



Appendix 4D

Interim Financial Report

For the half-year ended 30 September 2018

Results for Announcement to the Market for the FEIG Group

Extracts from Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income	Half-year Ended 30-Sep-18 \$000	Half-year Ended 30-Sep-17 \$000 (Restated)	Movement \$ \$000	Movement %
Net Group income	NZD 7,808	NZD 7,111	NZD	0%
Total expenses incl. taxes	(9,248)	(8,202)	(1,046)	13%
Net (loss)/ profit from ordinary activities after tax attributable to members	(1,358)	(1,094)	(264)	24%
Net comprehensive (loss)/ profit for the period attributable to members	(1,351)	(1,091)	(260)	24%
Basic EPS (cents per share)	(0.902)	(0.900)		
Diluted EPS (cents per share)	(0.902)	(0.900)		

Dividends paid and proposed

There were no dividends paid, recommended or declared during this half-year.

Net tangible assets per Share	As at 30-Sep-18	As at 31-Mar-18
Net tangible assets per share	NZD 0.050	NZD 0.055

Brief explanation of revenue & net profit

Please refer to the Directors' Report

Control Gained or Lost over Entities in the Half-year

Not applicable to the group for current financial period.

Dividend Reinvestment Plans

Not applicable to the group for current financial period.

Investments in Associates and Joint Ventures

FEIG does not hold any interests in associates and joint ventures.

Foreign entities

Foreign entities comply with Australian Accounting Standards.

Audit review

The consolidated financial statements within the Interim Financial Report for the half-year ended 30 September 2018 have been reviewed by KPMG.

Attachments

The half-year financial report of FE Investments Group Limited for the period ending 30 September 2018 is attached.

FE Investments Group Limited**Interim Financial Report for the half-year ended 30 September 2018**

ABN: 72 107 745 095

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FE Investments Group Limited

Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

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 32, 101 Miller Street, North Sydney NSW 2060
Phone: +61 2 9025 3567

Principal Place of Business Australia
Level 32, 101 Miller Street, North Sydney NSW 2060
Phone: +61 2 9025 3567

New Zealand
Level 15, 66 Wyndham Street, Auckland 1143 New Zealand
Phone: +64 9 359 9445

Share Register Link Market Services Ltd
Level 12, 680 George Street, Sydney NSW 2000
Phone: 1300 554 474 or +61 (02) 8280 7100

Directors	Maxwell James GREEN	<i>Independent Chairman</i>
	Thatt Kiong (TK) SHIM	<i>Executive Director and Group CEO</i>
	Melvin STEWART	<i>Executive Director</i>
	Cook HUANG	<i>Non-Executive Director</i>
	Fang SUN	<i>Non-Executive Director (Appointed 9 July 2018)</i>
	Marcus RITCHIE	<i>Executive Director (Appointed 31 July 2018)</i>
	Anthony LALLY	<i>Non-Executive Director (Appointed 31 July 2018)</i>
	John SETON	<i>Independent Director (Resigned 1 August 2018)</i>
	Tom McDONALD	<i>Independent Director (Resigned 1 August 2018)</i>

Company Secretary Eryn Kestel

Solicitor Gilbert + Tobin
L35, Tower Two, International Towers Sydney
200 Barangaroo Avenue, Barangaroo NSW 2000

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

Auditor KPMG Australia
Tower Three, International Towers Sydney, Barangaroo Avenue, Sydney NSW 2000

FE Investments Group Limited

Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

Directors Report

The Directors present their report together with the consolidated financial statements of FE Investments Group Limited and its subsidiaries (collectively the "Group"/"FEIG") for the half year ended 30 September 2018 and the auditor's report thereon.

Principal Activities

FEIG is a Diversified Financial Services business. The Group offers SME business and property lending products and leasing/financing of equipment and associated services in Australia and New Zealand. The Group's financing products include leasing of equipment and technology solutions, term loans, working capital facilities, trade finance, stock financing and discounting facilities to the SME sector. The Group also provides funding for some property developments.

FE Investment Limited ("FEI"), its wholly owned subsidiary in New Zealand, is a Non-Bank Deposit Taker with a licence issued by Reserve Bank of New Zealand. FEI offers and accepts terms deposits from the New Zealand public.

Operating and Financial Review

This Report is for FEIG results ("Interim Results") for the six months ended 30 September 2018 ("Half Year").

The Interim Results are compiled using the reverse acquisition accounting treatment which means that the Interim Results and prior period comparatives portrayed the results of FEIG's main operating subsidiary, FEI. Figures are reported in New Zealand Dollars.

For the Half Year, FEIG generated revenue of \$7.8m which was an increase from the equivalent half-year period to 30 September 2017, due to strong Business Lending growth.

FEIG's consolidated loss for the Half Year was \$662,000 (normalised) compared to the consolidated (\$162k) for the equivalent half-year period to 30 September 2017 largely driven by one-off costs (see table below for new IFRS adjustments).

The Interim Results were impacted by the following items:-

- One-off accounting matter costs resulting from the restatement of its financial statements for the year ending 31 March 2018.
- Additional operating expenses were incurred in consolidating and assimilating the two businesses into a Diversified Financial Services Group. These costs are expected to ease out of the Group's operating cost structure in this Financial Year (financial year ending 31 March 2019).
- Directors fees - one off transaction as disclosed in the 31 March 2018 financial statements, which states on 29 June 2018, FEIG entered into a deed of settlement which settled and discharged the unsecured short term director related loan with its subsidiary FEI (which amounted to \$408,191, at the time of settlement).

