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Alliant Perpetual and Subsidiaries

Consolidated Financial Statements
for the year ended 31 January 2019

COMPANIES OFFICE
31 JUL 2019
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Alliant Perpetual and Subsidiaries

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**Alliant Perpetual and Subsidiaries
Directors' Report
For the year ended 31 January 2019**

S95 of the Building Society Act 1965 (NZ) requires Directors to attach a report to the Financial Statements. (Section 95: replaced, on 1 April 2014, by section 7 of the Financial Reporting (Amendments to Other Enactments) Act 2013 (2013 No 102)).

The Directors are pleased to present the financial statement of Alliant Perpetual for the year ended 31 January 2019.

- INCORPORATION:** Alliant Perpetual (the Society) was incorporated on 28 April 2008, pursuant to the Building Society Act 1965 (NZ).
- ACTIVITIES:** The main activities of the Society were the provision of banking and associated services for members and non-members.
- RESULTS:** As per the financial statement, the result for the period was a profit of \$139,406 (2018: \$86,095).
- DIVIDENDS:** The Society has chosen not to declare or pay any dividends in this period.
- CAPITAL:** As per the financial statements, the Society's issued capital is \$78,211 with net assets of \$223,049.
- OFFICES:** The Society maintains three offices:
(1) Registered Office: Level 3, 18 London Street, Hamilton, New Zealand. Records are held at this address.
(2) Place of Business: Level 26 PWC Tower, 188 Quay Street, Auckland, New Zealand.
(3) Australian Office: Level 18 Waterfront Place, 1 Eagle Street, Brisbane, Australia.
- EXECUTIVE:** Mr Clive P. Kay – CEO
Mr Ross J. McKinnon – Director
- AUDITOR:** IRCS Limited
- SIGNIFICANT EVENTS:** On 20 February 2019, the Group provided a loan to GJR Technology for the amount of AUD400,000. GJR Technology is a related party through Ross McKinnon being a Director of both Alliant Perpetual and GJR Technologies. The loan was made at arms length and repaid in full plus fees and interest on 22 May 2019.

The Directors report that, the attached Statement of Financial Position is a true, fair and accurate report of the Society as per the International Financial Reporting Standards (NZ IFRS) and Generally Accepted Accounting Principles (GAAP) in New Zealand.

For and on behalf of the Board of Directors:



Mr Clive P. Kay

Dated: 31-7-2019



Mr. Ross J McKinnon

Dated: 31 JULY 19

**Alliant Perpetual and Subsidiaries Statement of Profit or Loss
and Other Comprehensive Income For the year ended 31
January 2019**

| | Notes | 2019 \$ | Group * Restated 2018 \$ |
|--|-------|----------------|-----------------------------------|
| Revenue | | | |
| Interest Received | | 2,144 | - |
| Interest Income | | 291,631 | 36,331 |
| Investment Guarantee Fee | 2 | 137,982 | 108,918 |
| Expenditure | | | |
| Foreign Currency Losses | | (3,028) | (6,300) |
| Bank Revaluations | | (9,610) | - |
| Rent Expense | 11 | (65,677) | (3,400) |
| Administration Expenses | 7 | (241,907) | (52,454) |
| Profit before income tax | | 111,535 | 83,095 |
| Income Tax Benefit | 8 | 27,871 | 3,000 |
| Profit for the year | | 139,406 | 86,095 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign exchange translation | | (50) | - |
| Total comprehensive profit for the year | | 139,356 | 86,095 |

* Refer to note 21 for details regarding the restatement of prior year deferred tax.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**Alliant Perpetual and Subsidiaries Statement of
Financial Position
As at 31 January 2019**

