



Annual Report

Xceda Finance Limited (formerly Asset Finance Limited)
For the year ended 31 March 2022

Xceda Finance Limited (formerly Asset Finance Limited)

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GROUP DIRECTORY

Directors

B J Heapy
 J T Whittfield
 S W Weenink (Chairman)
 D E T McGrath

Shareholders

% of total	Number of shares	Shareholder
100%	7,460,001	Xceda Capital Group Limited
100%	7,460,001	Ordinary Shares

Registered Office

38 Richardson Street
 Whakatane 3120

Nature of Business

Non-Bank Deposit Taker, Financial Services Provider (FSP 3501)

Company Number

455363 (NZ Business Number 9429039261922)

Auditor

Grant Thornton New Zealand Audit Limited
 152 Fanshawe Street, Auckland

Solicitors

Chapman Tripp
 Level 34/17 Customs Street West, Auckland

Donnell Sherry
 Level 1/18 Link Drive, Wairau Valley, Auckland

PWC Legal
 Level 27/15 Customs Street West, Auckland

Lodder Law Limited
 Level 7A/16 Anzac Avenue, Auckland

Bankers

ANZ Bank New Zealand
 236-238 The Strand, Whakatane

Bank of New Zealand
 181 The Strand, Whakatane

Westpac Banking Corporation
 164 The Strand, Whakatane
 123 Eagle Street, Brisbane

ASB
 202 The Strand, Whakatane

CONSOLIDATED FINANCIAL OVERVIEW

FOR THE YEAR ENDED 31 MARCH 2022

	Year Ended 31-Mar-22 \$	Year Ended 31-Mar-21 \$
STATEMENT OF COMPREHENSIVE INCOME		
Total revenue	7,836,691	7,549,289
Finance costs	2,299,868	1,717,921
Tax expense	176,075	202,453
Net profit after income tax	434,553	502,861
Other Comprehensive Income	29,691	(204)
Total Comprehensive Income	464,244	502,657

STATEMENT OF CHANGES IN EQUITY

Total Equity at start of year	7,181,486	6,051,829
New share capital issued	400,000	950,000
Dividends	-	(323,000)
Total Comprehensive Income for the year attributable to Shareholders	464,244	502,657
Total Equity at end of year	8,045,730	7,181,486

Total Equity at end of year consists of:

Share capital	5,581,067	5,181,067
Other Reserves	29,487	(204)
Retained earnings	2,435,176	2,000,623

STATEMENT OF FINANCIAL POSITION

Total assets	58,853,411	46,428,783
Total liabilities	50,807,681	39,247,297
Equity	8,045,730	7,181,486

All equity is attributable to the Shareholders of the Company.

STATEMENT OF CASH FLOWS

Net cash flows (used in) or from operating activities	(12,435,246)	(12,527,422)
Net cash flows (used in) or from investing activities	(313,426)	(129,612)
Net cash flows (used in) or from financing activities	11,177,035	14,639,366

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year Ended 31-Mar-22	Year Ended 31-Mar-21
		\$	\$
Interest revenue	3	5,446,361	5,228,356
Interest expense	3	(2,299,868)	(1,717,921)
Net interest income		3,146,493	3,510,435
Other revenue	4	2,390,330	2,320,933
Total operating income		5,536,823	5,831,368
Impairment losses of financial assets	5	277,537	934,250
Operating expenses and staff costs	6	4,648,658	4,191,804
Net profit before income tax		610,628	705,314
Income tax expense	8	176,075	202,453
Net profit after income tax		434,553	502,861
Other comprehensive income (net of tax)			
Exchange differences on translation of foreign operations		29,691	(204)
Total comprehensive income, net of tax		464,244	502,657
<i>Attributable to:</i>			
Shareholders		464,244	502,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		\$	\$	\$	\$
Balance as at 1 April 2021		5,181,067	(204)	2,000,623	7,181,486
Year ended 31 March 2022					
Net profit after income tax		-	-	434,553	434,553
Other comprehensive income		-	29,691	-	29,691
Total comprehensive income		-	29,691	434,553	464,244
Share capital increase	19	400,000	-	-	400,000
Total transactions with owners, recognised directly in equity		400,000	-	-	400,000
Balance as at 31 March 2022		5,581,067	29,487	2,435,176	8,045,730

	Notes	Share Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		\$	\$	\$	\$
Balance as at 1 April 2020		4,231,067	-	1,820,762	6,051,829
Year ended 31 March 2021					
Net profit after income tax		-	-	502,861	502,861
Other comprehensive income		-	(204)	-	(204)
Total comprehensive income		-	(204)	502,861	502,657
Share capital increase	19	950,000	-	-	950,000
Dividends	10	-	-	(323,000)	(323,000)
Total transactions with owners, recognised directly in equity		950,000	-	(323,000)	627,000
Balance as at 31 March 2021		5,181,067	(204)	2,000,623	7,181,486

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	As at 31-Mar-22	As at 31-Mar-21
		\$	\$
Assets			
Cash and cash equivalents	11	7,164,641	8,736,278
Prepayments and other receivables		192,061	166,485
Loans and advances	12	50,282,554	36,271,711
Plant, equipment, and software	14	269,448	240,546
Intangible assets	15	353,165	274,806
Deferred tax	13	550,794	738,957
Current tax asset		40,748	-
Total assets		58,853,411	46,428,783
Liabilities			
Accounts payable and accruals		311,038	318,794
Employee entitlements	18	144,787	101,593
Other payables	16	182,327	168,006
Secured debenture stock	17	50,169,529	38,658,904
Total liabilities		50,807,681	39,247,297
Net assets		8,045,730	7,181,486
Equity			
Share capital	19	5,581,067	5,181,067
Foreign currency translation reserve		29,487	(204)
Retained earnings		2,435,176	2,000,623
Total equity		8,045,730	7,181,486

The financial statements were approved for issue for and on behalf of the Board as at 29th June 2022:



S W Weenink



D McGrath

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year Ended 31-Mar-22	Year Ended 31-Mar-21
		\$	\$
Cash flows from operating activities			
Loans and advances – including factoring receipts		57,967,341	40,909,705
Loans and advances – including factoring advances		(72,075,479)	(55,334,981)
Interest received		5,302,519	5,214,378
Other revenue received		2,394,603	2,320,419
Payments to suppliers and employees		(4,354,746)	(4,046,383)
Net goods and service tax (paid)/refund		(62,457)	10,259
Tax paid		(40,748)	(257,371)
Interest paid		(1,556,279)	(1,343,448)
Net cash (outflows)/inflows from operating activities	28	(12,435,246)	(12,527,422)
Cash flows used in investing activities			
Sale of plant, equipment and software		3,339	(1,673)
Purchase of plant, equipment and software		(96,543)	(11,432)
Purchase of intangible assets		(220,222)	(116,507)
Net cash (outflows)/inflows from investing activities		(313,426)	(129,612)
Cash flows from financing activities			
New investment deposits received		13,578,825	16,630,342
Existing investment deposits repaid		(2,801,790)	(2,617,976)
Proceeds from issue of new share capital		400,000	950,000
Net cash (outflows)/inflows from financing activities		11,177,035	14,639,366
Net increase/(decrease) in cash and cash equivalents		(1,571,637)	1,982,332
Cash balance at the beginning of the year		8,736,278	6,753,946
Cash balance at end of the year	11	7,164,641	8,736,278

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

Presented are the consolidated financial statements of Xceda Finance Limited (the “Company”) and its subsidiary (collectively, the “Group”) for the year ended 31 March 2022. The Company is a profit-oriented entity, incorporated and domiciled in New Zealand.

The Group is an FMC reporting entity as defined in the Financial Markets Conduct Act 2013 (FMCA 2013) and its financial statements comply with that Act.