The following table shows the impact of the above items:-

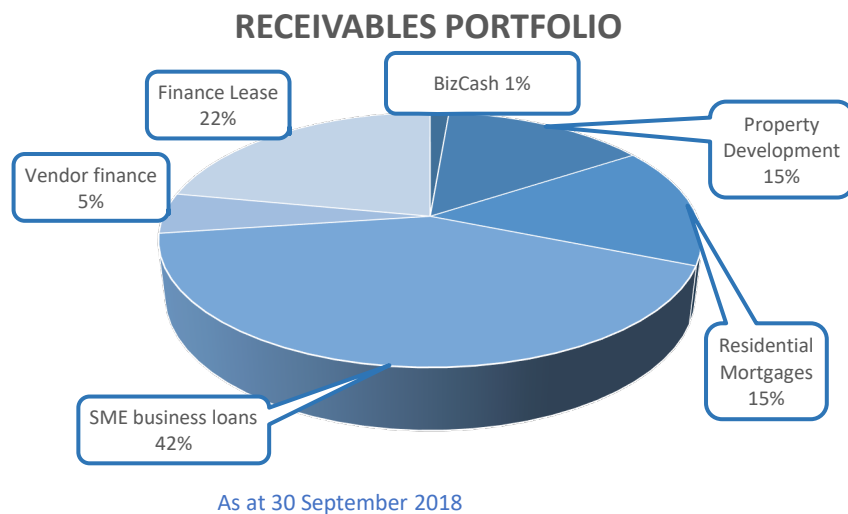
<u>Profit & Loss</u>	30-Sep-18	30-Sep-17 (Initial)	30-Sep-17 (Restated)
Total Group Income	7,808	5,298	7,111
Total Group Expenses	(8,999)	(5,812)	(7,625)
Loss before income tax for the period as reported under accounting standards	(1,191)	(514)	(514)
<u>Normalised Profit and loss</u>			
Add back:			
Transaction costs	-	148	148
Amortisation charges	21	204	204
One off cost - Audit fees and restatement	100	-	-
One off cost - Directors fees*	408	-	-
Normalised loss before income tax for the period	(662)	(162)	(162)

Consolidated Balance Sheet - as at 30 September 2018, Group's total assets were at \$68.6m.

Financial receivables and finance leases were \$56.7m as at 30 September 2018, representing an increase of 8.80% in its loan portfolio, noting property development loans reduced by 13% since 31 March 2018.

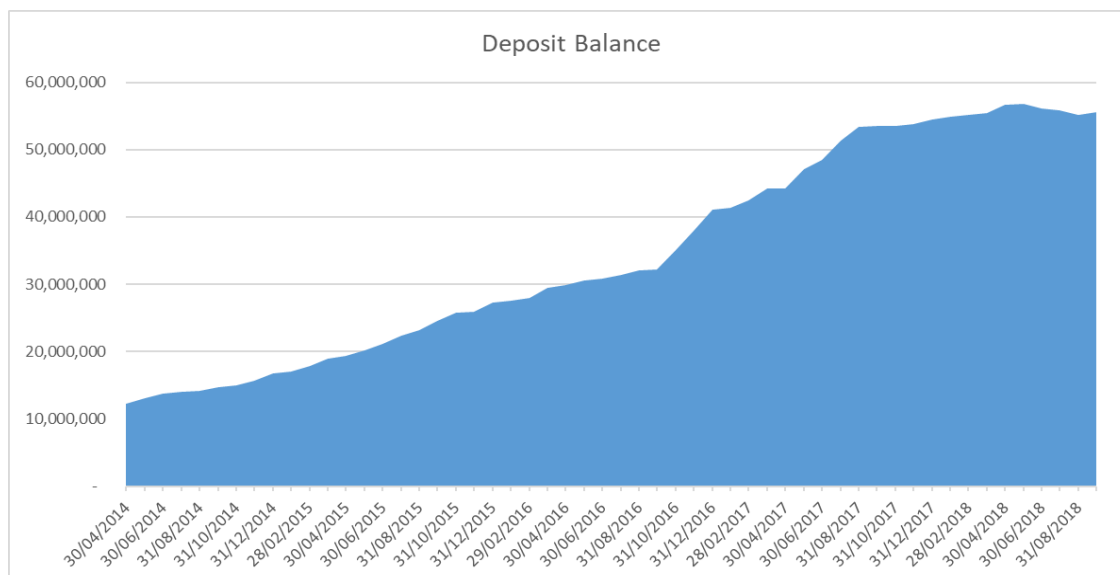
Financial receivables have grown steadily over the last 6 months to 30 September 2018 driven by rising loan demand in SME Business loans and LeaseTech via its broker networks and additional sales personnel. New loan growth (excluding property) has grown by over 55% in the last 6 months which has utilised the capital released from property development exposure reductions which is now 15% of total loan exposure at 30 September 2018 (was 28% in March 2018) .

Directors Report (continued)



FEI, the key operating entity, has also diversified its product offering by launching a new product category called Biz Cash. Biz Cash is an online lending interactive product funding solution to provide small enterprises with loans for stock purchases and working capital requirements. Biz Cash is targeted at proven creditworthy SME businesses within FEI's database of over 6,000 borrowers within its leasing division. Biz Cash product is an example of the cross-selling which the company aims to increase its "revenue per customer" by offering more products to a pool of known customers which the company has an existing relationship with. FEI has enhanced its online presence by improving its website with interactive functionality for potential lending enquiries to be dealt online. FEI will continue to increase its online presence with targeted marketing initiatives over the next several years.

Deposits: FEI's source of funding comes from the deposits it accepts from its loyal depositors. FEI has a proven track record to raise deposits to meet its growth in its loan book. FEI's brand is well-known to investors in the New Zealand market. The company has taken steps to enhance its online capability to accept deposits via its website with strong support from its experienced deposit team. The table below demonstrates that FEI has been able to grow its deposit book on a sustainable basis to fuel the growth in its loan book.



Source: FE Investments Limited

Directors Report (continued)

Future Plans

In Australia FEIG is currently finalising its Australia Financial Services License which is due to be completed by end of 2018. FEIG has commenced various business initiatives to grow its lending operations. These initiatives included a tie-up with a broker network to provide funding packages for professional accounting firms. FEIG will be implementing a fully automated technology platform with an inhouse credit scoring system to streamline loan approval process. This is due to be completed next year.

Subsequent Events

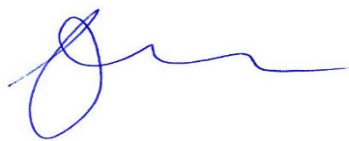
On 12 November 2018 the Company raised capital of \$2,110,798 via a private placement at an issue price of 10 cents. The private placement share price represented a 28% premium above the 30-day VWAP prior to the completion of the private placement.