| | Notes | 2019 \$ | Group * Restated 2018 \$ |
|--------------------------------------|-------|-------------------|-----------------------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | 14 | 2,039,402 | 160,519 |
| Receivables | 3 | 37,801 | - |
| Current Tax Asset | | 981 | - |
| Total Current Assets | | 2,078,184 | 160,519 |
| Non-Current Assets | | | |
| Financial Assets | 4 | 9,112,387 | 3,486,102 |
| Deferred Tax Asset | 5 | 29,890 | 3,000 |
| Total Non-Current Assets | | 9,142,277 | 3,489,102 |
| Total Assets | | 11,220,461 | 3,649,621 |
| Current Liabilities | | | |
| Payables | | | |
| Contract Liability | 15 | 222,811 | - |
| Sundry Payable and Accrued Expenses | | 90,000 | 10,000 |
| Accounts Payable | | - | 106,157 |
| | | 312,811 | 116,157 |
| Total Current Liabilities | | 312,811 | 116,157 |
| Non-Current Liabilities | | | |
| Client Term Deposits | 4, 16 | 10,684,601 | 3,449,771 |
| Total Non-Current Liabilities | | 10,684,601 | 3,449,771 |
| Total Liabilities | | 10,997,412 | 3,565,928 |
| Net Assets | | 223,049 | 83,693 |
| Equity | | | |
| Issued Capital | 6 | 78,211 | 78,211 |
| Retained Earnings | | 144,888 | 5,482 |
| Reserves | | (50) | - |
| Total Equity | | 223,049 | 83,693 |

* Refer to note 21 for details regarding the restatement of prior year deferred tax.



Mr. Clive P. Kay - Director

Date: 31-7-2019



Mr. Ross J. McKinnon - Director

Date: 31 JULY 19

The above statement of financial position should be read in conjunction with the accompanying notes

**Alliant Perpetual and Subsidiaries Statement of
Changes in Equity
for the year ended 31 January 2019**

| Group | Notes | Issued Capital \$ | Retained Earnings / (Accumulated Losses) \$ | Foreign Currency Translation Reserve \$ | Total \$ |
|---|-------|-------------------------|---|---|-------------|
| Balance at 1 February 2017 | | 78,211 | (80,613) | - | (2,402) |
| Profit for the year previously reported | | - | 46,764 | - | 46,764 |
| Prior period error | 22 | - | 39,331 | - | 39,331 |
| Profit for the year (restated) | | - | 86,095 | - | 86,095 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive profit for the year | | - | 86,095 | - | 86,095 |
| Balance at 31 January 2018 | | 78,211 | 5,482 | - | 83,693 |
| Profit for the year | | - | 139,406 | - | 139,406 |
| Other comprehensive income | | - | - | (50) | (50) |
| Total comprehensive profit for the year | | - | 139,406 | (50) | 139,356 |
| Balance at 31 January 2019 | | 78,211 | 144,888 | (50) | 223,049 |

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

**Alliant Perpetual and Subsidiaries Statement of
Cash Flows
For the year ended 31 January 2019**

| | Notes | Group | |
|--|-------|---------------------------|---------------------------|
| | | 2019 \$ | 2018 \$ |
| Cash Flow From Operating Activities | | | |
| Interest received | | - | - |
| Client contract receipts | | 407,389 | 108,918 |
| Payments to Suppliers, employees and tax | | <u>(102,522)</u> | <u>(3,072)</u> |
| Net cash provided by operating activities | | <u>304,867</u> | <u>105,846</u> |
| Cash Flow From Investing Activities | | | |
| Purchases of investments | | <u>(5,664,086)</u> | <u>(3,403,019)</u> |
| Net cash (used In) investing activities | | <u>(5,664,086)</u> | <u>(3,403,019)</u> |
| Cash Flow from Financing Activities | | | |
| Funds received from clients | | 7,234,830 | 3,471,695 |
| Effect of exchange rate change | | 3,272 | (14,003) |
| Net cash provided by financing activities | 18 | <u>7,238,102</u> | <u>3,457,692</u> |
| Net increase in cash held | | 1,878,883 | 160,519 |
| Cash and cash equivalents at beginning of year | | 160,519 | - |
| Cash and cash equivalents at end of year | 14 | <u>2,039,402</u> | <u>160,519</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Alliant Perpetual and Subsidiaries Notes to the Financial Statements for the year ended 31 January 2019

1. Statement of Accounting Policies

Reporting Entity

The consolidated financial statements presented are those for Alliant Perpetual (AP) (the Parent) and subsidiary (the Group). The Group consists of the Parent and its wholly owned subsidiary (Alliant Perpetual (AU) Pty Ltd in Australia and Alliant Perpetual (HK) Limited in Hong Kong).

The Group's primary activities are, investment management, trade finance and loans to wholesale / sophisticated investors. The Group is domiciled in New Zealand and currently operates primarily in Australia.

The financial statements have been prepared in accordance with the Building Societies Act 1965, the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Building Society is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 ("The FMCA").

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ((NZ) GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They comply with International Financial Reporting Standards.

These financial statements are prepared in New Zealand dollars (NZD) rounded to the nearest dollar.

