Mutual Credit Finance Limited

Financial Statements

for the period ended 30 September 2023

MCF Mutual Credit Finance

Business directory

Nature of business	Finance Company
Address	Level 2, 137 Victoria Street PO Box 130 178 Christchurch 8141
Registered office	Level 2, 137 Victoria Street PO Box 130 178 Christchurch 8141
Directors	Peter Rae David John Tier John Anthony Wheelans Herbert Lawrence John Govan
Auditors	PricewaterhouseCoopers Level 4, 60 Cashel Street PO Box 13244 Christchurch 8141
Bankers	ASB Bank Limited 518 Colombo Street PO Box 13650 Christchurch 8141
Trustees	Trustees Executors Limited Level 11, 51 Shortland Street PO Box 4197 Auckland 1140
Solicitors	Chapman Tripp Level 5, 60 Cashel Street PO Box 2510 Christchurch 8041 Anthony Harper Level 9, 62 Worchester Boulevard PO Box 2646 Christchurch 8140
Financial Service Providers	Register No. FSP 31821
Disputes Resolution Service	Insurance & Financial Services Ombudsman Level 2, Solnet House 70 The Terrace P.O Box 10845 Wellington 6143

MCF Mutual Credit Finance

Directors' report

Directors

The following persons held office as directors during the period and at the date of this report:

Peter Rae
David John Tier
John Anthony Wheelans
Herbert Lawrence John Govan

Principal Activities

The principal activity of the business is Finance Lending. The nature of the Company's business has not changed during the period under audit. Mutual Credit Finance Limited continues to trade as usual with the company having received its Non Bank Deposit Takers Licence from the Reserve bank of New Zealand on 27 March 2015.

Results	Period ended September 2023 $	Year ended March 2023 $	Period ended September 2022 $
Total comprehensive income	832,062	1,476,932	630,457
Shareholders Funds	8,856,502	8,349,440	7,787,966

Dividends

A net taxable final dividend of $0.0097 per share was declared for the year end 31 March 2022 and paid in full on 26 May 2022.
A net taxable interim dividend of $0.0114 per share was declared for the year end 31 March 2023 and paid in full on 18 August 2022.
A net taxable interim dividend of $0.0116 per share was declared for the year end 31 March 2023 and paid in full on 24 November 2022.
A net taxable interim dividend of $0.0112 per share was declared for the year end 31 March 2023 and paid in full on 16 February 2023.
A net taxable final dividend of $0.013 per share was declared for the year end 31 March 2023 and paid in full on 25 May 2023.
A net taxable interim dividend of $0.013 per share was declared for the year end 31 March 2024 and paid in full on 25 July 2023.
A net taxable interim dividend of $0.0135 per share was declared for the year end 31 March 2024 and paid in full on 23 November 2023.

Remuneration of Directors

Remuneration and other benefits paid or due and payable are as follows:

	Period ended September 2023 $	Year ended March 2023 $	Period ended September 2022 $
P. Rae	21,000	42,000	21,000
J.A. Wheelans	21,000	42,000	21,000
D. J. Tier	25,000	50,000	25,000
H.L.J Govan	21,000	42,000	21,000

Employee Remuneration

During the period ended 30 September 2023 a number of employees, not being Directors of the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

Remuneration (NZD)	Period ended September 2023 No. of employees	Year ended March 2023 No. of employees	Period ended September 2022 No. of employees
$150,000 - $159,999	0	1	0
$160,000 - $169,999	1	2	0
$250,000 - $259,999	0	0	0
$260,000 - $269,999	0	1	0

Directors' Benefits

No Director of the company has received during the period, or has become entitled to receive, a benefit (other than a benefit included in the Directors' remuneration shown in the financial statements).

MCF Mutual Credit Finance

Directors' report continued

Use of Company Information

The Board received no notices during the period from Directors requesting to use company information received in their capacity as Directors which would not have been available to them otherwise.

Directors' Interests

Directors' Interests are disclosed in Note 13 of the Financial Statements. The Directors' had no interests in any of the company's other transactions.

Auditors Remuneration

During the period, the fees paid and payable for services provided by the auditor of the Company and other related practices were $58,075 - including $7,575 GST (March 2023: $81,558 including $10,638 GST; September 2022: $26,565 including $3,465 GST).

Share Dealing

No Director acquired or disposed of any interest in the Company during the period.

Donations

The Company made a donation of $1,000 during the period.

For and on behalf of the Board dated 23 November 2023.

....	....
Director	*Director*

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Statement of comprehensive income

	Note	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Interest and similar income	8	3,021,680	5,345,736	2,537,995
Interest expense and similar charges	8	1,468,777	2,303,783	1,035,819
Net interest income		1,552,903	3,041,953	1,502,176
Fees and commission income	9	689,986	1,033,551	440,077
Fees and commission expense	9	20,176	120,924	54,823
Net fee and commission income		669,810	912,627	385,254
Net income		2,222,713	3,954,580	1,887,430
Fees paid to Auditors	17	58,075	81,558	26,565
Bad debts written off	2	-	-	-
Movement in allowance for Impairment of credit losses	2	90,000	109,000	90,000
Bad Debts recovered	2	(531)	(585)	(260)
Consulting Fees		1,942	18,964	12,951
Depreciation	16	79,499	165,096	81,539
Loss on disposal of fixed assets		41	142	-
Prospectus / Trustee expenses		59,529	69,464	33,463
Directors' fees		88,000	176,000	88,000
Employee benefits	13	451,503	785,046	405,485
Insurance		44,669	81,673	40,273
Other expenses		193,684	414,751	233,039
Total expenses		1,066,411	1,901,109	1,011,055
Profit before income tax		1,156,302	2,053,471	876,375
Income tax expense	10	324,240	576,539	245,918
Profit after income tax		832,062	1,476,932	630,457
Other comprehensive income		-	-	-
Total comprehensive income for the period		832,062	1,476,932	630,457

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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MCF Mutual Credit Finance

Balance sheet

	Note	(unaudited) As at 30 September 2023 $	(audited) As at 31 March 2023 $	(unaudited) As at 30 September 2022 $
Assets				
Cash and cash equivalents	14	6,259,787	1,525,048	4,479,786
Finance receivables	2	49,111,989	57,269,857	48,436,946
Other assets	15	422,620	398,355	361,178
Property, plant and equipment	16	229,747	258,919	289,843
Right of Use asset	16	210,335	258,874	307,413
Deferred tax assets	11	141,878	130,455	111,392
Total assets		56,376,356	59,841,508	53,986,558
Liabilities				
Trade and other payables	18	889,140	894,947	648,451
Lease liability	16	221,847	269,675	316,308
Provision for Tax Payable	10	121,738	285,201	98,524
Interest bearing liabilities	3	46,287,129	50,042,245	45,135,309
Total liabilities		47,519,854	51,492,068	46,198,592
Net assets		8,856,502	8,349,440	7,787,966
Equity				
Share capital	19	7,784,886	7,784,886	7,784,886
Accumulated profit	20	1,071,616	564,554	3,080
Total equity		8,856,502	8,349,440	7,787,966

For and on behalf of the Board dated 23 November 2023.

.... Director

.... Director

The above balance sheet should be read in conjunction with the accompanying notes.

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MCF Mutual Credit Finance

Statement of changes in equity

	Note	(unaudited) Six months to September 2023 $	(audited) Year ended March 2023 $	(unaudited) Six months to September 2022 $
Total equity at the beginning of the financial period		8,349,440	7,421,258	7,421,258
Total comprehensive income				
Net income for the period after tax, attributable to the owners of the Company		832,062	1,476,932	630,457
Dividend distribution		(325,000)	(548,750)	(263,750)
Total equity at the end of the financial period		8,856,502	8,349,440	7,787,966

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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MCF Mutual Credit Finance

Cash flow statement

	Note	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Cash flows from operating activities				
Net movement in loans and advances made to customers		8,472,251	(14,342,680)	(6,088,177)
Net movement of secured debt instruments		(4,222,545)	13,075,931	8,480,166
Payments to suppliers and employees		(1,068,112)	(1,652,538)	(941,247)
Net Income Tax Paid		(499,126)	(512,962)	(349,955)
Interest received		2,678,947	5,022,973	2,493,247
Other income		724,886	842,977	495,319
Interest paid		(970,788)	(1,640,330)	(690,424)
Net cash inflow from operating activities	24	5,115,513	793,371	3,398,929
Cash flows from investing activities				
Purchases of property, plant and equipment		(1,829)	(18,697)	(14,461)
Net cash outflow from investing activities		(1,829)	(18,697)	(14,461)
Cash flows from financing activities				
Payment of Dividend		(325,000)	(548,750)	(263,750)
Payment of principal portion of Lease Liabilities		(53,945)	(105,412)	(45,468)
Net cash outflow from financing activities		(378,945)	(654,162)	(309,218)
Net increase / (decrease) in cash and cash equivalents		4,734,739	120,512	3,075,250
Cash and cash equivalents at the beginning of the period		1,525,048	1,404,536	1,404,536
Cash and cash equivalents at end of period	14	6,259,787	1,525,048	4,479,786

The above cash flow statement should be read in conjunction with the accompanying notes.