In addition, the company will also be seeking shareholder approval for the issuance of fully paid ordinary shares to parties related to some of the Directors for a value of \$1,015,484 in consideration of repayment of certain redeemable preference shares previously issued by FE Investments Limited. The issuance will be made at the same issue price as the private placement above.

Auditor Independence and Declaration

The auditor's independence declaration under s 307C of the Corporations Act 2001 is attached to this report for the half-year ended 30 September 2018.

This directors' report is signed in accordance with a resolution of the Board of Directors.



TK Shim

Director/ CEO

Dated this 7 December 2018.

Condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	30-Sep-18	30-Sep-17 (Restated)
		\$000	\$000
		NZD	NZD
Total group income	2(a)	7,808	7,111
Interest expense		(1,688)	(1,621)
Cost of sales (Leasing)		(3,146)	(1,154)
Net group income		<u>2,974</u>	<u>4,336</u>
Operating expense	2(d)	(2,938)	(3,445)
Employment expense		(923)	(759)
Impairment loss on finance receivables and finance leases		(316)	(158)
Net change in fair value of finance receivables at fair value through profit & loss		89	-
Exchange rate loss		(17)	(93)
Depreciation and amortisation expense	2(b)	(67)	(250)
Transaction costs	2(c)	-	(148)
(Loss)/ profit before income tax for the period		<u>(1,198)</u>	<u>(517)</u>
Income tax benefit/ (income tax expense)		(160)	(577)
(Loss)/ profit after income tax for the period		<u>(1,358)</u>	<u>(1,094)</u>
Other comprehensive Income			
Items that may be reclassified to profit or loss			
Foreign currency gains on translation of foreign operations		7	3
Total other comprehensive income for the period		<u>7</u>	<u>3</u>
Total comprehensive (loss)/ profit attributable to owners of the Group		<u>(1,351)</u>	<u>(1,091)</u>
(Loss)/Profit per share attributable to the ordinary equity holders of the Group:			
		2018	2017
		cents	cents
Basic (loss)/profit per share (Cents)		(0.902)	(0.900)
Diluted (loss)/profit per share (Cents)		(0.902)	(0.900)

Refer to Note 1 (f) for restatement of comparatives.

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

FE Investments Group Limited
Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

Condensed consolidated Statement of Financial Position

	Note	30-Sep-18 \$000 NZD	31-Mar-18 \$000 NZD
Assets			
Cash and cash equivalents		8,354	13,319
Finance receivables	4	43,816	40,046
Finance lease receivable	4	12,883	12,056
Trade and other receivables		42	39
Deferred tax assets		155	315
Plant and equipment		117	94
Goodwill	6	607	607
Other Intangible assets	7	2,256	2,260
Other assets		357	240
Total assets		68,587	68,976
Liabilities			
First ranking deposits		55,565	55,453
Trade and other payables		573	752
Interest bearing borrowings		810	810
Deferred Income - Finance Fee		147	44
Deferred tax liability		607	607
Provisions		67	55
Total liabilities		57,769	57,721
<u>Net assets</u>		<u>10,818</u>	<u>11,255</u>
Equity			
Ordinary share capital	8	27,053	25,786
Preference share capital	8	1,169	1,169
Reserves		(36)	(43)
Accumulated losses		(17,368)	(15,657)
Total equity		10,818	11,255

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

FE Investments Group Limited
Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

Condensed consolidated statement of changes in equity

Note	Share Capital	Accumulated losses	Foreign currency translation reserve	Sub-total	Preference share capital	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
	NZD	NZD	NZD	NZD	NZD	NZD
Balance at 1 April 2018	25,786	(15,657)	(43)	10,086	1,169	11,255
Changes on initial application of AASB 9	-	(353)	-	(353)	-	(353)
Restated balance at 1 April 2018	25,786	(16,010)	(43)	9,733	1,169	10,902
<i>Total Comprehensive income/ (loss) for the period</i>						
Loss for the period	-	(1,358)	-	(1,358)	-	(1,358)
Other comprehensive income	-	-	7	7	-	7
Total Comprehensive (loss)/ income for the period	-	(1,358)	7	(1,351)	-	(1,351)
<i>Transactions with owners of the Group</i>						
Issue of ordinary shares	1,267	-	-	1,267	-	1,267
Total transactions with owners of the Group	1,267	-	-	1,267	-	1,267
Balance at 30 September 2018	27,053	(17,368)	(36)	9,649	1,169	10,818
Balance at 1 April 2017	11,033	(1,063)	-	9,970	500	10,470
<i>Total Comprehensive income/ (loss) for the period</i>						
Profit/ (loss) for the period	-	(1,094)	-	(1,094)	-	(1,094)
Other comprehensive income	-	-	3	3	-	3
Total Comprehensive income/ (loss) for the period	-	(1,094)	3	(1,091)	-	(1,091)
<i>Transactions with owners of the Group</i>						
Issue of ordinary shares	130	-	-	130	-	130
Issue of shares related to business combinations	14,279	-	-	14,279	-	14,279
Shares reclassified during the period	(428)	-	-	(428)	-	(428)
Total transactions with owners of the Group	13,981	-	-	13,981	-	13,981
Redeemable preference share capital						
Shares reissued during the period	-	-	-	-	428	428
Issue of preference share capital	-	-	-	-	241	241
Total redeemable preference share capital	-	-	-	-	669	669
Balance at 30 September 2017	25,014	(2,157)	3	22,860	1,169	24,029

FE Investments Group Limited**Interim Financial Report for the half-year ended 30 September 2018**

ABN: 72 107 745 095

Condensed consolidated statement of cash flows

	30-Sep-18	30-Sep-17
	\$000	\$000
	NZD	NZD
Interest and fees received	4,359	108
Finance lease interest income received	683	576
Interest paid	(1,739)	(743)
Cash payments for leasing products	(3,146)	(1,472)
Cash payments to suppliers and employees	(4,061)	(2,704)
Movement in finance receivables	(4,701)	(269)
Movement in finance lease receivables	2,304	921
Net increase in term deposits	155	8,302
Net cash flows from operating activities	(6,146)	4,719
Purchase of property and equipment	(69)	(76)
Acquisition of intangibles	(17)	-
Net cashflows from investing activities	(86)	(76)
Issue of ordinary shares	1,267	-
Issue of redeemable preference shares	-	241
Net cashflows from financing activities	1,267	241
Opening cash	13,319	12,125
Cash acquired as part of business combination	-	298
Net increase/(decrease) in cash held	(4,965)	4,884
Closing cash	8,354	17,307

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

FE Investments Group Limited

Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

1 Summary of Significant accounting policies

a. Reporting entities

The consolidated financial statements of FE Investments Group Limited, ("FEIG" or "the Group") for the period ended 30 September 2018 were authorised for issue in accordance with a resolution of directors on the date of signing the attached Director's Declaration.

