

MYKCO

MYKCO LIMITED

DISCLOSURE DOCUMENT: 16 JULY 2018

Warning – Restricted Disclosure

Mykco Limited (*Mykco*) is listed on the NZAX, and Mykco's shares are quoted on the NZAX by NZX Limited.

The NZAX is a licensed market operated by NZX Limited, and NZX Limited is a licensed market operator, under the Financial Markets Conduct Act 2013.

This Disclosure Document has been prepared by Mykco for the purposes of the NZAX Listing Rules and contains the information required by Appendix 3 of the NZAX Listing Rules.

This Disclosure Document gives you important information to help you decide whether to approve the Transaction (described in this Disclosure Document) but does not contain as much information as a Product Disclosure Statement prepared under the Financial Markets Conducts Act 2013.

This Disclosure Document is accompanied by a Notice of Special Meeting of Shareholders of Mykco and an Independent Adviser's Report from Simmons Corporate Finance Limited.

There is other useful information on Mykco's NZAX web page (<http://www.nzx.com/markets/nzax/securities/myk>).

Mykco strongly recommends that you seek independent professional advice before deciding whether to approve the Transaction.

NZX Limited is not responsible for any statement in this Disclosure Document.

TABLE OF CONTENTS

	Page
1. Key Information Summary	2
2. The Mykco Group and what it does	8
3. Purpose of the Transaction	20
4. Terms of the Transaction	23
5. Key features of ordinary shares in Mykco	27
6. The Mykco Group's financial information	29
7. Risks to the Mykco Group's business and plans	33
8. Tax	37
9. Where you can find more information	38
10. Contact information	39
11. Glossary	41
12. Directors' Certificate	43
13. Appendix A – Mykco: Pro Forma Historical Consolidated Financial Statements as at 31 March 2018	44
14. Appendix B – Mykco: Pro Forma Prospective Consolidated Financial Statements for the Years Ended 31 March 2019 and 31 March 2020	45

I. KEY INFORMATION SUMMARY

I.1 *What is this?*

The transaction which shareholders are being asked to vote on (**Transaction**) under the first resolution set out in a Notice of Meeting that accompanies this Disclosure Document is one whereby Mykco:

- (a) Acquires all the 6,512,000 shares in Corporate Holdings Limited (**CHL**) except for the 100,000 shares Mykco already owns (**Shares in CHL to be Acquired**) for a purchase price of \$6,132,436.80 (**Purchase Price**); and
- (b) Satisfies the Purchase Price by issuing to the owners of the Shares in CHL to be Acquired (**Vendors**) 104,323,240 fully paid ordinary shares in Mykco (**Mykco Shares to be issued to the Vendors**).

CHL wholly owns the following companies, which together with CHL form the **CHL Group**:

- (a) General Finance Limited (**General Finance**), a non-bank deposit taker, which operates as a finance company; and
- (b) Investment Research Group Limited (**IRG**), a financial advisory company, which is an NZX Sponsor and NZXT Advisor and the publisher of the Investment Yearbook.

The Transaction is subject to satisfaction of the conditions described on page 23 below (**Conditions**).

The 104,323,240 Mykco Shares to be issued to the Vendors equates to the 6,412,000 Shares in CHL to be Acquired, multiplied by 16.27. The multiplier of 16.27 is the number of Mykco Shares to be issued to the Vendors for each Share in CHL to be Acquired. The multiplier of 16.27 represents:

- (a) 95.64, being the net assets per share of CHL derived from management accounts of CHL prepared as at 30 January 2018; divided by
- (b) 5.88, being the net assets per share of Mykco as at 30 September 2017 based on unaudited interim accounts of Mykco as at that date.

Shareholders should note that the CHL asset values were determined by CHL and the CHL accounts on which the consideration at which the Transaction is completed is determined were prepared by CHL and no independent assessment of those valuations or accounts undertaken before the Independent Adviser was appointed to prepare the Independent Adviser Report and the Independent Adviser did not review these valuations.

This Disclosure Document provides information to support the Transaction. The Transaction amounts to the proposed backdoor listing of CHL. The proposed backdoor listing involves Mykco, an existing NZAX listed shell, pursuant to a transaction agreement (**Transaction Agreement**) with the Vendors, acquiring the Shares in CHL to be Acquired in exchange for new shares in Mykco i.e. the Transaction. The issue of the new shares to the Vendors would result in the Vendors owning 86.2% of the shares in Mykco, which would remain a listed company, and as a result of the Transaction would own CHL, which owns General Finance (a finance company) and IRG (an investment advisory company).

No shares in Mykco are being offered under this Disclosure Document, and the purpose of this Disclosure Document is not to assist peoples' decisions whether to acquire shares in Mykco, but

rather this Disclosure Document is to assist shareholders to make a decision whether to approve the Transaction.

If Mykco runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

1.2 **About the Mykco Group**

Mykco is currently a shell listed on the NZAX. Should the Transaction proceed, Mykco and the CHL Group would comprise a group (**Mykco Group**). The Mykco Group would comprise Mykco, CHL (an intermediate holding company), and CHL's subsidiaries, General Finance (a finance company) and IRG (a financial advisory company). The Mykco Group is further described in Section 2: *The Mykco Group and what it does* and Section 6: *The Mykco Group's financial information*.

1.3 **Purpose of the Transaction**

The purpose of the Transaction is to make Mykco viable again, by effectively turning it into a holding company for a group that would through its subsidiary, General Finance, operate as a finance company, and through its subsidiary, IRG, provide financial advisory services. The Transaction would be made in exchange for shares in Mykco. Mykco would not be raising any money under the Transaction.

Simmons Corporate Finance Limited (**Independent Adviser**) has prepared an independent adviser report (**Independent Adviser Report**) in relation to the Transaction which accompanies this Disclosure Document. In its report, the Independent Adviser states at page 10:

“There are a number of positive and negative features associated with the CHL Transaction. In our view, when the Non-associated Shareholders are evaluating the merits of the CHL Transaction, they need to carefully consider whether the negative aspects of the CHL Transaction, including the level of control that Borneo and the King Associates will hold over the Company and the dilutionary impact, could justify voting against the CHL Transaction Resolution with the outcome that the Company will not be able to acquire CHL and will need to seek alternative sources of capital within a relatively short timeframe in order to continue to fund its operations and evaluate backdoor listing opportunities”.

The purpose of the Transaction and the positive and negative features identified by the Independent Adviser are further described in Section 3: Purpose of the Transaction.

1.4 **Key Terms of the Transaction**

Purchase Price	\$6,132,436.80
Purchase Price per CHL ordinary share	95.64 cents
Issue price of each Mykco ordinary share issued as consideration	5.88 cents
Number of Mykco ordinary shares to be issued for each CHL ordinary share	16.27
Total number of fully paid ordinary shares in Mykco to be issued as consideration	104,323,240

The above dates are indicative only and may change.

1.5 **Key Dates and Transaction Process**

Special meeting to approve the Transaction	31 July 2018
Date for satisfaction of the Conditions in the Transaction Agreement	31 July 2018
Completion of the Transaction	3 August 2018
Allotment of shares to the Vendors to be quoted on NZAX	3 August 2018*

The above dates are indicative only and may change by agreement between the parties to the Transaction, being Mykco and the Vendors.

1.6 **How pricing of ordinary shares in Mykco issued to the Vendors is fixed**

The issue price of the shares to be issued to the Vendors under the Transaction Agreement will be 5.88 cents per share, being the net assets per share of Mykco as at 30 September 2017 based on unaudited interim accounts of Mykco as at that date.

1.7 **How can you get your money out?**

Mykco intends to quote the ordinary shares to be issued to the Vendors on the NZAX. This means they may be able to be sold on the NZAX if there are interested buyers. Should you acquire ordinary shares in Mykco you too may be able to sell them on the NZAX if there are interested buyers. You may get less than you invested. The price will depend on the demand for the ordinary shares.

1.8 **Key drivers of returns**

Should the Transaction proceed, Mykco considers that the current and future aspects of the Mykco Group's business that have, or may have, the most impact on the financial performance of its business, and the key strategies and plans for those aspects of the business, can be summarized as follows:

General Finance

Current and Future Aspects of the Mykco Group's Business that have, or may have, the most impact on Financial Performance	Key Strategies and Plans
General Finance's ability to raise deposits	General Finance relies on marketing activities through advertising and via financial planners to raise term deposits to grow its lending operation.
General Finance's ability to make loans	Growth in term deposits enables growth in lending, and General Finance sources lending proposals from mortgage brokers and directly from borrowers.
General Finance's interest rate spread	The key to generating income for General Finance is the margin it makes between borrowing and lending rates. General Finance sets interest rates for deposits after considering current market conditions, the rates being offered by competitors and its funding requirements. General Finance also sets its lending rates after considering current market conditions, and rates being offered by competitors, as well as the demand for loans in the sector in which General Finance operates.

General Finance's reinvestment rates	General Finance seeks to maximise the availability of its funding by offering term deposits, and seeks to provide returns that incentivise depositors to reinvest on maturity.
General Finance's level of default on its loans	General Finance considers that one of its most significant risks is loan default risk, which it manages through its lending and risk management policies: General Finance has limits on the maximum amount it will lend to any one borrower, limits on the aggregate loans secured by way of second mortgage, and limits on its exposure to provincial towns and country areas.
General Finance's liquidity risk	General Finance considers that another of its significant risks is liquidity risk, which General Finance seeks to mitigate by maintaining at least 10% of its total tangible assets in cash or in short-term deposits with trading banks.

IRG

Current and Future Aspects of the Mykco Group's Business that have, or may have, the most impact on Financial Performance	Key Strategies and Plans
IRG's deal sourcing ability	IRG has access to an extensive range of business contacts, including contacts from Asia (particularly China and Korea), to which it provides business opportunities, including stock exchange listing opportunities, and opportunities to participate in placements, acquisitions, sell downs and other M & A transactions.
IRG's access to a retail database	IRG accesses an extensive database of potential investors in selling its financial advisory services.
IRG's research house capability	IRG accesses an extensive database of financial information to provide its Investment Yearbook and other publications on issuers and products that it publishes on a regular basis.

1.9 Key risks affecting this investment

The key risks are those associated with General Finance and IRG.

General Finance

Investment in term deposits in General Finance has some risks. A key risk is that General Finance does not meet its commitments to repay depositors or pay depositors interest (credit risk). Section 7 of this Disclosure Document (Risks to Mykco Group's business and plans) discusses the main factors that give rise to the risk. Investors in Mykco should consider the credit risk of these term deposits offered by General Finance.

The interest rate for term deposits offered by General Finance should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. Investors in Mykco need to decide whether the offer of term deposits made by General Finance is fair.

Mykco considers that the most significant risk factors of General Finance are:

Loan Default Risk

This is where a significant amount of the loans and advances that General Finance has made, are not repaid, or the security taken for those loan advances is inadequate, and full recovery of the loans advanced is not possible. This may occur where borrowers to whom General Finance has lent money are, due to their personal financial situation, unable to meet their loan obligations.

Liquidity Risk

This is where General Finance does not have sufficient cash liquidity to meet its obligations. This may arise where borrowers, to whom General Finance has lent money, are not able to meet their obligations in a timely manner.

IRG

Mykco considers that the most significant risk factors of IRG are:

Deal Flow Risk

This is the risk that IRG is not able to identify opportunities for transactions or bring them to fruition.

Lack of Appetite for Financial Products

This is the risk that potential investors do not invest and IRG is therefore not able to derive fees from income for advising on investment.

Lack of Appetite for Financial Information

This is the risk that investors do not wish to purchase IRG's financial publications.

Regulatory Risk – General Finance and IRG

General Finance and IRG are required to comply with various legal obligations, and any material failure to comply with these could result in damage to their reputation and or expose them to financial and/or other penalties. For General Finance this might mean an increase in withdrawal rates and a decrease in reinvestment rates. For IRG this could mean a loss of corporate advisory and financial research opportunities. In both cases it might have a material and adverse affect on the financial condition of General Finance or IRG (as applicable).

Recent examples of major law changes that have imposed significant additional obligations on General Finance and/or IRG are the Anti-Money Laundering and Countering Finance and Terrorism Act 2009, the Financial Markets Conduct Act 2013 and the Non-bank Deposit Takers Act 2013. Any change to existing laws or to the interpretation or enforcement of those laws or the introduction of new laws can result in additional requirements being imposed on General Finance and/or IRG and/or result in increased costs for them. For example, over the last 12 to 18 months, regulators have more rigorously enforced the rules relating to lending fees, particularly the requirement that they must be reasonable.

Investors in Mykco should also read section 7 of this Disclosure Document (Risks to Mykco Group's business and plans) on page 35 and section 5 of this Disclosure Document (Key features of ordinary shares in Mykco) on page 27.

