ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

ASX
FEI

ABN
72107745095

Level 13, 111 Elizabeth St
Sydney NSW 2000

1800 458 717
www.feigroup.com.au

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CORPORATE DIRECTORY

FE Investments Group Limited shares are listed for quotation on the Australian Securities Exchange (ASX) under the ticker code "FEI".

ABN
72 107 745 095

REGISTERED OFFICE
Australia
Level 13, 11 Elizabeth Street, Sydney NSW 2000
Phone: 1800 458 717

PRINCIPAL PLACE OF BUSINESS

Australia
Level 13, 11 Elizabeth Street,
Sydney NSW 2000
Phone: 1800 458 717

New Zealand
Level 15, Chorus House, 66 Wyndham Street,
Auckland 1010
Phone: +64 9 359 9445

SHARE REGISTER
Link Market Services Ltd
Level 12, 680 George Street
Sydney NSW 2000
Phone: 1300 554 474

DIRECTORS

Maxwell James GREEN	Independent Chairman (appointed 31st July 2017)
Marcus RITCHIE	Executive Director (appointed 31st July 2018) and Group CEO and Managing Director (appointed 17th April 2019)
Thatt Kiong (TK) SHIM	Executive Director (appointed 6th June 2017)
Melvin STEWART	Executive Director (resigned 17th April 2019)
Anthony LALLY	Non-Executive Director (appointed 31st July 2018)
Fang SUN	Non-Executive Director (appointed 9th July 2018)
Cook HUANG	Non-Executive Director (appointed 6th October 2017)

COMPANY SECRETARY
Eryn KESTEL

SOLICITOR
Stace Hammond
Level 17, 34 Shortland Street
Auckland 1010, New Zealand

AUDITOR
William Buck (Vic) Pty Ltd
Level 20, 181 William Street,
Melbourne VIC 3000

CHAIRMAN'S REPORT

The 2019 financial year can be best summarised as one of further repositioning and quiet achievement. We have worked hard to complete the transition of the business and its culture into the ASX listed public company framework, while continuing to invest in our commercial team and technology enabling platform. This should provide the foundation for asset growth and sustained earnings as the Company grows in both New Zealand and Australia.

Having successfully acquired an Australian Financial Services Licence (AFSL), the Company is now well positioned to replicate its core long-established New Zealand business of deposit taking and business lending, replicating this in Australia with a competitive cost of funding advantage.

The Group has been uniquely placed to fund its lending activities directly from its own term deposit base rather than being solely reliant on external wholesale funding.

Control over the rates of interest offered to its depositor base gives the Company significant flexibility in meeting the demands of both customers and the market.

Our Australian business model enables a greater return on equity given capital allocation requirements are less onerous than in New Zealand. Our Australian expansion will continue alongside the improvements in technology which recently saw the launch of our straight through loan application process. This will herald greater operational efficiencies and capacity on top of our new digital marketing campaign which has produced a significant increase in loan enquiries.

FY19 PERFORMANCE SNAPSHOT

The results for the financial year to 31 March 2019 were pleasing. The Company achieved a 14% growth in total assets and an 17% increase in operating revenue (interest and finance lease income) for the financial year. This was a commendable result given the challenges faced during the year which required significant unforeseen cost overlays.

The Company raised over $4.5m of ordinary equity via a series of private placements, each at a premium to the then prevailing share price, which provided a higher equity capital base upon which to build greater critical

mass and ensure compliance with regulatory capital adequacy ratios.

REGULATORY OVERSIGHT

Our compliance framework continues to evolve as regulatory oversight intensifies in both New Zealand and Australia. Our carefully developed regulatory compliance and risk management framework is aimed at ensuring that we continue to earn satisfactory returns for shareholders while only offering products that have an acceptable risk profile. For that reason we focus on secured business lending in the SME sector.

OUR TEAM

Our recently appointed Group CEO Marcus Ritchie provides new vigour, drive and experience and brings more than 18 years of commercial and financial experience to the Group. His brief is to develop and grow our business both in New Zealand and Australia, utilising its business lending and deposit taking capabilities and its Australia Financial Services Licence (AFSL).

We have made some key senior management changes. We continue to seek cost efficiencies and hire experienced commercial team members to support our growth aspirations while at the same time ensuring appropriate governance, compliance and risk management at all levels of the business.

THE FUTURE

Recent RBA forecasts indicate that demand for equipment by small business, especially in the hospitality, technology and medical sectors should remain a solid contributor to GDP growth. This economic growth should benefit our business and underpin shareholder returns in the year ahead.

Sincerely,

M. JAMES GREEN
Chairman

CEO'S REPORT

The Group has successfully achieved key financial milestones during the year ended 31st March 2019 (FY19) whilst completing a restructure to provide further process improvements as we launch our growth strategy which also includes the expansion of the Australian business.

Operating Revenue continues to show growth by over 17% due to:

LeaseTech equipment leasing secured a number of key automotive contracts supported by sound financing margins;

Business lending grew by over 15% as our new digital marketing platform delivered strong results which saw lead generation grow by over 600%;

Business Lending grew in the key sectors of automotive equipment (+150% for items such as computer calibrators) and medical equipment (+65% for items such as x-ray machines) while property development exposure continues to be reduced;

Deposit growth of 10% grew in line with the increased lending portfolio.

Total Assets in FY19 are now at $78m (+14%) this is due to lending growth and increased cash on balance sheet of $13m.

Reported FY19 unadjusted NPAT $0.07m which is a considerable turn around over last year which had a loss of $15.24m.

Additional audit costs due to restatement of FY18 financial accounts.

The Company settling existing director loans under the Deed of Settlement.

Increased financing cost as the Company paid out interest on the FEI redeemable preference shares upon their redemption.

Non capitalized AFSL acquisition costs including legal, consulting and accountancy fees.

ITEMS	$000
Net profit after tax	67
ADD BACK ONE-OFF EXPENSES:	
Audit restatement related expenses	300
Deed of Settlement to founders	408
Financing costs (Interest paid for Redeemable Preference Shares)	188
License acquisition cost in Australia	79
TOTAL ONE-OFF COSTS	975
NORMALISED GROUP NET PROFIT	**1,042**

LENDING

Business lending growth of 13%, exceeded our plan with assets now at $78m. This was driven by increased business lending growth via our traditional products of cashflow lending and LeaseTech equipment leasing on the back of launching our new Biz cash product for established customers.

Our lending portfolio (loans and leases) has grown by net 15% with a large recurring customer based on over 5,200 clients.

The growth over the past 12 months has been driven by a cost-effective digital marketing campaign and direct sales activities which have seen our converted loans increase by over 600% over this period.

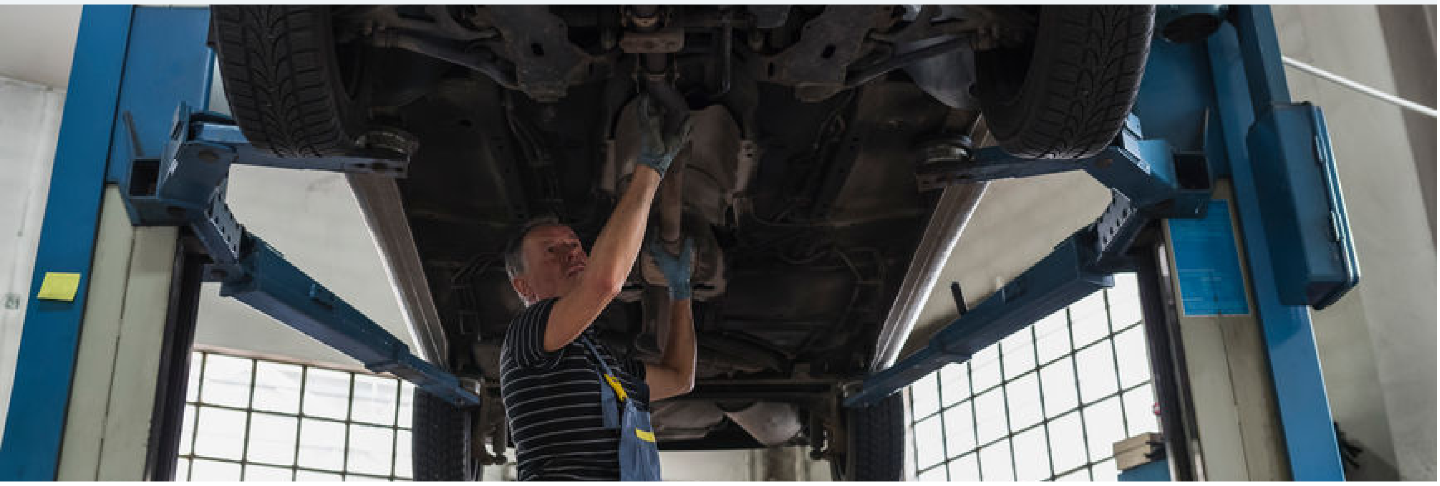
LOAN TYPE AS AT 31 MAR 19	% OF TOTAL LENDING
SME Business Loans	49%
Property Development	15%
Finance Lease (LeaseTech)	12%
Residential Mortgage	12%
Vendor Finance	11%
BizCash	1%
TOTAL	**100%**

This reconfirms that our product offering to customers is attractive and further highlights that the Group has significant growth options.

Historically the Group has not spent money on marketing business lending, but a renewed focus on this will accelerate growth in this sector.

A number of our customers have an international presence which supports our expansion into Australia as we continue to target the same distribution channels and market sectors of hospitality, medical, technology and automotive supplies.

Against a backdrop of significant internal activity, we are pleased to have achieved these result and we are now ready to accelerate our business development and expansion into Australia.



DEPOSITS

As of 31 March 2019, our deposit book stands at $61m, a 10% increase on 31 March 2018.

We are extremely pleased with this result which has provided the required flexibility for matching our loan book.

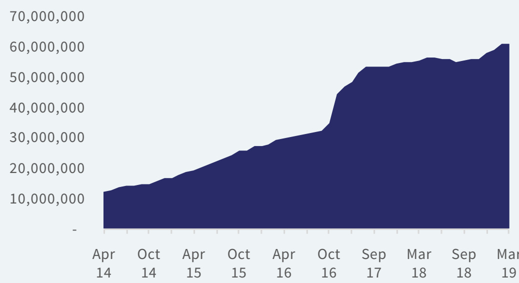
Furthermore, we were able to increase our reinvestment rate above 65% for this period which is a satisfying effort given interest rates have been falling.

Additionally, our cost of funding reduced by 61 bps which further improved our returns.

EXPANSION INTO AUSTRALIAN MARKET

On the back of acquiring an Australian Financial Services Licence, we are building a similar model in Australia while enabling operational cost savings with key process operations to be maintained at Head Office in New Zealand.

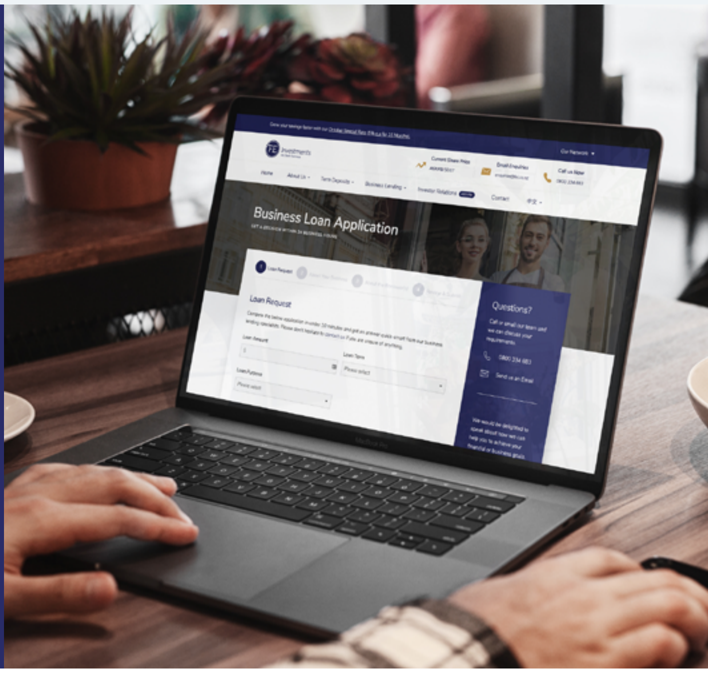
CONSISTENT DEPOSIT GROWTH



TECHNOLOGY

We continued our investment in our scalable technology platform at minimal capex. This brings operational efficiencies and enables customers to undertake online loan applications with our intelligent automation process, driven off our long standing credit score card.

We have built digital solutions that are simple and improve interactions with our customers and we have delivered on significant organic customer growth.



MANAGEMENT & TEAM

New corporate management changes have been implemented providing a wider cross section of corporate expertise and depth. This has driven new cost efficiencies such as our launch of our online loan applications and digital campaigns, together with improved governance and compliance processes.

Our team is committed and diligent in providing an extremely high level of service to our customers and partners as we seek to further develop our growth strategy in New Zealand and Australia.

OUTLOOK

FEIG expects a continuation of growth and uplift in earnings based on:

- Australian business growth with limited additional cost required as operations are largely based in New Zealand which provides a more efficient Return on Equity for shareholders as Australian capital requirements are significantly lower.
- Increased business volume – continued organic growth through traditional sales channels and the recently developed technology channel which should provide a full year contribution.
- Additional Funding initiatives – FEIG is seeking additional funding packages to facilitate lending growth.

The sound result for FY19 is reflective of the success of organic growth initiatives plus a smooth integration of the managerial and process improvements. Supported by available capital we are confident of another uplift on earnings for FY20 without further one off costs and delivery of key initiatives outlined above.

FY19 HAS BEEN CHARACTERISED BY SOUND UNDERLYING PERFORMANCE SUPPORTING OUR STRATEGIC OBJECTIVES AND MAKING A RETURN TO PROFITABILITY.

MARCUS RITCHIE
Group CEO & Managing Director

Dated 7 June 2019

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of FE Investments Group Limited and its subsidiaries (collectively the "Company" or "FEIG" or "The Group) for the year ended 31 March 2019 and the auditor's report thereon.

1. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

MAXWELL JAMES GREEN - CHAIRMAN
Appointed as Chairman on 31 July 2017

Mr Green has over 31 years experience in commerce and law, both in investment banking and private legal practice. He has studied and worked in both London and Belgium.

Mr Green is the Managing Director of PrimaryMarkets Advisory based in Sydney. He is a past President of the NSW Division of the Australian Institute of Company Directors (AICD) and was a Director of the AICD. Other roles included Head of M&A Advisory at Patersons Securities and Executive Director of KPMG's corporate finance division.

Mr Green is currently a non exective director of Freedom Insurance Group Limited.