(b) Statement of Compliance

The financial statements for the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”) and the requirements set out in the Companies Act 1993, the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. The Group is reporting as a Tier 1 For-profit reporting entity as defined by the External Reporting Board in its Accounting Standards Framework because it has public accountability.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”), New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable financial standards, as appropriate for profit-oriented entities issued by the New Zealand Accounting Standards Board.

(c) New accounting standards

(i) New NZ IFRS standards and interpretations adopted

There were several amendments and interpretations that apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

(ii) New NZ IFRS standards and interpretations issued but not yet adopted

NZ IFRS 17 Insurance Contracts (effective date from 1 January 2023)

NZ IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of NZ IFRS 17 is the General (building block) Model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the Variable Fee Approach).
- ▶ A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

NZ IFRS 17 is not expected to have a material impact on the Group.

(d) Basis of preparation

The financial statements have been prepared on the basis of historical cost, under the assumption that the Group operates on a going concern basis.

The Group meets the definition of a non-bank deposit taker 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(d) Basis of preparation (continued...)

The accounting policies set out below have been applied consistently in preparing the consolidated financial statements. There have been minor presentation changes where the comparative information has also changed in order to be consistent.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

(f) Segment reporting

The Group operates in a single industry, as a finance company predominantly in New Zealand. The operating segments of the Group are consumer lending and business lending as shown in Note 33. These segments are reported in a manner consistent with the internal reporting that is used internally by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Chief Executive Officer.

(g) Foreign currency transactions

The Group's consolidated financial statements are presented in New Zealand dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(g) Foreign currency transactions (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into New Zealand dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

(h) Revenue

Recognition of revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

To determine whether we recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar expense

For all financial instruments measured at amortised cost, interest income 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 gross 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 credit-impaired 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 net carrying amount. The Group recognises interest revenue on an accruals basis when the services are rendered using the effective interest rate method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(h) Revenue (continued...)

Fee and commission revenue

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

Lending/Establishment fees

Fees and direct costs relating to loan origination, financing or restructuring of loan commitments are deferred and amortised to profit or loss in the Statement of Comprehensive Income over the life of the loan using the effective interest rate 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 Group will remit instalments on their loan for up to 6 months if they get injured or are sick. The Group has determined that the Payment Protection Plan 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.

Commission and other fees

When commission or other fees relate to specific transactions or events, they are recognised in profit or loss within 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 Revenue on an accruals basis as the service is provided.

Cost to obtain a contract

The Group pays sales commission to certain employees for the origination of new loans. The commission expense is recognised in the profit and loss over the period of the loan using the effective interest rate method.

(i) Financial Instruments

Classification

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Initial recognition of a financial asset shall be at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(i) Financial Instruments (continued...)

Subsequent measurement of financial assets shall be at:

- a) Amortised cost
- b) Fair value through profit and loss
- c) Fair value through other comprehensive income

To determine the classification of a financial asset's subsequent measurement basis a Business Model Test and a Cash Flow Characteristics Test is performed. Amortised cost should be applied where the loan or receivable is held to collect cash flows of principal and interest and not with the intention of selling instruments. The Group's financial assets are assets held for the collection of contractual cash flows that are payments of principal and interest. These financial assets are measured at amortised cost.

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 Group's risk management process, which includes utilising natural offsets where possible and managing overall risks of the portfolio on a trading basis.

The Group does not have any financial assets or financial liabilities that were measured as fair value through the profit and loss or OCI.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less an allowance for credit losses. Cash and cash equivalents, loans and advances and most other receivables fall into this category of financial instruments.

Individually significant loans are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Loans that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry, type of loan and other shared credit risk characteristics. The impairment loss estimate is then based on historical counterparty default rates for each identified group. Refer to Note 1(m).

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:

Debenture stock and borrowings

Debenture stock and borrowings are initially recognised at cost, being the fair value of the consideration received. After initial recognition, interest-bearing instruments are subsequently measured at amortised cost using the effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(i) Financial Instruments (continued...)

Other Liabilities

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

(j) Property, Plant & Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs

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

Depreciation

Depreciation is provided on property, plant and equipment. Rates of depreciation applied approximate the assets useful economic life and the method selected best reflects the decline in service potential arising from each class of asset. The following rates have been used:

Motor vehicles	30% to 36% diminishing value
Furniture and fittings	11% to 26% diminishing value
Office equipment	10% to 67% diminishing value
Building improvements	5% 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) Intangible Assets

Software

Software acquired or internally developed by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on software assets is capitalised only when it increases the future economic value of that asset.

The amortisation of software is calculated using the diminishing value method, at rates of between 25% - 50%.

(l) 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.

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 changed terms and conditions are set out in an entirely new contractual arrangement; and
- b) the yield on the asset following restructuring is equal to, or greater than, the Group's average cost of funds and there is no objective evidence to support impairment of the financial asset as specified in NZ IFRS 9.

Impaired Assets

The Group 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 Group had no financial assets acquired through the enforcement of security as at 31 March 2022 (31 March 2021: nil).

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 financial assets acquired through the enforcement of security. See Note 1 (m).

(m) Impairment of Loans and Advances

In recognising credit losses, the Group considers a broader range of information, including past events, current conditions, and security held that affect the expected collectability of the future cash flows of financial assets. Impairment losses are calculated on individual loans and loans assessed collectively.

A distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk ("Stage 1"); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date, and are individually assessed. Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(m) Impairment of Loans and Advances (continued...)

Individually assessed loans (Stage 3)

At each reporting date, the Group assesses individually significant loans where there is objective evidence that the loan is impaired. The loans are assessed on a case by case basis. 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
- Interest rate being charged on the loan agreement

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 gain or loss is reflected in profit or loss within 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 (Stage 1 and Stage 2)

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, with the historical loss experience for each credit group adjusted for the impact of current observable data. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For 'Stage 1' financial assets, 12-month expected credit losses are recognised. For Stage 2 financial assets, lifetime expected credit losses are recognised, discounted at the effective interest rate.

Loan write offs

Loans are normally written off in full when there is no realistic prospect of recovery of the amounts in a timely manner. If the Group receives payment on a loan that has been written off, it is recorded as bad debt recovered and appears as 'Other Revenue' in the Statement of Comprehensive Income.

Interest on impaired assets

All interest Revenue earned on Stage 3 individually assessed loans for the period is reported as interest on impaired assets.

(n) Employee benefits

A provision is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(n) Employee benefits (continued...)

Short-term benefits

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

Other long-term benefits

Other long-term benefits are measured on an undiscounted basis and relate to bonuses and deferred compensation not payable wholly within twelve months after the end of the reporting period.

(o) Provisions

A provision is recognised in the Statement of Financial Position when the Group 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligations at the reporting 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.

(p) Expense recognition

All expenses are recognised in profit or loss in the Statement of Comprehensive Income on an accruals basis. Interest expense is recognised using the effective interest rate method.

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised as profit or loss within the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous reporting periods.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on 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 for all deductible temporary differences and unused tax losses. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued...)

(q) Income tax (continued...)

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

(r) Cash Flows

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

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.

(s) Cash and cash equivalents

These comprise cash balances and other short-term deposits and they are measured at amortised cost. These are highly liquid investments that are readily convertible to known amounts of cash and they are subject to an insignificant risk of changes in value. Any Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(t) Equity

Share capital

Share capital includes ordinary shares that are recognised at the amount paid per share when issued less incremental costs directly attributable to the issue of ordinary shares, net of any tax effect.

Foreign currency translation reserve

The translation reserve includes exchange differences arising from the translation of the assets & liabilities of the Group's foreign entities into New Zealand dollars.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In applying NZ GAAP 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 Group'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 Group assesses the expected credit losses associated with its debt instruments carried at amortised cost. The assumptions made with regard to these assets are as follows:

Category	Definition	Basis for recognition of impairment
Performing	A low risk of default. A strong capacity to meet contractual obligations.	Twelve month expected losses or the lifetime of the asset where the expected lifetime is less than twelve months.
Underperforming	A significant increase in credit risk. These are presumed to be loans which are 60 days or more past due	Lifetime expected losses.
Non-performing	Interest and principal payments are 90 days past due.	Lifetime expected losses.