1.10 No Credit Rating

General Finance is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This is because General Finance operates under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016, exempting General Finance from the Non-bank Deposit Taker Act 2013 requirement to have a credit rating. The exemption applies because General Finance has liabilities of less than \$20 million, making it unduly onerous to comply with the requirement to have a credit rating, and because General Finance maintains a capital ratio of at least 15%. This means that General Finance has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

1.11 Where you can find the Mykco Group's financial information

The financial position and performance of the Mykco Group are essential to an assessment of the Transaction. You should also read Section 6: *The Mykco Group's financial information*.

2. THE MYKCO GROUP AND WHAT IT DOES

2.1 *Overview of the Mykco Group*

The following is a summary of the business of the Mykco Group as it will be after the Transaction.

2.2 *Mykco*

Mykco is currently a shell listed on the NZAX.

On 28 May 2018, Mykco entered into the Transaction Agreement (**Transaction Agreement**) with all the shareholders of CHL (other than itself) to acquire all the shares in CHL (except for the 100,000 shares it already owns).

As the Transaction involves the shareholders of CHL (other than Mykco) swapping their shares for shares in Mykco, Mykco does not need to raise any funds in order to complete the Transaction.

In the event the Transaction proceeds, Mykco would own CHL. CHL already wholly owns General Finance and IRG.

2.3 *CHL*

CHL would be an immediate holding company, being 100% owned by Mykco, and owning 100% of the shares in General Finance and IRG. CHL was incorporated on 16 March 2017 and raised \$4,875,000 from investors prior to acquiring General Finance and IRG on 18 December 2017. Details of these acquisitions are set out in the Notice of Special Meeting of Shareholders of Mykco that accompanies this Disclosure Document.

2.4 *General Finance*

General Finance commenced trading on 1 April 2001, initially writing and managing prime residential mortgages for an Australasian wholesaler, in competition with the trading banks. In 2002 it widened its product range, to include non-conforming residential mortgages (i.e. those outside normal trading bank criteria).

In 2003 General Finance began offering short term residential loans, as it found that there was a demand not being satisfied through traditional sources. To secure these short term loans General Finance took first and second mortgages and the loans were initially funded from its own resources.

Due to the success experienced for this short term residential mortgage product, General Finance decided, in 2004, that it would fund part of this growth through the issue of term deposits. General Finance registered its first prospectus for this purpose on 9 November 2004.

The global financial crisis, that commenced in 2008, caused a number of finance (and related) companies to fail. General Finance survived the crisis by having a business model focused on lending in the residential property sector, and by taking a conservative stance on the gearing of the business and liquidity management. Those features remain in place today.

General Finance was issued with a non-bank deposit takers licence by the Reserve Bank of New Zealand on 13 February 2015.

General Finance has no subsidiaries.

Nature of General Finance operations

General Finance's main activity is to provide residential mortgage loans to borrowers.

These loans are written for a variety of different purposes, with solutions tailored to the borrowers' individual requirements. They generally enable borrowers to complete a short term transaction, such as preparing a property for sale, bridging a property acquisition, enhancing, developing, subdividing, building, constructing on and improving a property, or funding a business purchase or expansion, including working capital. The term "a property" may refer to more than one property or title.

The borrowers, to whom General Finance lends, are generally higher risk borrowers, who may have some credit issues, and have not been able to borrow from trading bank sources. Accordingly General Finance focuses on the security that is offered to support the loans that General Finance makes (see below).

The loans, held in General Finance's name, are written over 3 to 60 month periods. A real estate mortgage or a right to such a mortgage is taken in all instances, as security to support General Finance's lending. Mortgages taken comprise either first or second ranking mortgage securities. At 31 March 2018, General Finance had made \$7.66 million in first mortgage advances, and \$1.06 million in second mortgage advances (together with \$0.01 million in unsecured advances, resulting from the realisation of security).

Most loan applications are referred to General Finance through an established network of mortgage brokers. Some borrowers do approach General Finance directly.

The loans that General Finance makes are funded from both General Finance's equity and from investors by way of term deposits.

Keys to generating income

General Finance depends on the funds being raised from term deposits to grow its lending operations. Growth in term deposits comes from General Finance's marketing activity through advertising and via financial planners.

Growth in lending follows growth in term deposits. General Finance sources lending proposals from mortgage brokers and directly from borrowers.

The aspects of General Finance's business that are key to generating income are:

- the total value of the loans that General Finance makes
- the margin that General Finance makes between its borrowing and its lending rates.

General Finance's profitability is impacted by:

- any losses that General Finance incurs on loans
- the amount of cash that General Finance holds.

Lending policy and loan quality

General Finance's lending is done in accordance with its lending policy. This policy forms the basis for assessment and management of loans that General Finance makes. It is updated from time to time. It was a condition of the supervisor's consent to the change of control to CHL that no material change be made to General Finance's lending policy (without the approval of the supervisor) until 2 November 2020. General Finance's lending policy includes the following:

- **Asset Class**
General Finance currently makes loans on all types of residential securities, including residential investment securities, bare land and lifestyle and rural blocks but excluding specialised properties (such as motels), and commercial and farm properties.
- **Development and Construction Loans**
General Finance currently makes development and construction loans so long as they meet its loan criteria.
- **Lending Margin**
Loans are advanced to a maximum of 70% (excluding fees and charges) of the value of the property to be security for the loan and may be lower depending on location and the condition of the property.
- **Security**
General Finance takes, by way of security, a first or second mortgage over the borrower's real property. These mortgages are either registered against the certificate of title or supported by a registered caveat.
- **Loan Exposure**
General Finance will consider making loans as long as they remain inside its covenant to the supervisor, not to advance more than 10% of total tangible assets to any one borrower. In addition General Finance will not lend more than 25% of the equity in General Finance to any one borrower.
- **Geographical Exposure**
Exposure to provincial towns and country areas is limited to certain percentages of total loans.
- **The Loan Process**
General Finance's loan process requires a submission to its credit committee for review. The submission will generally include the following: application, valuation, sale and purchase agreement (if applicable), income details, refinancing statements and credit checks (with Equifax). This material is reviewed, and the loan is approved or declined.
- **Arrears Management**
General Finance has a prescribed arrears management process. This involves contacting the borrower for instalment arrears and arranging for the payment to be re-presented. When arrears reach 60 days, the policy requires that a Property Law Act notice is issued, with enforcement proceedings commencing on the expiry of this notice.
- **Credit Protection Insurance**
General Finance does not carry credit protection insurance, should a loan go into default. Borrowers are not required to take out payment protection insurance.
- **Guarantors**
General Finance's policy is to make loans to borrowers with a reasonable ability to pay. General Finance is interested in the borrowers' asset position and their ability and willingness to make payments on their loan, when due. Where loans are made to companies or trusts General Finance generally requires a guarantee from the individuals behind the transaction.

Risk management programme

The Non-bank Deposit Takers Act 2013 ("NBDT Act") requires that, as a deposit taker, General Finance has (and has taken all practicable steps to comply with) a risk management programme.

General Finance's risk management programme is in writing; and sets out the procedures that it will use for the effective identification and management of the following risks:

- credit risk
- liquidity risk
- market risk

- operational risk

General Finance revises its risk management programme, from time to time, with the approval of the supervisor. The supervisor is required to review the risk management programme and advise whether it is satisfied that it meets the requirements set out in section 27(2) of the NBDT Act.

Each month, General Finance reviews its activities for the previous month, against the risk management programme.

2.5 **IRG**

Brent King is the sole director of IRG.

IRG's corporate advisory and financial research business was established in 2013.

IRG's business includes:

- Investment banking, where it acts as a financial intermediary, assisting corporates and individuals to source capital from investors, including giving advice on mergers and acquisitions (M & A);
- Providing corporate advisory services to corporates;
- Acting as a research house which provides financial information and other data to potential investors.

IRG is currently:

- An NZX Sponsor and NXT Advisor;
- A registered financial service provider; and
- A publisher of the Investment Yearbook.

The key ingredients of IRG's business are its people, the quality of its advice and its reputation.

IRG regularly advises clients in relation to corporate governance, negotiating with acquisition targets, obtaining shareholder approvals, and liaising with regulators such as the Companies Office, NZX, the Takeovers Panel and the Financial Markets Authority.

IRG's investment banking business has advised on a number of stock exchange listings, including the following listings on the NZAX: Australian Food Corporation Limited (2015) and Chow Group Limited (2016). IRG's investment banking services also include assisting listed companies to make placements and advising investors on the acquisition and disposal of stocks in listed companies.

Corporate advisory and financial research businesses face changing attitudes to financial intermediation. Bank loans still provide the majority of corporate finance, but corporate advisory and financial research businesses benefit from investors becoming more prepared to lend via investment banks or direct to corporates, rather than investing in bank deposits. Investment banks and financial advisory firms now play an important role as intermediaries in lender/borrower transactions. Notwithstanding the changes to financial intermediation, experience and networking remain key ingredients of IRG's corporate advisory and financial research business.

A key challenge for companies like IRG in an age where capital requirements of corporates are mainly serviced by banks and private equity funds, is to demonstrate the continued relevance of advisors who are not primary providers of capital, but nevertheless seek to provide advice as to how capital is accessed and deployed.

Corporate advisory and financial research businesses face an operational environment of increasing complexity. KYC (know your customer) and other requirements of the AML (Anti-Money Laundering) legislation mean that considerable time can be spent enabling investors, particularly overseas investors, to open bank accounts in order to transact financial business.

Developments in digitalisation and financial technology are occurring at an expanding rate. It is important for corporate advisory and financial research businesses to invest in and understand the capability of this technology to be able to use it to provide effective and efficient advice.

Despite the challenges, IRG is an established boutique, and considers itself to be well equipped to succeed in what is a challenging business environment.

2.6 **Future Acquisitions**

Shareholders are likely to be required to approve any decision by Mykco to acquire further substantial assets. Circumstances where shareholder approval by ordinary resolution would be required are:

- (a) *Major Transaction:* If the Transaction is a major transaction for Mykco for the purposes of Rule 9.1 of the NZAX Listing Rules i.e. if the amount of the consideration exceeds 50% of Mykco's Average Market Capitalisation (a transaction might also be a major transaction for Mykco for the purposes of section 129 of the Companies Act 1993, in which case shareholder approval by special resolution would be required i.e. if the amount of the consideration exceeded 50% of Mykco's total assets);
- (b) *Transactions Funded by Shares:* If the transaction was to be funded (wholly or in part) by an issue of shares made otherwise than on a pro rata basis, and the issue could not be made within the limits set out in the NZAX Listing Rules for non-pro rata share issue;
- (c) *Related Party Transactions:* If the transaction was to be made from a related party and the purchase price exceeded 10% of Mykco's Average Market Capitalisation.

2.7 **Mykco's Directors and Senior Management**

Executive Directors

Mykco's Board currently comprises five directors.

Brent King B.Com, C.A., C.M.A., R.F.A.

Executive Director (Managing Director)

Brent was the founder and managing director of Dorchester Pacific Limited, and its subsidiary Dorchester Finance Limited, until he resigned in 2006. During his tenure he built that company from zero to over \$480m in assets and returns of 20% per annum for over 10 years. Dorchester Pacific Limited was a public issuer with a registered prospectus for more than fifteen years. During that time Dorchester Pacific Limited and other companies Brent was a director of registered in excess of 100 prospectuses/disclosure documents. After leaving Dorchester Pacific Limited Brent founded the investment company, Viking Capital Limited, which was listed on the NZAX in 2006. Viking Capital Limited undertook a number of investments but after sustaining losses sold its remaining business assets in 2012, resulting in it becoming a listed shell that subsequently became a vehicle for a back

door listing in 2015. Mr King is a current director of Corporate Holdings Limited, Investment Research Group Limited (*IRG*), Equity Investment Advisers Limited, King Capital & Investment Corporation Limited and Mykco Limited. IRG is both an NZAX sponsor and an NXT advisor. Mr King has also held directorships with a number of private companies. Equity Financial Advisers Limited refers some clients to General Finance and it receives General Finance's standard intermediary brokerage on deposits that are accepted by General Finance.

Brent King was a director of PIC Tech Limited (formerly called ICP Biotechnology Limited) when it was placed in voluntary administration on 14 May 2008 and then into receivership on 15 May 2008 and then into liquidation on 12 June 2008.

Lyn Lim (full name Huei Min Lim) LLB(Hons)

Non-Executive Director

Lyn graduated from the University of Canterbury in 1989 with an LLB(Hons). Lyn is the Senior Partner of Forest Harrison, a boutique law firm that specialises in the provision of legal services to commercial or high net worth Asian clients or businesses which have ties to Asia. Prior to forming Forest Harrison, Lyn was a partner in the national law firm, Kensington Swan, from 1998 to 2005.