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1 Company information

Reporting Entity

Mutual Credit Finance Limited (the Company) is a profit oriented entity providing finance services primarily to the Canterbury region. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 2, 137 Victoria Street, Christchurch. It is registered under the Companies Act 1993 and is an FMC Reporting Entity as defined by the Financial Markets Conduct Act 2013 and a Non Bank Deposit Taker under the Non Bank Deposit Takers Act 2013.

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other interpretations as appropriate for profit-oriented entities.

These financial statements have been prepared under the going concern basis, the validity of which depends on the Company's ability to meet its short term liquidity requirements, and in particular, its ability to meet its obligation to repay debentures as and when they fall due for repayment.

These financial statements have been prepared under the historical cost convention unless modified by specific accounting policies below.

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6. Actual results may differ from these estimates.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2 Finance receivables

Finance receivables are financial assets classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at each reporting date.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when money, goods or services are provided directly to a debtor with no intention of trading the receivable. Loans and receivables are included in finance receivables in the balance sheet. They are initially measured at fair value plus transaction costs and subsequently recorded at amortised cost using the effective yield method.

Financial assets at fair value through profit and loss are included in other assets in the balance sheet (note 15) and are primarily parcels of finance receivables acquired from other financiers. They are measured at fair value at the date of acquisition and are subsequently fair valued at each reporting date.

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Net finance receivables at amortised cost			
Finance receivables	49,552,989	57,620,857	48,768,946
Allowance for impairment	(441,000)	(351,000)	(332,000)
	49,111,989	57,269,857	48,436,946
Due within 12 months	47,000,713	55,891,621	46,071,840
Due after 12 months	2,111,276	1,378,236	2,365,106
	49,111,989	57,269,857	48,436,946

Net finance receivables consist of advances to individuals and companies.

2 Finance Receivables (continued)

(a) Impairment charge for credit losses on finance receivables

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4 details how the group determines whether there has been a significant increase in credit risk. For loan receivables, the group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

An assessment is made at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group; including adverse changes in the payment status of borrowers in the group.

An assessment is made whether objective evidence of impairment exists for financial assets.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. As a practical expedient, and where possible, impairment may be measured on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the statement of comprehensive income. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(b) Asset quality

(i) Impaired assets

An impaired asset is any asset for which the Company will not be able to collect all amounts owing in accordance with the terms of the contract with the counterparty.

(ii) Assets acquired through the enforcement of security

Assets acquired through the enforcement of security which satisfy part of full repayment of the loan or receivable due.

(iii) Past due assets

Past due assets are any financial assets on which a counterparty has failed to make a payment when contractually due and which is not an impaired asset.

2 Finance Receivables (continued)

(iv) Restructured assets

Restructured assets are loans where the original terms have been changed due to a borrowers difficulty in complying with the original terms, and on which interest continues to be accrued at a rate of interest which is equal to or greater than the average cost of funds at the date of restructuring. The revised terms are not comparable with the terms of new facilities with comparable risks.

The company has recognised an impairment provision/(writeback) of $90,000 (March 2023: ($109,000); September 2022: $90,000) in respect of the allowance for impaired receivables during the period ended 30 September 2023. Bad debt expense/(recovery) for the period was ($531) (March 2023: ($585): September 2022; ($260)) net of bad debt recoveries of $531 (March 2023: $585; September 2022: $260).

Net finance receivables are summarised as follows:

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Neither past due nor impaired	49,222,402	56,878,701	48,711,934
Past due but not impaired	-	-	-
Impaired assets	330,587	742,156	57,012
Gross finance receivables	49,552,989	57,620,857	48,768,946
Less:			
Allowance for impairment	(441,000)	(351,000)	(332,000)
Net finance receivables	49,111,989	57,269,857	48,436,946

(c) Past Due and Impaired Assets

Financial assets determined to be impaired are loan receivables where impairment value has been estimated through individual review of each loan, including the reason for impairment, collateral held and the prospects and costs of recovery. Criteria used for selecting loans for individual review for impairment include 90 or more days arrears, payment history and any information received indicating client's impaired ability to repay their loans.

(i) *Finance receivables*

The table below shows a reconciliation of the movement in the finance receivables which are determined to be impaired.

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Opening balance	742,156	59,092	59,092
Additions	277,475	687,224	-
Receivables written off during the period	-	-	-
Loans now performing / payments received	(689,044)	(4,160)	(2,080)
Closing balance	330,587	742,156	57,012

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(ii) *Collateral held for past due assets and impaired assets*

Advances are generally secured by way of registered security interest over the asset financed. A significant majority of consumer loans are secured.

The Debt Instruments are secured by a charge held by the Trustee over all the assets and undertakings of the Company. Advances are generally secured by collateral which at the time of original advance adequately covers their value. Collateral may include charges over residential or commercial property, vehicles, chattels, plant and equipment and other assets. For loan receivables determined to be impaired, the estimated fair value of collateral net of enforcement costs is not sufficient to secure full contractual repayment, but it is estimated to fully support the net receivable value after provision for impairment.

Financial past due assets are loan receivables where a counterparty has failed to make a payment when contractually due or for the amount contractually due.

2 Finance Receivables (continued)

Movements in the allowance for impairment of finance receivables determined to be impaired are as follows:

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
	$	$	$
Opening balance	351,000	242,000	242,000
Movement in allowance for impairment during the period	90,000	109,000	90,000
Closing balance	441,000	351,000	332,000

The creation and release of the allowance for impairment has been included in the 'movement in allowance for impairment of credit losses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The age of past due assets which were not impaired at the end of each reporting period was as follows:

(iii) *Aging of past due but not impaired*	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
	$	$	$
Less than 3 months past due	-	-	-
More than 3 but less than 6 months past due	-	-	-
Later than 6 months past due	-	-	-
	-	-	-
(iv) *Aging of impaired assets*			
Less than 3 months past due	324,910	293,519	51,435
More than 3 but less than 6 months past due	-	443,060	-
Later than 6 months past due	5,677	5,577	5,577
	330,587	742,156	57,012

3 Interest bearing liabilities

Secured debentures, subordinated debt, bank loans and unsecured deposits are borrowings that are required to be redeemed on specific dates and are therefore classified as liabilities. They are initially recognised at fair value, plus transaction costs incurred. Secured debentures, subordinated debt, bank loans and unsecured deposits are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

The carrying amounts of borrowings at balance date for the Company are:

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
	$	$	$
Secured debenture stock	46,287,129	50,042,245	45,135,309
	46,287,129	50,042,245	45,135,309
Due within 12 months	27,720,471	33,488,023	27,401,782
Due after 12 months	18,566,658	16,554,222	17,733,527
	46,287,129	50,042,245	45,135,309

(a) Priority of claims

In the event that the Company was liquidated or ceased trading, prior charges permitted by the Trust Deed secured by a security interest over all the assets of the Company (as at 30 September 2023 $Nil; as at 31 March 2023 $Nil; as at 30 September 2022 $Nil), interests given preference by law and amounts owed to the Trustee rank ahead of the Debt Instruments as to the priority of claims over the Company's assets. Any unsecured or subordinated indebtedness would rank behind these interest bearing liabilities.