In preparing these financial statements in accordance with NZ IFRS, the following standards were available for early adoption but have not been applied by the Group:

- NZ IFRS 16 Leases. Effective from 1 January 2019 and will apply to the Group from 1 February 2019.

The adoption of these standards is not likely to have a material impact on the financial performance or position of the Group.

For clarity, the directors expressly state there are no leases held by the Group.

Where applicable, comparative information has been reclassified to ensure consistency with the current period's presentation.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except where otherwise stated.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Assets and Liabilities

The determination of fair values of assets and liabilities are based on observable data as far as possible.

Basis of Consolidation

Subsidiaries are entities controlled by another Group entity. Control exists when one entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The purchase method of accounting is used in the preparation of these financial statements. The effects of intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

Accounting Estimates, Judgements and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may ultimately differ from these estimates.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

1. Statement of Accounting Policies (continued)

Accounting Estimates, Judgements and Assumptions (continued)

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The Directors have considered the appropriateness of the following critical judgements and estimates:

- Impairment testing of investments

All loans are assessed on a loan-by-loan basis and if any loan is identified as being uncollectible (whether in part or in full) the carrying amount is adjusted with the uncollectible portion written off. Refer also impairment of financial assets policy note.

Significant Accounting Policies

The following accounting policies have been applied by all Group entities consistently in all periods presented in these financial statements.

Revenue and Expense Recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Interest income and expense are recognised as they are realised. The application of this method has the effect of recognising income and expenses for the financial asset or liability. Investment guarantee fee revenue is recognised when the entitlement passes under contractual arrangement.

Expenses are recognised on an accrual basis.

Impairment of Non-Financial Assets

The group has no investments in land or buildings.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets.

Provisions

A provision is recognised if, as a result of a past event, there is a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Alliant Perpetual and Subsidiaries Notes to the Financial Statements for the year ended 31 January 2019

1. Statement of Accounting Policies (continued)

Impairment of Financial Assets

At each reporting date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be reliably estimated. Evidence of impairment is considered at a specific asset level.

Loans are regularly reviewed for impairment. Credit impairment provisions are raised for loans that are known to be impaired.

Loans are impaired if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and that loss event(s) has had a reliably measurable impact on the estimated future cash flows of the individual loan or the loans portfolio.

Equity

Financial assets are impaired where the fair value of the investment can be reliably measured and the carrying amount of the investment exceeds its fair value.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of GST. As of 27th April 2016, the Commissioner of Inland Revenue considers that the Building Society does not have a taxable activity in accordance Section 6(1) of the Goods and Services Tax Act 1985, and accordingly is not entitled to be registered for GST and not allowed to file GST returns.

Income Tax Expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

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

Investments and other financial assets

(i) Classification

From 1 February 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification is based on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Alliant Perpetual and Subsidiaries Notes to the Financial Statements for the year ended 31 January 2019

1. Statement of Accounting Policies (continued)

Investments and other financial assets (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade 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.

Alliant Perpetual and Subsidiaries Notes to the Financial Statements for the year ended 31 January 2019

1. Statement of Accounting Policies (continued)

Investments and other financial assets (continued)

(v) Accounting policies applied until 31 January 2018

The group has applied NZ IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until 31 January 2018, the group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of NZ IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign

currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 16.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Alliant Perpetual and Subsidiaries

Notes to the Financial Statements

for the year ended 31 January 2019

1. Statement of Accounting Policies (continued)

Investments and other financial assets (continued)

Impairment

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, floats and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to settle immediately or in the near term. Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, less any impairment loss.

Restructured loans are those that have been restructured due to degeneration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Contractual changes, including loan extensions that arise in the normal course of business are not considered to give rise to restructured loans.

Deposits

Deposits are customer deposits.

Deposits and Redeemable shares are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost.

Contract Liabilities

Contract liabilities represent the Society's obligation to satisfy its performance obligations to a customer when a customer pays consideration, or when the Society recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Society has transferred the obligation to the customer.

Statement of Cash Flows

The Statement of Cash flows has been presented using the direct approach modified by the netting of certain items.

Cash flows in respect of bank deposits and debt that have been rolled-over under arranged banking facilities have been netted in order to provide meaningful disclosures.

Cash flows for deposits are net cash flows in order to provide more meaningful disclosure, as the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Group.

