FE Investments
Group Limited

ABN: 72 107 745 095

Appendix 4E - Preliminary Final Report

(Unaudited)

For the year ended 31 March 2019

Appendix 4E

Unaudited Preliminary Final Report

FE Investment Group Limited

ABN 72 107 745 095

1 Details of the reporting year and the previous corresponding year

Reporting year	Financial year ended 31 March 2019
Previous Reporting year	Financial year ended 31 March 2018

2 Results for announcement to the market

Key Information	31-Mar-19	31-Mar-18	Change from previous year	% Change
	$000	$000	$000	
	NZD	NZD	NZD	
Total Group Income	**15,606**	15,458	148	1% ⬆
Profit/(loss) from ordinary activities *after tax attributable to members*	**67**	(15,201)	15,268	-100% ⬆

No dividends were declared or paid during the year.

Brief explanation of figures reported above

"FEIG" recorded revenue of NZD15.60m for the year ended 31 March 2019 (2018: NZD15.46m). The revenue growth is supported by the loan growth of the Group. Our lending portfolio has grown by net 17% to NZD60.89m .

FEIG recorded a profit of NZD0.067m (Loss in 2018: NZD15.20m). The Group has successfully achieved key financial milestones during the year ended 31 March 2019 whilst completing a restructure to provide further process improvements. Some one off costs associated with these were noted during the year, these amounted to about NZD0.975m.

3 Statement of comprehensive income

Included here in.

4 Statement of financial position

Included here in.

5 Statement of cash flows

Included here in.

6 Statement of changes in equity

Included here in.

7 Dividend

During the year ended 31 March 2018, the Group did not declare a dividend. No dividends were paid for the previous reporting year.

8 Net tangible assets per share	31 March 2019	31 March 2018
Net tangible assets per ordinary share (cents)	0.06	0.06

9 Earnings per share

Basic / diluted earnings per share (cents)	0.04	(12.80)

10 Control gained or lost over entitles in the financial year

Name of entitles where control was gained in the financial year	Date control gained	Percentage of ownership	Country of incorporation	Contribution to FE Investment Group Ltd consolidated net profit from ordinary activities during the year (Unaudited)
				$000
				NZD
FEI Finance Pty Ltd	22nd January 2019	100%	Australia	(33)

11 Details of other subsidiaries

Entity	Country of incorporation	Ownership	
		2019	2018
FE Investments Limited (FEI)	New Zealand	100%	100%
WolfStrike Rental Services Limited	New Zealand	100%	100%
FEI Funds Pty Ltd	Australia	100%	100%
WolfStrike Distributors Limited	New Zealand	100%	100%
WolfStrike Distributors Pty Ltd	Australia	100%	100%

12 Significant notes to the financial statements

Included here in.

13 Status of Audit of Accounts

The accounts are in the process of being audited which is expected to be completed shortly.

Marcus Ritchie
Group Chief Exective Officer
Dated this 31 day of May 2019.

FE Investments Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income

	31-Mar-19	31-Mar-18
	$000	**$000**
	NZD	**NZD**
		(Restated)
Total portfolio income	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	(2,292)	(1,915)
Impairment loss on finance receivables and finance leases	(727)	(1,919)
Net change in fair value of finance receivables at fair value through profit or loss	761	-
Goodwill impairment loss	-	(12,994)
Depreciation and amortisation expenses	(145)	(142)
Exchange rate gain/(loss)	13	(6)
Operating and other expenses	(4,779)	(5,688)
Transaction costs	(67)	(236)
(Loss)/ profit before income tax for the year	**(748)**	**(14,901)**
Income tax benefit/ income tax (expenses)	815	(300)
(Loss)/ profit 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 (loss)/ profit attributable to owners of the Group	**7**	**(15,244)**
(Loss)/Profit per share attributable to the ordinary equity holders of the Group:	**2019**	**2018**
	cents	**cents**
Basic (loss)/profit per share (Cents)	0.04	(12.80)
Diluted (loss)/profit per share (Cents)	0.04	(12.80)

FE Investments Group Limited
Consolidated Statement of Financial Position

	31-Mar-19	31-Mar-18
	$000	$000
	NZD	NZD
		(Restated)
Assets		
Cash and cash equivalents	13,436	13,319
Finance receivables	50,302	40,046
Finance lease receivable	10,582	12,056
Trade and other receivables	86	39
Deferred tax assets	1,130	315
Plant & Equipment	111	94
Goodwill	104	-
Other intangible assets	2,268	2,260
Other assets	160	240
Total assets	**78,179**	**68,369**
Liabilities		
First ranking term deposits	61,064	55,453
Trade and other payables	1,077	796
Interest bearing borrowings	1,431	810
Provisions	71	55
Deferred tax liability	607	607
Total liabilities	**64,250**	**57,721**
Net assets	**13,929**	**10,648**
Equity		
Ordinary share capital	30,485	25,786
Preference share capital	-	1,169
Reserves	(103)	(43)
Accumulated losses	(16,453)	(16,264)
Total equity	**13,929**	**10,648**