MARCUS RITCHIE - EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
Appointed as Executive Director on 31st July 2018 and Managing Director, Chief Executive Officer on 17th April 2019.

Mr Ritchie is a very experienced investment banker having worked extensively in corporate finance including equity and debt capital markets, corporate strategy and mergers & acquisitions.

Mr Ritchie has over 19 years of experience in Investment Banking prior to that Mr Ritchie worked in New York and London for a number of global strategy and investment banking roles. Recently he has worked at ANZ Banking Group and Bank of America Merrill Lynch in Sydney.

THATT KIONG SHIM - EXECUTIVE DIRECTOR
Previously Chief Executive Officer and Executive Director of FE Investments Limited (subsidary) until 17th April 2019.

Mr Shim has in-depth experience in corporate advisory services and corporate finance to Small to Medium-sized Enterprises.

Mr Shim specialises in innovative structured financing for companies in the general business sector including arranging bond and unit trust issues, putting in place trade finance, financing acquisitions, securitisation facilities and other cashflow lending products.

He was a banking law specialist with some of the major law firms in New Zealand and has also gained banking experience working with Westpac Banking Corporation.

Mr Shim graduated with a law degree and a BA (economics major) from University of Auckland.

MELVIN STEWART - RETIRED
Stepped down as Executive Director of FE Investments Group Limited and FE Investments Limited on 17th April 2019

ANTHONY LALLY - NON-EXECUTIVE DIRECTOR
Appointed as a Non-Executive Director on 31st July 2018

Mr Lally is a former Olympian, representing Ireland in cycling at the 1980 Moscow Olympics. Mr Lally has over 35 years of business experience, having started his career as an actuary at AMP before he joined Commonwealth Bank as head of retail financial services.

Mr Lally was CEO at Sunsuper, which he joined in 2007 and during his six years he led the entity through a period of transformation, more than doubling funds under management during his tenure. Sunsuper is one of Australia's biggest industry funds.

Mr Lally worked in Japan for five years, first in Deutsche Bank's retail asset management business, then as a partner of global accounting firm Deloitte, setting up its Japanese actuarial business.

Most recently Mr Lally accepted the role of chair of Equity Trustees Superannuation Limited. Equity Trustees is Australia's leading specialist trustee company.

Mr Lally is currently the Chairman of ASX listed Self Wealth Limited.

COOK HUANG - NON-EXECUTIVE DIRECTOR
Appointed as a Non-Executive Director on 6th October 2017

Mr Huang owns a leading immigration consulting firm in New Zealand specialising in business migration from China. Mr Huang is also the founder and Managing Director of a food and beverage trading company in New Zealand which has unique access to the Chinese market through exporting premium ice-cream and artisan water.

Mr Huang graduated with a masters degree of business management and finance from Massey University in Auckland.

FANG SUN - NON-EXECUTIVE DIRECTOR
Appointed as a Non-Executive Director on 9th July 2018

Mr Sun has extensive experience across a range of industry sectors in both Asia and New Zealand, including ecommerce, management, publishing, film and television production and corporate funding. Mr Sun has over 20 years' experience in senior executive roles with a diverse range of organisations.

Mr Sun has a Bachelor of Arts (BA), Major in Journalism from Renmin University of China and a Master of Business Administration (MBA) from Tsinghua University.

JOHN SETON – NON-EXECUTIVE DIRECTOR (RESIGNED)
Resigned as a Non-Executive Director on 1st August 2018
Mr Seton is currently Chairman of Tomizone Limited.

TOM MCDONALD – NON-EXECUTIVE DIRECTOR (RESIGNED)
Resigned as a Non-Executive Director on 1st August 2018

2. COMPANY SECRETARY

ERYN KESTEL – COMPANY SECRETARY
Appointed as Company Secretary on 8 March 2012

Ms Kestel acts as company secretary for a number of ASX listed companies. She holds a Bachelor of Business Degree majoring in Accounting and is a Certified Practicing Accountant.

3. DIRECTORS' MEETINGS

DIRECTOR NAME	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
MAXWELL JAMES GREEN	11	11	2	2	2	2
THATT KIONG SHIM	10	11				
MELVIN STEWART	10	11				
MARCUS RITCHIE	7	7				
COOK HUANG	10	11	1	1	1	1
FANG SUN	7	8				
ANTHONY LALLY	7	7	2	2	2	2
JOHN SETON	4	4				
TOM MCDONALD	4	4				

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

4. PRINCIPAL ACTIVITIES

FEIG, listed on ASX, is a specialist financial institution offering deposit taking and business lending in New Zealand and Australia.

FE Investments Limited (FEI) holds a non-bank deposit taking license in New Zealand which provides a significant point of difference and is a cost-effective and flexible funding source.

FEI Finance Pty Limited (FEI AU) holds an Australian Financial Services License. Both FEI and FEI AU also provide business loans, typically to small and medium businesses.

5. FINANCIAL SUMMARY

The financial summary is presented in New Zealand dollars, unless otherwise stated.

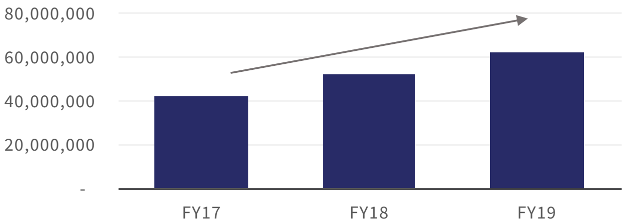
GROUP ASSETS

As at 31st March 2019, FEI total assets were $78m which grew YOY by 14%. The key drivers for this growth are increased deposits and increased lending.

GROUP ASSETS	2019	2018	2017
Total Asset Growth	13%	25%	49%

Total lending has grown by 18% since 31 March 2018 driven by the launch of our new lending products such as Bizcash and additional leasing in our favoured sectors of hospitality, medical and automotive services.

LENDING SUMMARY OF FEIG AS AT 31 MAR 19	31 MAR 19
Total Loans	$61m
Loan Size (avg.)	$11,600
No. of Customers	5,260



Note: 96% of group assets are from FEI (2018: 98%)

GROUP REVENUE

Revenue increased in FY19 due to growth in key product sectors - automotive and commercial, along with an ability to increase refinancing fees which has an direct benefit to the Profit and Loss.

Additionally, revenue increased due to new Trans-Tasman leasing business as we expand our operations into Australia. Approximately $1m of revenue is generated from this Trans-Tasman relationship.

GROUP REVENUE	2019	2018	2017
Annual Revenue Growth	1%	75%	48%

CAPITAL RATIO

FEI is a regulated financial institution that is required to comply with prudential and liquidity requirements stipulated by Reserve Bank of New Zealand and Trustee Executors Limited (supervisor).

One of the key prudential requirements is to maintain a capital adequacy ratio not less than 9% from 1st of April 2018 rising to 9.5% from 1st of October 2018.

Note: Capital Adequacy ratio and Common Equity ratios are non-IFRS measures. Capital Adequacy ratio is calculated as per New Zealand Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

CAPITAL ADEQUACY	2019	2018	2017	2016
Capital Adequacy ratio	10.5%	8.5%	10.8%	9.7%
Common Equity ratio	20%	16%	19%	19%

CASHFLOW

As a financial institution, FEIG's operating cashflow activities include accepting deposits and making loans. In 2019 FEIG's operating cashflow was $3.87m (2018: $1.81m) which represents an increase in new loans made over and above its deposit growth, which is a positive result for FEIG.

FEIG's financing cashflow activities included funds raised via equity capital to ensure compliance with FEI's capital ratio requirements as it continues growing its lending activities.

FEIG CASHFLOW	2019 $000	2018 $000	2017 $000	2016 $000
Cashflows used in/from operating activities*	(3,867)	(1,806)	2,732	(6,253)
Cashflows used in/from investing activities	(167)	176	(109)	(24)
Cashflows used in/from financing activities	4,151	2,824	2,237	10,503

**Note: Negative operating cashflow indicates a postive growth in lending activities.*

DIVISIONAL RESULTS YE 2019	LENDING $000	LEASING $000	TOTAL $000
TOTAL PORTFOLIO REVENUE	7,728	7,186	14,914
Interest expense	(2,681)	(685)	(3,366)
Cost of leasing products	-	(5,753)	(5,753)
NET PORTFOLIO REVENUE	5,048	748	5,796
Impairment losses on receivables	(210)	(517)	(727)
Goodwill impairment	-	-	-
Other expenses	(993)	(1,007)	(2,000)
Profit before income tax	3,845	(776)	3,069
TOTAL SEGMENT ASSETS	**50,302**	**10,582**	**60,884**

For details please refer to Note 4 of attached financial statements.

Total revenue for FEIG for the 2019 Financial Year was $15.61m (2018: $15.46m) of which the lending division contributed 49% (2018: 47%) and the leasing division contributing 46% (2018: 36%).

FEI has provided loan and lease provisions of $3.1m and fair value movement of ($0.6m) during the financial year, under numerous business lending guidelines. Loan provisions are 6.8%.

EARNINGS TREND	2019	2018	2017	2016
ROE	(6%)	(132%)	19%	21%

ROE calculation is not an AASB measure and was calculated as a percentage of the profit/(loss) before tax to the average equity balance held during the year. It is important to note this required calculation takes into account the listed company which does not currently earn revenue, has directors and listing costs, FEIG ROE as a trading entity is (5%).

The key factors for the FEIG negative ROE were:

- FEIG corporate overhead cost ncluding directors and ASX listing fees for an entity which is a holding company.
- FEI is required to have a separate Board due to NZ regulatory requirements.
- Set up costs for business in Australia, inclusive of AFSL license and legal fees.
- One off restructure and restatement costs.
- Investments in new technology to improve working efficiencies. The Company has taken appropriate steps to normalise the operating cost structures and the benefits have only been realised for two months of 2019.

6. DIVIDENDS

During the year ended 31 March 2019, the Group did not declare a dividend. No dividends were paid for the previous reporting period.

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 17th April 2019, the Group has made following announcement on CEO Appointment and Board Changes:

- Marcus Ritchie was appointed as Group Chief Executive Officer and Managing Director. Mr Ritchie has been an Executive Director since 31st July 2018.
- TK Shim stood down as Group CEO and as a Executive Director of FEI but will continue as a Director of FEIG.
- Melvin Stewart retired from the FEIG and FEI boards.
- There were no other subsequent events.

8. LIKELY DEVELOPMENTS

The business launched its digital marketing campaign during the year, driving an 18% increase in business loan enquiries which was supported by our improved technology platform. This exceeded expectations.

The Australian business has already written over $1m in loans while we finalised the business set up which has now been completed. Significant growth should come from Australia given the initial feedback is extremely encouraging. FEI's product offering is competitive and targeted to our areas of expertise which include hospitality, automotive, medical supplies and IT equipment. The deposit business has performed well with reinvestment rates moving from 50% to over 65% which will be supported by further technology advancements over the coming months.

9. ENVIRONMENTAL REGULATION

The Company is not aware of any breaches of any environmental legislation.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as per the remuneration report.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company indemnified the current Directors of the Company, the Company Secretary, and all executive officers of the Company, and of any related body corporate, against any liability that may arise in their capacity as an officer of the Company or any related corporation to the Company.

FEIG paid appropriate premiums in respect of directors' and officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the Company and prohibits disclosure of the amount of the premium paid.

During the reporting period or since the end of the reporting period, the Company has not indemnified nor agreed to indemnify any auditor of the Company or any related entity against a liability that may arise in their capacity as an auditor.

12. DECLARATION OF INTERESTS

Other than as disclosed in the financial statements, no Director of the Company has received or become entitled to receive a benefit other than remuneration by reason of a contract made by the Company or a related corporation with a Director or with a firm of which they are a member, or with a company in which they have a substantial financial interest.

13. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the court under section 237 of the Corporations Act 2001 for leave of Court to bring proceedings on behalf of the Group, or intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Company for all or any part or those proceedings.

The Company was not a party to any such proceedings during the year. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

14. ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the Directors' Report and the Annual Financial Statements. Some amounts in the Directors' Report and the Annual Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollar.

15. CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Principles and Recommendations (Third Edition) and the ASX listing Rules (ASX LR 4.10.3 permits entities to elect to publish their ASX Corporate Governance Statement and ASX Appendix 4G on its website.

Accordingly, the Group's 2019 ASX Corporate Governance Statement does not appear in this Annual report and can be located on the FEIG website at: https://www.feigroup.com.au.

16. NON-AUDIT SERVICES

From time to time non-audit services are provided by the Group's auditor, William Buck. The directors are satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth). The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Refer to Note 3 for breakdown of auditor's remuneration

17. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 15.

This report is made in accordance with the resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

MARCUS RITCHIE
Group CEO & Managing Director

Dated 7 June 2019

AUDITOR'S INDEPENDENCE DECLARATION

FE Investments Group Limited

Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief during the year ended 31 March 2019 there have been:

— No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— No contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Accountants & Advisors
ABN 16 021 300 521

Leo Tutt

L.E. Tutt
Partner

Sydney, 7 June 2019

ACCOUNTANTS & ADVISORS

Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW 2000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150

Telephone: +61 2 8263 4000
williambuck.com

REMUNERATION REPORT

The directors of FE Investments Group are pleased to present the Remuneration Report ("the Report") for the Company and its subsidiaries ("the Company" or "the Group" or "FEIG") for the year ended 31 March 2019.

For the purposes of this Report, Key Management Personnel ("KMP") are defined as persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group and include all Non-Executives who are listed in the table below.

DIRECTORS AND KEY MANAGEMENT PERSONNEL

MAXWELL JAMES GREEN	Independent Chairman

EXECUTIVES

MARCUS RITCHIE	Executive Director *(appointed on 31st July 2018)* and Group CEO and Managing Director *(appointed on 17th April 2019)*
MELVIN STEWART	Executive Director *(resigned on 17th April 2019)*
THATT KIONG SHIM	Executive Director and Group CEO *(resigned as Group CEO on 17th April 2019)*

NON-EXECUTIVE DIRECTORS

ANTHONY LALLY	Non-Executive Director *(appointed on 31st July 2018)*
COOK HUANG	Non-Executive Director *(appointed on 10th October 2017)*
FANG SUN	Non-Executive Director *(appointed on 9th July 2018)*
JOHN SETON	Non-Executive Director *(resigned on 1st August 2018)*
TOM MCDONALD	Non-Executive Director *(resigned on 1st August 2018)*

OTHER KEY MANAGEMENT PERSONNEL (FEI)

NON-EXECUTIVE DIRECTORS

ANDREW SCHNAUER	Independent Chairman
JACOB PLOEG	Non-Executive Director
PHILIP HARKNESS	General Manager *(resigned on 11th March 2019)*
ANDREW PIKE	Chief Operating Officer *(appointed on 12th March 2019)*

The above were the key management personnel for the whole of the financial year unless otherwise stated.