Alliant Perpetual and Subsidiaries Notes to the Financial Statements for the year ended 31 January 2019

1. Statement of Accounting Policies (continued)

Changes in accounting policies

New and amended standards and interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the Group:

NZ IFRS 9 Financial Instruments

The Group has adopted IFRS 9 from 1 February 2018. The standard introduced new classification and measurement models for financial assets. A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Group.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

NZ IFRS 15 Revenue from Contracts with Customers

The Society has adopted IFRS 15 from 1 February 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity must recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

1. Statement of Accounting Policies (continued)

Changes in accounting policies (continued)

Impact of adoption

IFRS 9 and IFRS 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 February 2018.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

| | New | Previous | Difference |
|--|------------|-----------------|-------------------|
| | \$ | \$ | \$ |
| Revenue | | | |
| Investment Guarantee Fee (i) | 137,982 | 360,793 | (222,811) |
| Statement of financial position | | | |
| Current liabilities | | | |
| Contract Liability (ii) | 222,811 | - | 222,811 |

Investment Guarantee Fee (i)

The Group recognises revenue from investment guarantee fees when the entitlement passes under the contractual arrangement.

Contract Liability (ii)

Contract liabilities represent the Group's obligation to satisfy performance obligations to a customer when a customer pays consideration. The Group recognises a Contract Liability when it has not satisfied its unconditional right to consideration.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

2. Revenue

| | Group | |
|--|---------|---------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Investment Guarantee Fee | 137,982 | 108,918 |

3. Receivables

| | | |
|---------------------|--------|---|
| Estrala ESVCLP Fund | 36,821 | - |
| Other receivables | 980 | - |
| | 37,801 | - |

4. Financial assets

Financial assets at fair value through profit or loss

| | | |
|-------------------------------------|-----------|---|
| MIT Fund - Partner Interest (i) | 5,588,097 | - |
| ESVCLP Fund - Partner Interest (ii) | 3,524,290 | - |

Financial assets at amortised cost

| | | |
|--------------------------------|-----------|-----------|
| IMA Investments in AU | - | 54,758 |
| MIT Fund - Partner Interest | - | 1,460,046 |
| ESVCLP Fund - Partner Interest | - | 1,971,298 |
| | 9,112,387 | 3,486,102 |

During the year ended 31 January 2019, the Group has adopted NZIFRS 9 in accordance with note 1. The Group has elected to classify and measure its financial assets at fair value through profit or loss for the following:

(i) The Group holds redeemable preference units in the MIT Fund that are invested for a period of 4 years. The investments made into the MIT Fund accrue interest for the period and are all expected to be redeemed with interest between the 11 September 2021 and 28 September 2022. Interest is accrued at 7% per annum and the total interest accrued for the year ended 31 January 2019 is \$291,631 (2018: \$36,331).

| | 2019 | 2018 |
|--|------|------|
| | \$ | \$ |

Movements in the MIT Fund during the current and previous financial year are set out below:

| | | |
|-------------------------------|-----------|-----------|
| Opening balance at 1 February | 1,460,046 | - |
| Interest accrued | 291,631 | 36,331 |
| Investments | 3,836,420 | 1,423,715 |
| Closing balance 31 January | 5,588,097 | 1,460,046 |

(ii) Estrala Venture Capital Fund ("Fund") which is an incorporated limited liability partnership registered as an Early Stage Venture Capital Fund ("ESVCLP") with Innovation Australia. Estrala VC Managing Partnership ("VCMP") is the General Partner of the Fund. Estrala Capital & Advisory Pty Ltd, as the trustee for the Estrala Unit Trust, is the General Partner of the VCMP, Australian Financial Services Licence ("AFSL") number 386569. The investments made by ESVCLP are based on calls made by Estrala VC Managing Partnership ("VCMP") as the General Partner of the Fund. The General Partner has the discretion of the how to invest the funds. As a Limited Partner in the Fund, the Group is entitled to recover the principal invested into the fund, plus 35% of the net returns on its invested funds. Management has assessed that the value of the funds invested in the Fund is an appropriate representation of its fair value.

Refer to note 18 for further information on fair value measurement.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

| | Group | |
|----------------------------|---------------|--------------|
| | 2019 | 2018 |
| | \$ | \$ |
| 5. Deferred tax | | |
| Movements: | | |
| Opening balance | 3,000 | - |
| Credited to profit or loss | 26,890 | 3,000 |
| Closing balance | <u>29,890</u> | <u>3,000</u> |

6. Issued Capital

| | 2019 | 2018 | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|---------------|---------------|
| | No. | No. | \$ | \$ |
| Opening Balance at 1 February | 45,715,362 | 45,715,362 | 78,211 | 78,211 |
| Shares issued | - | - | - | - |
| Closing Balance at 31 January | <u>45,715,362</u> | <u>45,715,362</u> | <u>78,211</u> | <u>78,211</u> |

All shares have equal rights to distribution / dividends and assets on winding up.

