

Citizens Brokerage Limited

Independent auditor's report to the Shareholders

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citizens Brokerage Limited (the Company), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Basis for Opinion

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

CHARTERED ACCOUNTANTS
& ADVISORS

Level 4, 21 Queen Street
Auckland 1010, New Zealand

PO Box 106 090
Auckland 1143, New Zealand

Telephone: +64 9 366 5000

williambuck.co.nz

William Buck Audit (NZ) Limited

Director's Responsibilities

The director is responsible on behalf of the entity for the preparation of financial statements that give a true and fair view in accordance with New Zealand equivalents to International Financial Reporting Standards, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor's report. The engagement director on the audit resulting in this independent auditor's report is Michael Wood.

Restriction on Distribution and Use

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

William Buck

William Buck Audit (NZ) Limited

Auckland

28 June 2018

CITIZENS BROKERAGE LIMITED

Financial Report
for the year ended 31 March 2018

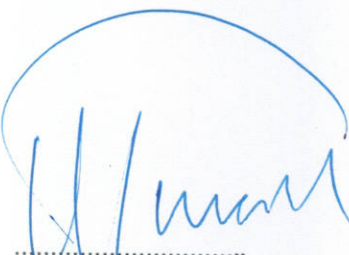
CITIZENS BROKERAGE LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2018

CONTENTS	PAGE
ANNUAL REPORT	1
COMPANY DIRECTORY	2
AUDIT REPORT	3 - 5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASHFLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10-15

**CITIZENS BROKERAGE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

The Director is pleased to present his Annual Report, together with the financial statements of Citizen Brokerage Limited for the year ended 31 March 2018.

No disclosure has been made in respect of section 211(1) (a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholder in accordance with section 211(3) of the Companies Act 1993.



.....
John G Turrall - Director
Date: 27/6/18

**CITIZENS BROKERAGE LIMITED
COMPANY DIRECTORY**

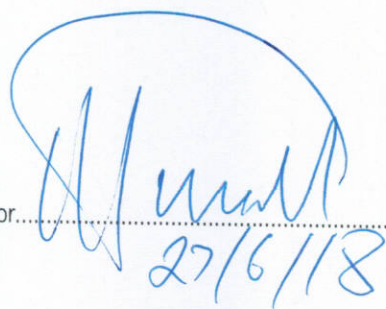
NATURE OF BUSINESS	Peer to Peer Lender
REGISTERED OFFICE	31c Bartley Terrace Devonport Auckland
INCORPORATED NUMBER	2206825
DIRECTOR	John G Turrall
SHAREHOLDER	John G Turrall 5 Ordinary Shares
ISSUED SHARE CAPITAL	5 Ordinary Shares
AUDITOR	William Buck Audit (NZ) Limited
BANKER	ANZ Bank
NOMINEE COMPANY	Citizens First Mortgage Nominees Limited
BUSINESS LOCATION	Auckland, New Zealand

CITIZENS BROKERAGE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018
in New Zealand Dollars

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	34,697	138,446
Prepayments		8,873	204
Related party receivable	8	69,725	17,080
Total current assets		113,295	155,730
Total assets		113,295	155,730
Liabilities			
Current liabilities			
Trade Creditors		921	-
Accruals	7	6,900	6,900
Income tax payable		5,725	5,138
Related party payable	8	47,396	110,841
Total current liabilities		60,942	122,879
Total liabilities		60,942	122,879
Net assets		52,353	32,851
Equity			
Issued capital		5	5
Retained earnings		52,348	32,846
Total equity		52,353	32,851

Director.....

Date:


27/6/18

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

CITIZENS BROKERAGE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018
in New Zealand Dollars

	Note	2018	2017
		\$	\$
Income	2	481,187	396,511
Expenses			
Administration expenses	3	(453,443)	(381,390)
Profit before taxation		<u>27,744</u>	<u>15,121</u>
Income tax expense	4	(8,242)	(6,638)
Profit for the year		<u>19,502</u>	<u>8,483</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>19,502</u></u>	<u><u>8,483</u></u>

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

CITIZENS BROKERAGE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018
in New Zealand Dollars

		Share capital	Retained earnings	Total equity
		\$	\$	\$
Total Equity at 1 April 2016		5	24,363	24,368
Profit for the year		-	8,483	8,483
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	8,483	8,483
Total Equity at 31 March 2017	5	5	32,846	32,851
Profit for the year		-	19,502	19,502
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	19,502	19,502
Movements during the year		-	-	-
Total Equity at 31 March 2018	5	5	52,348	52,353

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

CITIZENS BROKERAGE LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2018
in New Zealand Dollars

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Cash was provided from:			
Commission and brokerage fees		422,000	375,500
		<u>422,000</u>	<u>375,500</u>
Cash was disbursed to:			
Payments to suppliers		(525,749)	(237,193)
Net cash in/(out) flows from operating activities		<u>(525,749)</u>	<u>(237,193)</u>
Net (decrease)/increase in cash held		(103,749)	138,307
Cash at beginning of year		138,446	139
Cash at end of year		<u><u>34,697</u></u>	<u><u>138,446</u></u>
Cash at end of year is composed of:			
Cash at bank		<u><u>34,697</u></u>	<u><u>138,446</u></u>

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Citizens Brokerage Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. Citizens Brokerage Limited is a for-profit, Tier 2 entity for financial reporting purposes as it is a peer to peer lender with lower public accountability.