REMUNERATION GOVERNANCE

The Board is ultimately responsible for determining remuneration of Non-Executive Directors and Executives. The Remuneration Committee makes recommendations to the Board in respect to remuneration of Non-Executive Directors and Executives.

In accordance with section 206K of Corporations Act 2001 the Board has a process for engaging remuneration consultants. When the Board commissions and receives information, advice and recommendations it is provided directly to the Board from remuneration consultants, ensuring remuneration recommendations are free of undue influence by management. During the financial year, no such advice has been sought or received by Company.

The Company's remuneration strategy is designed to attract, retain, motivate and reward employees by providing fair and reasonable rewards for achieving high performance and creating sustained value for shareholders.

KMP remuneration is connected to Company performance to encourage sustained performance. It is intended that a formal short-term and long term performance plan will be implemented within the next twelve months.

PERFORMANCE	YEAR ENDING 31 MAR 19 $000 NZD	YEAR ENDING 31 MAR 18 $000 NZD
Profit/(loss) attributable to owners of the company	67	(15,201)
Basic loss per share(cents)	0.04	(12.80)
Dividends paid	-	-
Change in share price (%)	(29.60)	(44.00)

FIXED REMUNERATION

Non-Executive Director ("NED") Remuneration

In determining the level and make-up of Non-Executive Director remuneration, the Board negotiates remuneration to reflect the market salary for a position of comparable responsibility and experience whilst considering the Company's stage of development.

The Board considered the quantum of remuneration payable to Non-Executive Directors and the remuneration details are disclosed in this report.

None of the Non-Executive Directors have entered into employment contracts with the Company.

Executive Remuneration

Executive Remuneration consists of base fees. Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is undertaken and fixed remuneration and performance incentive levels are set with regard to the external market, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually, taking into account the performance of the individual and the Group. There are no guaranteed increases to fixed remuneration in any contracts of employment.

The table below shows the structure and level of current Executive remuneration as at year end.

EXECUTIVE PERSONNEL	ANNUAL REMUNERATION
EXECUTIVE DIRECTOR (CEO)	
THATT KIONG SHIM	128,571
EXECUTIVE DIRECTORS (FEI)	
MARCUS RITCHIE	267,834
MELVIN STEWART	128,571
GENERAL MANAGER (FEI)	
PHILIP HARKNESS	200,000
ANDREW PIKE	170,000

Note:

1. *THATT KIONG (TK) SHIM was the Group CEO until 17th April 2019 and was remunerated only from FEI.*
2. *MARCUS RITCHIE was appointed Group CEO on 17th April 2019.*
3. *MELVIN STEWART was an executive director of the Group until 17th April 2019 and was remunerated only from FEI.*
4. *PHILIP HARKNESS resigned from FEI as a General Manager in March 2019.*
5. *ANDREW PIKE promoted to Chief Operating Officer in March 2019.*

SHORT TERM INCENTIVE ("STI") AND LONG TERM INCENTIVE ("LTI")

Given the Group's stage of development, the Board has not yet put in place either STI's or LTI's at the Group level, but has an STI for certain KMP's in FEI. The Board anticipates putting in place both an STI plan and LTI plan for all KMP's and certain other employees of the Group within the next twelve months from the current year end.

The table below represents the target remuneration mix for group executives in the current year. The short-term incentive is provided at target levels.

EXECUTIVE REMUNERATION	FIXED	ST INCENTIVE	LT INCENTIVE
EXECUTIVE DIRECTOR (CEO)			
THATT KIONG SHIM	100%	NIL	NIL
EXECUTIVE DIRECTORS			
MELVIN STEWART	100%	NIL	NIL
GENERAL MANAGER (FEI)			
PHILIP HARKNESS	89%	11%	NIL
CHIEF OPERATING OFFICER (FEI)			
ANDREW PIKE	89%	11%	NIL

Note:

1. *Short term incentive for Philip Harkness is per his FEI employment contract where an annual bonus equivalent to $25,000 was payable upon achieving agreed incentive targets as agreed with the CEO. No amounts were paid. He resigned in March 2019.*
2. *Short term incentive for Andrew Pike is per his FEI employment contract where an annual bonus equivalent to $20,000 is payable upon achieving agreed incentive targets as agreed with the CEO. He was appointed in March 2019. Targets for financial year 2019 are being determined.*

DETAILS OF REMUNERATION	YEAR	SHORT TERM - SALARY & FEES	POST EMPLOYMENT BENEFITS	OTHER LONG TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL	PERFORMANCE RELATED
EXECUTIVE REMUNERATION							
Executive Director/CEO							
THATT KIONG SHIM [1]	**2019**	439,049	5,250	-	-	444,299	0%
	2018	343,000	10,500	-	-	353,500	0%
Executive Directors							
MELVIN STEWART [2]	**2019**	462,407	5,250	-	-	467,657	0%
	2018	343,000	10,500	-	-	353,500	0%
MARCUS RITCHIE	**2019**	226,478	-	-	-	226,478	0%
	2018	-	-	-	-	-	0%
IAN BAILEY	**2019**	-	-	-	-	-	0%
	2018	116,667	-	-	-	116,667	**0%**
General Manager (FEI)							
PHILIP HARKNESS	**2019**	200,509	6,015	-	-	206,524	0%
	2018	92,671	3,019	1,924	-	97,614	0%
SUB-TOTAL	**2019**	**1,328,443**	**16,515**	-	-	**1,344,958**	**0%**
SUB-TOTAL	2018	895,338	24,019	1,924	-	921,281	0%

1. *Short term - salary & fees paid to That Kiong Shim also includes settling of his loans of $189,048 by the Group under the Deed of Settlement dated 29 June 2018.*
2. *Short term - salary & fees paid to Melvin Stewart also includes settling of his loans of $212,407 by the Group under the Deed of Settlement dated 29 June 2018.*

NON-EXECUTIVE REMUNERATION							
Chairman							
MAXWELL JAMES GREEN	**2019**	91,065	8,651	-	-	99,716	0%
	2018	61,341	5,827	-	-	67,168	0%
Independent Directors							
COOK HUANG [3]	**2019**	53,714	-	-	-	53,714	0%
	2018	21,441	-	-	-	21,441	0%
FANG SUN	**2019**	40,176	-	-	-	40,176	0%
	2018	-	-	-	-	-	0%
ANTHONY LALLY	**2019**	39,136	3,718	-	-	42,854	0%
	2018	-	-	-	-	-	0%
JOHN SETON [1]	**2019**	7,142	-	-	-	7,142	0%
	2018	5,412	-	-	75,774	81,186	0%
TOM MCDONALD [4]	**2019**	17,856	-	-	-	17,856	0%
	2018	-	-	-	64,949	64,949	0%
QUENTIN OLDE [2]	**2019**	-	-	-	-	-	0%
	2018	43,299	-	-	-	43,299	0%
ANDREW SCHNAUER [5]	**2019**	93,258	-	-	-	93,258	0%
	2018	35,139	-	-	-	35,139	0%
MARCUS RITCHIE	**2019**	-	-	-	-	-	0%
	2018	9,800	-	-	-	9,800	0%
JACOB PLOEG	**2019**	36,000	-	-	-	36,000	0%
	2018	27,000	-	-	-	27,000	0%
SUB-TOTAL 2019	**2019**	378,346	12,369.15	-	-	390,716	0%
SUB-TOTAL 2018	2018	203,433	5,827.38	-	140,723	349,983	0%
GRAND TOTAL	**2019**	**1,706,790**	**28,884**	**-**	-	**1,735,674**	
	2018	1,098,770	29,847	1,924	140,723	1,271,264	

1. *Director's fees in regard to Mr. Seton were paid to his related company, Jura Trust Limited.*
2. *Director's fees in regard to Mr. Olde were paid to his related company, Milray Consulting Pty Ltd.*
3. *Director's fees in regard to Mr. Huang are paid to his related company, Everlast International Investments Group Ltd.*
4. *Mr. McDonald was appointed on 20 October 2016. Mr. McDonald was engaged as a financial consultant for a period prior to his appointment as a Director. Consulting fees and Directors fees to Mr. McDonald were paid to his related company, Cell Structures Pty Ltd.*
5. *Fees paid to Mr. Schnauer also includes $48,010 of legal fees that were paid for work done by his related company.*
6. *Currently there are no termination benefits that are part of any remuneration packages.*

ADDITIONAL STATUTORY DISCLOSURES RELATING TO ORDINARY SHARES AND OPTIONS

This section provides additional disclosures required under the Corporations Act 2001.

1. The table below discloses movements in ordinary shareholdings of the Company's KMP's and their related parties.

ORDINARY SHARES	BALANCE AT 1 APR 2018	GRANTED DURING THE PERIOD	OTHER CHANGES	BALANCE AT 31 MAR 2019
Directors - Non Executive				
FEIG				
MAXWELL JAMES GREEN	715,000	-	-	715,000
ANTHONY LALLY	-	-	-	-
COOK HUANG	5,000,000	-	-	5,000,000
FANG SUN	-	-	10,000,00 [2(i)]	10,000,000
JOHN SETON	342,868	-	-	342,868
TOM MCDONALD	469,943	-	-	469,943
	6,527,811	**-**	**10,000,000**	**16,527,811**
FEI				
ANDREW SCHNAUER	-	-	-	-
JACOB PLOEG	-	-	-	-
	-	-	-	-
Executives				
THATT KIONG SHIM	35,416,762	4,655,484	1,536,684 [2(ii)]	41,608,930
MELVIN STEWART	35,416,762	4,655,484	1,536,684 [2(ii)]	41,608,930
MARCUS RITCHIE	-	-	-	-
TOTAL	**70,833,524**	**9,310,968**	**3,073,368**	**83,217,860**

1. Shares granted during the period for Mr. Shim and Mr. Stewart were shares issued as part of the conversion of redeemable preference shares in FEI to ordinary shares in FEIG.

2. Details about "Other Changes" disclosures above:

i. Fang Sun invested in the Group through a private placement in December 2017.

ii. Mr. Shim and Mr. Stewart had additional shares transfered to them as per the Deed of Settlement between Mr. Shim, Mr. Stewart and Ian Bailey.

2. The table below discloses movements in unlisted options of KMP's during the period ended 31 March 2019.

OPTIONS	BALANCE AT 1 APR 2018	GRANTED DURING THE PERIOD	OTHER CHANGES	VESTED / EXPIRED DURING PERIOD	BALANCE AT 31 MAR 2019
Directors - Non Executive					
FEIG					
MAXWELL JAMES GREEN	-	-	-	-	-
ANTHONY LALLY	-	-	-	-	-
COOK HUANG	-	-	-	-	-
FANG SUN	-	-	-	-	-
JOHN SETON	208,333	-	-	(208,333)	-
TOM MCDONALD	208,333	-	-	(208,333)	-
	416,666	-	-	**(416,666)**	**-**
FEI					
ANDREW SCHNAUER	-	-	-	-	-
JACOB PLOEG	-	-	-	-	-
	-	-	-	-	-
Executives					
THATT KIONG SHIM	-	-	-	-	-
MELVIN STEWART	-	-	-	-	-
IAN BAILEY	**-**	-	-	**-**	**-**

OPTIONS	NO. OF OPTIONS GRANTED DURING THE PERIOD	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION	EXPIRY DATE	NO. OF OPTIONS VESTED DURING THE PERIOD
JOHN SETON	-	16/12/2016	0.05	0.75	16/12/2018	-
TOM MCDONALD	-	16/12/2016	0.05	0.75	16/12/2018	-

KEY MANAGEMENT PERSONNEL TRANSACTIONS

Loans to key management personnel and their related parties

a. Details regarding loans outstanding at the end of the reporting period to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 in the reporting period, are as follows:

OPTIONS	BALANCE AT 31 MAR 2018	BALANCE AT 31 MAR 2019	INTEREST PAID	HIGHEST BALANCE IN PERIOD
THATT KIONG SHIM	198,617	885	3,824	193,214
MELVIN STEWART	231,714	46,607	6,869	250,519

On 31 March 2019, unsecured loans advanced to directors were $47,492 at 8% interest. This was reviewed and agreed by FEI board of directors.

b. Details regarding the aggregate of all loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties and the number of individuals in each group as at 31 March 2019, are as follows:

OPTIONS	OPENING BALANCE	CLOSING BALANCE	INTEREST PAID	NUMBER IN GROUP AT 31 MAR 2019
Total for key management personnel and their related parties	430,331	47,492	10,694	2

The interest rate of 5.77% is used by the New Zealand IRD for the fringe benefit tax.

Signed in accordance with a resolution of the directors.

