



ABN: 72 107 745 095

## **Appendix 4E - Preliminary Final Report**

**(Unaudited)**

For the year ended 31 March 2018

## Appendix 4E

### Unaudited Preliminary Final Report

#### FE Investment Group Ltd

ABN 72 107 745 095

#### 1 Details of the reporting year and the previous corresponding year

Reporting year	Financial year ended 31 March 2018
Previous Reporting year	Financial year ended 31 March 2017

#### 2 Results for announcement to the market

Key Information	31 March 2018	31 March 2017	Change from previous year	% Change
	\$000	\$000	\$000	
	NZD	NZD	NZD	
Total Portfolio Income	13,068	7,475	5,593	75% ↑
Profit/(loss) from ordinary activities <i>after tax attributable to members</i>	(14,637)	1,213	(15,850)	-1306% ↓

*No dividends were declared or paid during the year.*

#### Brief explanation of figures reported above

FE Investment Group Limited recorded revenue of NZD13.07m for the year ended 31 March 2018 (2017: NZD7.48m)

FE Investment Group Limited has incurred a loss of NZD14.64m (Profit in 2017: NZD1.21m). This loss was primarily caused by goodwill impairment of NZD12.39m; increased loan impairment from prior year of NZD1.69m and several one off costs due to acquisition and the transition phase amounting to approximately NZD675k.

#### 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 2018    31 March 2017**

Net tangible assets per ordinary share (cents)	5.67	38.64
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#### 9 Earnings per share

Basic / diluted earnings per share (cents)	(12.80)	0.86
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## 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
FE Investments Limited (FEI)	6th June 2017	100%	New Zealand	(1,444)

## 11 Details of other subsidiaries

Entity	Country of incorporation	Ownership	
		2018	2017
WolfStrike Rental Services Limited	New Zealand	100%	100%
WolfStrike Rental Services 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.



**TK Shim**

Director/ CEO

Dated this 31 day of May 2018.

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

	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>\$000</b>	<b>\$000</b>
	<b>NZD</b>	<b>NZD</b>
Total portfolio income	13,068	7,475
Interest expenses	(3,342)	(2,480)
Net portfolio income	<b>9,726</b>	<b>4,995</b>
Employment expenses	(1,915)	(789)
Impairment expenses	(14,306)	(222)
Depreciation and amortisation expenses	(142)	(26)
Exchange rate loss	(6)	(57)
Operating and other expenses	(7,415)	(2,201)
Transaction costs	(236)	-
(Loss)/ profit before income tax for the year	<b>(14,294)</b>	<b>1,700</b>
Income tax benefit/ income tax (expenses)	(300)	(487)
(Loss)/ profit after income tax expense for the year	<b>(14,594)</b>	<b>1,213</b>
<b>Other comprehensive Income</b>		
Items that may be reclassified to profit or loss		
Foreign currency gains on translation of foreign operations	(43)	-
<b>Total other comprehensive income for the year</b>	<b>(43)</b>	<b>-</b>
<b>Total comprehensive (loss)/ profit attributable to owners of the Group</b>	<b>(14,637)</b>	<b>1,213</b>
<b>(Loss)/Profit per share attributable to the ordinary equity holders of the Group:</b>	<b>2018</b>	<b>2017</b>
	<b>cents</b>	<b>cents</b>
Basic (loss)/profit per share (Cents)	(12.80)	0.86
Diluted (loss)/profit per share (Cents)	(12.80)	0.86

# FE Investments Group Limited

## Consolidated Statement of Financial Position

	31-Mar-18	31-Mar-17
	\$000	\$000
	NZD	NZD
<b>Assets</b>		
Cash and cash equivalents	13,319	12,125
Finance receivables	40,046	41,940
Finance lease receivable	12,056	-
Trade and other receivables	39	512
Deferred tax assets	315	615
Plant & Equipment	105	114
Goodwill	607	-
Other intangible assets	2,249	-
Other assets	240	26
<b>Total assets</b>	<b>68,976</b>	<b>55,332</b>
<b>Liabilities</b>		
First ranking term deposits	55,453	44,209
Trade and other payables	796	642
Interest bearing borrowings	810	-
Provisions	55	11
Deferred tax liability	607	-
<b>Total liabilities</b>	<b>57,721</b>	<b>44,862</b>
<b>Net assets</b>	<b>11,255</b>	<b>10,470</b>
<b>Equity</b>		
Ordinary share capital	25,786	11,033
Preference share capital	1,169	500
Reserves	(43)	-
Accumulated losses	(15,657)	(1,063)
<b>Total equity</b>	<b>11,255</b>	<b>10,470</b>