Lyn is currently the Chair and a Trustee of Foundation North, formerly known as ASB Community Trust, a community charitable trust with a trust fund in the excess of NZD1.2 billion. Lyn is also a council member of AUT, a tertiary education provider. She is also a Board member of Auckland Regional Amenities Funding Board, a statutory funding body for 10 Auckland amenities. Lyn is also a director of Asia New Zealand Foundation as well as being a director and shareholder of some personal and/ small private companies.

Lyn is a Chartered member of the Institute of Directors and a member of the New Zealand Law Society and the InterPacific Bar Association.

Lyn grew up in Malaysia before moving to New Zealand in 1985. Lyn is multilingual (being fluent in English, Mandarin, Fugian, Cantonese and Malay).

Simon John McArley LLB(Hons)

Non-Executive Director

Simon graduated from Victoria University, Wellington in 1984 with an LLB (Hons). Simon is a lawyer by training who specialises in corporate governance and risk.

After almost 20 years in private practice with Kensington Swan, specialising in banking and securities law, Simon took up regulatory positions with NZX as acting Head of Regulation and the (then) Securities Commission as acting Director Primary Markets. Simon went on to join the Serious Fraud Office (SFO) as General Manager Capital Markets and Corporate Fraud in 2011 where he had responsibility for the successful investigation and prosecution of finance sector fraud uncovered by the GFC. After 12 months as acting Director of the SFO, Simon left the SFO in late 2013 and has since been consulting with government and private sector entities on governance and risk management issues. Simon has also held governance positions with commercial and not for profit entities.

Simon is a Chartered member of the Institute of Directors and a member of the New Zealand Law Society,

Simon is also a keen sailor and has extensive coastal and blue water experience.

Graeme Iain Brown BCom

Non-Executive Director

Graeme is a graduate of the University of Otago where he obtained a Bachelor of Commerce. He has over 20 years' experience in the Malaysian plantation industry. He has been the Managing Director of Keresia Plantations Sdn. Bhd since 1997. Keresia Plantations is one of just a few RSP0 certified plantations in Sarawak. Graeme also founded Keresia Mill Sdn. Bhd in 2005 which has been a pioneer in the successful implementation of advanced milling technologies for FFB processing. Graeme was also a co-founder in 2007 and joint Chief Executive Officer of Asian Plantations Limited, which was sold to a Malaysian corporation for RM1.2 billion in 2015. Graeme has been an Executive Director of Sarawakiana Realty Sdn. Bhd, a property company, since 1996, and Malesiana Tropicals Sdn. Bhd., a tissue culture company, since 2000 as well as being a Director of several private companies, including Rajang Wood Sdn. Bhd, a plantation holding company, since 1996.

Rewi Hamid Bugo B.Sc.,M.Com.

Non-Executive Director

Rewi Hamid Bugo is a graduate of the University of Canterbury, Christchurch, where he obtained a Bachelor of Science in Management Science and a Master of Commerce in Business Administration. He has business experience in several sectors including oil and gas, property development, insurance broking and travel and tourism.

Mr Bugo sits on the Board of several private companies in Malaysia and New Zealand and is Vice Chairman of the Sarawak Chapter of the Malaysia New Zealand Chamber of Commerce.

2.8 CHL's Directors and Senior Management

CHL has 3 directors: Brent Douglas King, Rewi Hamid Bugo and Garth William Ward.

Brent Douglas King B.Com, CA, CMA, RFA

Executive Director (Managing Director)

Brent's biography appears on pages 12 to 13.

Rewi Hamid Bugo B.Sc.,M.Com.

Non Executive Director

Rewi's biography appears above on this page.

Garth William Ward B.Com, C.A.

Executive Director

Garth is a senior company secretary and CFO. He is a C.A., having been a member of the Chartered Accountants Australia and New Zealand for over 35 years. Garth has acted for a number of listed and unlisted companies over his 35 year career in accounting and finance.

Garth Ward (the CFO of General Finance) was an accountant reporting to the CFO of Allied Nationwide Finance Limited when that company was placed in receivership on 20 August 2010.

2.9 General Finance's Directors and Senior Management

General Finance has five directors – three independent non-executive directors and two full time executive directors. The independent directors are Donald Frederick Hattaway, Robert Garry Hart and Alistair Alan Ward. The executive directors are Brent Douglas King and Gregory John Pearce, who are also the senior managers of General Finance.

Donald Frederick Hattaway CA, ACIS
Chairman and Independent Non-Executive Director

Don is a member of the Chartered Accountants Australia and New Zealand (CAANZ) and has practised as a Chartered Accountant in public practice since 1980. He retired as a Partner in Price Waterhouse in 1996 and has specialised in acting for small or medium sized enterprise businesses since then often fulfilling the role of finance director for those companies. Don was the Chairman of listed banking software technology company Finzsoft Solutions Ltd. Don is a previous Chairman of the Board of Directors of the Auckland Cricket Association. He is a Director of Sietec (NZ) Limited and has held a previous public company directorship with Cooks Global Foods Ltd as well as directorships with a number of private companies.

Robert Garry Hart LLB (Hons) Waikato University (1998), PG Dip Management
Independent Non-Executive Director

Rob is a director of Waikato law firm Ellice Tanner Hart, who has practised law for 16 years. In this role he has wide experience acting on finance and security related matters involving various tiers of lenders. He also advises clients on governance and insolvency related matters. Rob was previously a director of New Zealand Cricket Incorporated and is currently deputy chair of Balloons Over Waikato Trust which annually stages Waikato's largest event. Rob is a member of the New Zealand Sports Tribunal and has held directorships with a number of private companies.

Alistair Alan Ward B.Com (Hons) M INST D AFNZIM
Independent Non-Executive Director

Alistair is a director & principal of Campbell MacPherson Limited, a corporate advisory firm he co-founded in 2002. Campbell MacPherson is a leading corporate advisory firm providing a wide range of corporate advisory and investment banking services. Alistair has advised many business leaders and owners on issues relating to corporate governance, strategy, mergers, acquisitions and capital raising. Alistair has extensive senior management experience in New Zealand and overseas with the Fletcher Building Group between 1982 and 1997. Alistair is a former CEO of The Golden Bay Cement Company Ltd, Alistair has also chaired a variety of industry groups including the Cement & Concrete Association of NZ and the Major Energy Users Group. Alistair is a former director of Solid Energy (having resigned in December 2001). He is a member of the New Zealand Institute of Directors and an Associate Fellow of the NZ Institute of Management and has held directorships with a number of private companies.

Alistair Ward was a director of PIC Tech Limited (formerly called ICP Biotechnology Limited) when it was placed in voluntary administration on 14 May 2008 and then into receivership on 15 May 2008 and then into liquidation on 12 June 2008.

Brent Douglas King B.Com, CA, CMA, RFA
Executive Director (Managing Director)

Brent's biography appears on pages 12 to 13.

Gregory John Pearce B.Com
Executive Director (Lending and Credit)

Greg is a lending and credit specialist having held roles with large companies (Telecom and Air New Zealand) and a senior role with Dorchester Finance Limited being General Manager Lending and Credit from 1997 to 2008. Since that time, he has consulted and contracted to receivers in relation to loan recoveries.

Gregory Pearce is a former senior officer of Dorchester Finance Limited, having ceased to be employed by Dorchester Finance Limited in December 2008, which is when Dorchester Finance

Limited entered into a Deferred Repayment Plan (this was followed by a Capital Reconstruction Plan in 2010).

Garth William Ward B.Com, C.A.

Garth's biography appears on page 14.

2.10 ***IRG's Sole Director***

IRG's sole director is Brent King. Brent's biography appears on pages 12 to 13.

2.11 ***No Immediate Change to the Directors***

Mykco does not intend to make any immediate changes to its Board or the Board of any members of the Mykco Group following Completion.

2.12 ***Garth Ward – CFO***

It is intended that Garth Ward would continue as the CFO of the Mykco Group following the Transaction. Garth's biography appears on page 14.

2.13 **Substantial Product Holders**

After Completion under the Transaction Agreement, the following persons will hold relevant interests in not less than 5% of the total number of ordinary shares on issue in Mykco:

Name of Substantial Product Holder	Nature of Relevant Interest	Number of Shares Held	Percentage Shareholding
Borneo Capital Limited	Registered holder	32,540,000	26.25%
Brent Douglas King	Registered holder	20,948,166	16.90%
CFS NBDT Interest Limited, as General Partner of the CFS Interest Limited Partnership	Registered holder	16,270,000	13.13%

Each of the above substantial product holders are to acquire their shares in Mykco on Completion, under the Transaction Agreement, except for Brent Douglas King who already holds 122,566 shares in Mykco.

2.14 **Directors' Interests**

After Completion under the Transaction Agreement, the following directors of Mykco will hold relevant interests in the ordinary shares of Mykco:

Name of Director	Role Within Mykco	Nature of Relevant Interest	Number of Shares Held	Percentage Shareholding
Rewi Hamid Bugo	Non-Executive Director	Power to control shares held by Borneo Capital Limited	32,540,000	26.25%
Brent Douglas King	Executive Director	Legal and beneficial owner	20,948,166	16.90%
Graeme Iain Brown	Non-Executive Director	Power to control shares held by Belian Holdings Limited	3,269,479	2.64%

None of the current Directors is entitled to remuneration from Mykco other than by way of Directors' fees. The total fee pool for Directors is currently \$150,000. Under the third resolution set out in a Notice of Meeting that accompanies this Disclosure Document, shareholders are being asked to approve an increase in this fee pool to \$300,000. Upon completion of the Transaction Brent Douglas King would also derive remuneration under a Management Agreement with Mykco. That Management Agreement would provide for a salary of \$120,000 per annum, a vehicle allowance of \$12,000 per annum, a performance fee equal to 10% of fees earned by Mykco and its subsidiaries (excluding fees earned by General Finance from its lending business) and an annual profit share equal to 10% of the amount by which the Mykco Group's net profit after tax exceeds the Benchmark for the relevant year (the Benchmark being calculated as the official cash rate expressed as a percentage, plus 10% per annum). Brent Douglas King and Rewi Hamid Bugo are also directors of CHL, and Brent Douglas King is also director of General Finance and the sole director of IRG. Any remuneration they receive as directors of these companies must form part of the foregoing fee pool.

2.15 *Recent and Proposed Share Issues*

Shares issued by Mykco since 1 January 2016 are summarised in the table below.

Shares issued prior to the Transaction Agreement.

Description	Date of Transaction	Number of Shares Issued	Amount of Capital Raised in \$	Total Number of Shares on Issue Post the Relevant Share Issue
Issue of shares	22 August 2016	3,269,479	\$204,342	16,347,395
Issue of shares	13 January 2017	3,269,479	\$215,786	19,616,874

Shares to be issued under the Transaction Agreement.

Description - issues of shares in Mykco to be made pursuant of the Transaction Agreement to the persons listed below.	Number of Shares Issued	Amount of Capital Issued in \$	Total Number of Shares on Issue Post the Relevant Share Issue
Borneo Capital Limited	32,540,000	\$1,912,800	123,940,114
Brent Douglas King	20,825,600	\$1,224,192	
Barter Investments Limited	1,220,250	\$71,730	
Garth William Ward	1,627,000	\$95,640	
CFS NBDT Interest Limited as General Partner of the CFS Interest Limited Partnership	16,270,000	\$956,400	
Industrie Properties Limited	5,808,390	\$341,435	
Baker Investment Trust	4,067,500	\$239,100	
Sinclair Investment Trust	4,067,500	\$239,100	
Harrigens Trustees Limited	4,067,500	\$239,100	
Bruce Gregory Speers	4,067,500	\$239,100	
John Tomson	4,067,500	\$239,100	
Owen Daji	4,067,500	\$239,100	
Sumner Family Trust	1,627,000	\$95,640	

2.16 No Secretary

Mykco does not have a company secretary. No company secretary has been involved in the preparation of this Disclosure Document. Mykco intends to appoint Garth William Ward as its company secretary as from Completion (Garth's biography appears on page 14).

2.17 Bankers

Except for Brent Douglas King, a Director of Mykco, no bankers have been involved in the preparation of this Disclosure Document.

2.18 Sharebrokers

Except for Brent Douglas King, a Director of Mykco, no sharebrokers have been involved in the preparation of this Disclosure Document.

2.19 Solicitors

Mykco's solicitors, Lowndes Limited, Level 5, Lowndes House, 18 Shortland Street, PO Box 7311, Auckland have assisted in the preparation of this Disclosure Document.

3. PURPOSE OF THE TRANSACTION

The purpose of the Transaction is to make Mykco viable again, by effectively turning it into a holding company for a Mykco Group comprising itself and CHL (an intermediate holding company) and CHL's subsidiaries, General Finance, which operates as a finance company, and IRG, which provides financial advisory services.

The Transaction involves Mykco acquiring shares in CHL in exchange for shares in Mykco. Mykco would not be raising any money under the transaction. The Transaction is further described in Section 5: Terms of the Transaction.