4 Financial risk management

The Company's activities expose it to a variety of financial risks: interest rate risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on liquidity, security, repayment ability, interest margin and credit control.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by all staff under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and credit risks, and investing liquidity.

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may result in losses in the event that unexpected movements arise.

(i) *Interest rate risk management process*

The Company manages interest rate risk in a number of ways:

- By monitoring market interest rates and reviewing the impact of these on interest rate exposure.
- By reviewing deposit and lending rates regularly.
- By reviewing the maturity profile of assets and liabilities to ensure a matching of the profile of maturity.
- By reviewing interest margins regularly.
- By limiting the number and value of advances made on fixed interest rate terms.

Debt Instruments deposited on term are subject to interest rates that range between 4.75% and 7.90% (March 2023: 2.00% - 7.90%; September 2022: 2.00% - 7.00%). Contractual maturity dates range between on call and 60 months. Interest rates are fixed for the period of the deposit.

Call accounts are subject to interest rates between 2.00% and 7.25% (March 2023: 2.00% - 7.25%; September 2022: 2.00% and 6.00%). Interest rates on these accounts are subject to daily review.

Finance receivables are subject to interest rates between 0.00% and 12.99% (March 2023: 0.00% - 15.00%; September 2022: 0.00% - 15.00%).

The weighted average interest rate on loans at September 2023 was 11.52% (March 2023: 10.91%; September 2022: 10.62%).

The Company funds finance receivables from secured debt instruments. As a result, the main interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company monitors the net repricing gap with interest rate exposure monitored on a regular basis and reported monthly to the Board of Directors. The weighted average rates of financial assets and liabilities are included in the maturity profile tables per the liquidity risk note 4(b)(iii).

(ii) Summarised sensitivity analysis

A proportion of the Company's receivables and borrowings are at floating interest rates which minimises the interest rate risk. Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, the Company believes a +/- 1% movement in interest rates is 'reasonably possible' over a 12 month period. The impact on the result for the period ended 30 September 2023 of such a movement would be +/- $438,699 (March 2023: +/- $391,689; September 2022: +/- $376,332), with a commensurate impact on net equity.

Under the terms of the company's loan agreements, the interest rate on any term or call loan, or any call debenture deposit can be re-set at any time. The company does not have the ability to do this on its term debenture deposits.

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. This risk may arise from the mismatch of maturities of financial assets and liabilities or from a significant amount of loan advances not repaid at the time they are due for repayment by the borrower. This risk may also arise from an inability to raise funds from the public in New Zealand financial markets and to secure investments from investors.

(i) *Liquidity risk management process*

Regular reviews of the maturity profiles of monetary assets and liabilities are conducted by management.

4 Financial Risk Management (continued)

(b) Liquidity risk (continued)

The Company manages liquidity risk in a number of ways:

- daily monitoring of future cash flows and reinvestment rates to ensure requirements can be met and seeking to replenish funds as they mature or are borrowed by customers;
- by regularly forecasting future cash flows to assess maturity mismatches between financial assets and financial liabilities in advance;
- structuring the majority of loans on a regular monthly repayment basis;
- maintaining a credit control function focused on encouraging clients to meet their loan repayments on time and as due;
- reducing the volume of new lending undertaken if required;
- regularly monitoring the investment markets;
- actively managing the relationship with the investor base;
- by maintaining banking relationships and a bank committed cash advance facility; and
- by monitoring balance sheet liquidity ratios against internal requirements.

The Company continues to lend, and to assist in meeting its projected liquidity requirements, the company has a committed cash advance facility agreement with ASB Bank Limited dated 17 September 2014 for $1,000,000. This facility was further extended to $3,250,000 by a new cash advance facility agreement dated 29 August 2023 which is due for review by 31 March 2025.

Management closely monitor the demands on cash flows both from repayment of loans and also collection of finance receivables. In order to ensure that there are no impending liquidity issues, management have a 18 month cash flow forecast model through until 31 March 2025. Various scenarios are run on this model to effectively 'stress test' the strength of the liquidity position.

The following scenarios are routinely looked at:

- reinvestment rates fall to 50% (66.7% for the 12 months to March 2023; 65.4% for the 6 months to September 2023);
- forecast cash collections from finance receivable fall by 50%;
- Individual large loans are not repaid within the forecast time frames;

In all of these scenarios the cash position at any month end over the period ended 31 March 2025 did not fall below an amount which would not have been adequately covered by the bank commited cash advance facility available to the Company.

In preparing these various scenarios, forecasts are used and the variables are considered in isolation. Actual results for the period covered are likely to vary from the information used and the variables may occur in combination rather than in isolation and these variations may be material to the future liquidity position of the Company.

(ii) *Concentrations of funding*

Sources of liquidity are regularly reviewed by the Company to maintain a wide diversification by provider, product and term. Sources of funding include debentures, bank loans, subordinated debt and unsecured deposits.

Debt Instrument funding is concentrated with 88.5% of funding obtained from the Canterbury region (March 2023: 92.6%; September 2022: 90.9%).

Debt Instrument by Region

	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
Canterbury	40,954,041	46,344,604	41,034,596
Rest of South Island	3,118,765	1,477,731	1,669,936
Auckland	324,075	352,421	468,890
Rest of North Island	1,507,123	1,478,941	1,616,766
Overseas	383,125	388,548	345,121
	46,287,129	50,042,245	45,135,309

(iii) *Maturity analysis*

The table below analyses the Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining contractual period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Should the financial receivables not be repaid as they fall due for repayment, as set out below in the maturity profile table, the Company may need to raise additional funds to cover any liquidity shortfall, and/or may need to enter into some form of arrangement with investors around the repayment of their deposits.

4 Financial Risk Management (continued)

(b) Liquidity risk (continued)

(iii) *Maturity analysis (continued)*

The following maturity analysis is based on the contractual terms of the underlying assets and liabilities.

Of the interest only variable loans, 29 have a contracted repayment date between 7 and 12 months away from the period end date, 5 have a contracted repayment date between 13 and 24 months away from the period end date and there are none with a contracted repayment date between 25 and 60 months away from the period end date. The remaining interest only variable loans and revolving credit facilities have been included as "less than 6 months" in the tables.

As noted in Note 4(b)(i) the Company also has access to lines of credit which it can utilise to meet funding shortfalls.

	Effective interest rate	Less than 6 months	7 to 12 months	13 to 24 months	25 to 60 months	Over 60 months	Total
30 September 2023 (unaudited)		$	$	$	$	$	$
Financial assets							
Cash and cash equivalents	3.55%	6,259,787	-	-	-	-	6,259,787
Receivables:							
Net finance receivables (excluding facilities at call)	11.55%	2,703,031	2,044,373	970,254	931,184	49,838	6,698,680
Future interest on loans		325,392	186,494	111,304	83,749	-	706,939
Revolving credit facilities	11.52%	22,841,555	16,794,431	2,777,323	-	-	42,413,309
Other financial assets		265,765	34,913	47,497	55,556	18,889	422,620
		32,395,530	19,060,211	3,906,378	1,070,489	68,727	56,501,335
Financial liabilities							
Other liabilities		871,590	117,336	15,652	6,300	-	1,010,878
Debt Instruments	6.41%	14,739,582	12,980,889	13,667,889	4,898,769	-	46,287,129
Future interest on debentures		825,184	856,971	950,142	333,916	-	2,966,213
Lease Liabilities		49,055	50,314	104,714	17,764	-	221,847
		16,485,411	14,005,510	14,738,397	5,256,749	-	50,486,067
31 March 2023 (audited)		$	$	$	$	$	$
Financial assets							
Cash and cash equivalents	0.99%	1,525,048	-	-	-	-	1,525,048
Receivables:							
Net finance receivables (excluding facilities at call)	11.12%	2,407,724	1,662,026	704,540	619,802	53,895	5,447,987
Future interest on loans		257,696	111,036	111,092	55,205	-	535,029
Revolving credit facilities	10.89%	30,691,096	21,130,774	-	-	-	51,821,870
Other financial assets		235,625	32,832	50,310	59,955	19,633	398,355
		35,117,189	22,936,668	865,942	734,962	73,528	59,728,289
Financial liabilities							
Other liabilities		1,111,952	61,095	4,232	2,869	-	1,180,148
Debt Instruments	5.79%	21,928,401	11,559,622	10,443,121	6,111,101	-	50,042,245
Future interest on debentures		1,202,606	644,687	647,484	404,194	-	2,898,971
Lease Liabilities		47,828	49,055	101,918	70,874	-	269,675
		24,290,787	12,314,459	11,196,755	6,589,038	-	54,391,039