**FE Investments Group Limited**  
**Consolidated Statement of Cash Flows**

<b>CASH FLOWS</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>
	<b>\$000</b>	<b>\$000</b>
	<b>NZD</b>	<b>NZD</b>
Interest and fee income received	2,553	5,630
Finance lease interest income received	797	-
Interest paid	(2,217)	(1,223)
Cash payments for leasing products	(4,177)	-
Cash payments to suppliers and employees	(4,713)	(2,840)
Movement in finance receivables	3,942	(12,263)
Movement in finance lease receivables	(8,050)	-
Increase in net Term deposits	10,070	13,428
<b>Net cash from/(used in) operating activities</b>	<b>(1,795)</b>	<b>2,732</b>
Purchase of property and equipment	(99)	(109)
<b>Net cash used in investing activities</b>	<b>(99)</b>	<b>(109)</b>
Issue of ordinary shares	1,771	2,237
Issue of redeemable preference shares	241	-
Movement in borrowings	(10)	-
Net movement in related party advances	788	-
Acquisition of subsidiary, net of cash acquired	298	-
<b>Net cashflows from financing activities</b>	<b>3,088</b>	<b>2,237</b>
<b>Opening cash</b>	<b>12,125</b>	<b>7,265</b>
<b>Net Movement in cash held</b>	<b>1,194</b>	<b>4,860</b>
<b>Closing cash</b>	<b>13,319</b>	<b>12,125</b>

**RECONCILIATION TO PROFIT AFTER TAX**

<b>Net profit for the year after tax</b>	<b>(14,637)</b>	<b>1,213</b>
<b>Other non-cash items in profit or loss</b>		
Receivables and loan impairment expenses	1,919	222
Goodwill impairment	12,387	
Interest receivable	(3,984)	(2,404)
Finance lease income	(4,868)	-
Interest payable	1,125	1,257
Fee and other income	(865)	559
Depreciation and amortisation	142	26
Exchange differences	49	57
Other non-cash movements	44	-
Net cash inflows from operating activities before changes in operating assets and liabilities	<b>5,949</b>	<b>(283)</b>
<b>Change in operating assets &amp; liabilities</b>		
Movement in finance receivables	4,046	(12,012)
Movement in Finance lease receivables	(8,050)	-
Movement in other receivables	1,180	(30)
Movement in first ranking deposits	10,070	13,428
Movement in payables	(559)	180
Movement in borrowings	10	-
Movement in net deferred tax assets	300	487
Movement in deferred income	(104)	(251)
<b>Net cash inflows from operating activities</b>	<b>(1,795)</b>	<b>2,732</b>