The Group's policy is to maintain a strong equity / capital base so as to be able to operate. The Group's policy in respect of equity / capital management are reviewed regularly by the Board of Directors.

7. Administrative Expenses

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Includes the following: | | |
| Auditor's Remuneration for the audit of the Group | | |
| IRCS Limited | 62,200 | - |
| Moore Stephens Wellington | - | 12,407 |
| | <u>62,200</u> | <u>12,407</u> |

8. Taxation

| | Group | |
|------------------------------------|-----------------|-----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Profit before tax | 111,535 | 83,095 |
| Prima facie tax at 30% (2018: 30%) | 33,461 | 24,929 |
| Add Back: | | |
| <i>Permanent differences</i> | | |
| Entertainment and other | 2,350 | - |
| <i>Temporary differences</i> | | |
| Accrued expenses | 24,000 | 3,000 |
| Unrealised foreign exchange | 2,890 | - |
| Less: ESVCLP Offset | <u>(34,830)</u> | <u>(24,929)</u> |
| | <u>27,871</u> | <u>3,000</u> |

The Group has submitted an application to register for tax with the Australian Tax Office. No assessments have been made on tax to date as the returns will be lodged when an account is opened.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

9. Controlled Entities

| | Country of Incorporation | Percentage Ownership | |
|------------------------------------|--------------------------|----------------------|------|
| | | 2019 | 2018 |
| Subsidiaries of Alliant Perpetual: | | | |
| Alliant Perpetual (AU) Pty Ltd | Australia | 100% | 100% |
| Alliant Perpetual (HK) Limited | Hong Kong | 100% | 0% |

The above subsidiaries did not trade during the year.

10. Capital Commitments

The Group has capital commitments to the Estrala ESVCLP Fund, as a Limited Partner of the Estrala ESVCLP Fund the Society has non-binding commitments to contribute up to A\$5,000,000 to the Fund. The Society may reduce this amount at its discretion or increase this amount at Fund's discretion. In turn, the Group is entitled to the return of the capital invested and 35% of net returns on contributed capital to the Fund. The contributed capital is secured by the assets of the Fund.

11. Lease Commitments

The Group has no lease commitments (2018: nil). Although the Group does not have any lease commitments it does have an ongoing lease expense month to month. During the year ended 31 January 2019, the Society had rent expense of \$65,677 (2018: \$3,400).

12. Contingent Liabilities and Guarantees

The Group has contingent liabilities due in November 2020, January 2021 and June 2021 (2018: nil).

The contingent liabilities are interest payments of 5% of the nominal principal investment amount in years 3 and 4 of the four year Term Deposits totalling \$219,000 over the two year period.

The Group has issued guarantees (2018: nil).

The Group has issued guarantees for the nominal principal investment amount totalling \$9,468,270. The guarantees are due progressively from September 2022 through to February 2023.

13. Subsequent Events

The Group advanced a loan to GJR Technology for the amount of AUD400,000 on 20th February 2019.

GJR Technology is a related party through Ross McKinnon being a Director of both Alliant Perpetual and GJR Technologies. The loan was made at arms length and repaid in full plus fees and interest on 22 May 2019.

Apart from the above no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

14. Cash at Bank

| | Group | |
|-----------------------------|------------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Australian Registered Banks | 2,039,402 | 160,519 |
| | <u>2,039,402</u> | <u>160,519</u> |

(i) The Group has \$1,751,915 in restricted cash and \$287,487 in unrestricted cash. The Group will meet its obligations with this above cash and future earnings per its usual business operations.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

15. Contract Liabilities

| | Group | |
|--------------------------|--------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Contract Liabilities (i) | 222,811 | - |

(i) Contract liabilities includes revenue received in advance of the contract terms.

16. Financial Risk Management

The Group's financial instruments consist of the below.