The Group reviews its loans and advances portfolio to assess quality and impairment on a monthly basis. An allowance for impairment may be established if there is objective evidence that a loan or advance is impaired (for example, missing out on payments of principal and/or interest, or for factoring advances, where debtor aging reports show deterioration). Any fluctuations between the amount expected to be recovered and the actual amounts recovered are reflected in profit or loss within the Statement of Comprehensive Income. A loan or advance is considered specifically impaired when management reviews it and determines that it is probable that not all amounts due according to the original contractual terms will be collected, and the amount expected to be collected can be reliably estimated. At a minimum, management reviews loans and advances with balances of \$10,000 or more that are past due 90 days or more.

When a loan or advance has been identified as specifically impaired, the carrying amount of the loan or advance is reduced by recording a 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 or advance. Past experience and judgement are used in estimating the timing and amounts of the expected cash flows. Specific impairment allowances are updated each month, with the expected future cash flows reviewed when new information becomes available.

Loans and advances not considered specifically impaired become subject to a collective impairment assessment. The collective impairment allowance is calculated as a percentage of the balance of loans and advances of that credit profile, with the percentage varying by credit profile and how far past due the account is. This percentage for each credit profile is calculated by taking into consideration the probability of default and the probability of loss given default. The credit profile is determined by of the type of collateral held for the loan or advance.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued...)

Impairment losses on loans and advances (Continued...)

The Group takes into consideration historical data, the quality of the securities held as collateral and current market conditions in determining this percentage.

Management has specifically considered the ongoing impact that COVID-19 may have on the recoverability of its loans and advances. In assessing the future risk of loss, management have taken into consideration the impact that COVID-19 has had on the market and its loan book over the past 12 months. While there remains an amount of uncertainty in the current and projected economic environment, management is now more aware of the risks associated with COVID-19 and the uncertainty of its impact on the business has decreased.

Note 24(b) shows the aging of Past Due but not Impaired Loans and advances. These loans and advances, and restructured loans and advances as shown in Note 24(d) are subject to the collective impairment allowance. The collective impairment allowance is updated each month.

Several of the assets used as security against larger business loans have a high value, and some of them are unique. These factors mean fluctuations in the sale prices of the assets can be significant. When exposures secured by these assets become specifically impaired and are expected to be recovered from selling the assets, it is difficult to make an accurate assessment of the expected cash flows from the asset sales. Both management and the directors give significant consideration to the realisable value of such assets securing specifically impaired loans.

Deferred tax assets

As described in Note 13, the financial statements include a deferred tax asset of \$550,794 (31 March 2021: \$738,957). 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 Group that it will generate sufficient profitability and therefore the deferred tax asset is realisable in the future.

3. INTEREST REVENUE AND EXPENSE

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Interest revenue		
Loans and advances	5,139,610	4,174,295
Interest on impaired assets	286,585	979,890
Cash and short term investments	20,166	74,171
	<u>5,446,361</u>	<u>5,228,356</u>
Interest expense		
Debenture stock	2,299,868	1,717,921
	<u>2,299,868</u>	<u>1,717,921</u>

4. OTHER REVENUE

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Lending/Establishment fee revenue		
Amortised over life of loan	685,829	268,725
Recognised at drawdown or at time of service	334,486	482,297
	<u>1,020,315</u>	<u>751,022</u>
Payment protection plan fees amortised over life of loan	263,230	337,765
Other income	1,106,785	1,232,146
	<u>2,390,330</u>	<u>2,320,933</u>

Other Income predominantly 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 Group is entitled to recover from customers;
- Maintenance fees; and
- Early termination fees.

5. IMPAIRMENT

	Year Ended 31-Mar-22 \$	Year Ended 31-Mar-21 \$
(a) Impairment losses recognised in profit or loss		
Movement in expected credit loss allowance on loans that are not credit impaired	(30,509)	(199,193)
<u>Credit impaired loans</u>		
Addition to impairment allowance	215,503	148,395
Reversal of existing impairment allowance	(280,578)	(2,734,501)
Movement in lifetime expected credit loss allowance	(65,075)	(2,586,106)
Loans and advances written off	373,121	3,719,549
Impairment losses of financial assets*	277,537	934,250
(b) Allowance for impairment losses in Statement of Financial Position		
<i>Lifetime expected credit loss allowance (credit impaired loans)</i>		
Opening balance	148,395	(2,734,501)
Recognised in profit or loss	(65,075)	2,586,106
Closing balance	83,320	(148,395)
<i>12 month expected credit loss allowance (loans that are not credit impaired)</i>		
Opening balance	166,978	(366,119)
Recognised in profit or loss	(30,509)	199,141
Net exchange differences	269	-
Closing balance	136,738	(166,978)
Total allowance for impairment losses	220,058	(315,373)

More information about impairment allowances and their calculation is contained in Note 1(m) and Note 2. There are no financial assets that are purchased or originated credit impaired.

6. OPERATING EXPENSES AND STAFF COSTS

		Year Ended 31-Mar-22 \$	Year Ended 31-Mar-21 \$
Profit before income tax includes the following expenses:			
	Notes		
<i>Operating expenses</i>			
Amortisation	15	141,265	54,330
Depreciation	14	51,122	51,654
Directors' fees		139,867	97,066
Audit fees	7	146,807	128,644
Donations		1,448	2,385
Personnel costs		2,029,807	1,497,159
Administrative expenses		1,176,224	505,353
(Profit)/Loss on disposal of property and equipment		14,883	17,830
Payment protection plan remittance entitlements		31,757	34,623

7. AUDITOR REMUNERATION

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Amounts paid to the auditor for:</i>	\$	\$
Auditing financial statements	141,307	124,144
Trustee reporting	3,000	2,500
Debenture Register	2,500	2,000
Total auditor's remuneration	146,807	128,644

The auditor of the Group is Grant Thornton New Zealand Audit Limited.

8. INCOME TAX

	Notes	Year Ended 31-Mar-22	Year Ended 31-Mar-21
		\$	\$
Income tax			
Current income tax		-	(650)
		-	(650)
Deferred tax			
Relating to origination and reversal of temporary differences	13	175,790	203,104
Relating to changes in Australian tax rate (from 26% to 25%)		285	-
		176,075	203,104
Income tax expense/(benefit) reported in Statement of Comprehensive Income		176,075	202,453
Other comprehensive income			
<i>Deferred tax related to items recognised in other comprehensive income during the year</i>			
Exchange differences on investment in subsidiary		(12,088)	-
Deferred tax charged to other comprehensive income		(12,088)	-
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		610,628	705,314
Tax at the New Zealand tax rate of 28% (2021: 28%)		170,976	197,488
Impact of lower tax rate in Australia		3,726	615
Impact of change in Australian tax rate (from 26% to 25%)		285	-
Permanent differences		1,088	4,350
		176,075	202,453

9. IMPUTATION CREDITS

Imputation credits of \$8 (31 March 2021: \$1,258) are available for use in subsequent reporting periods.

10. DIVIDENDS PAID AND DECLARED

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Final Dividend	-	323,000
<i>Details</i>		
Shares on issue at end of period	7,460,001	7,163,704
Amount per share (Dividend / No. of shares on issue)	-	0.05

11. CASH AND CASH EQUIVALENTS

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Bank balances		
Bank balances	7,164,467	8,736,104
Cash on hand	174	174
	7,164,641	8,736,278

12. LOANS AND ADVANCES RECEIVABLE

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
At amortised cost		
Loans and advances	50,997,363	37,105,014
Unearned income	(494,751)	(517,930)
Allowance for impairment losses	(220,058)	(315,373)
Total net loans and advances	50,282,554	36,271,711
Split by maturity:		
Current	42,783,942	29,767,983
Non-current	7,498,612	6,503,728
	50,282,554	36,271,711

More information about impairment allowances is contained in Note 1(m), 2 and 5.