M. JAMES GREEN
Chairman

Dated 7 June 2019

FINANCIAL
STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	NOTES	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD (RESTATED)
Total portfolio income	**3(a)**	**15,606**	**15,458**
Cost of leasing products		(5,753)	(4,118)
Interest expenses		(3,366)	(3,342)
Net portfolio income		**6,487**	**7,998**
Employment expenses	3(e)	(2,292)	(1,915)
Impairment loss on finance receivables and finance leases	3(f)	(727)	(1,919)
Net change in fair value of finance receivables at fair value through profit or loss	3(f)	761	-
Goodwill impairment loss	3(f)	-	(12,994)
Depreciation and amortisation expenses	3(b)	(145)	(142)
Exchange rate gain/(loss)		13	(6)
Operating and other expenses	3(d)	(4,780)	(5,688)
Transaction costs	3(c)	(65)	(236)
Profit/(Loss) before income tax for the year		**(748)**	**(14,901)**
Income tax benefit/ income tax (expenses)	5(a)	815	(300)
Profit/(Loss) after income tax expense for the year		**67**	**(15,201)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency gains/(Loss) on translation of foreign operations		(60)	(43)
Total other comprehensive income for the year		**(60)**	**(43)**
Total comprehensive profit/(loss) attributable to owners of the Group		**7**	**(15,244)**
Profit/(Loss) per share attributable to the ordinary equity holders of the Group		**2019 CENTS**	**2018 CENTS**
Basic profit/(loss) per share (Cents)	18	0.04	(13.29)
Diluted profit/(loss) per share (Cents)	18	0.04	(13.29)

The above consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	NOTES	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD (RESTATED)
Assets			
Cash and cash equivalents	6	13,436	13,319
Finance receivables	8(ii)(a)	50,302	40,046
Finance lease receivable	8(ii)(a)	10,582	12,056
Trade and other receivables	10	86	39
Deferred tax assets	5(c)	1,131	315
Plant & Equipment	7	111	94
Goodwill	11	104	-
Other intangible assets	12	2,268	2,260
Other assets		160	240
Total assets		**78,180**	**68,369**
Liabilities			
First ranking term deposits	8(b)	61,064	55,453
Trade and other payables	13	1,077	796
Interest bearing borrowings		1,431	810
Provisions	14	71	55
Deferred tax liability	5(c)	607	607
Total liabilities		**64,250**	**57,721**
Net assets		**13,930**	**10,648**
Equity			
Ordinary share capital	15	30,485	25,786
Preference share capital	15	-	1,169
Reserves	16	(103)	(43)
Accumulated losses		(16,452)	(16,264)
Total equity		**13,930**	**10,648**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	NOTE	SHARE CAPITAL	ACCUMULATED LOSSES	FOREIGN CURRENCY TRANSLATION RESERVE	SUB-TOTAL	PREFERENCE SHARE CAPITAL	TOTAL EQUITY
		$000 NZD	$000 NZD	$000 NZD	$000 NZD	$000 NZD	$000 NZD
Restated balance at 1 April 2018		**25,786**	**(16,264)**	**(43)**	**9,479**	**1,169**	**10,648**
Changes on initial application of AASB 9	1(x)	-	(255)	-	(255)	-	(255)
Restated balance at 1 April 2018		**25,786**	**(16,519)**	**(43)**	**9,224**	**1,169**	**10,393**
Total Comprehensive income/(loss) for the year							
Profit after income tax expense for the year		-	67	-	67	-	67
Other comprehensive income		-	-	(60)	(60)	-	(60)
Total Comprehensive (loss)/income for the year		**-**	**67**	**(60)**	**7**	**-**	**7**
Transactions with owners of the Group							
Issue of ordinary shares	15	4,699	-	-	4,699	-	4,699
Total transactions with owners of the Group		**4,699**	**-**	**-**	**4,699**	**-**	**4,699**
Redeemable preference share capital							
Shares redeemed during the year						(1,169)	
Total redeemable preference share capital	15	**-**	**-**	**-**	**-**	**(1,169)**	**-**
Balance at 31 March 2019		**30,485**	**(16,452)**	**(103)**	**13,929**	**-**	**13,929**
Balance at 1 April 2017		**11,033**	**(1,063)**	**-**	**9,970**	**500**	**10,470**
Total Comprehensive income/ (loss) for the year (Restated)							
Loss after income tax expense for the year (original)		-	(14,594)	-	(14,594)	-	(14,594)
Adjustment of error correction		-	(607)	-	(607)	-	(607)
Restated reported loss for the year		-	(15,201)	-	(15,201)	-	(15,201)
Other comprehensive income		-	-	(43)	(43)	-	(43)
Total Comprehensive income/(loss) for the year		**-**	**(15,201)**	**(43)**	**(15,244)**	**-**	**(15,244)**
Transactions with owners of the Company							
Issue of ordinary shares		1,805	-	-	1,805	-	1,805
Issue of shares related to business combinations		13,376			13,376		13,376
Shares reclassified during the year		(428)			(428)		(428)
Total transactions with owners of the Company		**14,753**	**-**	**-**	**14,753**	**-**	**14,753**
Redeemable preference share capital							
Shares reclassified during the year						428	
Issue of preference share capital						241	241
Total redeemable preference share capital		**-**	**-**	**-**	**-**	**669**	**669**
Balance at 31 March 2019		**25,786**	**(16,264)**	**(43)**	**9,479**	**1,169**	**10,648**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD (RESTATED)
CASH FLOWS		
Interest and fee income received	5,641	2,552
Finance lease interest income received	1,046	1,025
Interest paid	(3,432)	(2,217)
Cash payments for leasing products	(5,753)	(4,190)
Cash payments to suppliers and employees	(6,998)	(4,711)
Movement in finance receivables	(7,586)	3,756
Movement in finance lease receivables	7,630	(8,091)
Net increase in first ranking term deposits	5,633	10,070
Net cash from/(used in) operating activities	**(3,819)**	**(1,806)**
Purchase of property and equipment	(170)	(122)
Acquisition of subsidiary, net of cash acquired	(45)	298
Net cash used in investing activities	**(215)**	**176**
Issue of ordinary shares	4,699	1,805
Redemption of redeemable preference shares	(1,169)	241
Movement in Borrowings	621	(10)
Net movement in related party advances	-	788
Net cashflows from financing activities	**4,151**	**2,824**
Opening cash	**13,319**	**12,125**
Net Movement in cash held	**117**	**1,194**
Closing cash	**13,436**	**13,319**
RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year after tax	**67**	**(15,201)**
Other non-cash items in profit or loss		
Receivables and loan impairment expenses	(34)	1,919
Goodwill impairment	-	12,994
Interest receivable	(1,398)	(3,987)
Finance lease income	(6,159)	(4,827)
Interest payable	(67)	1,125
Fee and other income	(1,365)	(677)
Depreciation and amortisation	145	142
Exchange differences	(13)	6
Other non-cash movements	(91)	34
Net cash from operating activities before changes in operating assets and liabilities	**(8,915)**	**(8,472)**
Change in operating assets & liabilities		
Movement in finance receivables	(7,717)	3,860
Movement in Finance lease receivables	7,630	(8,091)
Movement in other receivables	82	1,180
Movement in first ranking term deposits	5,634	10,070
Movement in payables	151	(559)
Movement in borrowings	-	10
Movement in net deferred tax assets	(816)	300
Movement in deferred income	131	(104)
Net cash used in operating activities	**(3,819)**	**(1,806)**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITIES

The Company is an Australian incorporated company and is limited by shares that are publicly traded on the Australian Securities Exchange ("ASX"). FEIG shares trade under the ticker code FEI.

The consolidated financial statements for the Group are for the economic entity comprising FE Investments Group Limited and its subsidiaries. The Group consists of:

ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP
FE Investments Group Limited	Australia	Legal parent company/ Legal acquirer
FE Investments Limited (FEI)	New Zealand	100% owned by FE Investments Group Limited *Accounting acquirer*
WolfStrike Rental Services Limited	New Zealand	100% owned by FE Investments Group Limited
FEI Funds Pty Ltd	Australia	100% owned by FE Investments Group Limited
WolfStrike Distributors Limited	New Zealand	100% owned by FE Investments Group Limited
WolfStrike Distributors Pty Ltd	Australia	100% owned by FE Investments Group Limited
FEI Finance Pty Ltd	Australia	100% owned by FE Investments Group Limited

B. BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards `Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on the basis of historical costs unless otherwise noted. All amounts are presented in New Zealand dollars, unless otherwise noted.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the annual financial report are consistent with FE Investments Limited, being the accounting acquirer.

These accounting policies are consistent with International Financial Reporting Standards.

C. REVERSE ACQUISITION

The acquisition of FE Investments Limited ("FEI") by FE Investments Group Limited ("FEIG") (previously know as Wolfstrike Rentals Group Limited) was recognised as a reverse acquisition on 7 June 2017.

As a result:

i. The retained earnings of the Group represent the retained earnings of FEI from the date of its incorporation, plus the results of other combining entities from the date of acquisition.

ii. The consolidated statement of financial position comprises the existing consolidated net assets of FEI measured at their historical cost. The net assets are also measured at historical cost at the date of this report.

D. REVENUE RECOGNITION

Please refer to Note 1(x) for further details under new AASB 15 changes.

E. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

The functional currency of each of the Group's entities is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in New Zealand dollars, which is the accounting parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than New Zealand dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

G. TRADE AND OTHER RECEIVABLES AND PROVISION FOR DOUBTFUL DEBT

i. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised at fair value less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

ii. Provision for doubtful debts

Please refer to Note 1(x) for further details under new AASB 9 changes.

H. TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

I. INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

J. PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

K. EMPLOYEE BENEFITS

Wages, salaries, annual leave and personal leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in accrued liabilities and provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal/sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

Long service leave is not recognised in relation to employees of New Zealand subsidiaries, as it is not an employee benefit required to be provided for under New Zealand legislation.

As at year end, there were no employees within the Group who qualified or were entitled to accrue Long Service Leave at this time.

L. SHARE BASED PAYMENT TRANSACTIONS

Equity settled transactions

Equity settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of cash settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date
- multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are expensed irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

If the non vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

M. INCOME TAX AND OTHER TAXES

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted on the reporting date.

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

N. TAX CONSOLIDATION LEGISLATION

The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to wholly-owned tax consolidated entities.

O. OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

1. When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
2. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

P. PLANT AND EQUIPMENT

Property, plant and equipment is initially recognised at cost. When an item is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the net sale price and the carrying value of the item. At each reporting date, the carrying amounts of these assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) and the impairment loss is expensed immediately.

Depreciation

Depreciation on property, plant and equipment is calculated at rates to allocate costs of each asset on a straight line (SL) basis over its useful life . For this purpose, the depreciation rates used are as follows:

Computer and software	33% - 48% SL
Office furniture and fixtures	7% - 12% SL
Office equipment	7% - 67% SL
Intangible assets	40% SL

Q. LEASES

Group as a lessor

The Group has classified its leases as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessees. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of the value of any unguaranteed residual value (as unearned income) expected to accrue to the benefit of the Group at the end of the lease term.

Group as a lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability. For where the Group acts as a lessor, please refer to Note 8.

R. GOODWILL

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired business are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than an operating segment determined in accordance with AASB 8.

The Group performs its impairment testing as at 31 March each year using a value in use methodology to determine the recoverable amount of Goodwill.

Impairment losses recognised for goodwill are not subsequently reversed.

S. INTANGIBLE ASSETS

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value which is determined within the measurement period since the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred. Externally acquired intangible assets are initially recognised at the fair value of the consideration paid for the purchase.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Estimated lives of intangible assets

Customer base	10 years
Lease tech brand	Indefinite

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Impairment of non financial assets other than goodwill

Non financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review as to whether an indicator of impairment exists at each reporting date. This includes a comparison of the market capitalisation in comparison to the Group's asset values. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher or an asset's fair value less costs to dispose of its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

T. CONTRIBUTED EQUITY

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

U. PREFERENCE SHARE CAPITAL

Preference shares were issued in accordance with the requirements of the Non bank deposit takers regulations requirements of FEI. These preference shares are treated as capital for the purposes of capital ratio calculation. They have no voting rights or dividend rights and are redeemable at the sole discretion of the company (FEI). Priority is given on a winding up or other capital distribution, the preference shares shall be redeemed in preference to any distribution towards ordinary shares of the Company.

V. EARNINGS PER SHARE

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, divided by the weighted average number of shares on issue, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

1. Costs of servicing equity (other than dividends);
2. The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
3. Other non discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

W. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are accounting standards anticipated to be effective for the annual reporting period beginning 1 April 2019:

i. AASB 16

AASB 16 Leases will replace AASB 117 Leases. AASB 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases subject to exemptions when the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company is a financial lessor and the new AASB 16 will not have a significant impact on the Company's leasing income. However, as a lessee of current office premises a Right to Use of

Asset and a corresponding Lease Liability for an estimated value of $700,000 will be recognised on 1 April 2019.

X. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

i. Impact on the financial statements

AASB 9 was adopted without restating comparative information using the modified retrospective approach. The reclassifications and the adjustments arising from AASB 9 are therefore not reflected in the restated statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018.

ii. AASB 9 - Financial Instruments

Financial assets

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows:

and

- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, impairment and any gain or loss on derecognition is recognised in profit and loss statement.

The following is the key change as part of the adoption of AASB 9:

- A new asset category measured at Fair value through 'Profit and Loss (FVTPL)' was introduced.

Financial liabilities

Classification of financial liabilities remained largely unchanged for the Group. Financial liabilities continue to be measured at either amortised cost or FVTPL.

The criteria for designating a financial liability at FVTPL by applying the fair value option also remains unchanged.

Changes to impairment of financial assets

Loans accounted for at Fair Value through Profit and Loss (FVTPL)

All financial assets not classified are measured at amortised cost are measured at Fair Value through Profit and Loss (FVTPL). Net gains and losses including any interest or dividend income, are recognised in profit or loss. A Discounted Cash Flow method is adopted to fair value the receivables to these borrowers. The inputs to measure the fair value are the existing interest rates for both the gross exposure and the syndicated sell downs.

Loans accounted for under amortised cost

Each loan is categorised into Stage 1 (performing), Stage 2 (under performing) and Stage 3 (impaired).

Stage 1 (Performing)

Performing loans are further categorised based on their risk profile as:

Grade 1	**Grade 2**	**Grade 3**
Strong	Satisfactory	Average

For capitalising loans default will be based on the available LVR. When the security for the loan is first ranking, LVR up to 90% is considered as Stage 1. When the security for the loan is second or subsequent ranking, LVR up to 80% is considered as Stage 1.

Stage 2 (Under performing)

Loans moving from Stage 1 to Stage 2 indicate a significant increase in credit risk and are categorised as Stage 2 (under performing).

Loans moving from Stage 1 to Stage 2 indicate a significant increase in credit risk and are categorised as Stage 2 (under performing).

Once a payment is missed on account of inability to pay, the security value is assessed to ensure that sufficient security is available for the loan exposure including anticipated overdue amounts. If some payments are received and it is ascertained that it is a result of a temporary cashflow mismatch by the borrower, and the shortfall is rectified within 3 months then the loan is not considered to be in default.

If the loan is neither rectified nor refinanced within 3 months of not performing as per the contractual obligations, then enforcement action commences.

For capitalising loans when the security for the loan is first ranking, LVR between 91 to 100% is considered as Stage 2. When the security for the loan is second or subsequent ranking, LVR between 81 to 90% is considered as Stage 2.

Stage 2 (Originated credit-impaired)

Certain loans are identified as credit-impaired at origination, based on these criteria. These are also included in Stage 2.

Stage 3 (Non-Performing)

When a loan has not performed as per the contractual obligations for more than 3 months it is considered to be in default Stage 3.

Contractual obligations include making scheduled payments, maintaining LVR, providing financial and other information as required, meeting financial ratios etc. A loan which is more than 90 days overdue is categorised as Stage 3.

For capitalised loans, default will also be based on the available LVR. If LVR is more than 100%, then the loan will be considered in default. When a loan is in default, FEIG will stop accruing interest. If the borrower continues to pay the monthly scheduled payments, the amount received will be treated as income.

FEIG's credit appetite usually comes under the "Satisfactory" category. Movement in grades between 1 to 2 does not denote a significant increase in credit risk, but movement to grade 3 from grade 1 or grade 2 denotes a significant increase in credit risk.

Provision for doubtful debts

When there is a shortfall in the available security, a provision for doubtful debts is recorded based on realisable value of the security.

Provision for doubtful debts is also recorded from the analysis of Stage 3 above.

Bad debts write off

Any shortfall in the loan amount after all possible means of recovery is exhausted, will be written off.

Probability of Default (PD)

Historically the Group has not had a default in any of the business models other than Commercial Lending. The PD for Commercial Lending is assumed to be on the higher range rate.

