company will adjust its dividend payment (if any) to shareholders to maintain adequate capital.

The Company has three capital ratios it must adhere to under the Trust Deed. These ratios are summarised below under the headings (a) to (c). Of the three ratios, the capital ratio in the "Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010" which is shown below at 36 (c) requires the highest level of shareholders funds as at 31 March 2012.

36. CAPITAL MANAGEMENT (continued...)

While the amount of capital required under this ratio fluctuates depending on the composition of the Company's assets, it is expected to continue to be the ratio that requires the highest level of shareholders funds. In effect, based on the current and foreseeable composition of the Company's assets, compliance with this ratio will mean all three ratios are in compliance.

Deferred tax and any assets listed as intangible are not taken into consideration for the purpose of any capital ratio calculation.

(a) Debenture Trust Deed dated 15 March 2004

Under the terms of the Debenture Trust Deed, the acceptable capital ratios differ depending on the level of the Company's Total Tangible Assets. The ratio applicable to the Company as at 31 March 2012 states that Total Liabilities must not exceed 90% of Total Tangible Assets. This ratio applies when the Company's Total Tangible Assets exceed $20,000,000. The last time the Company's Total Tangible Assets did not exceed $20,000,000 was in the year ended 31 March 2005.

If the Company's total tangible assets drop below $20,000,000 then the following ratios may apply:

i. where the total tangible assets are less than $10,000,000, total liabilities are not to exceed 85% of total tangible assets
ii. where the total tangible assets are $10,000,000 or more but less than $20,000,000 and shareholders' funds are less than $1,200,000, total liabilities are not to exceed 87% of total tangible assets
iii. where the total tangible assets are $10,000,000 or more but less than $20,000,000 and shareholders' funds are more than $1,200,000, total liabilities are not to exceed 90% of total tangible assets

For the purposes of these Debenture Trust Deed calculations, total liabilities exclude Subordinated Debt and Unsecured Capital Notes.

(b) Trust Deed dated 28 February 2005

The Trust Deed contains a covenant by Asset Finance that its Total Liabilities will not exceed 93% of its Total Tangible Assets while any Unsecured Notes are outstanding. Total Liabilities includes the amounts outstanding under the Unsecured Notes.

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

Part of these Deposit Takers' regulations include a minimum capital ratio, to be calculated according to the framework prescribed by the Reserve Bank. The regulations containing the framework and minimum capital ratio were finalised on 24 June 2010 and came into effect from 1 December 2010.

<u>Capital Ratio</u>

The minimum capital ratio is 8% for companies that have a credit rating from a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989, and 10% for those without such a rating. Asset Finance has a 'B' credit rating as at 31 March 2012 (31 March 2011: 'B'). All ratings have been issued by Standard & Poor's, a ratings agency approved by the Reserve Bank.

<u>Minimum Capital Ratio Calculation Framework</u>

The calculation of minimum capital under the Reserve Bank Capital Adequacy Regulations is substantially different from the calculation under the existing Trust Deeds. The premise of the Reserve Bank framework is that financiers with higher risk loans and other assets should require more capital compared with companies carrying lower risk loans and other assets.

The regulations call for each loan or other asset to be assigned a class according to a schedule defined in the regulations. Each class of asset has a corresponding risk weight. The risk weight together with the level of exposure to that asset type determine the amount of shareholder capital required.

37. SEGMENTAL REPORTING

31 March 2012

	Personal Lending	**Business Lending**	**Unallocated / Other**	**Total**
	$	$	$	$
Revenue				
Interest income	2,702,121	908,901	182,580	3,793,602
Interest expense	-	-	(1,959,971)	(1,959,971)
Net interest income/(expense)	**2,702,121**	**908,901**	**(1,777,391)**	**1,833,631**
Other income				
Lending/Establishment fee income	1,697,712	438,833	246,552	2,383,097
Payment protection plan fees amortised over life of loan	443,172	20,892	-	464,064
Other income	(136)	(54)	471,360	471,170
	2,140,748	459,671	717,912	3,318,331
Total operating income	**4,842,869**	**1,368,572**	**(1,059,479)**	**5,151,962**
Impairment losses	(224,198)	(1,790,817)	(48,166)	(2,063,181)
Depreciation of property and equipment	-	-	(192,846)	(192,846)
Other Operating expenses and staff costs	-	-	(3,204,158)	(3,204,158)
Net profit before income tax	**4,618,671**	**(422,245)**	**(4,504,649)**	**(308,223)**
Income tax expense	-	-	92,720	92,720
Net profit after income tax	**4,618,671**	**(422,245)**	**(4,411,929)**	**(215,503)**

	Personal Lending	**Business Lending**	**Unallocated / Other**	**Total**
	$	$	$	$
Assets				
Loans and advances	8,305,448	6,649,546	-	14,954,994
Total Assets	**8,305,448**	**6,649,546**	**6,157,449**	**21,112,443**
Total Liabilities	**-**	**-**	**18,301,917**	**18,301,917**

The Company's management reporting shows income items and loan impairment expense by segment. It is not practicable to split the majority of operating expenses by segment.