13. DEFERRED TAX ASSETS

The balance comprises of temporary differences attributable to:

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Impairment allowance	61,024	88,290
Provision for employee benefits	34,694	24,078
Accelerated depreciation for tax purposes	(10,324)	-
Accruals	27,972	40,314
Provision for payment protection plan remittance entitlements	15,680	15,680
Prepayments	(6,974)	(11,511)
Investment in subsidiary	(12,088)	-
Unused tax losses	440,810	582,106
	550,794	738,957
Movements		
Opening balance	738,957	941,989
<i>Movements recognised in profit or loss in the Statement of Comprehensive Income:</i>		
Impairment allowance	(27,348)	(779,884)
Provision for employee benefits	10,616	2,332
Accelerated depreciation for tax purposes	(10,324)	-
Accruals	(12,342)	3,925
Prepayments	4,538	(11,511)
Change in tax rates	(285)	-
Unused tax losses	(140,930)	582,106
Total movements recognised in profit or loss in the Statement of Comprehensive Income:	(176,075)	(203,032)
<i>Movements recognised in other comprehensive income in the Statement of Comprehensive Income:</i>		
Investment in subsidiary	(12,088)	-
Closing balance	550,794	738,957

14. PROPERTY, PLANT & EQUIPMENT

Cost or deemed cost	Building im- provements	Office equipment	Furniture & fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2021	748,565	414,051	90,045	69,851	1,322,512
Additions	12,016	64,816	19,711	-	96,543
Disposals	(29,289)	(201,464)	(1,285)	(56,351)	(288,389)
Balance at 31 March 2022	731,291	277,404	108,471	13,500	1,130,666
	\$	\$	\$	\$	\$
Balance at 1 April 2020	760,162	407,226	89,999	69,851	1,327,238
Additions	-	10,660	772	-	11,432
Disposals	(11,597)	(3,835)	(726)	-	(16,158)
Balance at 31 March 2021	748,565	414,051	90,045	69,851	1,322,512

14. PROPERTY, PLANT & EQUIPMENT (continued...)

Depreciation and Impairment losses	Building improvements	Office equipment	Furniture & fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2021	571,161	374,431	74,242	62,132	1,081,966
Depreciation	20,926	25,393	2,631	2,172	51,122
Depreciation written back on disposal	(23,130)	(195,698)	(517)	(52,525)	(271,870)
Balance at 31 March 2022	568,957	204,126	76,356	11,779	861,218
	\$	\$	\$	\$	\$
Balance at 1 April 2020	547,536	352,829	71,697	58,250	1,030,312
Depreciation	23,625	21,602	2,545	3,882	51,654
Depreciation written back on disposal	-	-	-	-	-
Balance at 31 March 2021	571,161	374,431	74,242	62,132	1,081,966
	\$	\$	\$	\$	\$
Carrying amounts	Building improvements	Office equipment	Furniture & fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
As at 1 April 2021	177,404	39,620	15,803	7,719	240,546
As at 31 March 2022	162,333	73,278	32,112	1,721	269,444
As at 1 April 2020	212,626	54,397	18,303	11,601	296,927
As at 31 March 2021	177,404	39,620	15,803	7,719	240,546

15. INTANGIBLE ASSETS

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Cost or deemed cost	Software	Software
Opening Balance	389,332	272,822
Additions	220,222	116,510
Disposals	(57,807)	-
Closing Balance	551,747	389,332
Amortisation & Impairment losses	Software	Software
Opening Balance	114,526	60,196
Amortisation	141,265	54,330
Amortisation written back on disposal	(57,209)	-
Closing Balance	198,582	114,526
Carrying amount	353,165	274,806

16. OTHER PAYABLES

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Resident withholding tax payable	81,753	71,351
Employee taxes and other liabilities	42,156	35,540
Other accruals	2,418	5,115
Provision for Payment Protection Plan remittance entitlements	56,000	56,000
	182,327	168,006

17. SECURED DEBENTURE STOCK

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
At amortised cost		
Debenture stock on issue	50,169,529	38,658,904
Current	22,976,613	11,407,101
Non-current	27,192,916	27,251,803
	50,169,529	38,658,904

The debenture stock is secured under a Debenture Stock Trust Deed dated 15 March 2004 (as amended by deeds of amendment dated 1 December 2010, 11 September 2012, 10 October 2016 and 3 December 2018 respectively) between Xceda Finance Limited and Covenant Trustee Services Limited as Trustee.

The deed creates a security interest in favour of the Trustee over all of the present and after acquired personal property of the charging Company. The security interest is first ranking (subject to Prior Security Interests) and a financing statement is registered on the Personal Property Securities Register (PPSR).

Interest rates on Debenture Stock deposits range from 2.50% to 7.25% p.a. (31 March 2021: 2.50% to 8.00% p.a.). Refer to Note 23 for the current weighted average interest rates and the maturity profile.

18. EMPLOYEE ENTITLEMENTS

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
<i>Short term employee benefits</i>		
Wages and salaries accrued	20,879	15,600
Bonuses accrued	44,244	-
Holiday pay	79,664	85,993
	144,787	101,593

19. SHARE CAPITAL

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Share capital</i>	\$	\$
Opening Balance	5,181,067	4,231,067
Share capital paid in cash during the period	400,000	950,000
Closing Balance	5,581,067	5,181,067

Share Issue Details and Rights

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

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Share movements</i>	#	#
Opening Balance	7,163,704	6,460,000
Shares issued during the period	296,297	703,704
Closing Balance	7,460,001	7,163,704

20. GROUP INFORMATION

The consolidated financial statements of the Group include the Parent Company (Xceda Finance Limited) and its subsidiary Xceda Finance Pty Limited. Xceda Finance Limited owns 100% (31 March 2021: 100%) of the share capital of Xceda Finance Pty Limited; a company incorporated in Australia on 27th October 2020.

21. 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 Group's activities are principally related to the use of financial instruments. The Group is borrowing funds, primarily from the New Zealand public, by issuing Secured Debenture Stock for various periods pursuant to a registered Product Disclosure Statement; and lending funds to the public by providing finance in the form of consumer loans, business loans and factoring. The Group actively manages its interest rate exposures with the objective of enhancing net interest income within prudent risk tolerances. Interest rates on loans and advances are set on a case by case basis, and depositor interest rates are reviewed periodically depending on the Group's liquidity requirements and current market rates.

21. FINANCIAL INSTRUMENTS (continued...)

Financial risk management objectives (continued...)

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

The Group's activities expose it to credit risk, market risk (including interest rate risk), liquidity risk, foreign currency exchange risk and the risk of money laundering and/or terrorism financing.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group'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 net 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 2022 the largest exposure to any one borrower or group of related borrowers as a percentage of total tangible assets was 5.17% (31 March 2021: 6.4%).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. Detailed notes on concentration of credit exposure and asset quality are contained in Notes 22 and 24 respectively.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. Interest rate risk is the risk of loss to the Group arising from adverse fluctuation in interest rates. To mitigate this risk the Group 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 in the comparative period. 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 for the year ended 31 March 2022 would not change (31 March 2021: no change) 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 Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Group 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 23.

21. FINANCIAL INSTRUMENTS (continued...)

Money laundering and terrorism financing risk

Money laundering involves transforming money from crime ("dirty money") into money that: (a) has the appearance of coming from a legitimate source; and (b) makes the criminal origin of the money difficult to trace ("clean money"). The Group has performed an Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) risk assessment and has an AML and CFT programme in place to mitigate the potential risks associated with money laundering and terrorism financing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

At 31 March 2022 the Group had loans totalling AUD\$3,308,829 (31 March 2021: AUD\$664,000) to third parties.