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 nature of the operations and principal activities of the Group are described in the Directors' Report.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. As a result, they should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018 and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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 <i>Accounting acquirer</i>
WolfStrike Rental Services Limited	New Zealand	100% owned by FE Investments Group Limited
WolfStrike Rental Services 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

b. Basis of Preparation

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance.

These consolidated financial statements have been prepared on the basis of historical cost with certain assets measured at Fair Value Through Profit and Loss and should be read in conjunction with the 31 March 2018 Annual Report. 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 half-year financial report are consistent with the Annual Report of the Group for the year ended 31 March 2018, except for changes in significant accounting policies as described in Note 1(e) and 1(f). This is the first set of the Group's financial statements where AASB 9 Financial Instrument and AASB 15 Revenue from Contracts with Customers have been applied.

Certain comparative information has been restated to comply with the current year presentation.

c. Reverse Acquisition

The acquisition of FE Investments Limited ("FEI") by FE Investments Group Limited ("FEIG") (previously known as Wolfstrike Rentals Group Limited) was recognised as a reverse acquisition and the consolidated financial statements have therefore been prepared as a continuation of the financial statements of the accounting acquirer, FE Investments Limited. Accordingly, consolidated comparative information is provided for the statement of financial position and related information as at 31 March 2018 and for the statement of financial performance, statement of cash flows, statement of changes in equity and related information for the half-year to 30 September 2018 of FE Investments Limited.

As a result:

- 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.
- The consolidated statement of financial position comprises the existing consolidated net assets of FE Investments Limited measured at their historical cost with certain assets measured at Fair Value Through Profit and Loss. The net assets are also measured at historical cost with certain assets measured at Fair Value Through Profit and Loss at the date of this report.

1 Summary of Significant accounting policies (continued)

d. Accounting standards issued but not yet effective

The following are accounting standards anticipated to be effective January 1, 2019 or later:

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 unless 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 January 1, 2019, with early application permitted. It is not yet practical to reliably estimate the financial impact of the changes under AASB 16 on the Group.

e. 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. The reclassifications and the adjustments arising from AASB 9 are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet 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

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 as 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

Stage 2 (Under performing)

A loan which is more than 30 days overdue but no more than 90 days overdue is categorised as Stage 2.

Loans moving to the Average category from Strong and Satisfactory (Grade 1 & 2 to Grade 3) indicate a significant increase in credit risk and are categorised as Stage 2 (under performing).

1 Summary of Significant accounting policies (continued)

ii) AASB 9 - Financial Instruments – Impact of adoption (continued)

e. Changes in accounting policies (continued)

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.

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 put through in the accounts based on realisable value of the security.

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 Group has not had a default in any of the business model 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 have been analysed. This was done over the different business models and based on that 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 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.

1 Summary of Significant accounting policies (continued)**ii) AASB 9 - Financial Instruments – Impact of adoption (continued)****e. Changes in accounting policies (continued)****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 following tables summarises 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	New Measurement Category Under AASB 9	Original Carrying Amount Under AASB 139 \$000 NZD	New Carrying Amount Under AASB 9 \$000 NZD
Finance receivables	Loans and receivables	Amortised cost	42,026	26,137
Finance receivables	Loans and receivables	Fair value through profit or loss (under fair value option)	-	15,889
			42,026	42,026

Balance sheet impact of the adoption of AASB 9

Finance receivables	\$000 NZD
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Measured at amortised cost

AASB 139 carrying amount as at 31 March 2018	40,046
Reclassification of loans to fair value through profit or loss	(15,889)
Remeasurement of provision for doubtful debts for finance receivables held at amortised cost	(258)
AASB 9 Carrying amount as at 1 April 2018	23,899

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	11,255
Transition adjustment to retained earnings in relation to	(353)
AASB 9 carrying amount as at 1 April 2018	10,902

1 Summary of Significant accounting policies (continued)**e. Changes in accounting policies (continued)****ii) AASB 9 - Financial Instruments – Impact of adoption (continued)**

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.

	AASB 139	Reclassification/ remeasurement	AASB 9
	31-Mar-18		1-Apr-18
Provision for doubtful debts on financial assets held at amortised cost	(1,982)	(258)	(2,240)
Provision for doubtful debts on financial assets previously held at fair value	-	-	-
Total provision for doubtful debts	(1,982)	(258)	(2,240)

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 below table shows type of revenue generated by the Group:

Types of revenue / contract type	Description/ performance obligation	Transaction price	Recognition	Applicable Accounting standard
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
Early redemption fees	Fees charged on early redemption	Based on market rates	One - off recognised when incurred.	AASB 15

f. Restatement of prior period balances

We draw attention to note 9 of the financial statements, which discloses that related party transactions, which were material in both nature and magnitude, were not disclosed in error in the previously issued financial statements.

The following table summarise the impact on the Group's interim financial report for the half-year:

30-Sep-17	As previously reported	Adjustments	As restated
Total group income	5,298	1,813	7,111
Operating expenses	(1,632)	(1,813)	(3,445)

2 Profit for the period

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

	30-Sep-18	30-Sep-17
	\$000	\$000
	NZD	NZD
		Restated
a. Total group income		
Interest income	2,988	2,827
Finance lease income	3,814	1,779
Fee income and other income	1,006	2,505
	7,808	7,111
b. Depreciation and amortisation expenses		
Depreciation of plant & equipment	46	46
Amortisation of intangible assets	21	204
	67	250
c. Transaction costs		
These were one off costs incurred as part of business acquisition		
Legal fees	-	121
Other costs	-	27
	-	148
d. Operating expenses		
Directors' remuneration	951	537
Marketing expenses	44	195
Professional and consulting fees	726	486
Fees paid to First Eastern Securities Limited	719	1,813
Other expenses	498	414
	2,938	3,445

3 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (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 98% of the Group's assets are held in New Zealand.