The totals for each category of financial instruments, measured in accordance with NZ IFRS as detailed in the accounting policies to these financial statements, are as follows:

| | Note | Consolidated Group | |
|---|-------------|---------------------------|------------------|
| | | 2019 | 2018 |
| | | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | | | |
| Restricted cash | 14 | 1,751,915 | - |
| Unrestricted cash | 14 | 287,487 | 160,519 |
| Receivables | 3 | 37,801 | - |
| Financial assets | 4 | 9,112,387 | 3,486,102 |
| Total Financial Assets | | 11,189,590 | 3,646,621 |
| Financial Liabilities | | | |
| Financial liabilities held at fair value through profit or loss | | | |
| <i>Client Term Deposits</i> | | 10,684,601 | 3,449,771 |
| Total Financial Liabilities | | 10,684,601 | 3,449,771 |

Specific Financial Risk Exposures and Management

The main risks to the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of currency risk and interest rate risk.

(a) Credit Risk

To the extent that the Group has a receivable from another party, there is a credit risk in the event of non performance by that counter-party. Financial instruments which potentially subject the group to credit risk consist of Loans and Receivables, Term Investments and Guarantees.

The Group manages its exposure to credit risk to minimise losses from bad debts by obtaining credit information, confirming references and setting appropriate credit limits. At balance date, Group exposure is largely with MIT and ESVCPL Funds in Australia.

Maximum exposure to credit risk at balance date is the carrying value of the financial assets. The carrying value is net of any impairment losses. There were no financial assets considered past due or impaired at the year ended (2018:\$Nil). Collateral is held on any Loans and Receivables and Guarantees. Collateral is in the form of the underlying assets of each of the Funds in Australia, which consist mainly of equity in private companies.

(b) Liquidity Risk

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The group maintains sufficient liquid funds to meet its commitments based on historical and anticipated cash flows.

The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains short-term liquid assets (cash at bank) to ensure that sufficient liquidity is maintained within the group as a whole. The Group's liquidity position is monitored on a per transaction basis.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

16. Financial Risk Management (continued)

(b) Liquidity Risk

| Group 2019 | On hand | On call | Short Term | Long Term | Undrawn bank debt | Group Total |
|---------------------------|------------------|----------|------------|-----------|-------------------|------------------|
| Cash and Cash Equivalents | 2,039,402 | - | - | - | - | 2,039,402 |
| Total Liquid Funds | 2,039,402 | - | - | - | - | 2,039,402 |

The following maturity analysis tables set out the Groups expected cash flow based on historical trends for all financial assets and liabilities as at balance date.

| Group 2019 | Within 6 Months | 6-12 Months | 1-2 Years | 2-5 years | Over 5 Years | Group Total |
|------------------------------------|------------------|-------------|-----------|---------------------|--------------|---------------------|
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 2,039,402 | - | - | - | - | 2,039,402 |
| Receivables | 37,801 | - | - | - | - | 37,801 |
| Investments | - | - | - | 9,112,387 | - | 9,112,387 |
| Total Financial Assets | 2,077,203 | - | - | 9,112,387 | - | 11,189,590 |
| Financial Liabilities | | | | | | |
| Contract liability | (222,811) | - | - | - | - | (222,811) |
| Accrued Expenses | (90,000) | - | - | - | - | (90,000) |
| Deposits ⁽¹⁾ | - | - | - | (10,684,601) | - | (10,684,601) |
| Total Financial Liabilities | (312,811) | - | - | (10,684,601) | - | (10,997,412) |
| Net Liquidity Sensitivity | 1,764,392 | - | - | (1,572,214) | - | 192,178 |

| Group 2018 | Within 6 Months | 6-12 Months | 1-2 Years | 2-5 years | Over 5 Years | Group Total |
|------------------------------------|------------------|-------------|-----------|--------------------|--------------|--------------------|
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 160,519 | - | - | - | - | 160,519 |
| Receivables | - | - | - | - | - | - |
| Investments | - | - | - | 3,486,102 | - | 3,486,102 |
| Total Financial Assets | 160,519 | - | - | 3,486,102 | - | 3,646,621 |
| Financial Liabilities | | | | | | |
| Payables and Accruals | (116,157) | - | - | - | - | (116,157) |
| Deposits ⁽¹⁾ | - | - | - | (3,449,771) | - | (3,449,771) |
| Total Financial Liabilities | (116,157) | - | - | (3,449,771) | - | (3,565,928) |
| Net Liquidity Sensitivity | 44,362 | - | - | - | - | 80,693 |

(1) The cash flows comprise future principal only.