At 31 March 2022 a 5% increase/decrease in the NZD against the AUD would have the impact on profit of +/- \$1,000.

Fair value of financial instruments

Measurement of Fair Value Hierarchy

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

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

Valuation Techniques and Significant Unobservable Inputs

Neither loans and advances, nor secured debenture stock are traded in an active market. Fair values for loans and advances are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for loans with similar terms and conditions. Fair values for secured debenture stock are estimated by discounting the future contractual cash flows using the current weighted average interest rate at the reporting date applicable for secured debenture stock deposits with similar terms and conditions.

Both loans and advances and secured debenture stock have accordingly been classified as Level 3.

The following table shows the discounted future contractual cash flow Level 3 valuation techniques used in measuring the fair value of loans and advances and secured debenture stock.

21. FINANCIAL INSTRUMENTS (continued...)

Fair value of financial instruments (continued...)

Description	Valuation	Valuation technique	Unobservable inputs	Sensitivity of fair value to changes in inputs. The Estimated Fair Value would increase/(decrease) if
Secured debenture stock	50,391,037 (31 March 2021: 38,919,462)	Discounted contractual cashflow – Level 3	<ul style="list-style-type: none"> Weighted average interest rate 4.96% p.a. (31 March 2021: 5.35%) Weighted average months to maturity 17.95 (31 March 2021: 21.62) Current weighted average interest rate 4.41% p.a. (31 March 2021: 4.65%) 	<ul style="list-style-type: none"> Weighted average interest rate was higher/(lower) Weighted average months to maturity was higher/(lower) Current weighted average interest rate was (higher)/lower
Loans and advances	50,230,941 (31 March 2021: 36,362,933)	Discounted contractual cashflow – Level 3	<ul style="list-style-type: none"> Weighted average interest rate 11.11% (31 March 2021: 13.49%) Weighted average months to maturity 10.46 (31 March 2021: 13.86) Current weighted average interest rate 11.32% p.a. (31 March 2021: 13.09%) 	<ul style="list-style-type: none"> Weighted average interest rate was higher/(lower) Weighted average months to maturity was higher/(lower) Current weighted average interest rate was (higher)/lower

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

	As at 31-Mar-2022		As at 31-Mar-2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$	\$	\$	\$
Financial assets				
<i>Loans and receivables:</i>				
Cash and cash equivalents	7,164,641	7,164,641	8,736,104	8,736,104
Loan and advances	50,282,554	50,230,941	36,271,711	36,362,933
Financial liabilities				
<i>Borrowings:</i>				
Secured Debenture stock	50,169,529	50,391,037	38,658,904	38,919,462
Accounts payable	311,038	311,038	318,794	318,794
Employee entitlements	144,787	144,787	101,593	101,593

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.

21. FINANCIAL INSTRUMENTS (continued...)**Fair value of financial instruments (continued...)****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.

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 12 months from the reporting date, the carrying amount is considered to be a reasonable estimate of fair value.

22. CONCENTRATION OF CREDIT EXPOSURE**Loans and advances**

	As at 31-Mar-22	As at 31-Mar-21
<i>Product concentration of Loans and advances (gross exposure)</i>	%	%
Business	81.07	70.46
Consumer	18.93	27.33
Managed by a Third Party	-	2.21
	<u>100.00</u>	<u>100.00</u>

Consumer

This product category consists of loans the Group has provided to individuals for consumer purposes. The average cash paid out on consumer loans in the year was \$16,721 (31 March 2021: \$12,187), with the average term of those loans being 15.67 months (31 March 2021: 19.22 months), although those amounts and terms do vary depending on the purpose of the loan. Amounts up to \$3,000 can be lent unsecured, but unsecured lending accounts for less than 1% of all loans.

Business

This product category is made up of any loan or credit facility the Group has provided for business or investment purposes. The average cash paid out on business facility loans in the year was \$441,504 (31 March 2021: \$214,278) for a term of 10.23 months (31 March 2021: 14.36 months), although both the amount and term can vary greatly. There are two main types of lending that are typical of business finance. The first and largest category is an interest only loan secured by first mortgage over land or residential dwellings from \$500,000 to \$1,500,000 for a term at a maximum of 18 months and LVR of less than 70%. The second typical business facility would be a Principal & Interest loan from \$20,000 to \$250,000 for a term of up to five years secured by machinery and/or land and/or residential dwelling.

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

Loans and advances (continued...)

Managed by a Third Party - Invoice Finance

This product category consists of new or existing invoice finance (or factoring) loan or credit facilities between a third party and the client which the Group has taken assignment of. While the Group fund the facility, the third party is responsible for performing several aspects of approval assessment and for co-managing the day to day operation. Security arrangements are in place and the third party is guarantor to each facility. All exposures currently in this category would fall under the 'Business' heading if the Group was managing the facility itself.

On 9th December 2021, the Group sold its invoice factoring business, which included the assignment of invoice factoring loans. The amount received from the settlement of this transaction was \$674,913. The net book value of the assets at settlement date that were included in the sale was \$660,956, resulting in a gain of \$13,957.

	As at 31-Mar-22	As at 31-Mar-21
<i>Geographical concentration of Loans and advances (gross exposure)</i>	%	%
Auckland & Northland	53.35	49.75
Waikato	19.04	8.48
Bay of Plenty	5.16	7.69
Central North Island	5.60	7.86
Lower North Island	4.54	16.73
South Island & Other	3.85	7.40
Overseas	8.46	2.09
	100.00	100.00
	As at 31-Mar-22	As at 31-Mar-21
<i>Primary collateral held against Loans and advances (net exposure)</i>	%	%
First mortgage	78.19	60.95
Second mortgage or agreement to mortgage	12.55	15.90
Motor vehicle (PPSR charge)	5.56	12.49
Machinery and plant (PPSR charge)	0.84	0.94
Other security (PPSR charge)	0.03	0.13
General charge over all personal property (PPSR charge)	1.97	5.08
Accounts receivable (PPSR charge)	0.63	3.94
No security	0.23	0.58
	100.00	100.00

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

Loans and advances (continued...)

Concentration of Loans and advances to individual counterparties (gross exposure)

	As at	As at
	31-Mar-22	31-Mar-21
	#	#
% of shareholders funds		
10 - 19.9%	12	9
20 - 29.9%	6	1
30 - 39.9%	1	1
40 – 49.9%	-	1

	As at	As at
	31-Mar-22	31-Mar-21
	%	%
Funding		
<i>Product concentration of Funding</i>		
Debenture stock	100.00	100.00
	<u>100.00</u>	<u>100.00</u>

	As at	As at
	31-Mar-22	31-Mar-21
	%	%
<i>Geographical concentration of Funding</i>		
Auckland & Northland	26.65	26.41
Waikato	12.99	11.51
Bay of Plenty	17.62	18.20
Other - North Island	14.25	11.81
South Island	15.83	17.06
Overseas	12.67	15.01
	<u>100.00</u>	<u>100.00</u>

	As at	As at
	31-Mar-22	31-Mar-21
	#	#
<i>Concentration of Funding from individual counterparties</i>		
% of shareholders funds		
10 - 19.9%	3	3
40 – 49.9%	1	1

23. MATURITY PROFILE & INTEREST RATE REPRICING PROFILE

The table below analyses the Group's financial assets and liabilities at the reporting date into the relevant maturity groupings, based on the remaining period to the contractual maturity date.

Key management personnel and the Directors review the loan book on a regular basis and make assessments on the collectability of the outstanding loans. The difference between the contractual cash flows and expected cash flows comprise (a) impairment losses estimated and agreed by management and the Directors as described in Note 1(m) and (b) fees that have yet to be recognised as revenue for accounting purposes, but which are contractually due.