Mykco is presently a listed shell. Mykco had net assets of \$1,152,957, as at 30 September 2017 (30 September 2016: \$1,112,839), and cash reserves of \$346,388 at that time.

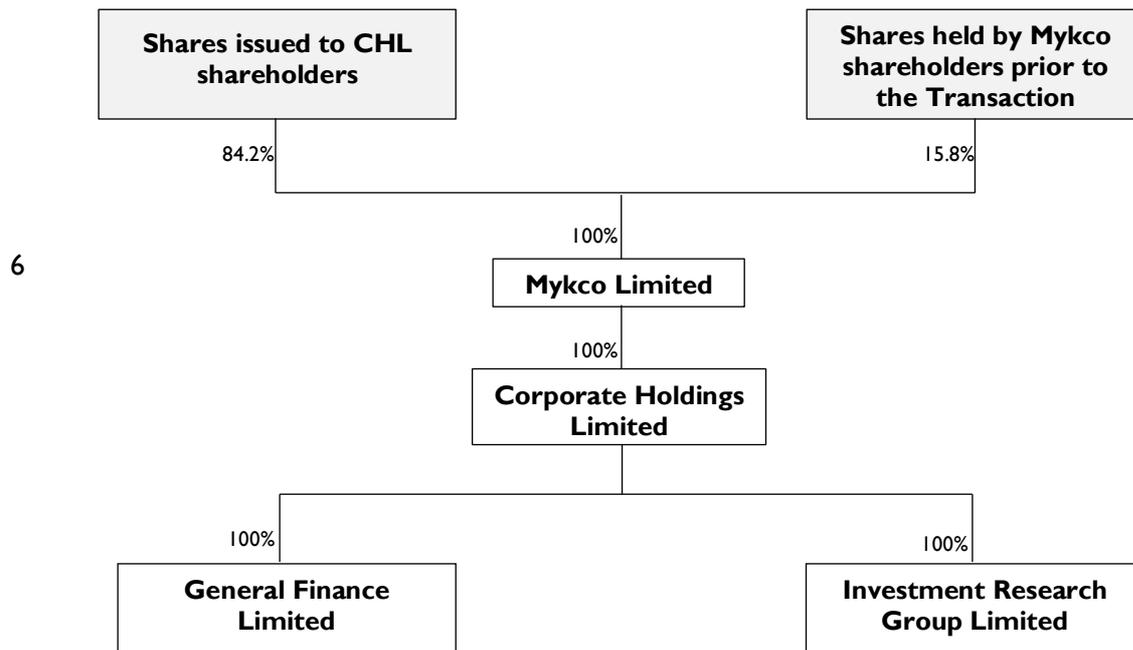
Subsequent to the sale of Mykco's core business in 2015, Mykco has considered a number of different investment and capital raising opportunities to utilise Mykco's NZAX listing and create value for shareholders.

Mykco has continued to operate as a listed company on a minimal operating budget over the past 12 months. However, the Directors consider that Mykco's current situation is not sustainable.

On 28 May 2018, Mykco entered into the Transaction Agreement with all the shareholders of CHL (other than itself) to acquire all the shares in CHL (except for the 100,000 shares it already owns).

In the event the Transaction proceeds, Mykco would own CHL. CHL wholly owns General Finance and IRG. CHL acquired both these companies on 19 December 2017.

The following diagram shows the structure of the Mykco Group on completion of the Transaction:



In their report, the Independent Adviser provides summaries of the key positive and negative aspects of the Transaction. In their report the Independent Advisor refers to Mykco as Mykco or the Company and to the Transaction as the CHL Transaction (including the CHL Allotment). The Independent Adviser's summary includes the following statements concerning the key positive aspects of the Transaction:

- (a) The rationale for the Transaction is sound. It achieves Mykco's objective of backdoor listing one or more businesses through its listed shell. Mykco will be transformed into a listed financial services company operating a finance company and a financial advisory services business.
- (b) The terms of the CHL Transaction are reasonable.
- (c) The CHL Transaction will have a significant positive impact on the Company's financial performance and financial position.
- (d) The main implication of the CHL Transaction Resolution not being approved by Non-associated Shareholders is that the CHL Transaction cannot proceed. The Company will likely need to raise additional capital in a relatively short timeframe to fund its current operating costs and to enable it to continue to seek acquisition opportunities to effect a backdoor listing. If the Company cannot raise sufficient capital, this may lead to the need to wind up the Company, in which case the return to the Non-associated Shareholders may be minimal.

The Independent Adviser's summary of the key negative aspects of the Transaction contains the following statements:

- (a) The risk profile of Mykco will change significant from the limited risks associated with a listed shell company to the wide range of risks associated with businesses operating in the financial services sector.

- (b) Borneo ... and the King Associates ... will both hold significant influence over the outcome of shareholding voting and exert a high degree of influence over the Company's board of directors and the Company's operations.
- (c) A dilutionary impact of the CHL Transaction on the Non-associated Shareholders will result in their proportionate shareholdings in the Company reducing by 84.2% following the CHL Allotment.
- (d) The attraction of Mykco as a takeover target may diminish.

In its report, the Independent Adviser also states: The CHL Transaction may have some impact on the liquidity of Mykco's ordinary shares if some of the CHL shareholders seek to trade their Consideration Shares (being the shares in Mykco issued to them as consideration for the CHL Shares in Mykco to be Acquired). However, the number of shares in Mykco held by the Non-associated Shareholders will not change. It is uncertain as to what price range the shares may trade at post the CHL Transaction.

In their report, the Independent Adviser reaches the following conclusions in relation to the Transaction on page 10 of the Independent Adviser Report:

"In our opinion, after having regard to all relevant factors, the positive aspects of the CHL Transaction (including the CHL Allotment) significantly outweigh the negative aspects from the perspective of the Non-associated Shareholders"

At page 24 of the Independent Adviser Report, the Independent Adviser states:

"In our opinion, after having regard to all relevant factors, the terms of the CHL Transaction are fair and reasonable to the Non-associated Shareholders and in the best interests of Mykco given the options reasonably available to the Company at the current time."

At page 7 of the Independent Adviser Report, the Independent Adviser issues the following caveat:

"Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion".

For the Directors' recommendation relating to the Transaction and their interests in the Transaction see the heading *Directors' Recommendation* on pages 5 to 7 of the Notice of Special Meeting of Mykco that accompanies this Disclosure Document.

4. TERMS OF THE TRANSACTION

4.1 Key Terms

The table below sets out the key terms of the Transaction. The Constitution of Mykco sets out the terms of the ordinary shares in Mykco.

You can find a copy of the Constitution filed on a public register at the Companies Office of the Ministry of Business Innovation and Employment which is available for public inspection free of charge, including at <https://companies-register.companiesoffice.govt.nz>.

The Vendors	Borneo Capital Limited, Brent Douglas King, Barter Investments Limited, Garth William Ward, CFS NBDT Interest Limited as General Partner of the CFS Interest Limited Partnership, Industrie Properties Limited, Baker Investment Trust, Sinclair Investment Trust, Harrigens Trustees Limited, Bruce Gregory Speers, John Tomson, Owen Daji and the Sumner Family Trust.
Transaction Agreement	Mykco entered into the Transaction Agreement to purchase all the shares in CHL except for the 100,000 shares that it already owns. The Transaction Agreement supersedes the potential transaction announced to the market on 30 March 2017 (with an update on 20 December 2017).
Purchase Price	\$6,132,436.80.
Satisfaction of the Purchase Price	By the issue of 104,323,240 fully paid ordinary shares in Mykco.
Conditions	<p>The Transaction is conditional upon the following Conditions:</p> <p>(a) <i>Consent of Supervisor:</i> CHL and Mykco approaching and obtaining the written consent of Covenant Trustee Services Limited (<i>Supervisor</i>) as supervisor of General Finance under a Trust Deed dated 2 November 2004 (as amended), to the Transaction and to continue in their role as supervisor of General Finance after Completion on terms that are acceptable to CHL and Mykco (acting reasonably).</p> <p>(b) <i>Reserve Bank Consent:</i> CHL and Mykco approaching and obtaining the written consent of the Reserve Bank under section 43 of the Non-Bank Deposit Takers Act 2013 to the Transaction on terms that are acceptable to CHL and Mykco (acting reasonably).</p> <p>(c) <i>Approvals:</i> Mykco obtaining all shareholder and other approvals required to implement the Transaction and the transactions to be entered into pursuant to the Transaction or contemplated by the Transaction in compliance with the Companies Act 1993, NZAX Listing Rules, the Takeovers Code and any other applicable laws and any contracts binding on Mykco on a basis that is acceptable to CHL and Mykco (acting reasonably).</p> <p>The date for satisfaction of the Conditions is 31 July 2018 or such later date as may be agreed between the parties.</p>

Warranties	Under the Transaction Agreement, each of the Vendors warrants that it owns its shares in CHL, that they are fully paid, and that on Completion they will pass to Mykco free of encumbrances and rights of pre-emption. In addition, Brent King in his capacity as a Vendor on the one hand, and Mykco on the other, provide limited warranties including as to the accuracy of the information provided prior to entering into the Transaction Agreement. Each party's liability under these warranties is limited to claims brought within 18 months of Completion and to an aggregate amount in the case of each Vendor of the purchase price for its Shares in CHL to be Acquired. In relation to the additional warranties provided by Brent King there is an additional separate cap of liability equal to the amount of the purchase price of his Shares in CHL to be Acquired under the Transaction. The liability of Mykco under its warranties is limited to the amount of the purchase price payable for the Shares in CHL to be Acquired.
No Change of Directors of the Mykco Group intended immediately	Mykco does not intend to make any immediate changes to its Board or the Board of any members of the Mykco Group immediately following Completion.
Completion	On or before three Business Days after the Conditions are satisfied.
CHL's subsidiaries	General Finance and IRG.
General Finance	A non-bank deposit taker, which operates as a finance company.
IRG	A financial advisory company, which is a NZX Sponsor and NXT Advisor and the publisher of the Investment Yearbook.

4.2 Listing

Mykco is listed on the NZX Alternative Market (NZAX) operated by NZX Limited. The NZAX differs from the NZX Main Board, also operated by NZX Limited, in the following key respects:

1. There are reduced criteria for listing on the NZAX. There is no requirement for 25% of the securities of the NZAX issuer to be widely held and no minimum value requirement for an NZAX listing as applies to NZX Main Board listings. Whilst an NZX Main Board issuer must have 500 shareholders, an NZAX issuer needs only 50 shareholders. Mykco has 719 shareholders at the date of this Disclosure Document.
2. An NZAX issuer requires an NZAX Sponsor in order to list on the NZAX, whereas NZX Main Board companies require an Organising Participant.
3. Greater flexibility is accorded by the NZAX Listing Rules to NZAX issuers seeking to raise capital, buy back securities, and undertake major transactions. The NZAX Listing Rules provide NZAX issuers with an option to undertake these activities without seeking shareholder consent, by making an announcement to the market, which discloses fully the transaction prior to that transaction becoming final.
4. The corporate governance standards for NZAX issuers do not contain all the matters provided for in the corporate governance standards for NZX Main Board issuers. For instance, whereas Mykco on the Main Board must have two independent directors, there is no such requirement for NZAX listed companies.

4.3 Possible Migration to the NZX Main Board

Mykco is currently listed on the NZAX. NZX Limited announced on 11 April 2018 that it proposes to move to a single-tier listed market for equity securities. Under the proposals, new rules would apply from January 2019, but compliance would not be mandatory until 1 July 2019. It is possible that under grandfathering arrangements Mykco might be given additional time to meet the requirements of, and apply to migrate to, a restructured single-tier NZX Board for equity securities. However, there can be no certainty that grandfathering arrangements will apply, so Mykco must plan for the possibility that 1 July 2019 is the deadline date for complying with the rules for a restructured single-tier NZX Board for equity securities. To be eligible under the current proposals to apply for migration to a restructured NZX Main Board, Mykco would need to have a market capitalization of not less than \$15,000,000, at least 300 shareholders, a 20% free float, and at least three directors, two of whom would need to be independent. The market capitalisation requirement, in particular, is considerably more stringent than the requirement of the NZAX Listing Rules where there is no minimum market capitalization requirement. Also the other current requirements of the NZAX Listing Rules comparable to those under the current NZSX Listing Rules are less stringent i.e. NZAX listed companies currently only have to have at least 50 shareholders, and at least three directors, but there is no requirement for independent directors.

If Mykco wishes to migrate to the NZX Main Board under the proposed structure, it will need to apply to NZX for cancellation of its NZAX listing under NZAX Listing Rule 5.4.1(b), at least one month prior to the proposed cancellation date. Mykco would also need to hold a meeting of shareholders to seek approval for changes that would need to be made to its constitution to incorporate certain NZX Main Board Listing Rules. The notice for that meeting would need to set out:

- (a) Mykco's intention to delist from NZAX and to relist on the NZX Main Board; and
- (b) The key differences between NZAX and the NZX Main Board and the consequences of those differences for investors.