# 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
<b>Balance at 1 April 2017</b>	<b>11,033</b>	<b>(1,063)</b>	<b>-</b>	<b>9,970</b>	<b>500</b>	<b>10,470</b>
<i>Total Comprehensive income/ (loss) for the period</i>						
Loss for the period	-	(14,594)	-	(14,594)	-	(14,594)
Other comprehensive income	-	-	(43)	(43)	-	(43)
<b>Total Comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>(14,594)</b>	<b>(43)</b>	<b>(14,637)</b>	<b>-</b>	<b>(14,637)</b>
<i>Transactions with owners of the Group</i>						
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)
<b>Total transactions with owners of the Group</b>	<b>14,753</b>	<b>-</b>	<b>-</b>	<b>14,753</b>	<b>-</b>	<b>14,753</b>
<b>Redeemable preference share capital</b>						
Shares reissued during the period	-	-	-	-	428	428
Issue of preference share capital	-	-	-	-	241	241
<b>Total redeemable preference share capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>669</b>	<b>669</b>
<b>Balance at 31 March 2018</b>	<b>25,786</b>	<b>(15,657)</b>	<b>(43)</b>	<b>10,086</b>	<b>1,169</b>	<b>11,255</b>
<b>Balance at 1 April 2016</b>	<b>9,296</b>	<b>(2,276)</b>	<b>-</b>	<b>7,020</b>	<b>-</b>	<b>7,020</b>
<i>Total Comprehensive income/ (loss) for the period</i>						
Profit/ (loss) for the period	-	1,213	-	1,213	-	1,213
Other comprehensive income	-	-	-	-	-	-
<b>Total Comprehensive income/ (loss) for the period</b>	<b>-</b>	<b>1,213</b>	<b>-</b>	<b>1,213</b>	<b>-</b>	<b>1,213</b>
<i>Transactions with owners of the Company</i>						
Issue of ordinary shares	1,737	-	-	1,737	-	1,737
<b>Total transactions with owners of the Company</b>	<b>1,737</b>	<b>-</b>	<b>-</b>	<b>1,737</b>	<b>-</b>	<b>1,737</b>
<b>Redeemable preference share capital</b>						
Issue of preference share capital	-	-	-	-	500	500
<b>Total redeemable preference share capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>500</b>
<b>Balance at 31 March 2017</b>	<b>11,033</b>	<b>(1,063)</b>	<b>-</b>	<b>9,970</b>	<b>500</b>	<b>10,470</b>

## 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 <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

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 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, FEI. Accordingly, consolidated comparative information is provided for the statement of financial position, statement of financial performance, cashflow statement, statement of changes in equity and related information for the year as at 31 March 2017 of FEI.

*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

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The principal sources of revenue are interest, leasing and fee income.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates income and expense, including interest and finance fees, over the term of the loan and as they are earned.

Finance lease interest income is recognised by applying discount rates implicit in the leases to lease balances receivable at the beginning of each payment period. Initial direct costs incurred in the origination of leases are included as part of receivables in the balance sheet and forms part of the effective interest rate calculation.

Other income like interest income on bank and loan documentation fees are recognised as income in the period when charged.



**1 Summary of Significant accounting policies (continued)**

**e. Foreign Currency Transactions and Balances**

*Functional and presentation currency*

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

*Transactions and balances*

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

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

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

*Group companies*

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

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

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

**f. Cash and cash equivalents**

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

**g. Trade and other receivables and provision for doubtful debt**

**(i) Trade and other receivables**

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

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

Trade receivables are classified as non-current when their expected date of receipt is greater than 12 months.

**(ii) Provision for doubtful debts**

Losses on lease and loan receivables are recognised when they are incurred, which requires the Group to identify objective evidence that the receivable is impaired, and make best estimate of incurred losses inherent in the portfolio. The method for calculating the best estimate of incurred losses depends on the size, type and risk characteristics of the related financing receivable. For the majority of the receivables, the assessment is made collectively at a portfolio level, however individually significant receivables are assessed individually.

The estimate requires consideration of historical loss experience, adjusted for current conditions, and judgements about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, and both the current and forecast employment rate. The underlying assumptions, estimates and assessments used to provide for losses are updated periodically to reflect the Group's view of current conditions, which can result in changes to assumptions. Changes in such estimates can significantly affect the provision for doubtful debts.

**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.

## 1 Summary of Significant accounting policies (continued)

### 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.

In determining the level of provision required for maintenance warranties the Company has made judgements in respect of the expected performance of the product, number of customers who will actually use the maintenance warranty and how often, and the costs fulfilling the performance of the maintenance warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are included in accrued liabilities.

### k. Employee Benefits

*Wages, salaries, annual leave and personal leave*

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

*Long Service Leave*

It should be noted that Long Service Leave is not recognized 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 31 March 2018, there were no employees within the Group who qualified for 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.