4 Financial Risk Management (continued)

(b) Liquidity risk (continued)

30 September 2022 (unaudited)	Effective interest rate	Less than 6 months $	7 to 12 months $	13 to 24 months $	25 to 60 months $	Over 60 months $	Total $
Financial assets							
Cash and cash equivalents	0.40%	4,479,786	-	-	-	-	4,479,786
Receivables:							
Net finance receivables (excluding facilities at call)	10.87%	3,654,622	2,024,738	546,177	572,684	57,945	6,856,166
Future interest on loans		301,477	127,512	96,889	57,141	-	583,019
Revolving credit facilities	10.58%	25,449,072	14,943,408	1,188,300	-	-	41,580,780
Other financial assets		190,580	32,370	49,981	68,344	19,903	361,178
		34,075,537	17,128,028	1,881,347	698,169	77,848	53,860,929
Financial liabilities							
Interest bearing liabilities							
Other liabilities		668,402	73,742	3,066	1,765	-	746,975
Debt Instruments	5.03%	15,517,556	11,884,225	13,495,888	4,237,640	-	45,135,309
Future interest on debentures		686,656	592,499	737,454	253,423	-	2,270,032
Lease Liabilities		46,632	47,828	99,369	122,479	-	316,308
		16,919,246	12,598,294	14,335,777	4,615,307	-	48,468,624

Except for the revolving credit facilities, the expected maturity profile of financial assets and liabilities is not likely to vary from their contractual maturity profile shown in the above table. From time to time, early repayments on finance receivables have been received but historically have been offset from a cashflow perspective by loans due to mature that have rolled over and been refinanced on new terms.

Expected maturity profile

	Less than 6 months $	7 to 12 months $	13 to 24 months $	25 to 60 months $	Over 60 months $	Total $
30 September 2023 (unaudited)						
Financial assets						
Revolving credit facilities	18,318,065	19,139,181	4,889,820	66,243	-	42,413,309
31 March 2023 (audited)						
Financial assets						
Revolving credit facilities	26,421,101	16,550,657	8,850,112	-	-	51,821,870
30 September 2022 (unaudited)						
Financial assets						
Revolving credit facilities	23,040,126	11,719,711	6,820,943	-	-	41,580,780

With regards to the Financial Debt instruments, the Company expects reinvestment in future years. Historically, the company has a reinvestment rate of approximately 73% calculated from 1 June 2006 to 30 September 2023. Although these rates are historical, the Company reasonably expects to be able to maintain an average annual reinvestment rate between 60% to 80% in the near future. The reinvestment rate for the year to 31 March 2023 was 66.7% and the 6 months to 30 September 2023 was 65.4%.

The expected repayment profile of the revolving credit facilities varies from the contractual repayment profile because, although the facilities are technically repayable on demand, the Company has negotiated various repayment options with the borrowers.

(c) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is an important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally on advances made to its customers which are classified as receivables and deposits held with the major trading banks in New Zealand. There is also credit risk in undrawn lending commitments.

4 Financial Risk Management (continued)

(c) Credit risk (continued)

The Company manages credit risk in a number of ways:

- A Board approved delegated authority policy with discretionary approval limits exists. This is subject to monitoring and periodic reviews;
- In consumer lending, the company has in place credit processes which are employed in the assessment of new applications for credit. These processes incorporate identification checks, debt servicing ability verification, credit and PPSR checks, stability checks and standard business rules in assessing credit history. The majority of consumer lending is done on a secured basis. Secured loans are subject to documented loan to valuation ratio and age of asset to term requirements; and
- In commercial lending, a similar process is applied and the integrity, financial performance and security position of the borrowing entity and individual guarantors is subject to assessment. Approval criteria includes credit checks, PPSR checks, financial analysis and security valuations. Assets financed include plant and equipment, machinery, road transport and property.

(i) *Credit risk management process*

The management of credit risk starts with credit approval and is conducted in a number of ways:

- A credit approval process which includes approved discretionary approval limits and a Board approved credit policy;
- Predominantly secured advances;
- Maximum exposure limitations as set by Trustee covenants;
- Experienced and capable credit control team managing receivables on a daily basis; and
- On going monitoring.

The Company's policy on limiting credit risk is through managing each exposure on a daily basis. Operating system software identifies default and this default is then managed by an experienced credit controller employed by the Company. The credit controller adheres to a written policy based on legislative requirements.

(ii) *Concentrations of credit exposure*

The Company's policy on limiting credit risk is through managing the counterparties with the largest exposure. At present the amount owing by the six largest borrowers is 28.8% before specific provisions (March 2023: 21.3%; September 2022: 24.0%) of the net finance receivables.

Counterparty concentrations

The table below shows the Company's concentration of credit exposure as advances to borrowers in bands of 10% of the Company's equity as at balance date.

	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
Percentage of shareholders' equity (%)			
Loan accounts			
10 - 19%	12	14	13
20 - 29%	5	11	8
30 - 39%	1	-	-
40 - 50%	-	-	-

Economic concentrations

Concentrations of credit risk will exist if a number of retail and/or commercial customers are engaged in similar activities and are subject to similar economic conditions that would cause their ability to meet contractual obligations to be similarly affected by changes in these conditions.

The table below details the economic sector split of receivables.

	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
Receivables by sector	$	$	$
Retail customers	68,293	73,424	89,387
Commercial customers	49,043,696	57,196,433	48,347,559
	49,111,989	57,269,857	48,436,946

4 Financial Risk Management (continued)

(c) Credit risk (continued)

Geographic concentrations of receivables

The table below details the geographic split of receivables:

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Canterbury	45,647,227	53,934,760	46,683,006
Otago / Southland	570,433	1,390,841	1,378,998
Rest of South Island	212,617	253,937	144,756
Wellington	8,111	8,457	8,600
Auckland / Northland	2,415,063	1,677,686	217,145
Rest of North Island	258,538	4,176	4,441
	49,111,989	57,269,857	48,436,946

Industry concentration of receivables

The Company lends to various industries including commercial property, licenced Class 4 gaming operators, personal lending and commercial business.

The table below details the industry split of receivables:

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Commercial Business	3,642,393	5,708,400	5,716,160
Personal Lending	252,846	258,660	274,308
Gaming	2,192,165	740,156	202,709
Property	43,024,585	50,562,641	42,243,769
	49,111,989	57,269,857	48,436,946

Security type concentration of receivables

The Company's lending is secured by a number of different securities.

The table below details the security split of receivables:

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Secured by 1st charge on land & buildings	40,762,362	48,379,922	42,301,417
Secured by 2nd or subsequent charge on land & buildings	4,328,043	6,537,015	3,532,931
Secured by charge registered under the PPSA	3,954,988	2,287,514	2,531,055
Unsecured	66,596	65,406	71,543
	49,111,989	57,269,857	48,436,946

(iii) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
Credit exposures relating to on-balance sheet assets:	$	$	$
Cash and cash equivalents	6,259,787	1,525,048	4,479,786
Finance receivables	49,111,989	57,269,857	48,436,946
Other receivables	148,461	159,428	176,512
	55,520,237	58,954,333	53,093,244
Credit exposures relating to off-balance sheet items:			
Undrawn lending commitments over the next 12 months	21,676,271	24,487,399	24,391,190

The above table represents a worse case scenario of credit risk exposure at 30 September 2023, 31 March 2023 and 30 September 2022 without taking account of any collateral held or other credit enhancements attached. For balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 88.5% of the total maximum exposure is derived from finance receivables (March 2023: 97.1%; September 2022: 91.2%).

4 Financial Risk Management (continued)

(c) Credit risk (continued)

(iv) *Receivables restructured*

During the period various receivables have been restructured or renegotiated. Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Receivables which have been restructured at balance date total $23,043 and had an impairment provision of $12,487 (March 2023: $39,948; Impairment provision $24,965; September 2022 $41,948; impairment provision $26,915).