The Notice of Meeting would need to be provided to NZX Regulation for review and approval. NZX Regulation would review the Notice to ensure that the explanatory notes to the resolution explain the costs and benefits of migrating to the NZX Main Board, and also explain the difference in the regulatory framework, and provide a summary of the NZX Main Board fees.

NZX would determine whether Mykco would need to prepare a listing document, and NZX does this on a case-by-case basis.

NZX would be likely to require Mykco to prepare a cleansing statement that:

- (a) Contains a link to where all announcements released by Mykco on the NZAX can be accessed; and
- (b) Is signed by Mykco's directors and confirms that the cleansing statement, together with the information contained in the announcements referred to above, contains all material information.

Mykco would not be delisted from NZAX until NZX has approved Mykco's application to be listed on the NZX Main Board.

Mykco will need to assess its options regarding listing going forward. Mykco might seek to comply with NZX's proposals for a restructured single-tier Board for equity securities, and apply for migration to that Board. Other possibilities are that it might seek to migrate to an unlisted market or to an

overseas exchange. Mykco's intention is that shareholders would continue to have a platform on which to trade their shares.

5. KEY FEATURES OF ORDINARY SHARES IN MYKCO

5.1 *General*

The key features of ordinary shares in Mykco do not differ from those that apply to ordinary shares in a company generally.

Each share in Mykco confers on the holder the right to:

1. One vote on a poll at a meeting of shareholders of Mykco;
2. An equal participation with all other existing shareholders in Mykco in any dividend declared;
3. An equal participation with all other shares in Mykco in the residual assets on a liquidation of Mykco;
4. Be sent reports, notices of meetings and other information sent to Mykco's shareholders; and
5. All other rights as a shareholder conferred by the Companies Act 1993 and Mykco's constitution.

5.2 *Dividend Policy*

Mykco aims to be a growth company and Mykco's dividend policy is to not pay a dividend in the foreseeable future, but this will be reviewed at the end of each financial reporting period, taking into consideration the financial position, operating performance, cash flow and capital requirements of the Mykco Group.

However, Mykco can give no assurance as to the frequency or level of any dividend (or other distributions, if any) payable, or the level or imputation credits, if any, attached. Payment of dividends is at the discretion of the Directors, and dividends (if any) will be declared only after meeting solvency requirements. Should Mykco pay dividends, it will expect to pay them on a fully imputed dividend basis.

5.3 *No guarantee of shares*

No person guarantees or undertakes any liability in respect of the shares in Mykco or the future value or performance of them.

5.4 *Alteration of Shares*

The terms and conditions attaching to Mykco's shares may only be altered with the approval of a special resolution of the shareholders of Mykco, subject to the rights of interest groups under the Companies Act 1993, or in special circumstances by Court order.

A special resolution of shareholders is a resolution that is approved by 75% of the shareholders present in person or by proxy and voting at a meeting of the shareholders of Mykco.

Section 117 of the Companies Act 1993 restricts a company from taking any action that affects the rights attached to its shares unless that action has been approved by a special resolution of the shareholders whose rights are affected by the action. Under certain circumstances a shareholder whose rights are affected by a special resolution may require Mykco to purchase its shares.

5.5 *Consequences of Insolvency*

Mykco's shareholders will not be liable to pay any money to any person as a result of the insolvency of Mykco. All of Mykco's creditors (secured and unsecured) will rank ahead of shareholder claims if Mykco is liquidated. After all creditors have been paid any remaining assets will be available for distribution between all holders of Mykco's ordinary shares who will rank equally amongst themselves. There may not be sufficient remaining assets to enable Mykco's shareholders to recover all or any of their investment.

5.6 *No Trading Restrictions/Controlling Shareholders*

As from Completion under the Transaction Agreement, the Vendors will own 86.2% of Mykco's expanded shares on issue.

None of the shares owned by the Vendors will be subject to any embargo on sale. One or more of these shareholders may wish to sell some or all of their shareholdings. Should this happen, then depending on the level of demand for the shares, the sale could significantly depress the share price.

The major shareholders will collectively have a major influence over matters that require the passing of ordinary and special resolutions by shareholders unless they are required to abstain from voting by law and/or NZAX Listing Rules.

5.7 *Minimum Holdings*

The minimum holding of shares that any shareholder can hold in Mykco (*Minimum Holding*) is 2,000 shares as at the date of this Disclosure Document.

Under Mykco's Constitution the Board may at any time give notice to a shareholder holding less than a Minimum Holding of shares of any class that if at the expiration of 3 months after the date the Notice is given, the shareholder still holds less than a Minimum Holding of shares of that class the Board may sell those shares. Where that power of sale arises, Mykco must account to the shareholder for the net proceeds of the sale (after the deduction of reasonable sale expenses).

6. THE MYKCO GROUP'S FINANCIAL INFORMATION

The tables in this section provide key financial information about the Mykco Group. Full financial statements are available on Mykco's website at www.mykco.co.nz. If you do not understand this financial information, you can seek advice from a financial adviser or accountant.

This Disclosure Document contains prospective financial information, which is based on the Directors' assessment of events and conditions existing at the date of this Disclosure Document and the accounting policies and assumptions in connection with that prospective financial information. You should read the prospective financial information in this Disclosure Document in light of those assumptions, and in conjunction with the other information in this Disclosure Document (including, in particular, the information in Section 7: *Risks to Mykco Group's business and plans*).

Prospective financial information by its nature involves risks and uncertainties, many of which are beyond the control of the Mykco Group. The Board believes that the prospective financial information has been prepared with due care and attention, and considers the assumptions, when taken as a whole, to be reasonable at the time of preparing this Disclosure Document. Actual results are likely to vary from the information presented. Results may not occur as expected, and the variations may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the prospective financial information will be achieved and investors are cautioned not to place undue reliance on the prospective financial information.

6.1 Selected Financial Information presented

There are three different types of financial information referred to or presented in this Disclosure Document:

- Statutory historical financial information.
- Pro forma prospective financial information.
- Statutory prospective financial information.

Statutory Historical Financial Information

Audited financial statements for Mykco for the year ended 31 March 2018 (and the two preceding financial years ended 31 March 2017 and 31 March 2016) are available on its website at www.mykco.co.nz.

CHL was not incorporated until 16 March 2017, and did not acquire General Finance and IRG until 19 December 2017. Unaudited financial statements for CHL for the year ended 31 March 2018 are available on Mykco's website at www.mykco.co.nz.

Audited financial statements for General Finance for the year ended 31 March 2018 (and the two preceding financial years ended 31 March 2017 and 31 March 2016) are available on its website at www.mykco.co.nz.

Unaudited financial statements for IRG for the year ended 31 March 2018 (and the two preceding financial years ended 31 March 2017 and 31 March 2016) are available on its website at www.mykco.co.nz.

Pro forma Financial Information/Statutory Prospective Financial Information

Pro forma historical consolidated financial statements of Mykco for the year ended 31 March 2018 are attached as Annexure A to this Disclosure Document. Pro forma prospective consolidated financial statements for Mykco for the years ended 31 March 2019 and 31 March 2020 are attached as Annexure B to this Disclosure Document.

The following summaries have been extracted from the statements annexed as Annexures A and B to this Disclosure Document.

	FY2018PF	FY2019SPF	FY2020SPF
	Pro forma, including CHL and subsidiaries	Statutory	Statutory
	(year ended 31 March) NZ\$000	(year ended 31 March) NZ\$000	(year ended 31 March) NZ\$000
Revenues as determined in accordance with GAAP	1,986,859	2,480,911	5,470,247
Net profit after tax plus interest, tax, depreciation, and amortisation as each of those items is determined in accordance with GAAP	271,714	930,331	3,691,247
Net profit after tax as determined in accordance with GAAP	(365,819)	38,641	1,313,112
Dividends on all equity securities of the issuer	–	–	–
Total assets as determined in accordance with GAAP	17,756,011	30,789,547	58,415,639
Cash and cash equivalents as determined in accordance with GAAP	5,216,677	3,751,799	4,106,490
Total liabilities as determined in accordance with GAAP	10,431,511	21,710,,173	48,023,153
Total debt (being total interest – bearing liabilities as determined in accordance with GAAP)	9,854,092	21,389,195	47,374,470
Net cash flows from operating activities as determined in accordance with GAAP	44,682	(14,460,328)	(25,240,805)

See also sections 2.6, 4.5, 4.6, 4.7, 5.4, 5.5 and 5.6 of the Independent Adviser Report for commentary by the Independent Adviser on Mykco's financial information.

6.2 Principal Assumptions

Pro-forma financial statements for the year ended 31 March 2018. (FY2018)

These statements assume that the Transaction has been completed, resulting in CHL (and its subsidiaries General Finance and IRG) becoming subsidiaries of Mykco.

Prospective Financial Statements for the year ended 31 March 2019 (FY2019)

Mykco expects net profit after tax to be marginally positive (\$38,641) for FY2019. The key factors that Mykco believes will drive this forecast result are:

- Growth of 24.86% in consolidated revenue driven primarily by the factors listed below.
- Growth of 117.06% in General Finance's deposit ledger driven primarily by increased advertising and internet presence, expanding its network of financial advisers, sponsorship of a sporting or cultural event each year, publication of quarterly newsletters, and improving its website.
- Growth of 169.19% in General Finance's loan book driven primarily by an expanded and more committed broker network, more streamlined approval processes and increased loan sizes as net assets grow i.e. an increase in lending from \$8.7 million at the end of FY2018 to \$23.4 million at the end of FY2019 could be achieved by making 16 additional loans where the loan size is \$900,000 per loan.
- One off costs associated with the acquisition of CHL not reoccurring.

This is notwithstanding an expected increase of total operating expenses of General Finance from an average of \$498,083 for the three years ending with FY2018 to \$760,300 for FY2019 due to increases in brand advertising, staff and computer systems.

Prospective Financial Statements for the year ended 31 March 2020 (FY2020)

Mykco expects net profit after tax to increase from a forecast \$38,641 for FY2019 to \$1,313,112 for FY2020. The key factors that Mykco believes will drive this forecast result are:

- Growth of 120.49% in consolidated revenue driven primarily by the factors listed below.
- Growth of 121.49% in General Finance's deposit ledger driven primarily by the same factors as in FY2019.
- Growth of 117.75% in General Finance's loan book driven primarily by the same factors as in FY2019, i.e. an increase in lending from \$23.4 million at the end of FY2019 to \$50.9 million at the end of FY2020 could be achieved by making 31 additional loans where the average loan size is \$900,000 per loan.

This is notwithstanding an expected increase of total operating expenses of General Finance from \$700,000 for FY2019 to \$900,000 for FY2020 due to increases in brand advertising, staff and computer systems.

Other Principal Assumptions

The following are additional principal assumptions on which the prospective financial statements for FY2019 and FY2020 are based:

1. Interest rates on loans will decrease from an average of 14.7% over the three years ending with FY2018 to 12.1% over FY2019 and FY2020.
2. Loan fees on loans will decrease from an average of 2.6% over the three years ending with FY2018 to 1.92% over FY2019 and FY2020.
3. Interest rates on deposits will average 5.64% over FY2019 and FY2020 compared to 5.67% over the three years ending with FY2018.
4. Impairment of loan receivables will not increase significantly over FY2019 and FY2020.

5. In addition to the deposit growth forecast above Mykco will raise additional cash from share capital totaling \$1,750,000 during FY2019.

6.3 Other Financial Information

Prior to signing and announcing the Transaction Agreement, Mykco was a listed shell.

Pursuant to the Transaction Agreement, and subject to satisfying the Conditions, Mykco is to acquire CHL on Completion for a purchase price equal to \$6,132,436.80 which is to be satisfied by Mykco issuing 104,323,240 fully paid ordinary shares that will result in the Vendors owning 86.2% of Mykco's expanded shares on issue.

The 104,323,240 Mykco Shares to be Issued to the Vendors equates to the 6,412,000 Shares in CHL to be Acquired, multiplied by 16.27. The multiplier of 16.27 is the number of Mykco Shares to be issued to the Vendors for each CHL Share to be Acquired. The multiplier of 16.27 represents:

- (a) 95.64, being the net assets per share of CHL derived from management accounts of CHL prepared as at 30 January 2018; divided by
- (b) 5.88, being the net assets per share of Mykco as at 30 September 2017 based on unaudited interim accounts of Mykco as at that date.

Shareholders should note that the CHL asset values were determined by CHL and the CHL accounts on which the consideration at which the Transaction is completed is determined were prepared by CHL and no independent assessment of those valuations or accounts has been undertaken prior to appointing the Independent Adviser to prepare the Independent Adviser Report which did not independently review these valuations.

7. RISKS TO MYKCO GROUP'S BUSINESS AND PLANS

General

Potential investors should seek financial and legal advice before deciding to acquire shares in Mykco.