**1 Summary of Significant accounting policies (continued)**

**l. Share Based payment transactions (continued)**

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:

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

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 basis over its useful life. For this purpose, the depreciation rates used are as follows:

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

**1 Summary of Significant accounting policies (continued)**

**q. Leases**

***Group as a lessor***

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

***Group as a lessee***

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

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

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

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

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

**r. Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Purchase cost on a first-in, first-out basis.

Components held for resale are carried at cost.

Finished goods are maintained on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**s. 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 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.

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 or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. 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 fair value less costs of disposal methodology to determine the fair value for the Goodwill.

Impairment losses recognised for goodwill are not subsequently reversed.

## **1 Summary of Significant accounting policies (continued)**

### **t. 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.

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 of 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.

### **u. 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.

### **v. Preference share capital**

Preference shares were issued in accordance with the requirements of the Non-bank deposit takers regulations requirements of FEI. This 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.

### **w. 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:

Costs of servicing equity (other than dividends);

The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

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.

## **1 Summary of Significant accounting policies (continued)**

### **x Standards issued but not yet effective**

The following are accounting standards anticipated to be effective January 1, 2018 or later:

#### **i. AASB 9**

In December 2014, the AASB issued the Australian Accounting Standard AASB 9 which will replace AASB 139 'Financial Instruments: Recognition and Measurement'. The standard covers three broad topics: Impairment, Classification and Measurement and Hedging. The Group is required to adopt the standard from 1 April 2018 where applicable.

The adoption of AASB 9 will have an impact on the Group's impairment methodology. The AASB 9 expected credit loss ("ECL") model is forward looking and replaces the existing incurred loss approach. The ECL impairment model represents expected credit losses based on unbiased forward-looking information.

#### **Impacts of AASB 9 on the Group**

##### **Impairment**

The Group will not restate prior period comparative balances on adoption of the new standard. The adjustments will be recognised against opening 1 April 2018 retained earnings.

The Company's current estimate of the opening balance sheet adjustment, if applied on 1 April 2018 based on the economic conditions, forecast economic scenarios, management judgements and assumptions as at 1 April 2018, is an increase in impairment provisions in the range of \$200,000 - \$300,000 before tax. This would result in a corresponding decrease in shareholders' equity of an approximately similar amount.

The increase in impairment provisions under AASB 9 is mainly driven by the requirement to hold provisions equivalent to 12 months expected losses for all loans that are active past the weighted average number of days when provisions were provided since origination and the impact of forward looking factors on expected credit losses estimates. Under AASB 139, provisions are only held for incurred losses on the portfolio and forward-looking factors are not considered.

No reclassification of initial measurements are expected upon adoption of AASB 9.

##### **Hedging**

Adoption of AASB 9's hedge accounting requirement is not expected to have any impact on the Group as currently the group has not undertaken any hedging activities.

#### **ii. AASB 15**

AASB 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after 1 January 2018, the Group will be adopting this from 1 April 2018. Currently, no impact on the Group's consolidated financial statements is expected.

#### **iii. AASB 16**

AASB 16 Leases will replace IAS 17 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.

## **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 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.

## 2 Significant accounting judgements , estimates and assumptions (continued)

### i. Recoverability of Finance Receivables & Finance Lease Receivables ("FLR")

The measurement of the recoverability of the Company'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 (g)(ii).

### iii. Net Present Value of receivables and Discount Rates Applied

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

### iv. Assessment of impairment of goodwill and investments in subsidiaries

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

### v. Acquired intangible assets

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

### vi. Share based payments

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

### vii. Taxation

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

## Significant notes

## 3 Business Combination

On 6 June 2017, the Group acquired 100% of the issued capital of FE Investments Limited (FEI). FEI is a Non-Bank Deposit Taker with its deposit licence issued by Reserve Bank of New Zealand which permits FEI to offer and accept deposits from the New Zealand public, which allows the Group to expand its business across New Zealand and Australia. FEI's financing products include leasing of equipment and technology service to the businesses, term loans, working capital facilities, trade finance, stock financing and discounting facilities to the SME sector.