Maturity Profile of Monetary Items

As at 31 March 2022

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	\$	\$	\$	\$	\$	\$	\$
Non-derivative Financial Assets							
Cash and cash equivalents	7,164,641	7,164,641	7,164,641	-	-	-	-
Loans and advances	50,282,554	55,243,034	24,269,432	22,723,002	6,406,355	1,816,400	27,845
Total Assets	57,447,195	62,407,675	31,434,073	22,723,002	6,406,355	1,816,400	27,845
Non-derivative Financial Liabilities							
Employee entitlements	144,787	144,787	144,787	-	-	-	-
Secured debenture stock	50,169,529	53,890,619	11,178,886	13,769,261	15,584,628	13,357,844	-
Accounts payable	311,038	311,038	311,038	-	-	-	-
Total Liabilities	50,625,354	54,346,444	11,634,711	13,769,261	15,584,628	13,357,844	-
Total	6,821,841	8,061,231	19,799,362	8,953,741	(9,178,273)	(11,541,444)	27,845

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 cash flows are as follows:

	Statement of Financial Position	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	\$	\$	\$	\$	\$	\$	\$
Loans and advances (expected)	50,282,554	55,022,976	24,049,374	22,723,002	6,406,355	1,816,400	27,845
Adjusted total	6,821,841	9,159,348	19,616,337	9,137,441	(8,546,065)	(11,076,210)	27,845

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

Maturity Profile of Monetary Items (continued...)

As at 31 March 2021

	Statement of Financial Position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	\$	\$	\$	\$	\$	\$	\$
Non-derivative Financial Assets							
Cash and cash equivalents	8,736,278	8,736,278	8,736,278	-	-	-	-
Loans and advances	36,271,711	41,309,817	15,352,929	18,098,387	4,620,756	3,237,745	-
Total Assets	45,007,989	50,046,095	24,089,207	18,098,387	4,620,756	3,237,745	-
Non-derivative Financial Liabilities							
Employee entitlements	101,593	101,593	101,593	-	-	-	-
Secured debenture stock	38,658,904	42,330,144	5,367,407	7,779,049	16,425,149	12,748,440	10,099
Accounts payable	318,794	318,974	318,974	-	-	-	-
Total Liabilities	39,079,291	42,750,531	5,787,794	7,779,049	16,425,149	12,748,440	10,099
Total	5,928,698	7,295,564	18,301,413	10,319,338	(11,804,393)	(9,510,695)	(10,099)

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 cash flows are as follows:

	Statement of Financial Position	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years +
	\$	\$	\$	\$	\$	\$	\$
Loans and advances (expected)	36,271,711	40,994,496	15,037,556	18,098,387	4,620,756	3,237,745	-
Adjusted total	5,928,698	6,980,190	17,986,040	10,319,338	(11,804,393)	(9,510,695)	(10,099)

Xceda Finance Limited (formerly Asset Finance Limited)
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23. MATURITY PROFILE & INTEREST RATE REPRICING PROFILE (continued...)

Interest Rate Repricing Profile of Monetary Items

As at 31 March 2022

	Weighted Average Interest Rate % p.a.	Total \$	Within 6 Months \$	Between 6 - 12 Months \$	Between 1 - 2 Years \$	Between 2 - 5 Years \$	Over 5 Years \$	Non- interest bearing \$
Non-derivative Financial Assets								
Cash and cash equivalents	0.30%	7,164,641	7,164,641	-	-	-	-	-
Loans and advances	11.11%	50,282,554	21,389,365	21,394,577	5,867,200	1,603,567	27,845	-
Total Assets	9.76%	57,447,195	28,554,006	21,394,577	5,867,200	1,603,567	27,845	-
Non-derivative Financial Liabilities								
Employee entitlements	-	144,787	-	-	-	-	-	144,787
Secured debenture stock	4.96%	50,169,529	10,046,847	12,929,766	14,621,134	12,571,782	-	-
Accounts payable	-	311,038	-	-	-	-	-	311,038
Total Liabilities	4.92%	50,625,354	10,046,847	12,929,766	14,621,134	12,571,782	-	455,825
Total		6,821,841	18,507,159	8,464,811	(8,753,934)	(10,968,215)	27,845	(455,825)

As at 31 March 2021

	Weighted Average Interest Rate % p.a.	Total \$	Within 6 Months \$	Between 6 - 12 Months \$	Between 1 - 2 Years \$	Between 2 - 5 Years \$	Over 5 Years \$	Non- interest bearing \$
Non-derivative Financial Assets								
Cash and cash equivalents	0.57%	8,736,278	8,736,278	-	-	-	-	-
Loans and advances	13.49%	36,271,711	12,853,011	16,914,972	3,735,621	2,768,107	-	-
Total Assets		45,007,989	21,589,289	16,914,972	3,735,621	2,768,107	-	-
Non-derivative Financial Liabilities								
Employee entitlements	-	101,593	-	-	-	-	-	101,593
Secured debenture stock	5.34%	38,658,907	4,386,783	6,960,316	15,334,603	11,967,205	10,000	-
Accounts payable	-	318,794	-	-	-	-	-	242,245
Total Liabilities		39,079,294	4,836,783	6,960,316	15,334,603	11,967,205	10,000	343,838
Total		5,928,694	17,202,505	9,954,656	(11,598,982)	(9,199,098)	(10,000)	(343,838)

24. ASSET QUALITY

(a) Summary of Loans and advances

	As at 31-Mar-22	As at 31-Mar-21
<i>Loans and advances by Quality</i>	\$	\$
Past Due but Not Impaired	2,058,954	1,532,818
Specifically Impaired	329,013	504,081
Restructured	411,876	772,966
Neither Past Due nor Impaired nor Restructured	47,702,769	33,777,220
Loans and advances	50,502,612	36,587,085
Allowance for impairment losses	(220,058)	(315,374)
Total net loans and advances	50,282,554	36,271,711

(b) Past Due but not Impaired or Restructured Loans and advances

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Movement in Past Due but not Impaired Loans and advances</i>	\$	\$
Opening balance	1,532,818	3,484,499
Collected during the period	(974,944)	(2,176,606)
Reclassified to Neither Past Due nor Impaired	(109,227)	(362,452)
Reclassified to Specifically Impaired	(74,321)	(72,495)
Bad debts written off	(127,980)	(340,796)
	<u>(1,286,471)</u>	<u>(2,952,349)</u>
Additions	1,812,607	1,000,668
Closing balance	2,058,954	1,532,818

	As at 31-Mar-22	As at 31-Mar-21
<i>Aging of Past Due but not Impaired Loans and advances</i>	\$	\$
Past due 0 - 30 days	1,181,201	720,080
Past due 31 - 60 days	595,302	332,943
Past due 61 - 90 days	27,832	89,306
Past due 91 - 120 days	50,759	60,039
Past due more than 120 days	203,860	330,450
Total Past Due but not Impaired Loans and advances	2,058,954	1,532,818

24. ASSET QUALITY (continued...)

(c) Other Impaired Assets

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Movement in Individually Impaired Loans and advances</i>	\$	\$
Opening balance	504,081	6,041,988
Collected during the period	(152,972)	(2,884,941)
Reclassified from past due but not impaired	-	72,495
Bad debts written off	(159,696)	(3,258,029)
	<u>(312,668)</u>	<u>(6,070,475)</u>
Additions	137,600	532,568
Closing balance	<u>329,013</u>	<u>504,081</u>

	As at 31-Mar-22	As at 31-Mar-21
<i>Security held over Individually Impaired Loans and advances</i>	%	%
Second mortgage or agreement to mortgage	91.45	20.54
Motor Vehicle (PPSR)	0.55	5.47
Machinery and plant (PPSR charge)	1.98	2.92
General charge over all personal property (PPSR)	6.02	4.16
Accounts receivable (PPSR charge)	0.00	66.90
	<u>100.00</u>	<u>100.00</u>