The principal risks for shareholders are that:

1. While Mykco is listed on the NZAX market, shareholders may not be able to sell their shares or, if they can sell them, the price they get for them may be less than the amount paid for them;
2. The market for shares in Mykco may become volatile, illiquid or cease to exist;
3. Shareholders may not receive the distributions they anticipate receiving from Mykco;
4. The Mykco Group's operational and financial performance does not reach levels anticipated by the shareholders, or projected by Mykco and this impacts adversely on the value of Mykco's shares and/or any distributions made to shareholders;
5. The Mykco Group's lenders may take enforcement action under their securities, the amount recoverable under their securities may be less than what is owing, and Mykco's shares may cease to have any value;
6. The Mykco Group may become insolvent and Mykco's shares cease to have any value.

Specific Risks

Set out below is a description of the circumstances that Mykco is aware of that exist or are likely to arise that significantly increase the risk to Mykco's financial position, financial performance and plan.

The risks described below relate to General Finance, which will be Mykco Group's principal operating subsidiary, and IRG which will be a subsidiary providing corporate advisory and financial research financial research services.

General Finance Limited

Loan default risk

This is where a significant amount of the loans, that General Finance has made, are not repaid, or the security taken for those loan advances is inadequate, and full recovery of the loans is not possible. This may occur where borrowers to whom General Finance has lent money are, due to a change in their personal financial situation, unable to meet their loan obligations.

If a number of borrowers defaulted on their loan obligations around the same time, there may be insufficient funds to fully repay holders of term deposits. At 30 September 2017, General Finance's largest six borrowers made up 38.2% of total lending. If all or a majority of these borrowers defaulted around the same time, this could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits.

General Finance is exposed to risks associated with the geographical concentration of its lending. At 30 September 2017, over a third of General Finance's loan portfolio was concentrated in Auckland. If any issues arose in the Auckland market (such as a result of a significant fall in prices, or some natural disaster), this could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits.

General Finance is also exposed to risks associated with the number of loans that are secured by way of second mortgage. If the borrower on a second mortgage loan defaults, there is a greater likelihood that General Finance will lose money because the first mortgage holder has first right to the proceeds from the sale of the security property. This could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits. At 30 September 2017, 5.9% of loans were secured by way of second mortgage.

General Finance manages loan default risk according to its lending and risk management policies. General Finance has limits on its exposure to provincial towns and country areas, limits on the maximum amount that it will lend to any one borrower, and limits on the aggregate loans secured by way of second mortgages.

Customer and geographical concentration information and the amount of loans secured by way of second mortgages are detailed in General Finance's latest financial statements, available on its website at www.generalfinance.co.nz or on www.companiesoffice.govt.nz/disclose.

Under General Finance's Trust Deed, General Finance is required to maintain a capital ratio, of not less than 15% if it does not have a credit rating. General Finance's capital ratio, at the end of the last financial year, is detailed in a document called *Key ratios and selected financial information*, available on General Finance's website at www.generalfinance.co.nz or on www.companiesoffice.govt.nz/disclose.

Liquidity risk

General Finance's ability to meet its payment obligations to holders of term deposits is linked to both its lending activities and its deposit taking activities.

There is a risk that the duration of General Finance's term deposits becomes shorter than the duration of its loans. This is where General Finance lends for longer terms and accepts term deposits for shorter terms. If this occurred, General Finance may not have sufficient cash liquidity to meet its obligations. This could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits. This risk is managed by General Finance seeking to attract term deposits for terms of two to three years while making loans for terms of one to two years. General Finance reports on liquidity to the supervisor monthly.

There is a risk that holders of term deposits may want to have their term deposits repaid before the maturity date. If this occurred, General Finance may not have sufficient cash liquidity to meet its obligations. This could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits. Generally, General Finance will only agree to early repayment where, due to unforeseen circumstances, holding the term deposit gives rise to some form of material hardship (causing a significant adverse impact in the term deposit holder's personal financial situation). Early repayment is permitted only rarely.

Many holders of term deposits reinvest for a further term on the maturity of their term deposit. The rates at which General Finance receives new term deposits, and at which existing holders of term deposits reinvest, impact on General Finance's cash flow. General Finance expects a certain level of reinvestment when planning its cash flow. There is a risk that reinvestment rates and the rate of investment for new term deposits change adversely. This may be caused by some negative news about General Finance or the market generally. If this occurred, General Finance may not have sufficient cash liquidity to meet its obligations. This could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits.

There is a risk that borrowers, to whom General Finance has made loans, are not able to meet their obligations in a timely manner, particularly their principal repayment obligation. Where completion of

the purpose, for which the borrower has borrowed, is delayed, the borrower may request that their loan term be extended. This is considered in a similar manner to the initial loan and if approved, the borrower's loan is extended for a further term. If a number of borrowers seeking loan term extensions increases beyond what General Finance has planned for, it may not have sufficient cash liquidity to meet its obligations. This could be caused by an economic shock and could significantly increase the risk of default on General Finance's payment obligations to holders of term deposits.

General Finance mitigates these risks by maintaining at least 10% of its total tangible assets in cash or in short term deposits with trading banks.

Under General Finance's Trust Deed, General Finance is required to maintain a liquidity cover ratio of not less than 1.25 times, which means that cash and the expected inflow of funds is 1.25 times the expected outflow of funds. General Finance's liquidity cover ratio, at the end of the last financial year, is detailed in a document called *Key ratios and selected financial information*, available on General Finance's website at www.generalfinance.co.nz or on www.companiesoffice.govt.nz/disclose.

Information about loan extensions and reinvestment rates is detailed in General Finance's latest financial statements, available on its website at www.generalfinance.co.nz or on www.companiesoffice.govt.nz/disclose.

IRG

Deal Flow Risk

Corporate Advisory/investment banking is a transactional business. Transactional opportunities can take considerable time to develop and bring to fruition. They can often depend on levels of business confidence, or companies wanting or needing to raise capital or engage in M & A activities. Hence business can be intermittent, and often potential opportunities do not eventuate, notwithstanding substantial time invested in them. IRG seeks to mitigate this risk by concentrating its activities on sectors of the market where it has most experience and on prospective parties who have a history of successful investment activities.

Lack of Appetite for Financial Products

Investors in financial products make their decisions based on a range of factors, most of which are beyond the control of an advisor. Economic trends, particularly trends in share and bond markets, tend to be very influential on attitudes to investment. Hence advisors are susceptible to these trends and investors having discretionary income they wish to invest in financial products. IRG seeks to mitigate this risk by concentrating its focus on quality financial products that it considers are likely to appeal to its client base.

Lack of Appetite for Financial Information

Investors vary in their requirements for financial information. Some investors are passive, tending simply to follow the market, or to provide advisors with discretionary mandates. Others like to receive financial data to assist them with their decisions. If markets are over weighted with passive investors there is a risk of a drop in demand for IRG's financial advisory publications. IRG seeks to mitigate this risk by encouraging investors to take responsibility for their own investment decisions, assisted by financial information which IRG looks to provide through its Investment Yearbook and other regular publications.

Regulatory Risk – General Finance and IRG

General Finance and IRG are required to comply with various legal obligations, and any material failure to comply with these could result in damage to their reputation and or expose them to financial and/or other penalties. For General Finance this might mean an increase in withdrawal rates and a decrease in reinvestment rates. For IRG this could mean a loss of corporate advisory and financial research opportunities. In both cases it might have a material and adverse affect on the financial condition of General Finance or IRG (as applicable).

Recent examples of major law changes that have imposed significant additional obligations on General Finance and/or IRG are the Anti-Money Laundering and Countering Finance and Terrorism Act 2009, the Financial Markets Conduct Act 2013 and the Non-bank Deposit Takers Act 2013. Any change to existing laws or to the interpretation or enforcement of those laws or the introduction of new laws can result in additional requirements being imposed on General Finance and/or IRG and/or result in increased costs for them. For example, over the last 12 to 18 months, regulators have more rigorously enforced the rules relating to lending fees, particularly the requirement that they must be reasonable.

Forward looking statements

Certain statements in this Disclosure Statement constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainty and other factors which may cause the actual results, performance and achievements of Mykco to be materially different from any future results, performance or achievements expressed or implied in such forward looking statements. Such factors include, among other things, general economic and business conditions, regulatory risk, competition, labour relations and other factors described in this Disclosure Document.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward looking statements. In addition, under no circumstances should the inclusion of such forward looking statements in this Disclosure Document be regarded as a representation or warranty by Mykco or any other person with respect to the achievement of the results set out in such statements, or that the underlying assumptions used will in fact be the case. Mykco disclaims any responsibility to update any such risk factors or publicly announce the result of any revisions to any of the forward looking statements contained in this Disclosure Document to reflect future developments or events, other than where they are required to do so by the Financial Markets Conduct Act 2013, the Financial Markets Conduct Regulations 2014, the NZAX Listing Rules, the Financial Reporting Act 1993 or any other applicable laws.

8. TAX

Tax can have significant consequences for investment.

If an investor has queries relating to the tax consequences of investment in Mykco, the investor should obtain professional advice on those consequences.

9. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Mykco is available on the public register at the Companies Office at the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at www.business.govt.nz/companies.

Mykco is required to make half yearly and annual announcements to NZX and such other announcements as required by the NZAX Listing Rules from time to time. You will be able to obtain this information free of charge by searching under Mykco's stock code "MYK" on NZX's website www.nzx.com.

10. CONTACT INFORMATION

Issuer

Mykco Limited

Registered Office

Forest Harrison
Level 9
191 Queen Street
Auckland 1010
New Zealand

Directors who will also be the Directors on Completion of the Transaction

Brent Douglas King, Chair
24 Tuhaere Street
Orakei
Auckland 1071
New Zealand

Lyn Lim (full legal name being Huei Min Lim)
4 Halifax Avenue
Epsom
Auckland 1051
New Zealand

Simon John McArley
91 Crummer Road
Grey Lynn
Auckland 1021
New Zealand

Graeme Iain Brown
34 Ngatoto Street
Ngaio
Wellington 6035
New Zealand

Rewi Hamid Bugo
41 Bampfyld Road
Kuching
Sarawak 93200
Malaysia

Auditor

Staples Rodway Auckland
Level 9
Tower Centre
45 Queen Street
Auckland 1010
New Zealand

Share Registrar

Computershare Investor Services Limited,
Level 2,
159 Hurstmere Road,
Takapuna,
Auckland 1142
New Zealand

Investor Inquiries: +64 9 304 0145

Investor Email: investors@mykco.co.nz

Website: www.mykco.co.nz

11. GLOSSARY

Aggregate Net Value has the same value as in the NZAX Listing Rules.

Associated Persons has the same meaning as in the NZAX Listing Rules.

Average Market Capitalisation has the same meaning as in the NZAX Listing Rules.

Board means the Directors, acting as a board.

CHL means Corporate Holdings Limited.

CHL Group means CHL, General Finance and IRG.

Code means the Takeovers Code in force pursuant to the Takeovers Code Approval Order 2000.

Companies Act means the Companies Act 1993.

Completion means completion under the Transaction Agreement.

Completion Date means the date for Completion, being on or before three Business Days after satisfaction of the Conditions.

Conditions means the conditions described on page 23.

Constitution means the Constitution of Mykco.

Directors means the directors of Mykco.

FY2018 means the financial year ending 31 March 2018.

FY2019 means the financial year ending 31 March 2019.

FY2020 means the financial year ending 31 March 2020.

General Finance means General Finance Limited.

Independent Adviser means Simmons Corporate Finance Limited.

Independent Adviser Report means the report of the Independent Adviser commissioned by Mykco to appraise the Transaction and assess the merits of the issue of shares to be made to the Vendors pursuant to the Transaction Agreement.

IRG means Investment Research Group Limited.

Major Transaction:

- (a) For the purposes of the Companies Act has the same meaning as in the Companies Act;
- (b) For the purposes of the NZAX Listing Rules has the meaning set out in Rule 9.1.1(b) of the NZAX Listing Rules.

Material Transaction has the same meaning as in the NZAX Listing Rules.

Mykco means Mykco Limited.

Mykco Group means Mykco and its subsidiaries from time to time.

Mykco Shares to be issued to the Vendors means the shares to be issued to the Vendors under the Transaction Agreement.

NZAX means the alternative market operated by NZX.

NZAX Listing Rules means NZAX's listing rules.

NZX means NZX Limited.

Purchase Price means \$6,132,436.80.

Related Party has the same meaning as in the NZAX Listing Rules.

shareholders means the shareholders of Mykco.

shares means ordinary shares in Mykco.

Shares in CHL to be Acquired means all 6,512,000 shares in CHL, except for the 100,000 shares already owned by Mykco.

Takeovers Code means the Takeovers Code enforced pursuant to the Takeovers Code Approval Order 2000.