Biz Cash is a new product and there is no observable date for working out the PD. It is estimated at a higher range rate when compared to Commercial lending as it is unsecured.

PDs of other categories like Cashflow Lending, Commercial Lending with security over other assets and Residential Mortgages are estimated at midrange rate.

Loss Given Default (LGD)

The bad debts written off for the 5 year period from 2013-14 to 2017-18 were analysed over the different business models and based on the results, respective LGDs were assigned.

Loss Ratio

The probability of default multiplied by the loss given default gives the Loss Ratio.

Exposure at default and discounting

The balances at each future month have been calculated based on contractual repayments. These are used to determine the 12 month and lifetime expected credit loss. This methodology does not allow for the fact that that there will be 90 days of interest or interest and principle owing at default. The provision is also not discounted. The impact of discounting is expected to be higher and this is adopted as a simplification which will slightly increase the provision.

Calculation of expected credit loss

The 12 month expected credit loss is calculated as:

Loss rate stage 1 per annum times average exposure at default (EAD) over the next 12 months

The lifetime expected credit loss is calculated as:

Loss rate stage 2 per annum times average EAD over the lifetime times the lifetime in years

When a loan is moved into Stage 3 classification, provisions are calculated for each loan specifically. The value of the assets provided as security are quantified and shortfall, if any, will be provided. The value of the assets will be constantly evaluated and the provision amounts adjusted accordingly.

Forward-looking economic inputs

The Group uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. AASB 9 introduces the use of macroeconomic factors which include, but are not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgements as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Classification and measurement change under AASB 9

The tables on the following page summarise the classification and measurement changes by balance sheet asset category to the Group's financial assets on 1 April 2018, the Group's date of initial application of AASB 9.

There are no changes in the classification and measurement of financial liabilities of the Group. Items that were not affected by the changes have not been included.

FINANCIAL ASSET	ORIGINAL MEASUREMENT CATEGORY UNDER AASB 139	ORIGINAL MEASUREMENT CATEGORY UNDER AASB 139	ORIGINAL CARRYING AMOUNT UNDER AASB 139 $000 NZD	NEW CARRYING AMOUNT UNDER AASB 9 $000 NZD
Finance receivables	Loans and receivables	Amortised cost	41,211	25,322
Finance receivables	Loans and receivables	Fair value through profit or loss (under fair value option)	-	15,889
Amounts due from related entities	Loans and receivables	Amortised cost		
Other financial assets	Loans and receivables	Amortised cost		
			41,211	**41,211**

IMPACT OF THE ADOPTION OF AASB 9 ON THE STATEMENT OF FINANCIAL POSITION

FINANCE RECEIVABLES	$000 NZD
Measured at amortised cost	
AASB 139 carrying amount as at 31 March 2018	41,211
Reclassification of loans to fair value through profit or loss	(15,889)
Remeasurement of loans previously classified at fair value through profit or loss	
Carrying amount of finance receivables previously held at fair value	
Remeasurement of provision for doubtful debts for finance receivables held at amortised cost	(160)
AASB 9 Carrying amount as at 1 April 2018	**25,162**
Measured at fair value through profit or loss	
AASB 139 carrying amount as at 31 March 2018	-
Reclassification of fair value finance receivables from amortised cost	15,889
Remeasurement of finance receivables previously classified at amortised cost	(95)
AASB 9 carrying amount as at 1 April 2018	15,794
AASB 9 carrying amount as at 1 April 2018	
Retained earnings	
AASB 139 carrying amount as at 31 March 2018	10,866
Transition adjustment to retained earnings in relation to adopting AASB 9	(255)
AASB 9 carrying amount as at 1 April 2018	**10,611**

The following table is a reconciliation of the closing balance for provision for doubtful debts in accordance with AASB 139 to the opening balance determined in accordance with AASB 9 as at 1 April 2018.

PROVISION FOR DOUBTFUL DEBTS ON FINANCIAL ASSETS HELD AT AMORTISED COST	AASB 139 31-MAR-18	RECLASSIFICATION/ REMEASUREMENT	AASB 9 1-APR-18
Provision for doubtful debts on financial assets held at amortised cost	(1,982)	(160)	(2,142)
Total provision for doubtful debts	**(1,982)**	**(160)**	**(2,142)**

iii. AASB 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted the requirements of AASB 15 'Revenue from Contracts with Customers' and a number of interpretations and amendments to standards from 1 April 2018. AASB 15 revenue recognition is under a 5 step model. This model requires the identification of performance obligations and when met revenue is recognised. Due to the nature of revenue, there is not a change to revenue recognition as a result of adoption of AASB 15.

The following table shows type of revenue generated by the Group:

TYPES OF REVENUE/ CONTRACT TYPE	DESCRIPTION/ PERFORMANCE OBLIGATION	TRANSACTION PRICE	RECOGNITION	APPLICABLE ACCOUNTING STANDARD
Interest on loans	Interest earned on loans to customers - interest charged on the lending.	Based on market rates and or expected cost plus margin approach	Over the term of the loan/ contract	AASB 9
Loan/ finance fees	Fees charged for loan maintenance	Based on market rates and or expected cost plus margin approach	Over the term of the loan/ contract	AASB 9
Finance lease revenue	Revenue earned on leasing of equipment and technology solutions	Based on market rates and or expected cost plus margin approach	As per leasing standards	AASB 117
Document fees	Fees charged for processing the loan and paper work internally. Borrower opts to get documentation done by FEI and agrees to pay a fee for that service.	Based on market rates and or expected cost plus margin approach	One - off recognised when incurred.	AASB 15
Bank interest on term deposits	Revenue earned on short term deposits with bank	Based on market rates and or expected cost plus margin approach	Over the term	AASB 15
Fair value gains on receivables	Gains achieved through revaluation of loans receivables to fair value.	Based on market rates	At assessment period, which is normally the reporting period.	AASB 9
Early redemption fees	Fees charged on early redemption	Based on market rates	One - off recognised when incurred.	AASB 15
Exit Fee	Fixed fee payable on settlement	Based on fair value assessment.	Over the term	AASB 9

Y. RESTATEMENT OF PRIOR PERIOD BALANCES

The following transactions, which were material in both nature and magnitude, were not disclosed, in error, in the previously issued financial statements.

EFFECTS ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	AS PREVIOUSLY REPORTED $000 NZD	ADJUSTMENTS $000 NZD	AS RESTATED $000 NZD
Related party transactions			
Total portfolio income	13,068	2,390	15,458
Operating and other expenses	(3,298)	(2,390)	(5,688)
Goodwill			
Goodwill impairment loss	(12,387)	(607)	(12,994)
Effects on Consolidated Statement of Financial Position			
Goodwill	607	(607)	-
Accumulated losses	(15,657)	(607)	(16,264)

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

i. Recoverability of finance receivables & finance lease receivables ("FLR")

The measurement of the recoverability of the Group's receivables requires judgement from management by taking into account past historical data, knowledge of the individual customer and timing of cashflows when recoverability is measured. Inaddition the security received in the form of guarantees from FEIG's originators is taken into account when assessing the recoverability of the receivables.

ii. Provision for doubtful debts

The Group estimates losses incurred on its loans and lease receivables in accordance with the policy set out in Note 1(x).

iii. Net present value of receivables and discount rates applied

In measuring the discounting of the receivables, management takes into account timing of cashflows, discounting rates for comparative businesses and other relevant information.

iv. Assessment of impairment of goodwill and indefinite life intangible assets

Under the accounting standard AASB136, the Group is required to perform an annual assessment as to whether there has been any impairment of its goodwill and indefinite life intangible assets.
In addition, the Group is required to perform an impairment assessment of other assets in the event it identifies an indicator of impairment. Details of the basis of performance of the assessment and the assumptions made are set out in notes.

v. Acquired intangible assets

Under the accounting standards, the assets and liabilities of businesses acquired through a business combination are to be measured at their acquisition date fair values. The Group applies judgements in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets.

vi. Share based payments

When valuing share based payments management exercises judgement as per policy set out in Note (l).

vii. Taxation

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant tax law in each of the countries in which it operates and seeks independent advice where appropriate.

3 PROFIT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the year:

	NOTES	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
a. Total portfolio income			
Gross interest and finance lease income		13,575	11,586
Other portfolio income		2,031	3,872
		15,606	**15,458**
b. Depreciation and amortisation expenses			
Depreciation of plant & equipment		104	39
Amortisation of intangible assets		41	103
		145	**142**
c. Transaction costs			
These were one off costs incurred as part of business acquisition			
Legal fees		-	225
Other costs		66	11
		66	**236**
d. Operating expenses			
Directors' remuneration		893	1,063
Marketing expenses		146	246
Professional and consulting fees		2,039	1,322
Other expenses		1,702	3,057
		4,780	**5,688**
e. Employee benefits expense			
Wages and salaries		2,292	1,915
		2,292	**1,915**
f. Impairment			
Impairment loss on finance receivables and finance leases	8(a)(i)(ii)	727	1,919
Net change in fair value of finance receivables at fair value through profit or loss	8(a)(ii)	(761)	-
Goodwill impairment loss	11(b)	-	12,994
		(34)	**14,913**
g. Auditor's remuneration			
Auditors of the company - KPMG			
Audit and review of financial statements		346,108	174,051
Other regulatory audit services		-	12,000
Total KPMG remuneration		**346,108**	**186,051**
Auditors of the company - William Buck			
Audit and review of financial statements		218,500	-
Other regulatory audit services		12,000	-
Total Wiliam Buck remuneration		230,500	186,051
Total Auditor’s Remuneration		**576,608**	**186,051**

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions. The CEO and the Board, use the statutory profit after adjustments for tax, depreciation and merger costs to assess the business.

98% of the Group's revenue is generated in New Zealand and likewise 96% of the Group's assets are held in New Zealand. The segment information provided to the CEO for the reportable segments for the year ended 31 March 2019 is as follows:

NZ Lending products Interest and fee income earned from loans receivables

NZ Leasing Finance lease options for leasing of equipment and technology solutions to businesses

	LENDING $000 NZD	LEASING $000 NZD	TOTAL $000 NZD
As at 31 March 2019			
Total portfolio income	7,728	7,186	14,914
Interest expense	(2,681)	(685)	(3,366)
Cost of leasing products	-	(5,753)	(5,753)
Net portfolio income	**5,048**	**748**	**5,795**
Impairment losses	(210)	(517)	(727)
Goodwill impairment	-	-	-
Other expenses	(993)	(1,007)	(2,000)
Profit before income tax	**3,845**	**(776)**	**3,068**
Total Segment Assets	**50,302**	**10,582**	**60,884**
Total Segment Liabilities	**50,884**	**12,084**	**62,968**
2018			
Total portfolio income	7,196	5,594	12,790
Interest expense	(2,985)	(357)	(3,342)
Cost of leasing products	-	(4,118)	(4,118)
Net portfolio income	**4,211**	**1,119**	**5,331**
Impairment losses	(1,842)	(76)	(1,918)
Goodwill impairment	-	(12,994)	(12,994)
Other expenses	(743)	(783)	(1,526)
Profit before income tax	**1,626**	**(12,734)**	**(11,108)**
Total Segment Assets	**40,046**	**12,056**	**52,102**
Total Segment Liabilities	**32,339**	**10,546**	**42,886**

a.) Reconciliations of information on reportable segments to IFRS measures

		31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
(i)	**Revenues**		
	Total revenue for reportable segments	14,914	12,790
	Other revenue	692	2,668
	Consolidated Revenue	**15,606**	**15,458**
(ii)	**Profit before tax**		
	Total profit before tax for reportable segments	3,069	(11,108)
	Unallocated amounts:		
	Other corporate expenses	(3,816)	(3,793)
	Consolidated profit before tax from continuing operations	**(748)**	**(14,901)**

The Group has central costs such as Directors Remuneration, Marketing, Professional & Consulting costs, Administrative expenses that have not been allocated to operating segments.

(iii)	**Assets**		
	Total assets for reportable segments	60,884	52,102
	Other unallocated amounts	17,295	16,267
	Consolidated total assets	**78,179**	**68,369**
(iv)	**Liabilities**		
	Total liabilities for reportable segments	62,968	42,886
	Other unallocated amounts	1,282	14,835
	Consolidated total liabilities	**64,250**	**57,721**

5 INCOME TAX EXPENSE

a.)	**Income tax expense**		
	Current tax	1,946	15
	Deferred tax expense	(1,131)	(315)
	Total income tax expense/benefit	**815**	**(300)**
b.)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	(Loss) before income tax expense	(748)	(14,901)
	Tax using NZ statutory tax rate (28%)	209	4,172
	Tax effect of:		
	Impairment losses with no tax effect	-	(3,572)
	Permanent differences	(6)	(8)
	Temporary differences	318	-
	Current year losses for which no deferred tax asset is recognised	(345)	(348)
	Recognition / (Derecognition) of prior period losses	612	(612)
	Effect of tax rates in foreign jurisdiction	27	68
	Income tax expense	**815**	**(300)**
	FEIG operates in both New Zealand (28% tax rate) and Australia (27.5% tax rate).		
c.)	**Deferred tax expense represent movements in deferred tax assets/liabilities**		
	Opening balance deferred tax asset	315	615
	Increase in provisions	135	435
	Tax losses recognised	69	(123)
	Loss of deferred tax assets	612	(612)
	Closing balance deferred tax asset	**1,131**	**315**
	Deferred income tax liability related to business combination	**(607)**	**(607)**

d.) Carry forward tax losses

Australia *As at 31 March 2019, the Group had carryforward tax losses of $1,572,378 (2018: $745,568) unrecognised which did not have an expiry date.*

New Zealand *As at 31 March 2019, the Group had carryforward tax losses of $936,128 (2018: $491,249) unrecognised which did not have an expiry date.*

6 CASH AND CASH EQUIVALENTS

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Cash at bank and on hand	**13,436**	**13,319**

The above figures reconcile to cash at the end of the financial year, as shown in the statement of cashflows. Please refer to page 24.

7 PLANT AND EQUIPMENT

Cost	370	323
Accumulated depreciation	(259)	(229)
Net book amount	**111**	**94**
Movement in Plant and equipment at net book amount		
Balance at the beginning of the year	**94**	**114**
Additions	121	19
Depreciation	(104)	(39)
Balance at the end of the year	**111**	**94**

8 FINANCIAL INSTRUMENT - FAIR VALUES AND RISK MANAGEMENT

FAIR VALUE

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value of future cashflows, using inputs based on market conditions prevailing on the measurement date.

Financial instruments measured at fair value are categorised under a three level hierarchy as outlined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The management uses its judgement in selecting an appropriate valuation technique for financial instruments which are not quoted in an active market. The Group considers transfers between levels of the fair value hierarchy, if any, to have occurred at the beginning of the respective reporting period. There were no transfers between any of the levels for the year ended 31 March 2019.