(d) Funding risk

The funding risk of the company is its ability to raise funds from the public in New Zealand financial markets and to secure reinvestment from existing depositors. Traditionally this risk was managed by matching funding requirements to lending requirements and correlating advertising spending and deposit rates offered with funding sought. However, in the current climate, this risk is to a large extent not controllable by the Company.

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement by level of the following fair value measure hierarchy;

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

The following table presents the company's assets measured and recognised at fair value at 30 September 2023, 31 March 2023 and 30 September 2022.

Other financial receivables include a receivables ledger bought from a related party. This ledger is revalued to its net present value based on a discount rate of 10% (March 2023: 10%; September 2022: 10%). The discount rate was calculated based on the weighted average cost of capital, taking into account risk factors. The movement in revaluation is offset against the income derived from the unwinding of the discount applied from these receivables to give the recognisable income for the period.

	Level 1	Level 2	Level 3	Total
As at 30 September 2023 (unaudited)				
Assets				
Other receivables	-	-	148,461	148,461
Total Assets	-	-	148,461	148,461
As at 31 March 2023 (audited)				
Assets				
Other receivables	-	-	159,428	159,428
Total Assets	-	-	159,428	159,428
As at 30 September 2022 (unaudited)				
Assets				
Other receivables	-	-	176,512	176,512
Total Assets	-	-	176,512	176,512

The following table presents the changes in level 3 instruments over the period:

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Opening Balance	159,428	192,323	192,323
Repayments received	(17,626)	(50,137)	(23,898)
Gains recognised in the statement of comprehensive income	6,659	17,242	8,087
Closing Balance	148,461	159,428	176,512

Gains on these assets are recognised within interest & similar income in the statement of comprehensive income.

4 Financial Risk Management (continued)

Level 3 financial instruments are valued on the following basis

Description	Fair Value	Valuation techniques	Unobservable Inputs	Range of Unobservable Inputs (Average)	Relationship of Unobservable Inputs to Fair Value
As at 30 September 2023 (unaudited)					
			Cash Receipts	$15.50 - $280.00 ($69.33)	The higher the cash receipt, the larger the fair value of the receivable.
Other Assets	148,461	Discounted Cashflow method	Discount Rates	10% p.a	The greater the discount rate, the lower the fair value of the balance.
			Payment Periods	1- 557 months (100.7 months)	The longer the repayment in a period, the lower the fair value of the balance.
As at 31 March 2023 (audited)					
			Cash Receipts	$15.50 - $280.00 ($70.22)	The higher the cash receipt, the larger the fair value of the receivable.
Other Assets	159,428	Discounted Cashflow method	Discount Rates	10% p.a	The greater the discount rate, the lower the fair value of the balance.
			Payment Periods	1- 573 months (101.0 months)	The longer the repayment in a period, the lower the fair value of the balance.
As at 30 September 2022 (unaudited)					
			Cash Receipts	$15.50 - $280.00 ($73.17)	The higher the cash receipt, the larger the fair value of the receivable.
Other Assets	176,512	Discounted Cashflow method	Discount Rates	10% p.a	The greater the discount rate, the lower the fair value of the balance.
			Payment Periods	1- 586 months (97.9 months)	The longer the repayment in a period, the lower the fair value of the balance.

The group's finance department includes an individual that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This individual reports directly to the board of directors. Discussions of valuation processes and results are held once a month.

The main level 3 inputs used by the company are derived and evaluated as follows:

Cash Receipts

The cash receipts are determined based on the amount of cash received each payment period from the receivable.

Discount Rate

Discount rate is based on the weighted average cost of capital of the company.

Period Payments

Payment periods are based on the total value of the receivable divided by the monthly payments to establish how many months the receivable will take to pay back.

Description	Fair Value at 30 September 2023 (unaudited)	Valuation techniques	Un-observable Inputs	Average Input	Reasonable Possible Shift +/- (absolute value)	change in valuation +/-
			Cash Receipts	$69.33	20%	(10,839)
Other assets	$148,461	Discounted cashflow method	Discount Rate	10%	0%	(see note below)
			Payment Periods	100.7	-20%	13,022

Description	Fair Value at 31 March 2023 (audited)	Valuation techniques	Un-observable Inputs	Average Input	Reasonable Possible Shift +/- (absolute value)	change in valuation +/-
			Cash Receipts	$70.22	20%	(11,509)
Other assets	$159,428	Discounted cashflow method	Discount Rate	10%	0%	(see note below)
			Payment Periods	101.0 months	20%	13,815

4 Financial Risk Management (continued)

(e) Fair value estimation *(continued)*

Description	Fair Value at 30 September 2022 (unaudited)	Valuation techniques	Un-observable Inputs	Average Input	Reasonable Possible Shift +/- (absolute value)	change in valuation +/-
Other assets	$176,512	Discounted cashflow method	Cash Receipts	$73.17	20%	35,302
			Discount Rate	10%	0%	(see note below)
			Payment Periods	97.90 months	20%	35,302

(Note: The rate of 10% has been used to discount the value of this Receivables ledger based on the Company's cost of capital and has not and is not expected to move over the life of this ledger.)

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For the assets valued at Fair Value through Profit and Loss, increases in the cash receipts received would increase the value of the receivable. However an increase in the interest rates and payment periods would lead to a decrease in estimated value.

There are interrelationships between unobservable inputs used in the company's valuation techniques. These interrelationships are between the cash receipts and payment periods. A decrease in cash receipts will lead to an increase in payment periods. These will both decrease the value of the asset at the period end.

The fair value of the loan receivables portfolio, can be estimated by reference to loan interest rates available for a similar credit risk and repayment terms in the lending market that the Company operates in at reporting date. These rates at 30 September 2023 have increased marginally over the interest rates of the existing loan portfolios of the Company.

All financial assets and liabilities with the exception of loans receivables and finance borrowings are short-term instruments where the carrying amount equates to their fair value.

Finance borrowings include debenture stock and unsecured deposits, and their fair value can be estimated by reference to the interest rates available for investments with a similar term and a similar risk and security profile. As at 30 September 2023, these rates have increased over the interest rates of the existing portfolio of deposits and debentures.

The following tables analyse within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at 30 September 2023, 31 March 2023 and 30 September 2022 but for which fair value is disclosed.

	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
As at 30 September 2023 (unaudited)					
Assets					
Cash and Cash Equivalents	6,259,787	-	-	6,259,787	6,259,787
Finance Receivables	-	-	45,645,408	45,645,408	49,552,989
Total	6,259,787	-	45,645,408	51,905,195	55,812,776
Liabilities					
Interest bearing liabilities	-	-	43,122,888	43,122,888	46,287,129
Total	-	-	43,122,888	43,122,888	46,287,129
As at 31 March 2023 (audited)					
Assets					
Cash and Cash Equivalents	1,525,048	-	-	1,525,048	1,525,048
Finance Receivables	-	-	54,637,854	54,637,854	57,269,857
Total	1,525,048	-	54,637,854	56,162,902	58,794,905
Liabilities					
Interest bearing liabilities	-	-	42,895,953	42,895,953	50,042,245
Total	-	-	42,895,953	42,895,953	50,042,245
As at 30 September 2022 (unaudited)					
Assets					
Cash and Cash Equivalents	4,479,786	-	-	4,479,786	4,479,786
Finance Receivables	-	-	47,259,946	47,259,946	48,436,946
Total	4,479,786	-	47,259,946	51,739,732	52,916,732
Liabilities					
Interest bearing liabilities	-	-	42,660,448	42,660,448	45,135,309
Total	-	-	42,660,448	42,660,448	45,135,309

The Company's assets and liabilities included in the tables above are carried at amortised cost.

4 Financial Risk Management (continued)

(f) Foreign exchange risk

At 30 September 2023, the Company had no foreign currency exposure (March 2023: Nil; September 2022: Nil).

(g) Price risk

At 30 September 2023, the Company had no price risk exposure (March 2023: Nil; September 2022: Nil).

5 Capital risk management

Capital adequacy

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholders, and
- to maintain a strong capital base to support the development of its business.

The Company meets these objectives through a mix of capital and secured debt.

The level and mix of capital is determined by the Trust Deed under which the Company issues secured debt instruments as well as the Company's internal Corporate Governance Policies.