FE Investments Group Limited
Consolidated Statement of Changes in Equity

	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**	**(16,264)**	**(43)**	**9,479**	**1,169**	**10,648**
Changes on initial application of AASB 9	-	(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 period						
Loss for the period	-	67	-	**67**	-	**67**
Other comprehensive income	-	-	(60)	**(60)**	-	**(60)**
Total Comprehensive (loss)/ income for the period	**-**	**67**	**(60)**	**7**	**-**	**7**
Transactions with owners of the Group						
Issue of ordinary shares	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 period	-	-	-	-	(1,169)	**(1,169)**
Total redeemable preference share capital	**-**	**-**	**-**	**-**	**(1,169)**	**(1,169)**
Balance at 31 March 2019	**30,485**	**(16,453)**	**(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 period						
Profit/ (loss) for the period	-	(15,201)	-	**(15,201)**	-	(15,201)
Other comprehensive income	-	-	(43)	**(43)**	-	(43)
Total Comprehensive income/ (loss) for the period	**-**	**(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 period	(428)	-	-	(428)	-	(428)
Total transactions with owners of the Company	**14,753**	**-**	**-**	**14,753**	**-**	**14,753**
Redeemable preference share capital						
Shares reclassified during the period	-	-	-	-	428	428
Issue of preference share capital	-	-	-	-	241	241
Total redeemable preference share capital	**-**	**-**	**-**	**-**	**669**	669
Restated balance at 31 March 2018	**25,786**	**(16,264)**	**(43)**	**9,479**	**1,169**	**10,648**

FE Investments Group Limited
Consolidated Statement of Cash Flows

CASH FLOWS	31-Mar-19	31-Mar-18
	$000	$000
	NZD	NZD
		(Restated)
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	(6,598)	(4,711)
Movement in finance receivables	(9,412)	3,756
Movement in finance lease receivables	9,009	(8,091)
Net increase in first ranking term deposits	5,632	10,070
Net cash from/(used in) operating activities	**(3,867)**	**(1,806)**
Purchase of property and equipment	(170)	(122)
Acquisition of subsidiary, net of cash acquired	3	298
Net cash used in investing activities	**(167)**	**176**
Issue of ordinary shares	4,699	1,805
Redeem 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 TO PROFIT/(LOSS) AFTER TAX

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	(7,535)	(4,827)
Interest payable	(67)	1,125
Fee and other income	461	(677)
Depreciation and amortisation	145	142
Exchange differences	(13)	6
Other non-cash movements	(42)	34
Net cash from operating activities before changes in operating assets and liabilities	**(8,483)**	**6,729**
Change in operating assets & liabilities		
Movement in finance receivables	(9,543)	3,860
Movement in Finance lease receivables	9,009	(8,091)
Movement in other receivables	(16)	1,180
Movement in first ranking term deposits	5,633	10,070
Movement in payables	151	(559)
Movement in borrowings	-	10
Movement in net deferred tax assets	(815)	300
Movement in deferred income	131	(104)
Net cash used in operating activities	**(3,867)**	**(1,806)**

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. 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 (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.

e. **Foreign currency transactions and balances (continued)**

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 (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.

k. **Employee benefits**

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 equipment	7% - 67% SL
Office furniture and fixtures	7% - 12% 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.

Group as a lessee

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 3.

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 1 January, 2019 or later, 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 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 1 January, 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.

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.

x. Changes in accounting policies (continued)

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 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

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).

x. Changes in accounting policies (continued)

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

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 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 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 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.

x. Changes in accounting policies (continued)

ii) AASB 9 - Financial Instruments – Impact of adoption (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	40,046	24,157
Finance receivables	Loans and receivables	Fair value through profit or loss (under fair value option)	-	15,889
			40,046	**40,046**

The statement of financial position of the adoption of AASB 9

Finance receivables	**$000 NZD**
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	(160)
AASB 9 Carrying amount as at 1 April 2018	23,997
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	(255)
AASB 9 carrying amount as at 1 April 2018	10,611

x. 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
	$000	$000	$000
	NZD	NZD	NZD
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 below 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.

31-Mar-18	As previously reported	Adjustments	As restated
	$000	$000	$000
	NZD	NZD	NZD
Effects on Consolidated Statement of Profit or Loss and Other Comprehensive Income			
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 Statement of Financial Position			
Goodwill	607	(607)	-
Accumulated losses	(15,657)	(607)	(16,264)

2. Significant accounting judgements , estimates and 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. In addition 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.

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 (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			
a.		Fair value through Profit and Loss	At amortised cost	Total carrying amounts	Level 1	Level 2	Level 3	Total
	31-Mar-19							
(i)	Finance receivables	11,497	38,805	**50,302**	-	-	11,497	11,497
	Total	11,497	38,805	**50,302**	-	-	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.

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 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.

Financial instrument- Fair values and Risk management (continued)

Finance lease receivables	**31-Mar-19**	**31-Mar-18**
	$000	**$000**
	NZD	**NZD**
Secured/ unsecured and not past due nor impaired receivables		
Gross investment in finance leases		
Less than 1 year	5,829	5,492
Between 1 to 5 years	6,519	8,456
	12,348	13,948
90 day past due receivables	131	59
Unearned finance lease income	(1,618)	(1,878)
	10,861	12,129
Less collective provisions	(279)	(73)
	10,582	12,056
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)

3. Significant notes (continued)

Finance receivables (continued)

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

			Year ended 31 March 2019			
		At amortised costs			Fair Value	Total
	Stage 1	Stage 2	Stage 3	Sub Total		
	$000	$000	$000	$000	$000	$000
	NZD	NZD	NZD	NZD	NZD	NZD
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

			Year ended 31 March 2019			
		At amortised costs			Fair Value	Total
	Stage 1	Stage 2	Stage 3	Sub Total		
	$000	$000	$000	$000	$000	$000
	NZD	NZD	NZD	NZD	NZD	NZD
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 or 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**

Finance receivables (continued)

	31-Mar-19 $000 NZD	31-Mar-18 $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	(667)	-
-- Recoveries of amounts previously written off	125	-
	(542)	-
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	**219**	**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.

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**
Stage 1	Grade 1	Strong	15,507
	Grade 2	Satisfactory	5,907
	Grade 3	Average	2,426
			23,840