Trading Day means any day on which ordinary shares in Mykco are traded on NZAX.

Transaction means the transaction whereby Mykco:

- (i) Acquires all the 6,412,000 Shares in CHL to be Acquired for the Purchase Price; and
- (ii) Satisfies the Purchase Price by issuing the 104,323,240 Mykco Shares to the issued to the Vendors.

Transaction Agreement means a conditional agreement for Mykco:

- (i) To purchase the CHL Shares to be Acquired; and
 - (ii) To issue the Mykco Shares to be issued to the Vendors
- being an agreement made, inter alia, between Mykco as purchaser and the Vendors as vendors.

Vendors means the shareholders of CHL, except for Mykco.

12. DIRECTORS' CERTIFICATE

We refer to the Notice of Meeting and Disclosure Document relating to a Special Meeting of Shareholders to be held on 31 July 2018.

We, the persons signing this Disclosure Document, being the Disclosure Document referred to in the previous paragraph, after due inquiry by us, certify that:

1. All material information relating to Mykco, the Transaction, the Mykco Group upon completion of the Transaction, the shares of Mykco, and the business of Mykco and the Mykco Group upon completion of the Transaction is set out in the Notice of Meeting and this Disclosure Document;
2. All the information contained in the Notice of Meeting and this Disclosure Document is complete and accurate in all material respects, and neither the Notice of Meeting nor this Disclosure Document contains any material that is false, or untrue, or is likely to deceive or mislead, with regard to any particular that is material to Mykco, the Transaction, the Mykco Group upon completion of the Transaction or the shares of Mykco; and
3. In the period between 31 March 2018 and the date of this Disclosure Document, there have not, in our opinion, arisen any circumstances that materially affect:
 - (a) The trading or profitability of Mykco or the Mykco Group upon completion of the Transaction; or
 - (b) The value of the assets of Mykco or the Mykco Group upon completion of the Transaction; or
 - (c) The ability of Mykco or the Mykco Group upon completion of the Transaction to pay its liabilities due within the next twelve months,

that is not disclosed in this Disclosure Document.

Signed by all the Directors of Mykco who will also be Directors of Mykco on Completion of the Transaction:

Brent Douglas King

Graeme Iain Brown

Lyn Lim (Full legal name Huei Min Lim)

Rewi Hamid Bugo

Simon John McArdley

15. APPENDIX A – MYKCO: PRO FORMA HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2018

MYKCO LIMITED

Pro Forma Consolidated Financial information

For the years ended 31 March 2016, 2017 and 2018

1. LEGAL ENTITY

The Pro Forma information included below is for the legal entity Mykco Limited (the "Company")(Mykco), a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993 and its proposed subsidiaries. The company is listed on the Alternative Market of the New Zealand Stock Exchange ("NZAX").

The company has made an offer for all the shares of Corporate Holdings Limited (CHL) that it does not already own. The purchase of the shares in CHL is to be settled by the issue of ordinary shares of Mykco Limited as described in the Disclosure Document that has been prepared for the shareholders of Mykco Limited. The Disclosure Document has been prepared as required by the NZAX listing rules and may not be suitable for any other purpose.

Corporate Holdings Limited is a holding company with the following wholly owned trading subsidiaries:

- General Finance Limited (acquired on 19 December 2017)
- Investment Research Group Limited (acquired on 19 December 2017)

REPORTING ENTITY

For financial reporting purposes aspects of "reverse acquisition" accounting are relevant and the accounting rules require that CHL is treated as the acquirer of Mykco. The Pro Forma Consolidated Financial Statements are prepared assuming a "reverse acquisition" and are issued under the name of the legal parent (Mykco), but described as a continuation of the financial statements of CHL (Group).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Pro Forma Consolidated Financial Statements have been prepared for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 as if Mykco had acquired the shares in Corporate Holdings Limited on or before 1 April of the respective years and Corporate Holdings Limited had acquired General Finance Limited and Investment Research Group Limited on or before 1 April of the respective years.

The Pro Forma Consolidated Financial Statements have been prepared from the the following financial statements:

- Mykco Limited Audited Financial Statements for years ended 31 March 2016, 2017 and 2018.
- Corporate Holdings Limited Unaudited Financial Statements for the year ended 31 March 2018.
- General Finance Limited Audited Financial Statements for year ended 31 March 2016, 2017 and 2018.
- Investment Research Group Limited Unaudited Financial Statements for the years ended 31 March 2016, 2017 and 2018.

The accounting policies assumed in the Pro Forma Consolidated Financial Statements reflect the policies expected to be adopted by the Group in the actual Financial Statements for the year ending 31 March 2019.

The Pro Forma Financial Statements for were prepared by the Company's management for the Directors to be used in the Disclosure Document and not for any other purpose.

MYKCO LIMITED
Pro Forma Consolidated Statement of Comprehensive Income
For the years ended 31 March 2016, 2017 and 2018

	2016	2017	2018
	NZ\$	NZ\$	NZ\$
Interest Income	1,177,124	1,150,531	1,338,276
Fee and other income	8,027,675	623,198	648,583
Total operating revenue	9,204,799	1,773,729	1,986,859
Interest expense and other direct expenses	(4,992,353)	(572,647)	(627,723)
Net operating revenue	4,212,446	1,201,082	1,359,136
Operational expenses	6,242,214	828,558	1,092,944
Acquisition expenses	-	-	416,720
Fair value on acquisition	109,000	109,000	109,000
	6,351,214	937,558	1,618,664
Net profit / (loss) before income taxation	(2,138,768)	263,524	(259,528)
Taxation expense	(89,698)	123,878	106,291
Net profit / (loss) after income taxation	(2,049,070)	139,646	(365,819)
Other comprehensive income			
Fair value adjustment on unlisted investments	954	(954)	(4,360)
Movement In foreign currency translation reserve on disposal of subsidiaries	546,412	-	-
Other comprehensive income for the period	547,366	(954)	(4,360)
Total comprehensive income for the period	(1,501,704)	138,692	(370,179)

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED
Pro Forma Consolidated Statement of Changes in Equity
For the years ended 31 March 2016, 2017 and 2018

	Share Capital	Retained Earnings	Currency Translation Reserve	Fair Value Reserve	Total
Balance at 31 March 2015	6,521,000	3,083,103	(546,412)	-	9,057,691
Comprehensive income					
Net loss for the period	-	(2,049,070)	-	-	(2,049,070)
Other comprehensive income					
Fair value adjustment on unlisted	-	954	-	-	954
Movement In foreign currency translation reserve on disposal of	-	-	546,412	-	546,412
Total comprehensive income	-	(2,048,116)	546,412	-	(1,501,704)
Balance at 31 March 2016	<u>\$6,521,000</u>	<u>\$ 1,034,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,555,987</u>
Comprehensive income					
Net loss for the period	-	139,646	-	-	139,646
Other comprehensive income					
Fair value adjustment on unlisted investments	-	(954)	-	-	(954)
Total comprehensive income	-	138,692	-	-	138,692
Total transactions with owners	-	-	-	-	-
Balance at 31 March 2017	<u>\$6,521,000</u>	<u>\$ 1,173,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,694,679</u>
Comprehensive income					
Net loss for the period	-	(365,819)	-	-	(365,819)
Other comprehensive income					
Fair value adjustment on unlisted investments	-	-	-	(4,360)	(4,360)
Total comprehensive income	-	(365,819)	-	(4,360)	(370,179)
Total transactions with owners	-	-	-	-	-
Balance at 31 March 2018	<u>\$6,521,000</u>	<u>\$ 807,860</u>	<u>\$ -</u>	<u>\$ (4,360)</u>	<u>\$ 7,324,500</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED

Pro Forma Consolidated Statement of Financial Position

As at 31 March 2016, 2017 and 2018

	2016	2017	2018
	NZ\$	NZ\$	NZ\$
SHAREHOLDERS EQUITY			
Share capital	6,521,000	6,521,000	6,521,000
Retained earnings	1,035,941	1,173,679	807,860
Fair value reserve	(954)	-	(4,360)
Total shareholders equity	\$ 7,555,987	\$ 7,694,679	\$ 7,324,500
<i>Represented by:</i>			
ASSETS			
Cash and cash equivalents	4,251,121	4,041,796	5,216,677
Accounts receivable and prepayments	80,420	45,483	146,204
Loans receivable	7,430,440	8,338,095	8,676,062
Related party receivables	748,000	748,000	
Inventory	-	20,400	5,000
Bartercard Asset	701,838	697,122	696,353
Fixed assets	-	-	8,443
Investment in securities	141,237	-	-
Deferred tax asset	36,115	14,293	32,938
Intangible assets and goodwill	2,938,597	2,950,150	2,974,334
Total assets	16,327,768	16,855,339	17,756,011
LIABILITIES			
Accounts payable and accruals	252,894	267,564	325,901
Deposit stock	8,213,263	8,681,074	9,854,092
Related Party Liabilities	258,940	100,000	116,626
Income tax payable	17,077	76,461	69,336
Deferred income	29,607	35,561	65,556
Total liabilities	8,771,781	9,160,660	10,431,511
Net assets / (liabilities)	\$ 7,555,987	\$ 7,694,679	\$ 7,324,500

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED
Pro Forma Consolidated Statement of Cash Flows
For the years ended 31 March 2016, 2017 and 2018

	2016 NZ\$	2017 NZ\$	2018 NZ\$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Cash receipts from customers	5,869,914	658,135	581,629
Interest received	1,138,279	1,112,563	1,294,113
Loans receivable (net advances)	1,921,511	-	-
<i>Cash was applied to:</i>			
Cash payments to suppliers and employees	(5,814,868)	(1,095,484)	(877,122)
Interest paid	(545,067)	(487,443)	(518,007)
Taxation paid	(301,035)	(42,672)	(132,061)
Loans receivable (net advances)	-	(785,008)	(303,870)
Net cash inflow from operating activities	2,268,734	(639,909)	44,682
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment	34,370	-	-
Sale of subsidiaries	480,000	-	-
Sale of listed securities	-	140,283	-
<i>Cash was applied to:</i>			
Purchase of property, plant & equipment	(130,226)	-	(8,743)
Purchase of intangible assets	(16,675)	(11,553)	(33,107)
Sale of listed securities	(141,237)	-	-
investing activities	226,232	128,730	(41,850)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Issue of shares	374,000	-	-
Deposit Stock (net receipts)	417,206	460,794	1,155,423
Related party payables	13,552	-	16,626
New borrowings	657,885	-	-
<i>Cash was applied to:</i>			
Related party payables	-	(158,940)	-
Repayment of borrowings	(41,567)	-	-
Net cash flows from financing activities	1,421,076	301,854	1,172,049
Net increase / (decrease) in cash and cash equivalents	3,916,042	(209,325)	1,174,881
Cash and cash equivalents at the beginning of the period	2,678,350	4,251,121	4,041,796
Cash and cash equivalents disposed through sale of subsidiary	(2,343,271)	-	-
Cash and cash equivalents at end of the period	\$ 4,251,121	\$ 4,041,796	\$ 5,216,677

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED
Reconciliation of Statutory Net Profit After Tax to Pro Forma Consolidated
Net Profit After Tax
For the years ended 31 March 2016, 2017 and 2018

	2016	2017	2018
	NZ\$	NZ\$	NZ\$
Net profit after tax per Mykco Limited financial statements	(2,207,840)	(214,949)	(266,010)
Net profit after tax per Corporate Holdings Limited financial statements	-	-	(1,011)
Net profit after tax per General Finance Limited financial statements	36,460	146,911	(262,581)
Net profit after tax per Investment Research Group Limited financial statements	231,310	316,684	272,783
Fair Value adjustment on acquisition	(109,000)	(109,000)	(109,000)
Pro Forma Net Profit after tax	<u>(2,049,070)</u>	<u>139,646</u>	<u>(365,819)</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

16. APPENDIX B – MYKCO: PRO FORMA PROSPECTIVE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH 2019 AND 31 MARCH 2020

MYKCO LIMITED

Prospective Consolidated Financial Information

For the years ending 31 March 2019 and 31 March 2020

1. LEGAL ENTITY

The prospective information included below is for the legal entity Mykco Limited (the “**Company**”)(Mykco), a company incorporated and domiciled in New Zealand and registered under the *Companies Act 1993* and its proposed subsidiaries. The company is listed on the Alternative Market of the New Zealand Stock Exchange (“NZAX”).

The company has made an offer for all the shares of Corporate Holdings Limited (CHL) that it does not already own. The purchase of the shares in CHL is to be settled by the issue of ordinary shares of Mykco Limited as described in the Disclosure Document that has been prepared for the shareholders of Mykco Limited. The disclosure document has been prepared as required by the NZAX listing rules and may not be suitable for any other purpose.