The following methods and assumptions are used to estimate the fair value of each class of financial asset and liability:

Finance receivables - refer to Note 1(x) for policies under AASB 9.

Finance lease receivables – The carrying value of finance lease receivables is calculated using a review of three methods, including the effective interest rate to discount future cash flows to net present value, consideration of stage of completion of underlying property developments (if relevant) and an assessment of market value of the instruments to compensate transactions in the market.

Other financial assets and liabilities - Other financial assets and liabilities consist of bank balances, receivables, and payables. The carrying value of all these financial assets and liabilities is the fair value.

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

FAIR VALUE (CONTINUED)

31 MAR 19		CARRYING AMOUNTS			FAIR VALUE			
		FAIR VALUE THROUGH PROFIT AND LOSS	AT AMORTISED COST	TOTAL CARRYING AMOUNTS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUE
(i)	Finance receivables	11,497	38,805	52,302	-	-	11,497	11,497
	Total	**11,497**	**38,805**	**52,302**	**-**	**-**	**11,497**	**11,497**

FAIR VALUE HIERARCHY

The fair value hierarchy is determined by reference to observability of inputs into the fair value models.

Finance receivables

Fair value has been determined based on relevant information and management estimates. This includes unobservable inputs such as historic and current interest rates and comparable recent transactions of the company. These are classified as level 3.

Key unobservable inputs

At 31 March 2019, included in the level 3 finance receivables is $7,136,000 that has been determined by reference to estimated stage of completion of the underlying property developments. This has been assessed for one project at 40% and other project at 15% (31 March 2018: N/A)

RISK MANAGEMENT

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management team, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

i. Finance lease receivables

Finance lease receivables relate to the contracted revenues relating to leases issued by the Group to its customers and originators. The finance lease receivable balance is measured using the future contracted revenue and is then discounted and impairment tested. Future interest revenue is also excluded from the finance lease receivables.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessees. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of the value of any unguaranteed residual value (as unearned income) expected to accrue to the benefit of the Group at the end of the lease term.

For impaired lease receivables, the Group has a right to recover the leased asset and for impaired loan receivables the Group, in certain instances, has access to collateral. Given the large volume of small volume accounts comprising the portfolio it is not practical to assess the value of the collateral. For the majority of its receivables, the Group does not identify any individual lease receivables as significant, and accordingly for those receivables, no unimpaired past due loans are identified and the allowance for losses is calculated on a collective basis. As at the balance date, there were no single exposures that were considered to be individually significant or impaired.

ii. Finance receivables

Finance receivables are loans made by the Group to its borrowers. Finance receivables are measured at amortised costs or are measured at Fair Value through Profit and Loss (FVTPL). Net gains and losses including any interest, are recognised in profit or loss. A Discounted Cash Flow method is adopted to fair value the receivables to these borrowers. The inputs to measure the fair value are the existing interest rates for both the gross exposure and the syndicated sell downs. For the receivables that are carried at amortised cost, are adjusted for Estimated Credit Loss (ECL) under AASB 9 - refer to Group policy under Note 1(x).

A. FINANCE RECEIVABLES & CREDIT RISK

Finance receivables are derecognised when they are repaid, or if the material risks and rewards relating to the receivables are transferred or assigned to another party. The Group's exposure to risk in relation to assigned receivables is limited to ongoing management commissions. The Group continues to recognise the receivables only to the extent of this continuing involvement.

Interest income is recognised in profit or loss using the effective interest rate method, that includes all yield-related fees and commissions.

The identification and estimation of impairment allowances is a key estimate made in preparing these financial statements. Impaired finance receivables are loans where there is evidence that the Group may not recover all the interest, fees and principal owing. Restructured finance receivables are where the terms have been amended to terms that would not have been available for new facilities with comparable risks.

90 day past due finance receivables are receivables which are not impaired or restructured, but where the counterparty has not operated within the key terms for at least 90 days.

SECURED/UNSECURED AND NOT PAST DUE NOR IMPAIRED RECEIVABLES

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Gross investment in finance leases		
Less than 1 year	5,829	5,492
Between 1 to 5 years	6,519	8,456
90 day past due receivables	**131**	**59**
Unearned finance lease income	(1,618)	(1,878)
	10,861	**12,129**
Less collective provisions	(279)	(73)
Individually impaired receivables	-	-
	10,582	**12,056**
Net investment in finance lease receivables:		
Less than 1 year	5,109	5,244
Between 1 to 5 years	5,752	6,885
	10,861	**12,129**
Provision for collectively impaired leases		
Opening provision for collectively impaired leases	(73)	-
Impairment movement	(206)	(73)
Closing provision for collectively impaired leases	**(279)**	**(73)**
Debt written-off	(4)	(3)
TOTAL IMPAIRMENT CHARGE	**(210)**	**(76)**

GROSS EXPOSURES OF FINANCE RECEIVABLES AT AMORTISED COSTS AND FAIR VALUE RECEIVABLES

	AT AMORTISED COSTS					
	STAGE 1 $000 NZD	STAGE 2 $000 NZD	STAGE 3 $000 NZD	SUBTOTAL	FAIR VALUE	TOTAL
Total exposures						
As at 1 April 2018	**15,931**	**8,196**	**2,013**	**26,140**	**15,889**	**42,029**
Transfer of financial receivables:						
Transfer from Stage 1 to 2	(5,705)	5,705	-	-	-	-
Transfer from Stage 2 to 1	1,365	(1,365)	-	-	-	-
Transfer to Stage 3	(1,905)	-	1,905	-	-	-
Transfer from Stage 3	-	-	-	-	-	-
Net further lending/(repayment) to existing facilities	(1,941)	109	(49)	(1,881)	(5,058)	(6,939)
New finance facilities originated or purchased during the period	16,095	1,233	-	17,328	-	17,328
As at 31 March 2019 - total credit exposure	**23,840**	**13,878**	**3,869**	**41,587**	**10,831**	**52,418**

EXPECTED CREDIT LOSS AND FAIR VALUE ADJUSTMENT ON FINANCE RECEIVABLES

	AT AMORTISED COSTS					
	STAGE 1 $000 NZD	STAGE 2 $000 NZD	STAGE 3 $000 NZD	SUBTOTAL	FAIR VALUE	TOTAL
As at 1 April 2018						
Expected credit loss at amortised costs	**(247)**	**(147)**	**(1,721)**	**(2,115)**		**(2,115)**
Fair value adjustments	-	-	-	-	(95)	(95)
During the year:						
Transfer of financial instruments:						
Transfer from Stage 1 to 2	128	(128)	-	-	-	-
Transfer from Stage 2 to 1	(14)	14	-	-	-	-
Transfer to Stage 3	36	-	(36)	-	-	-
Transfer from Stage 3	-	-	-	-	-	-
Net further lending/(repayment) to existing facilities	17	(153)	(343)	(479)	-	(479)
New finance facilities originated/ purchased during the period	(131)	(57)	-	(188)		(188)
Fair value adjustments	-	-	-	-	761	761
As at 31 March 2019 - total expected credit loss & fair value movement	**(211)**	**(471)**	**(2,100)**	**(2,782)**	**666**	**(2,116)**
Net movement in loans receivable	**23,629**	**13,407**	**1,769**	**38,805**	**11,497**	**50,302**
ECL on finance receivables income statement (charge)/ release for the period	36	(324)	(379)	(667)	-	(667)
Recoveries	-	-	125	125	-	125
Fair value adjustment through profit & loss	-	-	-	-	761	761
Total income statement (charge)/release for period	**36**	**(324)**	**(254)**	**(542)**	**761**	**219**

CHANGE IN EXPECTED CREDIT LOSS AND LOAN IMPAIRMENT CHARGES

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Change in expected credit losses assessed under AASB 9		
Finance receivables		
- New allowances net of allowance releases	(667)	-
- Recoveries of amounts previously written off	(453)	-
	(1,120)	**-**
Change in fair value through profit and loss	761	-
Loan impairment charges assessed under AASB 139		
Individually assessed impairment (charges)/releases		
- New charges	-	169
- Releases	-	(2)
	-	167
Collectively assessed impairment (charge) / release	-	(11)
Change in expected credit loss and loan impairment charges	**(359)**	**167**

CREDIT RISK

The Group manages its exposure to credit risk by undertaking a comprehensive analysis of all projects, limiting its exposure to individual counterparty groups, performing credit checks, obtaining appropriate collateral, regular credit reviews, and proactive management of defaults or concerns with borrowers.

The Group's maximum exposure to credit risk is the amount shown in the statement of financial position, without any allowance for security held. The Group holds security over assets financed. For many receivables, the Group also holds other forms of collateral, such as general security agreements over the borrowing Group or guarantor, and personal guarantees from directors or associated companies. It is not practical to estimate the fair value of these various forms of collateral.

CREDIT RISK (CONTINUED)

AASB 9 contains new classification and measurement approach for financial assets. The group will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement and the Group expects to use these grades for the purposes of identifying credit risk under AASB 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

NEITHER PAST DUE NOR IMPAIRED GROSS FINANCE RECEIVABLES - AT AMORTISED COST

			31 MAR 19 $000 NZD
Stage 1	Grade 1	*Strong*	15,507
	Grade 2	*Satisfactory*	5,907
	Grade 3	*Average*	2,426
			23,840

CONCENTRATION OF CREDIT RISK	31 MAR 19	31 MAR 18
Lending type	**%**	**%**
Property Development	15	28
Business Lending	70	63
Others	15	9
Geographic concentration of lending & leasing	**%**	**%**
Auckland	83	84
Central North Island	9	10
South Island	3	3
Australia	6	3
Counterparty concentrations[1] (as a % of equity)	**Number of counterparties**	
10-19%	1	3
20-29%	2	2
30-39%	2	3
40-49%	-	2
>50%	-	1

Finance receivables include parcels of rental contracts for equipment and subscription services provided by third party originators. Each rental or subscription contract has been assigned absolutely, and is below 10% of equity. In the table above, each parcel is recorded as a separate finance receivable. Some concentration of credit risk exists because the third party originators act as collection agencies for the Group for the monthly rental or subscription payments.

DERECOGNISED FINANCE RECEIVABLES

The Company has assigned absolutely, for consideration, certain finance receivables on commercial terms (including to entities associated with two of the Company's directors, as disclosed in Note 22). To the extent of the assignment, these finance receivables have been derecognised.

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Gross finance receivables subject to assignment - at fair value	44,620	30,924
Total syndication of loans - at fair value	34,465	14,916
Derecognised finance receivables - at fair value	**79,086**	**45,839**
Residual interest in derecognised finance receivables	**1,581**	**629**

Each Syndication is governed by a Trust Deed. FEI is a Trustee under these Deeds. As a trustee, FEI has to ensure that any monies received as settlement of the projects are immediately passed on to syndicated investors on a 'pari-passu' basis. Except for $952K, the Gross receivables relates to four property developments, primarily two hotel developments. All these receivables have interest capitalising, and the Company is entitled to Exit fees and a share of the net development profit.

The two hotel developments are located in Central Auckland. Both have already obtained Resource Consent. Construction work is yet to commence on either site, and when done is expected to take two years to complete.

One site has completed detailed design and is in the process of engaging a major construction firm. A 10 year lease on the hotel has already been signed with a reputable operator and with an international brand. The other site is in detailed discussions with potential operators prior to finalising the detailed design. Based on these key factors, the Directors of the Company have concluded that no specific provision for impairment is required on these Finance Receivables.

FINANCE RECEIVABLES WITH CAPITALISED INTEREST

As at 31 March 2019, approximately $40 million of FEI's gross loan portfolio was interest capitalising in nature and six of FEI's capitalising loans had a loan value which represented 10% or more than of FEI's shareholders' funds. Capitalised income means that FEI does not receive income in cash until the loan is repaid at the end of the loan term. FEI's property development loans are usually capitalising loans. All the derecognised gross finance receivables noted above are on captalised interest term.

B. FUNDING AND LIQUIDITY RISK

The Group funds its activities through a combination of first ranking term deposits and equity.

i. Funding

First Ranking Term deposits

First ranking term deposits are secured by registered first ranking security interest over all the assets and undertakings of the Company (FEI) under the terms of the Trust Deed dated 28th November 2016 ("the Trust Deed"), subject to certain permitted charges not to exceed 2% of total tangible assets. Term deposits are initially recorded at fair value and subsequently carried at amortised cost. No depositor held more than 5% of the term deposits as at 31 March 2019.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. In order to maintain or adjust its capital structure, the Group considers the issue of new capital, return of capital to shareholders and dividend policy as well as its plans for acquisition and disposal of assets.

Regulatory matters relating to FE Investments Limited (FEI) - a subsidiary which has 96% of the Group's assets

Other matters

a. The Company's collective provisioning policy has increased loan provisions for individually impaired loans and allocated a more conservative level of specific provisioning for such loans since April 2018. The Company adopted NZIFRS 9 from 1 April 2018. Due to the retrospective adjustments, this caused a breach of some ratios imposed under the Non-Bank Deposit Takers Act 2013 (and related regulation) and the Trust Deed, as described below:

   An amendment to Company's Trust Deed increased its minimum capital adequacy ratio from 8% to 9% from 1 April 2018 and from 9% to 9.5% from 1 October 2018. The above adjustments and specific loan provisioning lowered the capital ratio, causing the Company to be in breach of its new capital ratio as at 30 April 2018.

   Additionally, the Trust Deed restricts the Company's related party exposures as a percentage of capital to 15%. The adjustments noted above decreased the Company's capital, thereby increasing the percentage of exposures to related parties and causing a breach of the related party exposure limit as at 30 April 2018.

   On 25 May 2018, the Company notified the Supervisor, Trustee Executors Limited, of the then compliance breaches and implemented a prompt remediation plan.

   The remediation measures brought the capital ratio above 9% with a $400,000 capital injection, and reduced the Company's related party exposure below the limit by means of a $100,000 repayment. The remediation measure took effect on 31st May 2018.

   The Company has adopted the NZIFRS 9 effective 1 April 2018. The resulting adjustments which were finalised only recently had a further negative impact on the ratios reported earlier, causing further breaches of these ratios.

   On 3 Dec 2018, the Company notified the supervisor of the impact of NZIFRS 9 provisions and the above mentioned compliance breaches.

   The Company took the following actions to resolve the breaches and allow for growth as required:

   A total of $3,700,000 of capital was introduced into the Company via FE Investments Group Limited.

b. Pursuant to Company's Trust Deed, no one single party exposure to any one or related borrowers is to exceed 10% of Company's total assets ("Limit"). As at 31st May 2018, one of the loans to a borrower, Maritime Apartments Limited, was at 10.8% of Company's total assets which exceeded the Limit by a margin of 0.8%. This is one of Company's property development loans within its loan portfolio. On 31 May 2018 Company notified the Supervisor of the compliance breach and implemented a remediation plan. The breach on the Limit was remedied in June 2018 with the outstanding loan falling under the Limit by the end of June 2018.