The segment information provided to the CEO for the reportable segments for the period ended 30 September 2018 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	Leasing	Total
	\$000	\$000	\$000
	NZD	NZD	NZD
30-September-2018			
Total portfolio income	2,988	3,814	6,802
Interest expense	(1,312)	(376)	(1,688)
Cost of leasing products	-	(3,146)	(3,146)
Net portfolio income	1,676	292	1,968
Impairment and fair value losses	(199)	(28)	(227)
Other expenses	(445)	(325)	(770)
Profit before income tax	1,032	(61)	971
Total Segment Assets at 30 September 2018	43,816	12,980	56,796
Total Segment Liabilities at 30 September 2018	35,497	10,516	46,013

3 Segment information(continued)

	Lending	Leasing	Total
	\$000	\$000	\$000
	NZD	NZD	NZD
30-September-2017			
Total portfolio income	2,827	1,779	4,606
Interest expense	(1,363)	(258)	(1,621)
Cost of leasing products	-	(1,154)	(1,154)
Net portfolio income	<u>1,464</u>	<u>367</u>	<u>1,831</u>
Impairment and fair value losses	(158)	-	(158)
Other expenses	<u>(316)</u>	<u>(235)</u>	<u>(551)</u>
Profit before income tax	990	132	1,122
Total Segment Assets at 31 March 2018	40,046	12,056	52,102
Total Segment Liabilities at 31 March 2018	33,511	10,089	43,600

a. Reconciliations of information on reportable segments to AASB measures

(i) Revenues	30-Sep-18	30-Sep-17
	\$000	\$000
	NZD	NZD
Total revenue for reportable segments	6,802	4,606
Other revenue	<u>1,006</u>	<u>2,505</u>
Consolidated Revenue	<u>7,808</u>	<u>7,111</u>
(ii) Profit before tax		
Total profit before tax for reportable segments	971	1,122
Unallocated amounts:		
Other corporate expenses	<u>(2,169)</u>	<u>(1,639)</u>
Consolidated profit before tax from continuing operations	<u>(1,198)</u>	<u>(517)</u>

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

	30-Sep-18	31-Mar-18
	\$000	\$000
	NZD	NZD
(iii) Assets		
Total assets for reportable segments	56,796	52,102
Other unallocated amounts	<u>11,791</u>	<u>16,874</u>
Consolidated total assets	<u>68,587</u>	<u>68,976</u>
(iv) Liabilities		
Total liabilities for reportable segments	46,013	43,600
Other unallocated amounts	<u>11,756</u>	<u>14,121</u>
Consolidated total liabilities	<u>57,769</u>	<u>57,721</u>

4 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 half year ended 30 September 2018.

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 (e) for policies under AASB 9.

Finance lease receivables – The carry value of finance lease receivables is calculated using the effective interest rate to discount future cash flows to net present value.

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.

	Carrying amounts			Fair value			
	Fair value through Profit and Loss	At amortised cost	Total carrying amounts	Level 1	Level 2	Level 3	Total
30-Sep-18							
Finance receivables	9,423	34,393	43,816	-	9,423	-	9,423
Total	9,423	34,393	43,816	-	9,423	-	9,423

4 Financial instrument- Fair values and Risk management (continued)

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 number of small dollar 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(e)(ii).

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.

4 Financial instrument- Fair values and Risk management (continued)

Finance lease receivables	30-Sep-18	31-Mar-18
	\$000	\$000
	NZD	NZD
Secured/ unsecured and not past due nor impaired receivables	12,980	12,129
Gross investment in finance leases		
Less than 1 year	6,225	5,492
Between 1 to 5 years	8,724	8,456
	14,949	13,948
90 day past due receivables	68	59
Unearned finance lease income	(2,037)	(1,878)
	12,980	12,129
Less collective provisions	(97)	(73)
	12,883	12,056
Individually impaired receivables	-	-
	12,883	12,056
Net investment in finance lease receivables:		
Less than 1 year	5,905	5,244
Between 1 to 5 years	7,075	6,885
	12,980	12,129
Individually impaired leases		
GROSS IMPAIRED FINANCE LEASES		
Opening balance of gross leases	-	-
Additions	-	-
Recoveries	-	-
Closing balance of gross impaired leases	-	-
ALLOWANCE FOR IMPAIRMENT		
Opening balance of individually impairment allowance	-	-
Impairment charge	-	-
Write-offs	-	-
Closing balance of individually impairment allowance	-	-
NET INDIVIDUALLY IMPAIRED FINANCE LEASES	-	-
Provision for collectively impaired leases		
Opening provision for collectively impaired leases	(73)	-
Impairment movement	(24)	(73)
Closing provision for collectively impaired leases	(97)	(73)
Debt written-off	(4)	(3)
TOTAL IMPAIRMENT CHARGE	(28)	(76)

Finance receivables (continued)

Gross exposures of finance receivables at amortised costs and fair value receivables.

	Half year ended 30 September 2018					Total \$000 NZD
	At amortised costs				Fair Value	
	Stage 1	Stage 2	Stage 3	Sub Total		
	\$000 NZD	\$000 NZD	\$000 NZD	\$000 NZD	\$000 NZD	
Total exposures						
As at 1 April 2018	15,931	8,196	2,012	26,139	15,889	42,028
Transfer of financial receivables:						
Transfer from Stage 1 to 2	(5,736)	5,736	-	-	-	-
Transfer from Stage 2 to 1	-	-	-	-	-	-
Transfer to Stage 3	(847)	-	847	-	-	-
Transfer from Stage 3	-	-	-	-	-	-
Net further lending/(repayment) to existing facilities	(1,135)	244	40	(851)	(6,460)	(7,311)
New finance facilities originated or purchased during the period	11,208	425	-	11,633	-	11,633
As at 30 September 2018 - total credit exposure	19,421	14,601	2,899	36,921	9,429	46,350