The Trust Deed imposes major covenants on borrowing activities:

(i) That total liabilities do not exceed 12 times Shareholders Funds.

(ii) That prior charges do not exceed 7.5% of security assets.

(iii) That Secured Liabilities do not exceed the aggregate of:

a) 100% of Readily Realisable Assets
b) 92% of Secured Receivables
c) 85% of Unsecured Receivables
d) 85% of Short-term investments
e) 70% of Other Readily Fundable Assets
f) 70% of Real Property
g) 45% of Other Tangible Assets

(iv) Listed Securities do not exceed 5% of Total Tangible Assets

(v) Total Contingent Liabilities will not exceed 150% of Shareholders Funds.

(vi) The Risk Weighted Capital Ratio will not be less than:

(i) 8%, if the company has a credit rating;

MCF has been rated by Equifax Australasia Credit Ratings Pty Limited ("Equifax"). Equifax gives ratings from AAA through to D.

On 21 July 2023, Equifax issued MCF a credit rating of B with a Stable outlook.

As at 30 September 2023, the actual Capital Ratio was 12.51% (March 2023: 13.11%; September 2022: 13.85%).

(vii) The aggregate exposure to related parties does not exceed 15% of the company's capital.

As at 30 September 2023, the actual Related Party lending was 0.05% (March 2023: 0.01%; September 2022: 0.03%).

(ix) The company's liquid assets are the greater of:

(a) at least:

(i) 10% of total liabilities if the capital ratio is less than 11%; or
(ii) 8.75% of total liabilities if the capital ratio is greater than 11% but less than 13%; or
(iii) 7.5% of total liabilities if the capital ratio is 13% or greater; and

(b) at least 110% of any deficit amount arising from:

(i) the aggregate amount receivable by the company in cash by way of principal and interest during the forthcoming financial quarter and the amount of any financial assets of the Charging Group that are at call or available on demand during the forthcoming financial quarter; less

(ii) the aggregate of the total amount of cash payable against liabilities of the company during the forthcoming financial quarter (including but not limited to principal, interest, tax, operating expenses and capital commitments).

The Company has been operating under this Trust Deed since April 2006 and was compliant with these covenants during the period ended 30 September 2023.

6 Critical accounting estimates and judgements

In applying the Company's accounting policies, estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from the resulting accounting estimates.

Significant judgments, estimates and assumptions made by the management in the preparation of these financial statements are outlined as follows:

Provisions for impairment loss

Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of full recovery is assessed. The value of impairment loss, if any, is estimated by reference to the likely ability to recover the receivable through collection processes or through enforcement of security or guarantees, net of related costs. The collective provision for impairments is estimated using historic trends adjusted for current information relating to economic environment.

7 Summary of other significant accounting policies

(a) Goods and Services Tax (GST)

The Company is a non-registered entity in terms of the Goods and Services Act 1985 and the financial statements are therefore GST inclusive.

Cash flows in the cash flow statement include GST.

(b) Impairment of non-financial assets

Assets that have indefinite useful lives or are not yet available for use are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use.

Non-financial assets, other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

(c) Future income

Future income represents the excess of the cost over the present value of acquiring a block of finance receivables. Amortisation is calculated on a straight line basis over the period of expected benefit.

(d) Adoption of policies

There were no new policies adopted during the financial period.

8 Net interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial assets and liabilities measured at amortised cost using the effective interest method.

The effective interest method allocates the interest income or interest expense over the life of the contract or, when appropriate, a shorter period using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates the future cash flows considering all the contractual terms of the contract, but does not include future credit losses. The calculation of the effective interest rate includes all fees, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

8 Net interest income and expense (continued)

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
Interest and similar income	$	$	$
Loans & advances	2,975,623	5,309,184	2,533,267
Savings Accounts	45,952	36,260	4,548
Past due loans	105	292	180
	3,021,680	5,345,736	2,537,995
Interest expense and similar charges			
Finance borrowings	1,468,777	2,303,783	1,035,819
Net interest income	1,552,903	3,041,953	1,502,176

9 Net fee and commission income

Establishment and document fees charged to customers are recognised as income over the term of the loans to which they relate. The unamortised portion of establishment fees is included in liabilities as unearned income.

Broker fees paid to dealers are recognised as expenses over the term of the loans, or the period of the deposits, to which they relate. The unamortised portion of dealer and broker fees is included in assets as unrecognised expenses.

In October 2014, the Company established a new revenue stream from fees derived from arranging financing by way of a syndicate of lenders, which may or may not include the Company. The Company acts as an agent for the syndicate, holding the loan agreements and securities on behalf of all syndicate contributors and undertaking the administration of the advance. The Company receives a fee for the origination and on-going fees for the management of the advance in addition to the gross margin it receives from its share, if any, of the finance provided.

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
Fee and commission income	$	$	$
Establishment and document fees	689,986	1,033,551	440,077
Fee and commission expense			
Broker & Loan commissions	20,176	120,924	54,823
Net fee and commission income	669,810	912,627	385,254

10 Income tax expense

The income tax expense recognised for the period is the estimated tax payable in the current period. The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate, plus/minus prior periods under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
(a) Income tax expense	$	$	$
Current tax expense / (benefit)	335,663	611,214	261,531
Movement in Deferred tax	(11,423)	(34,675)	(15,613)
	324,240	576,539	245,918

10 Income tax expense (continued)

(b) Reconciliation of income tax expense to prima facie tax payable	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Profit /(loss) before income tax	1,156,302	2,053,471	876,375
Tax at the New Zealand tax rate of 28%	323,765	574,972	245,385
Tax effect of amounts which are not deductible in calculating taxable income:			
Non deductible expenses	475	1,567	533
Income tax expense	324,240	576,539	245,918

There are no unrecognised tax losses available to the Company.

(c) Provision for tax account	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Opening balance Payable / (Refund)	285,201	186,948	186,948
Tax paid	(499,126)	(512,961)	(349,955)
Current tax expense per Note 10(a)	335,663	611,214	261,531
Closing Balance Payable / (Refund)	121,738	285,201	98,524

11 Deferred tax assets

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
The balance comprises temporary differences attributable to:	$	$	$
Doubtful debts	123,480	98,280	92,960
Employee benefits	14,161	15,256	18,935
Expenses deferred	(20,478)	(6,742)	(13,317)
Income accrued	(22,720)	(35,047)	(23,575)
Expenses accrued	47,435	58,708	36,389
Net deferred tax assets	141,878	130,455	111,392
Movements:			
Opening balance	130,455	95,779	95,779
Charged to the statement of comprehensive income (note 10)	11,423	34,676	15,613
Closing balance	141,878	130,455	111,392
Expected settlement:			
Within 12 months	141,878	130,455	111,392
Greater than 12 months	-	-	-

Obtaining the benefits of the deferred tax assets is dependent upon deriving sufficient assessable income and complying with relevant tax legislation around continuity of ownership.

Deferred tax has been recognised at 28% for 30 September 2023 (March 2023: 28%; September 2022: 28%).

12 Imputation credit account

Imputation credit account	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Balance at beginning of period	1,117,739	818,181	818,181
Credits attached to dividends paid	(126,389)	(213,403)	(102,569)
Tax payments, net of refunds	499,126	512,961	349,955
Balance at end of period	1,490,476	1,117,739	1,065,567

13 Related party transactions

(a) Directors

The names of persons who were directors of the Company at any time during the reporting period are as follows: Peter Rae, John A Wheelans, David J Tier and Herbert (Bert) L J Govan.

(b) Key management and personnel compensation

Key management personnel compensation for the periods ended 30 September 2023, 31 March 2023 and 30 September 2022 are set out below. The key management personnel are all the directors of the Company and the two executives with the greatest authority for the strategic direction and management of the Company.