(c) Market Risk

i. Currency Risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Other than NZ dollars, the group transacts in Australian dollars and all investments are in Australian Dollars.

During the year, most of the Group's transactions were in Australian dollars and therefore the movement in foreign exchange had minimal impact to the overall financial performance of the Society.

**Alliant Perpetual and Subsidiaries Notes to the
Financial Statements
for the year ended 31 January 2019**

16. Financial Risk Management (continued)

(c) Market Risk (continued)

ii. Interest Rate Risk

The Group has exposure to interest rate risk to the extent that it has bank funds earning interest. The Group manages interest rate risk by reviewing interest rates on a regular basis.

Interest rates earned on cash balances were between 0% and 4.4%.

17. Operating Segments

Alliant Perpetual operates in New Zealand and Australia and raises funds from wholesale/sophisticated investors. It does not make or accept offers from the public or other classes of retail investors or depositors in New Zealand.

Alliant Perpetual (AU) Pty Ltd did not trade during the year. All transactions in Australia for the Group are executed through Alliant Branch facilities. In Australia it primarily invests in Innovation Australia registered Early Stage Venture Capital Limited Partnership (ESCVLP) Funds, and does not make or accept offers from the public or other classes of depositors.

Alliant Perpetual (HK) Limited operates in its own right in the territory of Hong Kong. Alliant Perpetual (HK) Limited did not have any trading activity during the year.

18. Fair Value Measurements

Fair value hierarchy

The following table details the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets.

Level 3: inputs are unobservable inputs for an asset or liability. Unobservable inputs have been used to measure fair value where relevant observable inputs are not available.

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---------------------------|---------------|---------------|---------------|-------------|
| 2019 | | | | |
| <i>Assets</i> | | | | |
| Financial assets (note 4) | - | - | 9,112,387 | 9,112,387 |
| 2018 | | | | |
| <i>Assets</i> | | | | |
| Financial assets (note 4) | - | - | 3,486,102 | 3,486,102 |

The fair value of financial assets at 31 January 2019 are \$9,104,132 (2018: \$3,486,102) and are level 3 financial instruments. Unless otherwise stated, the carrying amounts of financial assets and liabilities reflect their fair value.

At the date of this declaration, there are reasonable grounds to believe that the Group does not face any significant credit risks requiring calibration to the fair value of its financial assets carried at initial recognition. As such there is no fair value adjustment in the statement of comprehensive income.

The Group holds redeemable preference units in the MIT Fund that are invested for a period of 4 years. The investments made into the MIT Fund accrue interest for the period and are all expected to be redeemed with interest between the 11th September 2021 and 28 September 2022.

As disclosed in note 4, the ESCVLP investment are based on calls made by Estrala VC Managing Partnership ("VCMP") as the General Partner of the Fund. The General Partner has the discretion of the how to invest the funds. As an LP the Group is entitled to its principle investment invested into the ESCVLP Fund plus receive 35% of the net returns on its invested funds.

**Alliant Perpetual and Subsidiaries
Notes to the Financial Statements
for the year ended 31 January 2019**

18. Fair Value Measurements (continued)

Alliant Perpetual is a Limited Partner (LP) in the Estrala Venture Capital Fund ("Fund") which is an incorporated limited liability partnership registered as an Early Stage Venture Capital Fund ("ESVCLP") with Innovation Australia. Estrala VC Managing Partnership ("VCMP") is the General Partner of the Fund. Estrala Capital & Advisory Pty Ltd, as the trustee for the Estrala Unit Trust, is the General Partner of the VCMP, Australian Financial Services Licence ("AFSL") number 386569. The investments are based on calls made by Estrala VC Managing Partnership ("VCMP") as the General Partner of the Fund. The General Partner has the discretion of the how to invest the funds. As an LP the Group is entitled to its principle investment invested into the ESVCLP Fund plus receive 35% of the net returns on its invested funds.

It is expected both Funds will begin successfully divesting assets beginning Q4 2019.

19. Key management personnel

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Group | |
|---------------------|--------|------|
| | 2019 | 2018 |
| | \$ | \$ |
| Short-term benefits | 84,000 | - |

20. Related Party Transactions

Parent entity

Alliant Perpetual is the Parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 9.

Key management personnel

Disclosures relating to key management personnel are set out in note 19.

Transactions with related parties

During the year there were no transactions or balances at the reporting date that occurred with related parties (2018: \$nil).