Other matters (continued)

Subsequent to the reporting date the Company received approval to extend its single party exposure to 13% for one borrower. FEI is the primary lender to Tomizone Limited, an ASX listed entity. Tomizone is currently undergoing a capital restructure and acquisition of business, and is increasing its debt facility with FEI. FEI has provided a committed term sheet in the revised facility to Tomizone, which is subject to a number of criteria.

Tomizone reported negative net tangible assets per security at 31 December 2018, is incurring operational losses and had negative cashflows from operations for the quarter and nine months ended 31 March 2019. The company received a Fundamental Uncertainty on Going Concern in its most recent review by Independent Accountants.

On 3 June 2019 Tomizone made an announcement to the ASX that several small cap funds and family offices (both Australian and International) have expressed interest in their hybrid equity raising and Tomizone is working with its advisors to progress this interest to the formal offer stage, in order to raise additional finance and restructure its balance sheet.

It is the opinion of the Company that Tomizone will be successful in its capital restructure plans. If Tomizone is unsuccessful, then the Company has a strategy to implement based on its securitisation of all of the Tomizone assets. On this basis, the Directors of the Company have concluded that no specific provision for impairment is required on the finance receivables and convertible note related to Tomizone.

ii. Liquidity risk

The Group seeks to broadly match the duration of its lending to its funding activities to ensure that there is sufficient liquidity to make payments as they fall due. The Group also regularly monitors its short-term and long-term cashflows.

The Group's policy is to hold adequate cash reserves and liquid assets, together with projected finance receivables repayments, to cover projected deposit redemption and operating expenses on a three month rolling basis.

The Group's contractual and expected liquidity positions are set out below. The Directors expect the timing of some finance receivables will differ from their contractual maturities, and that a portion of term deposit investors will roll-over their investments. Those expectations are illustrated in the expected liquidity position.

A deposit reinvestment rate of 40% (2018: 40%) has been assumed in the expected liquidity analysis, which is lower than the actual average reinvestment rate experienced 2019 of 68% (2018: 55%).

	ON DEMAND $000 NZD	0-6 MONTHS $000 NZD	6-12 MONTHS $000 NZD	1-2 YEARS $000 NZD	> 2 YEARS $000 NZD	GROSS NOMINAL INFLOW/(OUTFLOW) $000 NZD	CARRYING AMOUNT $000 NZD
Contractual liquidity at 31/3/19							
Cash and cash equivalents	13,436	-	-	-	-	13,436	13,436
Finance receivables	-	20,395	16,939	21,418	4,538	63,290	50,302
Finance lease receivables	-	3,264	2,690	3,828	2,687	12,469	10,582
First ranking term deposits	-	(26,284)	(18,156)	(15,024)	(4,590)	(64,054)	(61,064)
Other liabilities	-	(2,508)	-	-	-	(2,508)	(2,508)
Total	**13,436**	**(5,133)**	**1,473**	**10,222**	**2,635**	**22,633**	**10,748**
Contractual liquidity at 31/3/18							
Cash and cash equivalents	13,319	-	-	-	-	13,319	13,319
Finance receivables	-	11,109	16,616	16,649	7,101	51,475	40,046
Finance lease receivables		2,918	2,644	4,311	3,918	13,791	12,056
First ranking term deposits	-	(22,968)	(17,566)	(16,376)	(1,871)	(58,781)	(55,453)
Other liabilities	-	(1,606)	-	-	-	(1,606)	(1,606)
Total	**13,319**	**(10,547)**	**1,694**	**4,584**	**9,148**	**18,198**	**8,362**
Expected liquidity at 31/3/19							
Cash and cash equivalents	13,436	-	-	-	-	13,436	13,436
Finance receivables	-	12,859	12,767	34,914	15,927	76,466	50,302
Finance lease receivables	-	3,264	2,690	3,828	2,687	12,469	10,582
First ranking term deposits	-	(15,770)	(10,894)	(9,014)	(34,322)	(70,000)	(61,064)
Other liabilities	-	(1,134)	(1,497)	-	-	(2,631)	(2,508)
Total	**13,436**	**(781)**	**3,066**	**29,728**	**(15,708)**	**29,741**	**10,748**
Expected liquidity at 31/3/18							
Cash and cash equivalents	13,319	-	-	-	-	13,319	13,319
Finance receivables		13,240	8,910	21,451	6,991	50,592	40,046
Finance lease receivables		2,918	2,644	4,311	3,918	13,791	12,056
First ranking term deposits	-	(13,781)	(10,540)	(9,826)	(24,634)	(58,781)	(55,453)
Other liabilities	-	(849)	(871)	-	-	(1,720)	(1,606)
Total	**13,319**	**1,528**	**142**	**15,936**	**(13,725)**	**17,201**	**8,362**

C. MARKET RISK

Market risk is the risk that changes in market prices – such as foreign exchange rate, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i. Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on the Group's financial results by affecting the margin between the interest earning assets and interest bearing liabilities. The Group monitors market interest rates on a regular basis and reviews interest rate exposure. Interest rate risk is mitigated by management's constant monitoring of the interest rate maturity profiles of finance borrowings and finance receivables.

The interest rates on assets and liabilities of the Group are fixed for the duration of the initial contract and are not subject to repricing. Interest rate risk is unhedged. The Group sets the interest rates on loans considering the exposure value, available security, term and the associated risk. The interest rates on First Ranking Term Deposits are set based on market conditions, risk factors and liquidity requirements. Short term interest rate changes are not expected to have a significant impact on profit but changes over the medium to longer term could affect profit.

The Group has carried out sensitivity analysis of the impact of interest rate changes. The analysis is prepared on the average receivables balances during the period and represents management assessment of the possible change in interest rate for the period. Profit for the year would increase/ decrease by $17,655 (2018: $22,178) if interest rates had been 1% higher/lower (lower/higher in 2018) and all other variables were held constant. Profit for the period would increase/decrease by 0.27% (2018: 0.40%) if interest rates had been 1% pa higher/lower (lower/higher in 2017) and all other variables were held constant.

ii. Currency risk

Foreign exchange risk results from an impact on the Group's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of translating the Group's investment in overseas operations into New Zealand dollars at reporting date (translation risk). There is limited exposure to FX movments as the majority of the business is in NZD.

The foreign exchange gain or loss on translation of the investment in foreign subsidiaries to New Zealand dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve, in shareholders' equity.

As at 31 March 2019, the Group had no foreign currency hedge arrangements in place. Foreign currency risk is managed by the fact that the Group's functional and presentation currencies are both in New Zealand dollars and majority of the business is based out of New Zealand. The Group's exposure to changes in foreign exchange are not material.

9 BUSINESS COMBINATION

On 22nd January 2019, the Group acquired 100% of the ordinary shares of an Australian Financial Services License holding company known as FEI Finance Pty Limited (previously known as FS Capital Pty Limited).

Revenue and profit and loss of the acquiree are as follows:

Revenue and profit and loss of the acquiree are as follows:	FROM ACQUISITION DATE TO 31 MAR 2019 $000 NZD
Revenue	-
Cost of goods sold	-
Gross profit	0
Expenses	**-**
Consultants	(5)
Corporate overheads	(29)
Bank Fees	(0)
Foreign currency	1
Net profit/loss	**(33)**

Details of the purchase consideration, net assets acquired and goodwill are as follows:	CARRYING VALUE $000 NZD
Value of consideration	59
Less:	
Fair Value of Acquisition date identifiable assets	
Cash and cash equivalents	3
Total assets	**3**
Fair Value of Acquisition date identifiable liabilities	
Trade and other payables	5
Director loans	44
Total liabilities	**49**
Identifiable assets acquired and liabilities assumed	**(46)**
Goodwill	**104**

Value of consideration transferred

The purchase was satisfied by FEIG paying AUD50,000 to FEI Finance Pty Ltd.

The above is based on a provisional basis as at 31 March 2019 and assuming carrying values as at 22 January 2019.

A final independent fair value assessment of controlled entities net assets is in progress and will be finalised within one year of acquisition being 21 January 2020.

10 TRADE & OTHER RECEIVABLES

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Trade & other receivables	86	39
	86	**39**

11 GOODWILL

		31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
a.)	**Carrying value**		
	Cost	104	12,994
	Net book amount	**104**	**12,994**
	MOVEMENT IN GOODWILL AT NET BOOK AMOUNT		
	Balance at the beginning of the year	-	-
	Additions or fair value adjustments through business combinations	104	12,994
	Impairment loss	-	(12,994)
	Balance at the end of the year	**104**	**-**
b.)	**Impairment testing for cash generating units containing Goodwill**		

For the purpose of impairment testing , goodwill is allocated to the Group's operating business units, which represent the lowest level within the Group at which goodwill is monitored for internal management purposesat which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit(s) are as follows:

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Leasing division	-	12,994
AU lending	104	-
Total goodwill	**104**	**12,994**

No impairment testing were performed on the current Goodwill balance as at year end because Group is yet to finalise its independent fair value assessment of the latest business acquisition.

12 OTHER INTANGIBLE ASSETS

	LEASETECH BRAND $000 NZD	CUSTOMER BASE $000 NZD	OTHER TANGIBLES $000 NZD	TOTAL $000 NZD
Balance as at 1 April 2018	1,780	410	70	2,260
Additions	-	-	202	202
Amortisation	-	(41)	(153)	(194)
Impairment loss	-	-	-	-
Balance at 31 March 2019	**1,780**	**369**	**119**	**2,268**
Balance as at 1 April 2017	-	-	-	-
Additions	1,780	410	173	2,363
Amortisation	-	-	(103)	(103)
Impairment loss	-	-	-	-
Balance at 31 March 2018	**1,780**	**410**	**70**	**2,260**

12 OTHER INTANGIBLE ASSETS (CONTINUED)

The carrying amount of intangibles is tested for impairment at each statutory reporting date and whenever there is indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved 2019 financial year budget. Cash flows beyond FY2020 budget period have been extrapolated using long term terminal growth rates of 2.50%, which does not exceed the long term average for the sectors and economies in which the CGUs operate. This was used to test for impairment for the LeaseTech Brand.

The recoverable amount of the leasing division (CGU) was calculated using a value-in-use model. The recoverable amount is NZD 2,086m.

Key assumptions used in determining value in use for 31 March 2018 are:

Forecast cashflows	Forecast cashflows attributed to Customer Relationships beyond the FY2022 budget period have been extrapolated using long term growth rates of 2.5%.
Forecast EBIT	The EBIT Margin from FY2022 onwards assumes a minimum margin of 6.5%, based on an estimate of long term profitability.
Long term growth rate	The above long-term growth rate for the CGU does not exceed the long-term average growth rate for the sector/ industry in which the CGU operates.
Cost of Equity Capital	The discount rate applied to the cash flows for the CGU is based on the risk free rate for ten year Government Bonds (per the Reserve Bank of Australia), adjusted for a risk premium to reflect the increased risk of investing in equities and the risk of the specific group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific group operating company relative to the market as a whole, giving rise to the CGU specific Cost of Equity Capital.
WACC	WACC has been calculated solely with reference to the Cost of Equity. The discount rate used for impairment testing is 11%.

Sensitivity to changes in key assumptions

The Group has conducted sensitivity analysis of +/- 50 basis point movements on the growth rates and discount rates assumptions above to assess the effect on recoverable amount of changes in the key assumptions.

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonable changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 31 March 2019.

13 TRADE & OTHER PAYABLES

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Trade payables	902	752
Deferred income	175	44
Total	**1,077**	**796**

14 PROVISIONS

Annual leave	71	55
Total provisions	**71**	**55**

15 CONTRIBUTED EQUITY - SHARES

	ORDINARY SHARES		PREFERENCE SHARES	
	31 MAR 19 $000'S	31 MAR 18 $000'S	31 MAR 19 $000'S	31 MAR 18 $000'S
Balance at beginning of the period	143,048	143,048	1,169	500
Shares issued during the period	37,933	37,933	-	241
Shares reclassed/ reissued	-	-	-	428
Shares redeemed	-	-	(1,169)	-
Shares repurchased	-	-	-	-
Shares at the end of the period	**180,981**	**180,981**	**-**	**1,169**

a.) Preference shares as described in Note 1(u) are only held in FEI and are not part of the FEIG listed shares. All shares were redeemed during the period.

16 RESERVES AND RETAINED EARNINGS

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Reserves		
Foreign currency translation reserve	(103)	(43)
MOVEMENTS:		
Foreign currency translation reserve		
Balance as at beginning	(43)	-
Other comprehensive income	(60)	(43)
	(103)	**(43)**

Foreign currency translation reserve

Foreign currency translation of the foreign controlled entities is taken to the foreign currency translation reserves as described in note 1(e).

Retained earnings	(16,264)	(1,063)
Balance as at beginning	(255)	-
Changes on initial application of AASB 9	67	(15,201)
Net profit for the year	-	-
Dividends	**(16,452)**	**(16,264)**

17 DIVIDENDS

During the year ended 31 March 2019, the Group did not declare a dividend. No dividends were paid for the previous reporting period.

18 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/ loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options not yet converted to shares.

The following reflects the income and share data used in the total operations basic earnings per share computations:

18 EARNINGS PER SHARE (CONTINUED)

	2019 CENTS	2018 CENTS RESTATED
Earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	0.04	(13.29)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	0.04	(13.29)
	$000 NZD	**$000 NZD**
Reconciliation of earnings used in calculating earnings per share		
Profit/(Loss) attributable to the ordinary equity shareholders of the Group used in calculating:		
Basic earnings per share	67	(15,201)
Diluted earnings per share	67	(15,201)
	NUMBER (000)	**NUMBER (000)**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculation of basic earnings per share	157,172	114,346
Add: potential ordinary shares considered dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	157,172	114,346

19 LEASES

See accounting policy in Note 1(q).

a) Leases as lessee

The Group leases a property in Auckland under a lease with a term of 6 years. The group also leases office printers for a term of 4 years.

(i) Future minimum lease payments

As at 31 March 2019 the future minimum lease payments were as follows:

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Within 1 year	255	54
After 1 year but not more than 5 years	981	9
More than 5 years	120	12
Total	**1,357**	**75**

b) Leases as lessor

The group leases out equipment and technology solutions to businesses. Refer to note8(i)(ii) - Finance Lease Receivables for further details.

20 COMMITMENTS AND CONTINGENT LIABILITIES

The Company has following commitments as at year end:

	REMAINING TERM (MONTHS)	OUTSTANDING AMOUNTS ($000)
Lease agreements		
Rental of office premises at 66 Wyndham Street, Auckland	66	1323
Leasing of office equipment	28	34

No contingent liabilities were noted as at end of the year (2018: $Nil).