Expected credit loss and fair value adjustment on finance receivables

	Half year ended 30 September					Total \$000 NZD
	At amortised costs				Fair Value	
	Stage 1	Stage 2	Stage 3	Sub Total		
	\$000 NZD	\$000 NZD	\$000 NZD	\$000 NZD	\$000 NZD	
As at 1 April 2018						
Expected credit loss at amortised costs	(159)	(373)	(1,708)	(2,240)	-	(2,240)
Fair value adjustments	-	-	-	-	(95)	(95)
<i>During the year:</i>						
Transfer of financial instruments:						
Transfer from Stage 1 to 2	35	(291)	-	(256)	-	(256)
Transfer from Stage 2 to 1	-	-	-	-	-	-
Transfer to Stage 3	13	-	(13)	-	-	-
Transfer from Stage 3	-	-	-	-	-	-
Net further lending/(repayment) to existing facilities	26	(11)	37	52	-	52
New finance facilities originated or purchased during the period	(67)	(17)	-	(84)	-	(84)
Fair value adjustments	-	-	-	-	89	89
As at 30 September 2018 - total expected credit loss & fair value movement	(152)	(692)	(1,684)	(2,528)	(6)	(2,534)
ECL on finance receivables income statement (charge)/release for the period	7	(319)	24	(288)	-	(288)
Fair value adjustment through profit & loss	-	-	-	-	89	89
Total income statement (charge)/release for period	7	(319)	24	(288)	89	(199)

FE Investments Group Limited

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Finance receivables (continued)

	30-Sep-18 \$000 NZD	30-Sep-17 \$000 NZD
Change in expected credit loss and loan impairment charges		
Change in expected credit losses assessed under AASB 9		
Finance receivables		
-- New allowances net of allowance releases	(288)	-
-- Recoveries of amounts previously written off	-	-
	<u>(288)</u>	<u>-</u>
Change in fair value through profit and loss	89	-
Loan impairment charges assessed under AASB 139		
Individually assessed impairment (charges)/releases		
-- New charges	-	169
-- Releases	-	(2)
	<u>-</u>	<u>167</u>
Collectively assessed impairment (charge) / release	-	(11)
Change in expected credit loss and loan impairment charges	<u>(199)</u>	<u>156</u>

At 30 September 2018 the Group had one loan with a zero percent interest rate which is measured at fair value. The fair value adjustment will be unwound over the life of the loan as capitalised interest. The net value at balance date was \$395,255 (2018: \$370,940) with a remaining fair value adjustment of \$245,282 (2018: \$269,597). Capitalised interest during the period of \$24,315 (2017: \$23,000 (unadjusted)).

The Group has loan exposures totalling \$2,900,000 (31/03/18: \$6,800,000) to Mr Martin Kells and associated entities. Mr Kells is an experienced developer who acts on behalf of the Group as bare trustee of an entity involved in the realisation of property security on unrelated loan exposures.

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 balance sheet, 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.

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			30-Sep-18
Stage 1	Grade 1	Strong	13,001
	Grade 2	Satisfactory	3,404
	Grade 3	Average	3,016
			<u>19,421</u>

5 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 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 30 September 2018.

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.

(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 conservative deposit reinvestment rate of 40% (31/3/18: 40%) has been assumed in the expected liquidity analysis, which is significantly lower than the actual average reinvestment rate experienced during the last 6 months of 68% (31/3/18: 55%).

	On demand \$000 NZD	0-6 months \$000 NZD	6-12 months \$000 NZD	1-2 years \$000 NZD	> 2 years \$000 NZD	Total \$000 NZD	Carrying amount \$000 NZD
Contractual liquidity at 30/9/18							
Cash and cash equivalents	8,354	-	-	-	-	8,354	8,354
Finance receivables	-	10,412	12,047	29,995	8,671	61,125	43,816
Finance lease receivables	-	3,331	2,964	4,556	4,132	14,983	12,883
First ranking term deposits	-	(17,734)	(22,512)	(14,725)	(3,928)	(58,899)	(55,565)
Other liabilities	-	(720)	(810)	-	-	(1,530)	(1,530)
Total	8,354	(4,711)	(8,311)	19,826	8,875	24,033	7,958
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 30/9/18							
Cash and cash equivalents	8,354	-	-	-	-	8,354	8,354
Finance receivables	-	9,274	13,297	21,529	17,634	61,734	43,816
Finance lease receivables	-	3,331	2,964	4,556	4,132	14,983	12,883
First ranking term deposits	-	(10,640)	(13,507)	(8,835)	(25,917)	(58,899)	(55,565)
Other liabilities	-	(720)	(810)	-	-	(1,530)	(1,530)
Total	8,354	1,245	1,944	17,250	(4,151)	24,642	7,958

5 Funding and liquidity risk (continued)

	On demand	0-6 months	6-12 months	1-2 years	> 2 years	Total	Carrying amount
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	NZD	NZD	NZD	NZD	NZD	NZD	NZD
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

The differences between the liquidity profile based on contracted maturity dates and that derived from expected maturity dates arise from the Group's review of its loan portfolio and making adjustments to the liquidity profile, taking into account the relevant factors which may affect the timing of repayments of loans including, but not limited to the borrowers' ability to sell and settle assets to repay their loans to the Group, completion dates of projects and availability of alternative sources of funding to refinance the Group's loans.

The Group fixes rates on term deposits, finance receivables and finance leases and therefore has no short-term exposure to movements in interest rates. The above contractual liquidity profile therefore also provides information on the interest rate repricing profile.

6 Goodwill**a. Carrying value**

	30-Sep-18 \$000 NZD	31-Mar-18 \$000 NZD
Cost	12,994	12,994
Accumulated impairment	(12,387)	(12,387)
Carrying value	607	607
Carrying Value		
Opening	607	-
Goodwill on acquisition	-	12,994
Impairment	-	(12,387)
Closing	607	607

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 purposes. The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is indicator that the asset may be impaired.