21. Notes Supporting Statement of Cash Flows

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

| | Payable \$ |
|---------------------------------|---------------|
| At 31 January 2019 | |
| Cash Flows | 7,234,830 |
| Effects of Exchange Differences | - |
| Closing Balance | 7,234,830 |

IRCS.

Audit and Assurance

INDEPENDENT AUDITOR'S REPORT

To the Members of Alliant Perpetual

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Alliant Perpetual ("the Society") and its subsidiaries (together, "the Group"), which comprise the consolidated statements of financial position as at 31 January 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Group investments in the Estrala MIT Fund and ESVCLP Fund (together, "Funds") are carried at \$5,579,841 and \$3,524,290 respectively in the consolidated statement of financial position at fair value through profit and loss which collectively represents 81% of total assets and 64 times the value of net assets.

The fair value of those Funds is driven by the value of the Funds' underlying investments in debt and equity instruments. These investments are largely in early stage companies for which there no observable market data is available to determine the fair value of the investments. The audited financial statements of the Funds are not available. An independent valuation report for the Funds is not available.

We were unable to confirm or verify the fair value of the Funds. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the fair value of the Funds.

Material Uncertainty Related to Going Concern

We draw the members' attention to the fact that assets valued at \$10,856,047 represent client investments and restricted cash, this is 96.8% of the total assets of the Group. The Group is reliant on the performance of the Funds and their profitability to meet its commitments and repay the clients investments which are guaranteed. Furthermore, the Member's Equity is \$223,049. Due to the nature of the investments being investments in early venture start-up companies, which do not guarantee positive returns, this casts significant doubt on the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Management have advised that some of the entities invested into, are expecting high yield and they will resort to issuing bonds and capital injection by the members to meet any shortfalls of funds if they occur. The commitments and guarantees are due in the years 2022 and 2023 and therefore, our opinion is not modified in respect of this matter

Other Matters

I. NZ IFRS 15 - recognition of revenue on investment and Prior Period Adjustment

In its capacity as investor in the Estrala MIT Fund, the Group earns income of 7% per annum on the invested amounts with interest income calculated using the effective interest rate method and recognised in profit or loss. The total investment of funds into the Estrala MIT Fund was \$5,579,842. Our procedures identified incorrectly recognised revenue for the prior year resulting in a prior period adjustment of \$36,331. The current year interest earned was \$291,631.

II. Compliance with laws and regulations - tax registration and accounting for taxation in the financial statements

The Group operates in Australia and New Zealand but is not registered for taxation in either jurisdiction. Furthermore, there was no tax accounting performed for the years ended 31 January 2018 and 31 January 2019. In 2016, a disputable resolution was made by the IRD with the effect of cancelling the GST registration. This was due to their assessment that no taxable activity was being conducted in New Zealand. Management contacted the IRD for reassessment of the GST status and Tax residency status and was advised that the position had not changed since their revenue source was not considered to be from New Zealand.

Management consulted of the tax residency status for Australia and were advised that due to the effective control and nature of the transactions, the Society was a tax resident of Australia and was required to register for tax with the Australian Tax office. Management have applied for registration with the Australian Tax Authority. Tax returns have therefore not been filed or assessed.

III. Disclaimer issued in prior year financial statements

The prior year financial statements were audited by the predecessor auditor. A disclaimer of opinion was issued in the prior year financial statements due to unavailability of valuation information for the investments.

Management and the predecessor auditor advised us that the disclaimer was due to unavailability of investment valuation supporting the investment balance.

We were informed that the current year audit would have valuations for the fund were to be performed and independently audited for the purposes of determining fair value of the investments. However, due to unavailability of sufficient appropriate evidence, we issued a disclaimer of opinion considering the matters raised in the basis of Disclaimer of Opinion Paragraph.

Directors' Responsibilities for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with Professional and Ethical Standard (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Other Legal and Regulatory Requirements

These Financial statements have not been prepared and filed with the New Zealand Companies Office within the timeframe specified by the Financial Markets Conduct Act 2013. The Annual Report was not prepared within the timeframe specified by section 103 of the Building Societies Act 1965. The Annual Return was submitted 2 weeks late. The Group is not registered with the Australian Tax Office subsequently no Tax returns have been filed for the Group. An application for registration has been lodged with the Australian Tax Office.

Who We Report to

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

The engagement director on the audit resulting in this independent auditor's report is Tadius Munapeyi.

For and on behalf of:



IRCS Limited
Auckland
31 July 2019