24. ASSET QUALITY (continued...)

(d) Restructured Assets

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Movement in Restructured Loans and advances</i>	\$	\$
Opening balance	772,966	1,667,658
Collected during the period	(512,691)	(1,582,900)
Bad debts written off	15	(27,497)
	<u>(512,677)</u>	<u>(1,610,397)</u>
Additions	151,586	715,705
Closing balance	<u>411,876</u>	<u>772,966</u>

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

	As at 31-Mar-22	As at 31-Mar-21
<i>Credit quality by security held</i>	%	%
First mortgage	81.25	65.80
Second mortgage or agreement to mortgage	11.05	14.74
Motor vehicle (PPSR charge)	4.89	10.92
Machinery and plant (PPSR charge)	0.32	0.84
Other security (PPSR charge)	0.03	0.02
Accounts receivable (PPSR charge)	0.66	3.04
No security	0.16	0.27
General charge over all personal property (PPSR charge)	1.64	4.73
	<u>100.00</u>	<u>100.00</u>

	As at 31-Mar-22	As at 31-Mar-21
<i>Credit quality by product type</i>	%	%
Consumer Loans	17.56	26.45
Business Loans	81.73	70.46
Business Loans (Invoice Finance)	0.71	3.09
	<u>100.00</u>	<u>100.00</u>

25. CAPITAL COMMITMENTS

There are no capital commitments as at 31 March 2022 (31 March 2021: none).

26. CONTINGENT ASSETS AND CONTINGENT 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.

An estimate of the expected liability under the (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 16. As such, there is no contingent liability recognised for the year ended 31 March 2022 (31 March 2021: nil).

There are no other contingent liabilities at each reporting date other than normal purchase and lease commitments. The Group has no contingent assets at 31 March 2022 (31 March 2021: nil).

27. RELATED PARTY DISCLOSURE

(a) Related parties

Only related parties with transactions or balances during any reporting period that require disclosure are listed.

Related party	Relationship to Xceda Finance Limited ("XFL")
WWW Investments Limited	Directors are related to a director or senior officer in XFL
Xceda Capital Group Limited	Related to a director and senior officer in XFL, has a substantial interest in XFL shareholding.
Xceda Capital Pty Limited	An entity with a common parent.
Other related individuals	Individuals are related to a director or senior officer of XFL. Not individually disclosed due to the type of the transactions. For the year ended 31 March 2022 this group included 3 individuals, (31 March 2021: Nil)

(b) Loans to related parties

There are no related party debts, nor have any been written off or forgiven during the year ended 31 March 2022, (31 March 2021: nil).

(c) Investments from Related Parties

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

The weighted average interest rate applicable for the balances below is 4.46% (March 2021: 5.75%).

27. RELATED PARTY DISCLOSURE (continued...)

(c) Investments from Related Parties (continued...)

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Investment from WWW Investments Limited</i>	\$	\$
Opening balance	300,000	300,000
- Interest accrued	16,461	17,250
- RWT deducted and interest paid	(16,461)	(17,250)
Closing Balance	300,000	300,000

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
<i>Investment from Other related individuals</i>	\$	\$
Opening balance	-	-
- Deposits received	400,000	-
- Interest accrued	5,763	-
- RWT deducted and interest paid	(5,763)	-
Closing Balance	400,000	-

(d) Other related party transactions in the current period

- i. The Group received fees from Xceda Capital Pty Limited for the use of software. The total fees received in the year ended 31 March 2022 were \$48,000 (31 March 2021: \$48,000).
- ii. The Group paid \$657,999 in the year ended 31 March 2022 that related to rent, management fees, operating costs for leases held by Xceda Capital Group Limited and recharge of certain other admin 31 March 2021: \$277,166).
- iii. The Group paid \$210,305 to Xceda Capital Pty Limited in the year ended 31 March 2022 for management fees that related to the origination and management of loans in Australia. (31 March 2021: nil).

At 31 March 2022 there was \$51,139 owed to Xceda Capital Group Limited as a trade payable (31 March 2021: \$Nil).

27. RELATED PARTY DISCLOSURE (continued...)

(e) Key management personnel compensation

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

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
Short term employee benefits paid in period	\$	\$
Salaries/wages	-	117,592
	-	117,592
Directors' fees	139,867	97,066
Total short term employee benefits paid in period	139,867	214,658

Since December 2020 the CEO and the CFO have been employed by the Parent Company Xceda Capital Group Limited and a management fee is charged to Xceda Finance Limited.

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

	Year Ended 31-Mar-22	Year Ended 31-Mar-21
	\$	\$
Total Comprehensive Income for the period	464,244	502,657
Adjustments for		
Depreciation	192,386	105,983
(Profit)/Loss on sale of property, plant & equipment	13,777	17,777
(Decrease)/Increase in impairment allowance	(95,584)	(2,785,247)
Loans and advances written off	373,121	3,719,549
Interest expense reinvested	733,589	374,473
Tax expense	-	(650)
	1,217,289	1,431,885
Deduct		
Decrease/(Increase) in loans and advances	(14,288,380)	(14,439,768)
Increase/(Decrease) in payables	49,763	87,756
Increase/(Decrease) in tax liability	(40,748)	(257,371)
Decrease in prepayments and other receivables	36,880	(65,941)
Increase/(Decrease) in GST	(62,457)	10,259
Decrease/(Increase) in deferred tax asset	188,163	203,101
	(14,116,779)	(14,461,964)
Net cash (used in) or from operating activities	(12,435,246)	(12,527,422)

29. RECONCILIATION OF SECURED DEBENTURE STOCK ARISING FROM FINANCING ACTIVITIES

	Total \$
At 31 March 2021	38,658,904
Repayment principal and interest	(2,801,790)
Proceeds	13,578,825
Between Interest	733,590
Total 31 March 2022	<u>50,169,529</u>

	Total \$
At 31 March 2020	24,272,065
Repayment principal and interest	(2,617,976)
Proceeds	16,630,342
Between Interest	374,473
Total 31 March 2021	<u>38,658,904</u>

30. RANKING OF LIABILITIES

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

As at 31 March 2022, there were no outstanding prior security interests that had been granted by the Group (31 March 2021: nil). The only interests that rank ahead of the first interest given to the Supervisor are those given preference by law such as PAYE and RWT.

The secured debenture stock deposits totalling \$50,169,529 as at 31 March 2022 (31 March 2021: \$38,658,904) reported in these financial statements are secured by security interest in favour of the Supervisor over all of the present and after acquired personal property of the Group, 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.

31. SUBSEQUENT EVENTS

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

32. CAPITAL MANAGEMENT AND CAPITAL RATIO CALCULATIONS

When managing capital, management's objective is to maintain acceptable capital ratios to support the business and ensure the Group continues as a going concern. In order to achieve this objective, the Group 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 Group will adjust its dividend payment (if any) to shareholders to maintain adequate capital.

The Group has two capital ratios it must adhere to pursuant to its Debenture Trust Deed.

The capital ratio detailed in the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 shown below requires the highest level of shareholders' funds as at 31 March 2022. While the amount of capital required under this ratio fluctuates depending on the composition of the Group's assets, it is expected to continue to be the ratio that requires the highest level of shareholders' funds. Based on the current and foreseeable composition of the Group's assets, compliance with this ratio will mean all ratios are in compliance.

Capital ratios are calculated as at the end of every calendar month. The ratios are summarised on the following pages. Deferred tax and any intangible assets are deducted from capital for ratio calculation purposes.

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

The regulations include a minimum capital ratio, to be calculated according to the framework prescribed by the Reserve Bank of New Zealand (RBNZ). The minimum capital ratio is 8% for companies that have a credit rating from a ratings agency approved by the RBNZ under section 86 of the Non-bank Deposit Takers Act 2013, and 10% for those without such a rating. Per the Trust Deed the minimum capital ratio to be maintained is 10% (31 March 2021: 10%).