	Remuneration Benefits $000	Post-employment benefits $000	Other long-term benefits $000	Termination benefits $000	Share-based payments $000	Total $000
Period ended 30 September 2023 (unaudited)	350	-	-	-	-	350
Year ended 31 March 2023 (audited)	603	-	-	-	-	603
Period ended 30 September 2022 (unaudited)	309	-	-	-	-	309

(c) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

(i) Loan balances and interest

Loans to key management personnel comprise:	(unaudited) September 2023	(audited) March 2023	(unaudited) September 2022
Loans to entities controlled by Directors	-	-	-
Other short term advances to entities controlled by Directors	-	-	-
	-	-	-
Interest revenue from these loans for the period	-	-	-
Deposits from key management personnel comprise:			
Deposits from entities controlled by Directors	987,031	3,272,459	799,380
Deposits from entities controlled by family members	1,475,022	437,674	946,534
Deposits from entities controlled by senior management	949,092	936,819	838,259
	3,411,145	4,646,952	2,584,173
Interest paid on these deposits for the period	135,567	204,019	71,834
Loan guarantees:			
Guarantees from entities controlled by Directors	4,060	978	1,951

The guarantee represents an amount if the provisioning model used to calculate the impairment provision of the Finance Receivables ledger was applied to the Other Receivables recorded in Other Assets. In accordance with the recourse terms of the receivable purchase agreement, MCF can request MCAM to replace non performing receivables with new performing receivables.

13 Related party transactions (continued)

David Tier is a Director of the Company and is also a Director of TruemanTier Limited which provides ad hoc consulting services from time to time. The total amount paid for their services during the period was $Nil (March 2023: $Nil; September 2022: $Nil).

Peter Rae is a Director of the company and is also a Director and shareholder of Peter Rae Industries Limited which owns 38.7% of the Company.

John A Wheelans is a Director and shareholder of MCF Holdings Limited which owns 44.8% of the Company.

There was a short term of advance of $Nil from MCF Holdings Ltd as at September 2023 (March 2023: $33,000; September 2022: Nil) which has been included under Other Payables (see Note 18)

John A Wheelans is a Director and shareholder of the Company and is also a previous Director of Ashton Wheelans Limited, Chartered Accountants (resigned 1 April 2020). Ashton Wheelans Limited provides tax and accounting services to the Company which is renewable at the commencement of each financial year on normal commercial terms. The total amount paid for their services during the period was $Nil (March 2023: $288; September 2022: $288).

John A Wheelans is also a Director and shareholder of Mutual Credit Asset Management Limited (MCAM - formerly National Credit Corporation).

On 31 March 2008, the Company purchased from MCAM $1,167,375 worth of repayment arrangements negotiated from a parcel of loan receivables MCAM had acquired from a third party. The fair value of these loan receivables based on the present value of the future cash flows was considered to be $750,000, which was the purchase price paid by the Company to MCAM on 14 April 2008.

During the period 2006-2009, the Company sold certain receivables to MCAM at fair value.

The remaining receivable balance from MCAM has been classified as an investment in "other receivables" under "Other Assets" in these financial statements.

The purchase price of the above receivables was the fair value of the receivables based on the present value of the future cashflows. As the receivables are subject to repayment arrangements, there is money being received regularly to be applied to these receivables. At the end of each month, the outstanding receivable balance is re-valued to the then present value of the future cashflows in line with the purchase price calculation using a discount rate of 10%. Under the recourse arrangements of the purchase agreement with MCAM, any of these other receivables totalling $148,461 (March 2023: $159,428; September 2022: $176,512) that are past due by 90 days, can be replaced with other performing finance receivables at no cost.

The fair value of receivables with recourse to MCAM at 30 September 2023 totalled $148,461 (31 March 2023: $159,428; September 2022: $176,512) At 30 September 2023, in accordance with the recourse terms of the receivable purchase agreement, the company could claim $4,060 (March 2023: $978; September 2022: $1,951).

No amounts owed by related parties have been written off or forgiven during the period, or are within the impaired asset categories (March 2023: Nil; September 2022: Nil). As noted above, the company has the ability to call on a guarantee of $4,060 (March 2023: $978; September 2022: $1,951) from MCAM in respect to non-performing loans as per the sale and purchase agreement.

(d) MCF Holdings Limited

MCF Holdings Limited is the ultimate controlling entity and owns 44.8% (March 2023: 44.8%; September 2022: 44.8%) of the shares of the Company.

14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts repayable on demand.

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Cash at bank and in hand	6,259,787	1,525,048	4,479,786

For the Company, the effective interest rate on cash at bank was 3.55%. (March 2023: 0.99%; September 2022: 0.40%).

15 Other assets

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Other receivables (see also Note 13)	148,461	159,428	176,512
Sundry debtors	225,374	197,845	148,586
Unexpired dealers commission	48,785	41,082	36,080
	422,620	398,355	361,178

16 Property, plant and equipment and Leases

(a) Property, plant & equipment

All property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment have been depreciated using the diminishing value method to allocate their cost over their estimated useful lives, as follows:

- Furniture and fittings	8.0% - 50.0%
- Office equipment	10.0% - 50.0%
- Leasehold Improvements	25.0%
- Motor Vehicles	18.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount then its carrying amount is written down immediately to its recoverable amount by recording an impairment loss in the statement of comprehensive income.

Gains and losses on disposals are calculated by taking the difference between the net sale proceeds and the carrying amount at the time of disposal. These are included in the statement of comprehensive income.

16 Property, plant and equipment (continued)

	Motor Vehicles	Furniture & fittings $	Leasehold Improvements $	Office Equipment $	Total $
At 1 April 2022					
Cost	163,524	83,165	158,360	24,413	429,462
Accumulated depreciation	(72,820)	(20,922)	(6,598)	(20,740)	(121,080)
Net book amount	90,704	62,243	151,762	3,673	308,382
Six months to 30 September 2022 (unaudited)					
Opening net book amount	90,704	62,243	151,762	3,673	308,382
Additions	-	2,414	11,489	558	14,461
Disposals	-	-	-	-	-
Depreciation charge	(7,893)	(5,069)	(19,218)	(820)	(33,000)
Closing net book amount	82,811	59,588	144,033	3,411	289,843
At 30 September 2022					
Cost	163,524	85,579	169,849	24,971	443,923
Accumulated depreciation	(80,713)	(25,991)	(25,816)	(21,560)	(154,080)
Net book amount	82,811	59,588	144,033	3,411	289,843
Year ended 31 March 2023 (audited)					
Opening net book amount	90,704	62,243	151,762	3,673	308,382
Additions	-	2,414	11,489	4,794	18,697
Disposals	-	-	-	(142)	(142)
Depreciation charge	(16,327)	(10,485)	(38,973)	(2,233)	(68,018)
Closing net book amount	74,377	54,172	124,278	6,092	258,919
At 1 April 2023					
Cost	163,524	85,579	169,849	29,065	448,017
Accumulated depreciation	(89,147)	(31,407)	(45,571)	(22,973)	(189,098)
Net book amount	74,377	54,172	124,278	6,092	258,919
Six months to 30 September 2023 (unaudited)					
Opening net book amount	74,377	54,172	124,278	6,092	258,919
Additions	-	-	-	1,829	1,829
Disposals	-	-	-	(41)	(41)
Depreciation charge	(6,556)	(4,059)	(18,602)	(1,743)	(30,960)
Closing net book amount	67,821	50,113	105,676	6,137	229,747
At 30 September 2023					
Cost	163,524	85,579	169,849	30,853	449,805
Accumulated depreciation	(95,703)	(35,466)	(64,173)	(24,716)	(220,058)
Net book amount	67,821	50,113	105,676	6,137	229,747

Depreciation expense of $30,960 (March 2023: $68,018; September 2022: $33,000) is included in the "Depreciation expense" in the statement of comprehensive income.

(b) Leases

(i) The balance sheet shows the following amounts related to leases

		(unaudited) Period ended 30 September 2023 $	(audited) Year ended 31 March 2023 $	(unaudited) Period ended 30 September 2022 $
Right-of-use assets				
	Plant & Equipment	3,244	3,993	4,742
	Premises	207,091	254,881	302,671
		210,335	258,874	307,413
Lease Liabilities	Current	99,369	96,883	94,461
	Non-current	122,478	172,792	221,847
		221,847	269,675	316,308

16 Property, plant and equipment (continued)

(b) Leases

(ii) The statement of profit and loss shows the following amounts related to leases:

	(unaudited) Period ended September 2023	(audited) Year ended March 2023	(unaudited) Period ended September 2022
Depreciation charge of right of use assets	$	$	$
Plant & Equipment	749	1,498	749
Premises	47,790	95,580	47,790
	48,539	97,078	48,539
Interest expense (included in other expenses)	6,116	15,789	8,477

(iii) *The company's leasing activities and how they are accounted for.*

The company leases office space and has a lease in place until November 2025, The company also leases office equipment with a lease in place until November 2025. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased property is available for use.