Corporate Holdings Limited is a holding company with the following wholly owned trading subsidiaries:

- General Finance Limited
- Investment Research Group Limited

REPORTING ENTITY

For financial reporting purposes aspects of "reverse acquisition" accounting are relevant and the accounting rules require that CHL is treated as the acquirer of Mykco. The Prospective Consolidated Financial Statements are prepared assuming a "reverse acquisition" and are issued under the name of the legal parent (Mykco), but described in the notes as a continuation of the financial statements of CHL (Group).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Prospective Consolidated Financial Statements , which include a Prospective Consolidated Statement of Comprehensive Income, Prospective Consolidated Statement of Changes in Equity, Prospective Consolidated Statement of Financial Position and Prospective Consolidated Statement of Cash Flows, are prepared in accordance with Financial Reporting Standard 42: Prospective Reporting Statements (FRS 42). Also included in the prospective information are the Statement of Accounting Policies, key assumptions on which the Prospective Consolidated Financial Statements are based, and a sensitivity analysis regarding those key assumptions.

The Prospective Consolidated Financial Statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by Management for the Directors and are based on events and conditions existing as at the date of the Disclosure Document. The Management have given due care and attention+B32 to the preparation of the Prospective Consolidated Financial Statements, including the underlying assumptions. These assumptions should be read in conjunction with the risks set out on Pages 33 to 36 of the disclosure Document, and the Company's accounting policies which can be found in the section entitled " Statement of Accounting Policies" below.

MYKCO LIMITED
Prospective Consolidated Financial Information
For the years ending 31 March 2019 and 31 March 2020

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS continued

Prospective Consolidated Financial Statements, by their nature are inherently uncertain. The Prospective Consolidated Financial Statements are a forecast of future events which cannot be assured. They involve risks and uncertainties, many of which are beyond the control of the company. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively of events occurring that were not anticipated. Further risks are set out in pages 33 to 36 of the Disclosure Document. Various risk factors and the management of those risk factors may influence the success of the Group's business. Accordingly actual results are likely to vary from the Prospective Consolidated Financial Statements, and these variations may be significantly more or less favourable to the Group. Therefore, the Directors cannot and do not guarantee the achievement of the prospective financial information included within the Prospective Consolidated Financial Statements.

The Prospective Consolidated Financial Statements are based on one or more hypothetical but realistic assumptions. The actual results may differ from the Prospective Consolidated Financial Statements if there are fluctuations in the various factors contributing to the Group's performance, position and cash flows. The resulting variance may be material. Neither the Company, the Directors, nor any other person give a guarantee or assurance that the Prospective Consolidated Financial Statements presented will be achieved.

The Prospective Financial Statements for the Group were prepared by the Company's Management for the Directors to be used in the Disclosure Document and not for any other purpose.

The accounting policies assumed in the Prospective Consolidated Financial Statements reflect the policies currently adopted by the Company in the Financial Statements for the year ending 31 March 2018, which are also expected to be adopted in the actual annual Financial Statements for the Group.

MYKCO LIMITED**Prospective Consolidated Statement of Comprehensive Income
For the years ending 31 March 2019 and 31 March 2020**

	2019	2020
	NZ\$	NZ\$
Interest Income	1,838,550	4,363,475
Fee and other income	642,361	1,106,772
Total operating revenue	<u>2,480,911</u>	<u>5,470,247</u>
Interest expense and other direct expenses	<u>(928,887)</u>	<u>(1,935,370)</u>
Net operating revenue	1,552,024	3,534,877
Operational expenses	1,499,940	1,704,000
	<u>1,499,940</u>	<u>1,704,000</u>
Operating profit before financing costs and taxation expense	52,084	1,830,877
Net profit before income taxation	<u>52,084</u>	<u>1,830,877</u>
Taxation expense	13,443	517,765
Net profit after income taxation	<u>38,641</u>	<u>1,313,112</u>
Other comprehensive income		
Fair Value adjustment on unlisted investments	4,360	-
Other comprehensive income for the period	<u>4,360</u>	<u>-</u>
Total comprehensive income for the period	<u>43,001</u>	<u>1,313,112</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED**Prospective Consolidated Statement of Changes in Equity
For the years ending 31 March 2019 and 31 March 2020**

	Share Capital	Retained Earnings	Fair Value Reserve	Total
Balance at 31 March 2018	6,532,353	758,380	(4,360)	7,286,373
Comprehensive income				
Net (loss) for the period	-	38,641	-	38,641
Other comprehensive income				
Fair Value adjustment on unlisted investments			4,360	4,360
Total comprehensive income	-	38,641	4,360	43,001
Transactions with owners				
Shares Issued	1,750,000			1,750,000
Total transactions with owners	1,750,000	-	-	1,750,000
Balance at 31 March 2019	<u>\$ 8,282,353</u>	<u>\$ 797,021</u>	<u>\$ -</u>	<u>\$ 9,079,374</u>
Comprehensive income				
Net profit for the period	-	1,313,112	-	1,313,112
Other comprehensive income				
Total comprehensive income	-	1,313,112	-	1,313,112
Transactions with owners				
Total transactions with owners	-	-	-	-
Balance at 31 March 2020	<u>\$ 8,282,353</u>	<u>\$ 2,110,133</u>	<u>\$ -</u>	<u>\$ 10,392,486</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED**Prospective Consolidated Statement of Financial Position
As at 31 March 2019 and 31 March 2020**

	2019	2020
	NZ\$	NZ\$
	<hr/>	<hr/>
SHAREHOLDERS EQUITY		
Share capital	8,282,353	8,282,353
Retained earnings	797,021	2,110,133
Total shareholders equity	\$ 9,079,374	\$ 10,392,486
	<hr/> <hr/>	<hr/> <hr/>
<i>Represented by:</i>		
ASSETS		
Cash and cash equivalents	3,751,799	4,106,490
Accounts receivable and prepayments	245,474	152,215
Loans receivable	23,355,044	50,855,044
Inventory	33,000	25,000
Bartercard Asset	449,220	299,480
Deferred tax asset	27,413	49,813
Intangible assets and goodwill	2,927,597	2,927,597
Total assets	30,789,547	58,415,639
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts payable and accruals	189,978	215,683
Deposit stock	21,389,195	47,374,470
Income tax payable	35,000	220,000
Deferred income	96,000	213,000
Total liabilities	21,710,173	48,023,153
Net assets / (liabilities)	\$ 9,079,374	\$ 10,392,486
	<hr/> <hr/>	<hr/> <hr/>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED**Prospective Consolidated Statement of Cash Flows****For the years ending 31 March 2019 and 31 March 2020**

	<u>2019</u> <u>NZ\$</u>	<u>2020</u> <u>NZ\$</u>
Cash flows from operating activities		
<i>Cash was provided from:</i>		
Cash receipts from customers	592,415	1,315,258
Interest received	1,777,878	4,219,480
<i>Cash was applied to:</i>		
Cash payments to suppliers and employees	(1,469,197)	(1,593,782)
Interest paid	(700,860)	(1,470,591)
Taxation paid	(42,254)	(355,165)
Loans receivable (net advances)	(14,618,310)	(27,356,005)
Net cash inflow from operating activities	<u>(14,460,328)</u>	<u>(25,240,805)</u>
Cash flows from financing activities		
<i>Cash was provided from:</i>		
Issue of shares	1,750,000	-
Deposit Stock (net receipts)	11,362,076	25,595,496
<i>Cash was applied to:</i>		
Related party payables	(116,626)	-
Net cash flows from financing activities	<u>12,995,450</u>	<u>25,595,496</u>
Net increase / (decrease) in cash and cash equivalents	<u>(1,464,878)</u>	<u>354,691</u>
Cash and cash equivalents at the beginning of the period	5,216,677	3,751,799
Cash and cash equivalents at end of the period	<u><u>\$ 3,751,799</u></u>	<u><u>\$ 4,106,490</u></u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKCO LIMITED

Notes to the Prospective Consolidated Financial Statements For the years ending 31 March 2019 and 31 March 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group's financial statements are presented in New Zealand dollars (NZD), which is the Group's presentation currency. All financial information has been rounded to the nearest dollar.

(b) Revenue and expense recognition

Revenue, which includes interest income and fee income, is recognised to the extent that it is probable that economic benefits will flow to the Group and they can be measured reliably. Expenses are recognised in the Prospective Consolidated Statement of Comprehensive Income on an accrual basis. Interest revenue and interest expense are recognised using the effective interest method.

Interest income is recognised over the period of the loan and the deferred interest represents interest received but not yet recorded as income. Fee income is recognised over the period of the loan and the remaining balance represents fee income unearned, which is recorded in the Prospective Consolidated Statement of Financial Position. All borrowing costs are expensed when incurred.

(c) Goods and services tax (GST)

Mykco Limited, the parent Company, Corporate Holdings Limited and General Finance Limited are not registered for GST in New Zealand. Accordingly, all revenue and expense transactions for these Companies are recorded inclusive of GST and all assets and liabilities are similarly stated inclusive of GST.

Investment Research Group Limited is registered for GST in New Zealand. Accordingly, all revenue and expense transactions and assets for Investment Registered Group Limited are recorded exclusive of GST, except for receivables and payables, which are recognised inclusive of GST.

(d) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the Statement of Consolidated Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

MYKCO LIMITED

Notes to the Prospective Consolidated Financial Statements For the years ending 31 March 2019 and 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES continued

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Assets in this category are measured at amortised cost using the effective interest method, less any impairment losses.

(f) Payables

Accounts payables are stated at the estimated amounts payable and include all obligations that can be reliably estimated.

(g) Deposit stock

Deposit stock, a debt security, are recognised initially at cost, being the fair value of the consideration received net of issue costs and subsequently measured at amortised cost using the effective interest method.

(h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

2. ASSUMPTIONS

The principal assumptions on which the Prospective Consolidated Financial Statements have been prepared are set out below. These assumptions should be read in conjunction with the risks set out on pages 33 to 36 of the Disclosure Document.

- (a) The Prospective Consolidated Financial Statements of the Group have been prepared for the years ending 31 March 2019 and 31 March 2020. The Prospective Consolidated Financial Statements include information for the full years ending 31 March 2019 and 31 March 2020.
- (b) The Prospective Consolidated Financial Statements assumes that the Loans receivable will increase in the forecast period. The loan balances are assumed to increase from \$8.7m at 31 March 2018 to \$23.4m at 31 March 2019 and \$50.9m at 31 March 2020.

It is assumed that the current retail bank lending policies that cover loans secured by mortgage over residential properties will not ease in the forecast period. It is assumed the continuation or tightening of the retail bank lending policies will result in an increase in demand for non bank residential mortgages.

MYKCO LIMITED

Notes to the Prospective Consolidated Financial Statements

For the years ending 31 March 2019 and 31 March 2020

ASSUMPTIONS continued

The KPMG Non-bank Financial Institutions Performance Survey 2017 of the largest 25 institutions in New Zealand reported a growth in total assets of 12.5% over the previous year.

General Finance Limited is coming from a very low base with total Assets at 31 March 2018 of \$13m compared to the smallest company in the KPMG report with \$55m.

It is assumed that the General Finance Loans receivable will increase with the appropriate promotion of the company's facilities. A new computer system currently being installed will allow for better management and reporting of the loan receivables.

It is assumed that the interest rates applicable to loans will decrease from an average of 14.7% over the last three years to 12.1% over the forecast period.

It is assumed that the loan fees applicable to loans will decrease from an average of 2.6% over the last three years to 1.92% over the forecast period.

It is assumed that the impairment of the loan receivables will not increase significantly over the forecast period. Impairment charges of \$100k per annum have been provided in the Prospective Financial Statements.

- (c) The Prospective Consolidated Financial Statements assumes that the Deposit stock will increase in the forecast period. The Deposit balances are assumed to increase from \$9.9m at 31 March 2018 to \$21.4m at 31 March 2019 and \$47.4m at 31 March 2020.

It is assumed that the interest rates applicable to deposits will average of 5.64% over the forecast period compared to 5.67% over the last three years.

It is assumed that appropriate brand advertising and promotion to relevant intermediaries will ensure the growth in the deposit stock without an increase in the interest rates being paid.

- (d) The Prospective Consolidated Financial Statements assumes that there will be no growth in the Investment advice business during the forecast period. It assumed that one company listing project will be completed each year and the research projects and book sales will continue at current levels.
- (e) The Prospective Consolidated Financial Statements assume that additional shares will be issued in the year ending 31 March 2019 for cash totalling \$1,750,000.
- (f) The Prospective Consolidated Financial Statements assumes that if the company is required to migrate from the NZX NZAX Board to NZSX Board as a result of NZX restructuring the listed company markets then NZX will not charge the company any fees in respect of the migration apart from fees to review a Notice of Meeting required for shareholders to approve the migration to the NZSX Board. The cost of holding a shareholder meeting that would be required to approve the migration of the listing to the NZSX board has been included in the Prospective Consolidated Financial Statements.