Xceda Finance has a B/Stable credit rating as at 31 March 2022 (31 March 2021: B/Stable). Ratings have been issued by Equifax (31 March 2021: Equifax), a ratings agency approved by the RBNZ.

A key premise of the framework under which the capital ratios are calculated is that financiers with higher risk loans and other assets should require more capital compared with companies carrying lower risk loans and other assets. To achieve this, the regulations require 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.

32. CAPITAL MANAGEMENT AND CAPITAL RATIO CALCULATIONS (continued...)

(a) Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (continued...)

Full details are set out in the regulations, and the calculations for the Group for each reporting period are set out below.

	As at 31-Mar-22	As at 31-Mar-21
	\$	\$
Risk weighted exposures		
Total risk-weighted amount for credit risk	37,868,068	34,007,276
Aggregate amount for operational and market risk	8,463,239	7,038,143
Total risk-weighted exposures	46,331,307	41,045,419
Capital for ratio calculation purposes		
Gross capital	8,045,730	7,181,485
Deductions	(903,959)	(1,013,762)
Capital	7,141,771	6,167,723
Capital ratio	15.41%	15.03%
Capital	7,141,771	6,167,723
Capital required – 10% of risk weighted exposures	(4,633,131)	(4,104,542)
Capital surplus over minimum requirement	2,508,640	2,063,181

During the year ended 31 March 2022, the reported capital ratios ranged from 13.99% to 16.71% and there were no breaches in satisfying the Group's capital ratios (31 March 2021: from 13.32% to 15.03% with no breaches).

(b) Debenture Trust Deed dated 15 March 2004 (as amended)

Xceda Finance entered into a Debenture Trust Deed with the Supervisor on 15 March 2004, which was amended on 1 December 2010, 11 September 2012, 21 October 2016 and 3 December 2018. Under the terms of the Debenture Trust Deed, the capital required differs depending on the level of the Group's Total Tangible Assets and amount of shareholder funds. The applicable ratio as at 31 March 2022 and 31 March 2021, and the only ratio likely to apply in the foreseeable future says that "...total liabilities are not to exceed 90% of Total Tangible Assets". For the purposes of the Debenture Trust Deed calculations, total liabilities exclude Subordinated Debt and Unsecured Capital Notes.

	As at 31-Mar-22	As at 31-Mar-21
	\$	\$
Total assets	58,853,411	46,448,848
Intangible assets	(903,959)	(1,033,828)
Total tangible assets	57,949,452	45,415,020
Total liabilities	50,807,681	39,230,203
Subordinated debt and unsecured capital notes	-	-
Total liabilities for ratio calculation purposes	50,807,681	39,230,203
Ratio calculation	87.68%	86.38%

32. CAPITAL MANAGEMENT AND CAPITAL RATIO CALCULATIONS (continued...)**(b) Debenture Trust Deed dated 15 March 2004 (as amended) (continued...)**

	As at 31-Mar-22	As at 31-Mar-21
	\$	\$
90% of Total Tangible Assets	52,154,507	40,873,518
Total liabilities for ratio calculation purposes	<u>(50,807,681)</u>	<u>(39,230,203)</u>
Capital surplus over minimum requirement	1,346,826	1,643,315

There have been no breaches to this ratio during the reporting period ended 31 March 2022 (31 March 2021: no breaches).

33. SEGMENTAL REPORTING

For management purposes, the Group organises some revenue streams and assets based on the following two segments. The Chief Executive Officer, being the chief operating decision maker, assesses the segment performance and decides on the resource allocation.

Consumer Loans

Consumer loans and advances that are governed by the Credit Contracts and Consumer Finance Act 2003 ("CCCFA").

Business Loans

Business and commercial loans and advances (including factoring advances) that are not governed by the CCCFA.

Due to 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 revenues, expenses, assets and liabilities 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 below.

Neither secured debenture stock liabilities nor interest expense is apportioned between the consumer and the business loan books in the management reporting and therefore has not been allocated to a specific segment.

There are no instances in either reporting period where there is revenue arising from a single borrower in excess of 10% of total revenue.

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FOR THE YEAR ENDED 31 MARCH 2022

33. SEGMENTAL REPORTING (continued...)**31 March 2022**

	Consumer Lending	Business Lending	Unallocated / Other	Total
	\$	\$	\$	\$
Segment Revenue	2,439,571	4,929,570	467,550	7,836,691
Net Segment Revenue	1,723,619	3,482,867	330,336	5,536,822
Net profit before income tax	<u>190,089</u>	<u>384,108</u>	<u>36,431</u>	<u>610,628</u>
Loans and Advances	9,436,419	40,846,135	-	50,282,554

31 March 2021

	Consumer Lending	Business Lending	Unallocated / Other	Total
	\$	\$	\$	\$
Segment Revenue	3,813,204	3,250,531	500,099	7,563,835
Net Segment Revenue	2,954,471	2,518,512	387,477	5,860,459
Net profit before income tax	<u>371,087</u>	<u>285,557</u>	<u>48,668</u>	<u>705,312</u>
Loans and Advances	9,873,390	26,398,320	-	36,271,710

Independent Auditor's Report

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To the Shareholders of Xceda Finance Limited (formerly Asset Finance Limited)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Xceda Finance Limited (formerly Asset Finance Limited) (the "Company") and its controlled subsidiary (the "Group") on pages 5 to 48 which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year that ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2022 and its financial performance and cash flows for the year that ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

Other than in our capacity as auditor and provider of other assurance services, we have no relationship with, or interest in, the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
<p>Allowance for impairment losses from loans and advances</p> <p>The allowance for impairment losses from loans and advances to customers amount to \$220k in the financial statements as at 31 March 2022.</p> <p>Due to the materiality and significance of the judgements applied in determining the allowance for impairment losses from loans and advances, this matter was considered to be an area which had the greatest impact on our overall audit strategy. If the carrying value of the loan is greater than the recoverable amount of the receivable, the corresponding impairment may have a material impact within the financial statements.</p> <p>The determination of assumptions for measurement of impairment is highly subjective due to the level of judgement applied by management. Change in assumptions and the methodology applied may have a material impact on the measurement of the allowance for impairment losses from loans and advances balance.</p> <p>The principles for determining the allowance for impairment losses from loans and advances are described in <i>Note 1(m)</i> and <i>Note 2</i> of the financial statements. The description of credit risks and the allowance for impairment losses is disclosed in <i>Note 21</i> and <i>Note 5</i> of the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Obtained an understanding of the lending processes and controls and models used to determine the allowance for impairment losses from loans and advances, including event identification, collateral valuation and how management's estimates and judgements are determined. • For a selection of the new loans issued by the Company, we inspected the loan agreement and other available information that formed part of management's loan approval process (such as credit scores and security details), and tested management's approval process controls, to determine whether new loans were appropriately approved and that the information available supported any conclusions reached about the expected credit loss at that point. • We obtained the Company's loan ledger at period end and using our knowledge of the Company and the industry, identified loans for which we believed there may be indicators of impairment. We considered management's conclusions regarding impairment for each of these loans individually. • For each identified loan with indicators of impairment, we tested whether there was adequate security against each advance in order to recover the outstanding balance. Where provided, we considered adequacy of third-party valuations, and also verified any prior ranking securities to independent sources. • For the collective provisioning model, we: <ul style="list-style-type: none"> (a) Recalculated the provision based on the input factors identified by management as part of the expected credit loss methodology; and (b) Assessed the judgements made by management regarding the assumptions used for the expected credit loss methodology, including challenging the appropriateness of the risk factors that had been considered when developing the 12 month and lifetime expected credit loss as part of the 3 stage impairment model.

Other Information

The Directors are responsible for the other information. The other information comprises the Group Directory and the Consolidated Financial Overview but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Consolidated Financial Statements

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

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1/>

Restriction on use of our report

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

Grant Thornton New Zealand Audit Limited



V J Black

Partner

Auckland, New Zealand

29 June 2022



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