7 Other Intangible assets**Cost**

Opening balance		
Customer base	410	-
LeaseTech Brand	1,780	-
Other intangibles	173	-
Net movements		
Customer base	-	410
LeaseTech Brand	-	1,780
Other intangibles	17	173
	2,380	2,363

Accumulated amortisation and impairment

Opening balance	(103)	
Amortisation for the period	(21)	(103)
	(124)	(103)
Net closing balance	2,256	2,260

8 Contributed equity - shares

	Ordinary shares		Preference Shares	
	30-Sep-18 000's	31-Mar-18 000's	30-Sep-18 000's	31-Mar-18 000's
Balance at beginning of the period	143,476	27,093	1,169	500
Shares issued during the period	6,239	143,048	-	241
Shares reclassified/ reissued	-	-	-	428
Shares repurchased	-	(26,665)	-	-
Shares at the end of the period	<u>149,715</u>	<u>143,476</u>	<u>1,169</u>	<u>1,169</u>

a) A total of 1,366,873 unlisted options were on issue as at 30 September 2018 (31/03/18: 5,033,540)

9 Related party transactions**a) Parent entity**

The legal parent entity of the group is FE Investments Group Limited (FEIG). The parent entity of the Group for accounting purposes is FE Investments Limited (FEI) (refer Note 1(c)).

b) Subsidiaries and associate

Interests in Group entities are set out in note 1(a).

c) Transactions with related parties**i. Services from related party entities**

Consulting fees of \$57,671 were paid to directors' related entities.

ii. Transactions with First Eastern Securities Limited

First Eastern Securities Limited ("FESL") is beneficially owned by Mr Shim and Mr Stewart. It provides services to some borrowers, which include investor relations and property loan sell-down related matters. FEI's loan agreements with those borrowers sometimes 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 FESL in some instances. These amounts are drawn down by FEI from the borrowers' accounts. FEI also pays certain operating expenses on behalf of FESL which are reimbursed to FEI.

	30-Sep-18	30-Sep-17 (Restated)
	\$000	\$000
	NZD	NZD
Amounts drawn down from borrowers and paid to FESL	719	1,813

iii. Other transactions with directors and related entities

FEI 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	
	30-Sep-18 \$000	30-Sep-17 (Restated) \$000	30-Sep-18 \$000	30-Sep-17 (Restated) \$000
Expenses paid on behalf of directors and associated entities	33	35	7	56
	30-Sep-18 \$000	31-Mar-18 \$000	30-Sep-18 \$000	31-Mar-18 \$000
Outstanding interest free unsecured receivable	-	8	6	18
Outstanding unsecured term loan (8% interest)	-	181	32	224
Prepaid directors fees (Sept 18-March 19)	64	-	64	-

9 Related party transactions

iii. Other transactions with directors and related entities (continued)

On 29 June 2018, FEIG 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 Group entered into a deed of settlement ("Deed") with the vendors ("Vendors") under the sale and purchase agreement dated 29 November 2016 ("SPA") pursuant to which FEIG acquired from the Vendors, all of the issued shares in FE Investments Limited ("FE") in consideration of the issue to the Vendors of fully paid ordinary shares in the capital of FEIG. The terms of the settlement were negotiated by the disinterested independent directors led by the Chairman, James Green.

The Deed settles and discharges any and all claims the Vendors and related parties (as to one part), and FEIG and its current and former directors (as to the other part) have or at any time hereafter may have against each other under the SPA.

The complete particulars of the settlement are confidential as they relate to the other parties however the obligations pertaining to FEIG can be summarised as follows.

- a. FEIG shall apply the amount of \$408,191 in full repayment of TK Shim's current indebtedness to FE and in part repayment of Mel Stewart's current indebtedness to FEI (as described above).
- b. Ian Bailey, TK Shim and Mel Stewart ("Guarantors") will continue to act as guarantors of the obligations of an FEIG subsidiary, Wolfstrike Rental Services Limited ("WRS"), to Dancingmoonlight Limited in connection with a loan of approximately \$810,000 made available by Dancingmoonlight Limited to WRS. In consideration of the guarantees FEIG will indemnify the Guarantors and will also issue to Ian Bailey (subject to obtaining all relevant shareholder and other approvals) 500,000 18-month AUD0.20 options with respect to ordinary shares in the capital of FEIG.

Legal fees of \$30,125 (30/09/2017: \$20,172) were paid to Schnauer Legal Ltd and Schnauer and Co, entities associated with Mr Schnauer. Further, directors fees of \$8,333 (31/03/2018: \$8,333) were prepaid. Additionally, Mr Schnauer is both a trustee and a beneficiary of J A Delmont Family Trust, which has deposits of \$74,816 with FEI as at 30 September 2018 (31/03/2018: \$74,816), and gross received interest of \$2,340 during the period ended 30 September 2018 (30/09/2017: \$2,984).

The Company also paid consulting fees of \$Nil (30/09/2017: \$41,453) to Mr Ian Bailey and charged \$Nil (30/09/2017: \$3,991) interest on a loan to an entity controlled by him, during the brief period that he was a director of the Company's parent company (FEIG) following the reverse acquisition of Wolfstrike Rentals during the year. Mr Bailey ceased being a director of FEIG on 31 August 2017.

iv. Derecognised finance receivables

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

- Equity No 8 Limited and FESL which are beneficially owned jointly by Mr Shim and Mr Stewart
- CNZF Management Co. Ltd which is majority owned by entities controlled by Mr Huang and Mr Sun, both directors of FEIG.

	Balance at year end		Interest paid to related entities	
	30-Sep-18	31-Mar-18	30-Sep-18	30-Sep-17
	\$000	\$000	\$000	\$000
	NZD	NZD	NZD	NZD
Equity No 8 Limited	253	250	16	16
First Eastern Securities Limited	606	192	24	7
CNZF management Co. Ltd	1,659	1,592	94	38

9 Related party transactions (continued)

v. Preference Share transactions with directors

FEI has issued preference shares to entities associated with three of the Company's directors. The associated entities and beneficial owners are:

- Equity No 8 Limited and First Eastern 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.