In this segmental reporting note, net profit before income tax and net profit after income tax has been sub totalled by segment in order to reconcile to the primary financial statements as required by NZ IFRS. The Company's management does not report on net profit by segment.

37. SEGMENTAL REPORTING (continued...)

31 March 2011

	Personal Lending	Business Lending	Unallocated / Other	Total
	$	$	$	$
Revenue				
Interest income	3,086,745	1,107,694	127,899	4,322,338
Interest expense	-	-	(2,153,757)	(2,153,757)
Net interest income/(expense)	**3,086,745**	**1,107,694**	**(2,025,858)**	**2,168,581**
Other income				
Lending/Establishment fee income	2,017,971	298,552	257,181	2,573,704
Payment protection plan fees amortised over life of loan	467,905	18,535	-	486,440
Other income	(1,161)	(32)	682,565	681,372
	2,484,715	317,055	939,746	3,741,516
Total operating income	**5,571,460**	**1,424,749**	**(1,086,112)**	**5,910,097**
Impairment losses	(441,249)	(485,027)	(87,520)	(1,013,796)
Depreciation of property and equipment	-	-	(187,654)	(187,654)
Other Operating expenses and staff costs	-	-	(4,085,013)	(4,085,013)
Net profit before income tax	**5,130,211**	**939,722**	**(5,446,299)**	**623,634**
Income tax expense	-	-	(24,211)	(24,211)
Net profit after income tax	**5,130,211**	**939,722**	**(5,470,510)**	**599,423**

	Personal Lending	Business Lending	Unallocated / Other	Total
	$	$	$	$
Assets				
Loans and advances	10,731,182	6,202,673	(42,873)	16,890,982
Total Assets	**10,731,182**	**6,202,673**	**5,349,003**	**22,282,859**
Total Liabilities	**-**	**-**	**19,004,873**	**19,004,873**

The Company's management reporting shows income items and loan impairment expense by segment. It is not practicable to split the majority of operating expenses by segment.

In this segmental reporting note, net profit before income tax and net profit after income tax has been sub totalled by segment in order to reconcile to the primary financial statements as required by NZ IFRS. The Company's management does not report on net profit by segment.

38. UNEARNED FEE INCOME

Some loans and advances receivable include fees that have not yet been earned. This fee income is being amortised over the life of the loan using the effective interest method.

The types of income being amortised are disclosed in note 1(h) under "fee and commission income" and include payment protection plan fees and some business loan establishment fees. The total unearned fee income is disclosed below.

	Year Ended 31-Mar-12	**Year Ended 31-Mar-11**
	$	$
At amortised cost		
Unearned payment protection plan fees	321,624	441,135
Unearned establishment fees	115,767	70,337
	437,391	511,472
Current	291,594	357,538
Non-Current	145,797	153,934
	437,391	511,472

Grant Thornton

Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit Partnership
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140

T +64 (0)9 308 2570
F +64 (0)9 309 4892
www.grantthornton.co.nz

To the Shareholders of Asset Finance Limited

Report on the Financial Statements

We have audited the financial statements of Asset Finance Limited on pages 6 to 51, which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in Asset Finance Limited.

Opinion

In our opinion, the financial statements on pages 6 to 51:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Asset Finance Limited as at 31 March 2012 and its financial performance and its cash flows for the year ended on that date.

Material Uncertainty

In forming our unqualified opinion we have considered the adequacy of the disclosures made in the financial statements concerning the Company's ability to continue as a going concern (see Note 33). The going concern status of the company depends on the Company successfully registering a new Prospectus. Should the Company cease to be a going concern there would be material changes to the valuation of assets and liabilities presented in these financial statements.

Report on Other Legal and Regulatory Matters

Per the Financial Reporting Act 1993:

- we have obtained all the information and explanations that we have required;
- in our opinion, proper accounting records have been kept by Asset Finance Limited as far as appears from an examination of those records.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
22 June 2012