21 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

The following persons were Directors of FE Investments Group Limited during the financial year:

Maxwell James Green	*Chairman*
Thatt Kiong (TK) Shim	*Executive Director and CEO*
Marcus Ritchie	*Executive Director*
Melvin Stewart	*Executive Director*
Cook Huang	*Non-Executive Director*
Fang Sun	*Non-Executive Director*
Anthony Lally	*Non-Executive Director*

b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

Philip Harkness	*General Manager (FEI)*
Andrew Pike	*Chief Operating Officer (FEI)*

c.) Key management personnel compensation

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Short-term employee benefits	1,707	1,099
Long-term employee benefits	-	2
Post-employment benefits	29	30
Share-based payments	-	141
Total	**1,736**	**1,272**

22 RELATED PARTY TRANSACTIONS

a) Business acquisition

On 6 June 2017, the shareholders of FE Investments Limited (“FEI”) sold all their ordinary shares to Wolfstrike Rental Services Group Limited (now known as FE Investments Group Limited (“FEIG”), effectively making the existing FEI shareholders the majority shareholders in FEIG.

b) Transactions with key management personnel

i. Key management personnel compensation

Key Management Personnel covers the directors of the Company. Directors’ remuneration in note 5 above includes directors’ salaries, directors’ fees, Kiwisaver contributions.

ii. Transactions with Federal Securities Limited

Federal Securities Limited (previously known as First Eastern Securities Limited) is beneficially owned by Mr Shim and Mr Stewart. During the year it provided services to some borrowers, which include investor relations and property loan sell-down related matters, including services provided by other entities. The Company’s loan agreements with those borrowers include a requirement for the borrower to pay a share of fees described as loan documentation fees, finance fees, property loan management fees, advisory fees, exit fees and other fees to Federal Securities Limited in some instances.

These amounts are drawn down by the Company from the borrowers’ accounts. The identification of these transactions as related party transactions is a key judgement in preparing these financial statements. The Company also pays certain operating expenses on behalf of Federal Securities Limited which are reimbursed to the Company. Federal Securities Limited now provides corporate services in selling down property loans for the Company pursuant to an agreement dated 17th April 2019 between the Company and Federal Securities Limited. The fees are paid from the Exit Fees charged to the relevant loan agreements with borrowers.

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD (RESTATED)
Fees drawn down from borrowers and paid to Federal Securities Limited	447	2,390
Costs drawn down from borrowers and reimbursed to Federal Securities Limited	272	4
	719	**2,394**

iii. Other transactions with directors and related entities

The Company has paid certain expenses on behalf of Mr Shim and Mr Stewart, and their associated companies. These expenses accumulated as unsecured receivables. The accumulated receivables were interest free until August 2017, when interest began to be charged at 5.77%. On 31 March 2018, the majority of the outstanding balance of these receivables was converted to an interest bearing term loan with an interest rate of 8%.

	MR SHIM		MR STEWART	
	31 MAR 19 $000	31 MAR 18 $000	31 MAR 19 $000	31 MAR 18 $000
Expenses paid on behalf of directors and associated entities	2	25	15	69
Outstanding interest free unsecured receivable	1	8	14	18
Outstanding unsecured term loan (8% interest)	-	181	33	224

On 29 June 2018, the Company's parent entered into a deed of settlement ("Deed") which settled and discharged the unsecured short term loan (which amounted to $408,191, at the time of settlement). The liability for the receivable was transferred from Mr Shim and Mr Stewart to FEIG.

Legal fees of $55,035 (31 March 2018: $40,964) were paid to Schnauer Legal Ltd and Schnauer and Co, entities associated with Mr Schnauer. Directors fees of $44,667 were also paid to Mr Schnauer during the period. Additionally, Mr Schnauer is both a trustee and a beneficiary of J A Delmont Family Trust, which has deposits of $80,559 with FEI as at 31 March 2019 (31 March 2018: $74,816), and received gross interest of $4,647 during the year ended 31 March 2019 (31 March 2018: $5,140).

Consultancy fees of $165,327 were paid to Mr Ritchie during the year which he assisted with the transition of the management team. Investor-related entertainment expenses of $4,589 were paid to Dragonboat Restaurant Limited, an entity associated with Mr. Shim.

In Febuary 2019 an entity related to Mr Stewart advanced NZD$600,000 to FEIG. This is at an interest rate of 12% for 12 months and unsecured.

iv. Derecognised finance receivables

The Company has assigned absolutely, for consideration, certain finance receivables on commercial terms to entities associated with five directors of the Company or its parent. The associated entities and beneficial owners are:

- Equity No 8 Limited and Federal Securities Limited which are beneficially owned jointly by Mr Shim and Mr Stewart;
- CNZF Management Co. Limited which is majority owned by entities controlled by Mr Huang, director of FEIG.

	BALANCE AT YEAR END		INTEREST PAID TO RELATED ENTITIES	
	31 MAR 19 $000	31 MAR 18 $000	31 MAR 19 $000	31 MAR 18 $000
Equity No 8 Limited	1	250	29	31
Federal Securities Limited	551	191	63	18
CNZF Management Co. Limited	1,400	1,592	186	127

v. Equity transaction with directors

The Company had issued preference shares to entities associated with three of the Company's directors. All these preference shares were redeemed in the current year. The associated entities and beneficial owners are:

- Equity No 8 Limited and Federal Capital Limited which are beneficially owned jointly by Mr Shim and Mr Stewart
- Parkiri Limited which is jointly controlled by Mr Ritchie, and of which Mr Ritchie is a beneficiary.

	EQUITY NO 8 LIMITED		FEDERAL CAPITAL LIMITED		PARKIRI LIMITED	
	31 MAR 19 $000	31 MAR 18 $000	31 MAR 19 $000	31 MAR 18 $000	31 MAR 19 $000	31 MAR 18 $000
Opening balance	750	500	100	-	319	-
Issued during the period	-	250	-	100	-	319
Redeemed during the year	(750)	-	(100)	-	(319)	-
Closing balance	**-**	**750**	**-**	**100**	**-**	**319**

iv. Transactions with Group's legal parent entity

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Management fees		
Management fees charged by FEIG to FEI	765	-
Loans receivables		
Loan due from Parent entity - FEIG	1,744	1,165
Interest income		
Interest earned on loans above and capitalised	**132**	**9**

FEIG charges management fees to recover its costs from subsidiaries. Cost allocation is based on their share of total assets of the Group and ability to pay.

A unsecured term loan is issued to FEIG and is due for repayment on 30 June 2019; interest is capitalised at 9.0% pa.
During the current year, FEIG's sole source of income is dividends and management fees from FEI.

23 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 March 2019 the parent entity of the Group was FE Investments Group Limited.

	31 MAR 19 $000 NZD	31 MAR 18 $000 NZD
Result of parent entity		
Profit for the period	1,201	(1,444)
Other comprehensive income	-	-
Total comprehensive income for the period	**1,201**	**(1,444)**
Financial position of parent entity at year end		
Current assets	55,766	40,273
Noncurrent assets	21,801	26,742
Total assets	**77,567**	**67,015**
Current liabilities	45,474	39,224
Noncurrent liabilities	16,398	16,925
Total liabilities	**62,055**	**56,149**
Total equity of the parent entity comprising of:		
Share capital	17,073	13,373
Retained earnings	(1,561)	(2,507)
Total equity	**15,512**	**10,866**

24 EVENTS OCCURING AFTER THE REPORTING PERIOD

a) On 17th April 2019, the Group has made following announcement on CEO Appointment and Board Changes:

- Marcus Ritchie was appointed as Group Chief Executive Officer. Mr Ritchie has been an executive director since 31st July 2018.
- TK Shim stood down as Group CEO and as a Executive Director of FEI but will continue as a Director of FEIG
- Melvin Stewart retired from both the FEIG and FEI boards.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of FE Investments Group Limited, the directors of the Group declare that:

1. In the opinion of the directors:

   a. The financial statements and notes of FE Investments Group Limited and consolidated entities for the financial year ended 31 March 2019 are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of its financial position as at 31 March 2019 and of its performance for the financial year;

      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 (Cth);

   b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b);

   c. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer in accordance with section 295A of the Corporations Act 2001 (Cth) for the financial year ended 31 March 2019.

On behalf of the board

MARCUS RITCHIE
Group CEO & Managing Director

Dated 7 June 2019

INDEPENDENT AUDITOR'S REPORT

FE Investments Group Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of FE Investments Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2019 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

ACCOUNTANTS & ADVISORS

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William Buck

ASSESSMENT OF CARRYING VALUE OF INTANGIBLE ASSETS	
Area of focus, refer also Note 12	**How our audit addressed it**
The Group's net assets include $2m intangible assets relating to the LeaseTech brand. In accordance with accounting standards indefinite life intangible assets are subject to annual impairment testing. There is a risk that the carrying value of these assets could exceed their recoverable amounts and therefore require impairment. Recoverable amount is calculated based on value-in-use. These recoverable amounts use discounted cash flow forecasts in which the directors make judgements over certain key inputs, for example revenue growth, discount rates applied, long tern growth rates and inflation rates.	Our audit procedures included: — Evaluation of the director's assertion that the LeaseTech brand intangible had an indeterminate useful life at 31 March 2019 — Review of the assumptions used in the forecast model and assessing the key inputs in the calculations such as revenue growth, discount rates and long-term growth rates — Assessment of the disclosures in the financial statements in relation to the LeaseTech brand intangible

FAIR VALUE OF FINANCIAL ASSETS	
Area of focus, refer also Note 8	**How our audit addressed it**
The Group has Finance receivables recorded at Fair Value through Profit or Loss.	Our audit procedures included: — Evaluation of the methodology to determine the fair value of the receivables — Testing of the underlying assumptions to determine if the values were within a reasonable range — Review of disclosures included in the financial statements for fair value assessment

PROVISION FOR LOAN IMPAIRMENT	
Area of focus, refer also Note 8	**How our audit addressed it**
The Group has significant Finance Loans Receivable totalling $50.3 million. Receivables are required to be carried at their recoverable amount.	Our audit procedures included: — Review of the underlying loan agreements, to ensure that all aspects have been accounted for correctly — Review of the Group's credit assessment

The recoverability of the loans receivable requires management judgement and continuous monitoring.	— Review of the collateral value of the security over the loans and determined their adequacy — Evaluation of the overall level of provision recognised in the financial statements — Assessment of the disclosures in the financial statements surrounding loans receivable and credit/liquidity risk
RELATED PARTY TRANSACTIONS	
Area of focus, refer also Note 22	**How our audit addressed it**
The Group has had transactions with related parties that have not been disclosed in the past. The Group did not have sufficient internal controls over related party transactions in the past.	Our audit procedures included: — Testing the design and operation of new internal controls to identify and record related party transactions — Review of disclosures included in the financial statements for related party transactions

Emphasis of Matter – Restatement of Prior Year Financial Statements

We draw your attention to Note 1 of the financial statements which states that amounts previously reported in the 31 March 2018 financial report signed by the Directors on 29 June 2018 have been restated and disclose that certain transactions and balances, which were material in both nature and magnitude, were not included in the financial report in error. These errors relate to certain related party transactions and impairment of goodwill. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Regulatory non-compliance

We draw your attention to Note 8 of the financial report which sets out FE Investments Limited's, a subsidiary of the Group, non-compliance with certain requirements of its Trust Deed that related to minimum capital ratio, related party exposure limit and concentration of credit-risk. The note also sets out the actions taken by the Group to address those matters. Our opinion is not modified in respect of this matter.

Other Matter

The financial report of FE Investments Group Limited, for the year ended 31 March 2018, was audited by another auditor who expressed an unmodified opinion on that report on 29 June 2018.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2019, but does not include the financial report and the auditor's report thereon.

William Buck

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 31 March 2019.

In our opinion, the Remuneration Report of FE Investments Group Limited, for the year ended 31 March 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck
Accountants & Advisors
ABN 16 021 300 521

Leo Tutt

L.E. Tutt
Partner

Sydney, 7 June 2019

SHAREHOLDER INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. This information is current as at 05 June 2019.

Distribution of equity securities

There are 782 holders of 180,981,252 fully paid ordinary shares listed on the ASX. These shares carry one vote per share and carry the rights to dividends.

DISTRIBUTION OF EQUITY SECURITIES	NUMBER OF HOLDERS	ORDINARY SHARES	% OF ISSUED CAPITAL
1 – 1,000	363	27,174	0.02
1,001 – 5,000	187	582,893	0.32
5,001 – 10,000	67	508,884	0.28
10,001 – 100,000	86	2,436,198	1.35
100,001 - over	79	177,426,103	98.04
Total Shareholding	**782**	**180,981,252**	**100.00**
Holding less than a marketable parcel of shares	555	636,636	0.54

SUBSTANTIAL HOLDERS	SHARES HELD	% OF ISSUED CAPITAL
ROMULUS GROUP LIMITED	32,036,400	17.68
FIRST EASTERN HOLDINGS LIMITED	30,499,717	16.83
CITICORP NOMINEES PTY LIMITED	17,235,146	9.51
EQUITY NO.8 LIMITED	10,058,058	5.55

TOP 20 SHAREHOLDERS	SHARES HELD	% OF ISSUED CAPITAL
ROMULUS GROUP LIMITED	32,036,400	17.68
FIRST EASTERN HOLDINGS LIMITED	30,499,717	16.83
CITICORP NOMINEES PTY LIMITED	17,235,146	9.51
EQUITY NO.8 LIMITED	10,058,058	5.55
RUSSELL MALONEY	5,310,797	2.93
COOK HUANG & LIUJIA ZHOU	5,000,000	2.76
PARKIRI LIMITED	4,697,585	2.59
CUSTODIAL SERVICES LIMITED	4,563,368	2.53
PARKIRI LIMITED	3,812,578	2.10
DM CAPITAL MANAGEMENT PTY LTD	3,372,206	1.86
JOHN PHILPOTT	3,344,131	1.85
JBWERE (NZ) NOMINEES LTD	3,000,000	1.66
FE CONVERTIBLE BOND NO.81 LIMITED	2,955,401	1.63
MR MURRAY HORTON BLACKWELL	2,685,562	1.48
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,483,167	1.37
GRAEME CRAIG JOYNT & RICHARD ANTHONY JOHNSTON	2,381,500	1.31
ECOMETRIX PTY LTD	2,083,333	1.15
JOHN SYDNEY PHILPOTT	2,044,526	1.13
PAUL FRANCIS GRANT & VIKKI JANE PATTERSON	2,000,000	1.10
FE BOND NO.1 LIMITED	1,994,894	1.10
	141,558,369	**78.12**