	30-Sep-18	31-Mar-18
	\$000	\$000
	NZD	NZD
<u>Equity No 8 Limited</u>		
Opening balance	750	500
Issued during the period	-	250
Redeemed during the year	-	-
Closing balance	750	750
<u>First Eastern Capital Limited</u>		
Opening balance	100	-
Issued during the period	-	100
Redeemed during the year	-	-
Closing balance	100	100
<u>Parkiri Limited</u>		
Opening balance	319	-
Issued during the period	-	319
Redeemed during the year	-	-
Closing balance	319	319

vi. Transactions with other related parties

As at 30 September 2018 the company had loan exposures totalling \$2.9m (31/03/2018: \$6.8m) to Mr Martin Kells and associated entities. Mr Kells is an experienced developer who acts on behalf of the company as bare trustee of an entity involved in the realisation of property security on unrelated loan exposures.

10 Other Matters

Regulatory matters relating to FE Investments Limited (FEI) - a subsidiary which has 98% of the Group's assets

- In the course of finalising FEI's financial statements for the year end 31 March 2018, FEI made various adjustments to revalue downwards its finance lease portfolio. In addition to FEI's collective provisioning policy, FEI has increased loan provisions for individually impaired loans and allocated a more conservative level of specific provisioning for such loans. FEI has also adopted AASB 9 from 1 April 2018. These adjustments caused breaches 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 FEI's Trust Deed increased its minimum capital adequacy ratio from 8% of 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 FEI to be in breach of its new capital ratio as at 30 April 2018.

Additionally, the Non-Bank Deposit Takers Act 2013 (and related regulations) and FEI's Trust Deed restrict the Company's related party exposures as a percentage of capital to 15%. The adjustments noted above decreased FEI's capital, thereby increasing the percentage of exposures to Related Parties. FEI breached the related party exposure limit as at 30 April 2018.

10 Other Matters (continued)

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

The remediation measures brought the capital ratio above 9% as a result of a \$400,000 capital injection, and a reduction in FEI's related party exposure to under the limit as a result of a \$100,000 repayment. The remediation measure took effect on 31st May 2018.

FEI has adopted the AASB 9 effective 1 April 2018. The resulting adjustments were finalised only recently and results in a further negative impact on the ratios reported earlier. This resulted in continued and further breaches of these ratios.

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

The FEIG and FEI Boards are taking the following actions to resolve the breach and allow for growth as required:

A Private Placement Capital Raising programme with High Net Worth Individuals- aiming to raise approximately NZD2m in December 2018

Additional property loan sell-down are currently being worked through as various projects meet their milestones as per the board requirement, which the management have historically achieved.

On the basis of the discussions and correspondence with the Supervisor, the Directors are confident that FEI will retain its Non-Bank Deposit Taker licence and remain a going concern.

- ii. Pursuant to FEI's Trust Deed, no one single party exposure to any one or related borrowers is to exceed 10% of FEI's total assets ("Limit").

As at 31st May 2018, one of the loans to a borrower was at 10.8% of FEI's total assets which exceeded the Limit by a margin of 0.8%. This is one of FEI's property development loans within its loan portfolio. On 31 May 2018 FEI 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.

11 Dividend

During the period ended 30 September 2018, the Group did not declare a dividend. No dividends were paid for the previous reporting period.

12 Contingencies

There are no contingent liabilities as the date of this report.

13 Subsequent events

On 12 November 2018 the Company raised capital of \$2,110,798 via a private placement at an issue price of 10 cents. The private placement share price represented a 28% premium above the 30-day VWAP prior to the completion of the private placement.

In addition, the company will also be seeking shareholder approval for the issuance of fully paid ordinary shares to parties related to some of the Directors for a value of \$1,015,484 in consideration of repayment of certain redeemable preference shares previously issued by FE Investments Limited. The issuance will be made at the same issue price as the private placement above.

FE Investments Group Limited

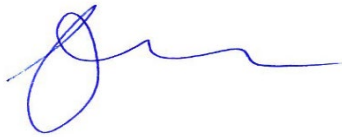
Interim Financial Report for the half-year ended 30 September 2018

ABN: 72 107 745 095

Directors' declaration

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

- 1). The financial statements and notes, as set out on pages 8 to 29, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* ; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 30 September 2018 and of its performance for the half-year ended on that date.
- 2). 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.



TK Shim

Director/ CEO

Dated this 7 December 2018.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of FE Investments Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of FE Investments Group Limited for the half year ended 30 September 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Malcolm Kafer
Partner

Sydney

7 December 2018



Independent Auditor's Review Report

To the shareholders of FE Investments Group Limited

Report on the Interim Financial Report

Qualified Conclusion

We have reviewed the accompanying **Interim Financial Report** of FE Investments Group Limited.

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, we have not become aware of any matter that makes us believe that the Interim Financial Report of FE Investments Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 September 2018 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 30 September 2018
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half year ended on that date
- Notes 1 to 3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises FE Investments Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

The **Interim Period** is the 6 months ended on 30 September 2018.

Basis for Qualified Conclusion

The Group had not established adequate controls over the identification and reporting of related party transactions. We also note the circumstances of the restatement described in the Emphasis of Matter paragraph below. These circumstances require us to obtain significant corroborative evidence to independently support the information provided by the Group over the completeness of related party transactions in order to issue an unqualified conclusion on that aspect of the Interim Financial Report. We have qualified our conclusion as we have been unable to obtain sufficient corroborative audit evidence over the completeness of related party transactions, and the resulting impact, if any, on both the recorded Total Group Income and Operating Expense in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Emphasis of Matter – restatement of Interim Financial Report

We draw your attention to Notes 1 and 9 to the Interim Financial Report which states that amounts reported in the previously issued 30 September 2017 Interim Financial Report signed by the Directors on 30 November 2017 have been restated and discloses that certain related party relationships, transactions and balances, which were material in both nature and magnitude, were not included in that Interim Financial Report in error.

Our conclusion is not modified in respect of this matter.

Emphasis of Matter – regulatory non-compliance

We draw your attention to Note 10 to the Interim Financial Report which sets out FE Investments Limited's, a subsidiary of the Group, non-compliance with certain requirements of its trust deed that relate to its related party exposure limit, concentration of debtors limit and its minimum capital requirements. The note also sets out the actions being taken by FE Investments Limited to address those matters.

Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of FE Investments Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG



Malcolm Kafer
Partner
Sydney
7 December 2018