Contracts may contain both lease and non-lease components. For leases of premsies, the company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the secuirty interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted at an incremental borrowing rate at a rate similar to that which the company would have to borrow the funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environment with similar terms, secuirty and conditions. Lease liabilities are discounted using a cost of funds rate between 5% to 10%%.

Additions to the right-of-use assets during the period to 30 September 2023 were $Nil (March 2023: $22,677; September 2022: $24,739)

The total cash outflow for leases for the period to 30 September 2023 was $53,945 (March 2023: $107,890; September 2022: $53,945)

17 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:

	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
PricewaterhouseCoopers			
Audit of financial statements	27,600	45,448	7,245
Review of interim financial reports	30,475	25,300	19,320
Supervisor Reporting	-	6,785	-
Deposit Register Compliance	-	4,025	-
Total remuneration for audit services	58,075	81,558	26,565

Trustee reporting services comprise reporting to the Trustee in accordance with Clause 10.1(b) of the Trust Deed.
Supervisor reporting services comprise reporting to the Supervisor in accordance with sections 198 & 199 of the Financial Markets Conduct Act 2013.

18 Trade and other payables

	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Accrued expenses	303,563	301,996	240,819
Unearned income - establishment fees	444,414	394,458	272,465
Staff Remuneration & PAYE	105,087	123,506	80,041
Intercompany Advances (see note 13)	-	33,000	-
Holiday Pay accrued	36,076	41,987	55,126
	889,140	894,947	648,451

Liabilities for wages and salaries and annual leave accruing to employees and expected to be settled within 12 months of the reporting date are recognised and measured at the amounts expected to be paid when the liabilities are settled.

19 Share capital

	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Ordinary shares	12,500,000	12,500,000	12,500,000
Fully paid (no par value)	$7,784,886	$7,784,886	$7,784,886

At 30 September 2023, the total number of issued shares is 12,500,000 (March 2023: 12,500,000; September 2022: 12,500,000) with no par value.

There were was no ordinary share capital issued during the period.

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(a) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's directors. Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

A fully imputed dividend of $0.0097 per share was declared and paid on 26 May 2022. This equated to a total payment of $121,250.

A fully imputed dividend of $0.0114 per share was declared and paid on 18 August 2022. This equated to a total payment of $142,500

A fully imputed dividend of $0.0116 per share was declared and paid on 24 November 2022. This equated to a total payment of $145,000

A fully imputed dividend of $0.0112 per share was declared and paid on 23 February 2023. This equated to a total payment of $140,000.

A fully imputed dividend of $0.013 per share was declared and paid on 25 May 2023. This equated to a total payment of $162,500

A fully imputed dividend of $0.013 per share was declared and paid on 25 July 2023. This equated to a total payment of $162,500

A fully imputed dividend of $0.0135 per share was declared and paid on 23 November 2023. This equated to a total payment of $168,750

20 Accumulated profits / losses

Movements in accumulated losses were as follows:

	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Opening balance	564,554	(363,628)	(363,628)
Profit after tax for the period	832,062	1,476,932	630,457
Dividend distribution	(325,000)	(548,750)	(263,750)
Closing balance	1,071,616	564,554	3,080

21 Commitments

As disclosed in note 4 (c.) there are undrawn lending commitments at the end of the financial period.

There are no material commitments in respect of leases and hire purchase agreements or for capital expenditure not recognised in the financial statements (March 2023: Nil; September 2022: Nil).

22 Events occurring after the balance sheet date

Subsequent to balance date, a dividend has also been declared and paid, as disclosed in Note 19.

There have been no other material subsequent events after the reporting date.

23 Contingent liabilities

There were no contingent liabilities at 30 September 2023 (March 2023: Nil; September 2022: Nil).

24 Reconciliation of total comprehensive income to net cash inflow from operating activities

	(unaudited) Period ended September 2023 $	(audited) Year ended March 2023 $	(unaudited) Period ended September 2022 $
Total comprehensive income for the period	832,062	1,476,932	630,457
Add/(less) non cash items			
Bad & doubtful debts	90,000	109,000	90,000
Depreciation and amortisation	79,540	165,238	33,000
Interest credited to finance receivables	(386,757)	(586,823)	(146,294)
Interest debited to interest bearing liabilities	467,429	623,630	312,459
Other expenses	6,117	15,789	5,549
Provision for deferred tax	(11,423)	(34,676)	(15,613)
Change in operating assets and liabilities			
(Increase)/decrease in loans and advances	8,454,625	(14,392,817)	(5,941,881)
Increase of secured debt instruments	(4,222,545)	13,075,931	8,480,166
(Increase)/decrease in other operating assets	(24,265)	(63,436)	(65,810)
Increase/(decrease) in other operating liabilities	(5,807)	306,350	105,320
Increase/(decrease) in provision for income taxes payable	(163,463)	98,253	(88,424)
Net cash inflow / (outflow) from operating activities	5,115,513	793,371	3,398,929

The following are the definitions of terms used in the statement of cash flows:

(i) Operating activities

Operating activities include all transactions and other events that are not investing or financing activities.

(ii) Investing activities

Investing activities are those activities relating to the acquisition and disposal of investments and other assets. Investments include securities not falling into the definition of cash.

(iii) Financing activities

Financing activities are those activities relating to changes in the equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company's equity capital.

Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	(unaudited) September 2023 $	(audited) March 2023 $	(unaudited) September 2022 $
Cash & cash equivalents	6,259,787	1,525,048	4,479,786
Borrowings -repayable within one year	(27,720,471)	(33,488,023)	(27,401,782)
Borrowings -repayable after one year	(18,566,658)	(16,554,222)	(17,733,528)
Net Debt	(40,027,342)	(48,517,197)	(40,655,524)
Cash & cash equivalents	6,259,787	1,525,048	4,479,786
Gross Debt - fixed interest rates	(43,924,455)	(45,909,500)	(41,187,882)
Gross Debt - variable interest rates	(2,362,674)	(4,132,745)	(3,947,428)
Net Debt	(40,027,342)	(48,517,197)	(40,655,524)

	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net Debt as at 1 April 2022	1,404,536	(20,368,564)	(15,974,119)	(34,938,147)
Cash flows	3,075,250	(8,312,373)	(2,750,285)	(7,987,408)
Other non-cash movements	-	1,279,155	990,876	2,270,031
Net Debt as at 30 September 2022	4,479,786	(27,401,782)	(17,733,528)	(40,655,524)
Cash flows	(2,954,738)	(7,933,534)	127,629	(10,760,643)
Other non-cash movements	-	1,847,293	1,051,677	2,898,970
Net Debt as at 31 March 2023	1,525,048	(33,488,023)	(16,554,222)	(48,517,197)
Cash flows	4,734,739	4,085,397	(3,296,494)	5,523,642
Other non-cash movements	-	1,682,155	1,284,058	2,966,213
Net Debt as at 30 September 2023	6,259,787	(27,720,471)	(18,566,658)	(40,027,342)

Independent auditor’s review report

To the shareholders of Mutual Credit Finance Limited

Report on the financial statements

Our conclusion

We have reviewed the financial statements of Mutual Credit Finance Limited (the Company), which comprise the balance sheet as at 30 September 2023, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six month period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying financial statements of the Company do not present fairly, in all material respects, the financial position of the Company as at 30 September 2023, and its financial performance and cash flows for the six month period then ended, in accordance with New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor’s responsibilities for the review of the financial statements* section of our report.

We are independent of the Company in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Company in the areas of registry compliance assurance reporting and supervisor reporting. The provision of these other services has not impaired our independence.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible, on behalf of the Company, for the preparation and fair presentation of these financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities for the review of the financial statements

Our responsibility is to express a conclusion on the financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IFRS and IFRS.

A review of financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these financial statements.

Who we report to
This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Nathan Wylie.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Christchurch
23 November 2023