BASIS OF PREPARATION

Statement of Compliance

Citizens Brokerage Limited has adopted the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) - Reduced Disclosure Regime as set out by the External Reporting Board. These general purpose financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for Tier 2 profit-oriented entities.

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

Basis of Measurement

The financial statements are prepared on the historical cost basis.

Functional and Presentation Currency

The presentation and functional currency are both in New Zealand dollars.

Significant Accounting Policies

The accounting policies below have been applied to the periods presented in these financial statements.

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(a) REVENUE

The company earns revenues from commission and brokerage fees on contributory mortgages. Revenue is measured at the fair value of the consideration received or receivable and is recognised when the service has been rendered.

(b) INCOME TAX

Income tax expense/(income) for the year comprises current income tax expense/(income).

Current tax liabilities or assets are measured at the amounts expected to be paid to or recovered from Inland Revenue.

(d) FINANCIAL INSTRUMENTS

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself either to purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs, and subsequently at amortised cost using the effective interest method, or cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised. Financial assets are derecognised when the related obligations are discharged or cancelled, or have expired.

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out of the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

(d) FINANCIAL INSTRUMENTS (continued)

Loans and receivables are non-derivative financial assets with determinable payments. After initial recognition, they are measured at amortised cost using the effective interest rate. Trade and current receivables are not discounted as the effect is immaterial.

The company operates solely within New Zealand and is not exposed to significant foreign current exchange risk.

The company does not have borrowings and is not exposed to interest rate risk.

(e) TRADE AND OTHER PAYABLES

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period.

(f) GOODS AND SERVICES TAX

As the company is not registered for GST, all items are stated inclusive of GST.

(g) CASH AND CASH EQUIVALENTS

Cash and cash equivalents can include cash on hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value, and bank overdrafts.

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. REVENUE

Income by nature:	2018	2017
	\$	\$
Commissions	311,322	190,988
Brokerage fees	169,770	205,523
Interest Income	95	-
	<u>481,187</u>	<u>396,511</u>

3. ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Auditor's remuneration		
- auditing financial statements	6,446	4,830
- controls review	6,959	-
- other assurance services	1,432	16,416
Accounting and administration	76,206	50,799
Interest	198	2
Director's fees	347,000	270,000
Legal fees	2,070	18,172
Insurance	3,214	8,683
Others	9,917	12,488
	<u>453,443</u>	<u>381,390</u>

4. INCOME TAX

	2018	2017
	\$	\$
<i>Income tax expense</i>		
Net profit before tax	27,744	15,121
Prima facie tax on profit/(loss) at 28%	7,768	4,234
Add/(deduct) tax effect of temporary differences	-	2,404
Add/(deduct) tax effect on permanent differences	474	-
Income tax expense for the year	<u>8,242</u>	<u>6,638</u>
<i>Deferred tax</i>		
Opening balance	-	-
Recognition of deferred tax on temporary differences	-	-
	<u>-</u>	<u>-</u>

Imputation credits available at 31 March 2018 is \$11,238 (2017: \$3,678).

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. SHARE CAPITAL

	2018	2017
	\$	\$
5 ordinary shares	5	5

All shares are fully paid, have equal voting rights and participate equally in dividends and surplus on winding up. The company's capital management objective is to always satisfy the solvency test defined in the Companies Act 1993.

6. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank	34,697	138,446
	<u>34,697</u>	<u>138,446</u>

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the items in the statement of financial position.

7. ACCRUALS

	2018	2016
	\$	\$
Accrued expenses	6,900	6,900
	<u>6,900</u>	<u>6,900</u>

8. TRANSACTIONS WITH DIRECTOR AND RELATED PARTIES

As at 31 March 2018, the company has funds held in a trust account with Citizens First Mortgage Nominees Limited, a company in which the director John Turrall is also a director. The balance as at 31 March 2018 was \$69,725. (2017: \$17,080)

John Turrall has a shareholders advance account with the company which reflects the net directors fees owing to Mr Turrall less payments made. The balance as at 31 March 2018 was \$47,396. (2017: \$110,841)

The balances with related parties are interest free. In the case of the shareholder current account, this is settled on a monthly basis.

During the year, the company purchased management and accounting services at a cost of \$50,000 from Reese Turrall who is a related party through John Turrall. (2017: \$50,000)

Director's fees of \$347,000 were paid to the sole director. (2017: \$270,000)

Other than as disclosed above, there were no payables owing to, or receivables from related parties.

CITIZENS BROKERAGE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9. CAPITAL AND OPERATING LEASE COMMITMENTS

The company has no commitments for capital expenditure or operating leases at 31 March 2018 (2017: \$Nil).

10. CONTINGENCIES

The company has no contingent assets or liabilities at 31 March 2018 (2017: \$Nil).

11. ADDITIONAL DISCLOSURES

	2018	2017
	\$	\$
Contributions in respect of contributory mortgages	8,548,000	38,447,500
Principal sums secured by contributory mortgages	8,548,000	38,447,500

The company acts as a broker for contributory mortgages. The contributions and principal sums relating to these mortgages are disclosed in the table above, representing the closing mortgages balances receivable at balance date. No losses were incurred by the contributors in relation to any mortgages under management by the company during the year (2017 - nil) and no provisions for impairment were considered necessary against the amounts due (2017 - nil).