FEI's existing shareholders acquired 52.87% of the issued capital of FE Investments Group Limited and obtained control of the Group through reverse acquisition for accounting purposes.

The purchase was satisfied by FEI acquiring 65,863,918 shares (Consolidated based on 30:1) on issue by FEIG as at 6 June 2017 at an issue price of \$0.0072 each. The issue price was based on the volume weighted average price during April - June 2017, shares were not very liquid during this period.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Final fair value
	\$000
Purchase consideration	NZD
Value of consideration	13,376
<u>Less:</u>	
<i>Acquisition date identifiable assets</i>	
Cash and cash equivalents	298
Finance lease receivables	10,055
Trade and other receivables	300
Other loans	407
Inventories	-
Other assets	192
Plant and equipment	100
Intangible assets	2,190
<b>Total assets</b>	<b>13,542</b>
<i>Acquisition date identifiable liabilities</i>	
Trade and other payables	748
Interest bearing borrowings	10,917
Other loans	820
Provisions	68
Deferred tax liability	607
<b>Total liabilities</b>	<b>13,160</b>
<b>Identifiable assets acquired and liabilities assumed</b>	<b>382</b>
<b>Goodwill</b>	<b>12,994</b>

The initial accounting of the acquisition was stated on a provisional basis as at 30 September 2017. The fair values have been finalised as at 31 March 2018.

## Value of consideration transferred

Total of 73,884,974 shares were issued to FEI shareholders as purchase consideration. 55,000,000 shares were issued on 6 June 2017 as scrip consideration and remaining 18,884,974 shares were as contingent consideration.

As per the Sale & Purchase agreement, FEI vendors were entitled to contingent consideration if they met the following conditions:

*On or before the date falling 60 days after the date on which the audited accounts of the Company for the financial year ending 31 March 2017 are finalised and signed, the Purchaser shall, subject to any necessary regulatory approvals being obtained, allot and issue to the Vendors:*

- (i) *the Earn-Out Shares, if the 2017 Actual NPBTBD is greater than or equal to 90% of the FY17 NPBTBD Projections; or*
- (ii) *if the 2017 Actual NPBTBD is less than 90% of the FY17 NPBTBD Projections, the portion of the Earn-Out Shares calculated as follows:*

*Earn-Out Shares x 2017 Actual NPBTBD / FY17 NPBTBD Projections (adjusted to 90% thereof)*

The above conditions were met and all contingent consideration shares were issued by December 2017.



#### 4 Goodwill

##### a. Carrying value

Cost	12,994	-
<b>Net book amount</b>	<b>12,994</b>	<b>-</b>

##### MOVEMENT IN GOODWILL AT NET BOOK AMOUNT

Balance at the beginning of the year	-	-
Additions or fair value adjustments through business combinations	12,994	-
Balance at the end of the year	12,994	-

##### b. Impairment testing for cash generating units containing Goodwill

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

Cash generating unit (WSG division)	12,994	-
Impairment loss	(12,387)	-
<b>Total goodwill</b>	<b>607</b>	<b>-</b>

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. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved 2019 financial year budget. Cash flows beyond FY2020 budget period have been extrapolated using long term terminal growth rates of 2.55%, which does not exceed the long term average for the sectors and economies in which the CGUs operate.

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

**Forecast cashflows** - Forecast cashflows attributed to Customer Relationships beyond the FY2020 budget period have been extrapolated using long term growth rates of 2.5%.

**Forecast EBIT** - The EBIT Margin from FY2021 onwards assumes a 10% margin, based on an estimate of long term profitability.

**Long term growth rate** – The above long-term growth rate for the CGU does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.

**Cost of Equity Capital** – The discount rate applied to the cash flows for the CGU is based on the risk free rate for ten year Government Bonds (per the Reserve Bank of Australia), adjusted for a risk premium to reflect the increased risk of investing in equities and the risk of the specific group operating company. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific group operating company relative to the market as a whole, giving rise to the CGU specific Cost of Equity Capital.

**WACC** – WACC has been calculated solely with reference to the Cost of Equity. The discount rate used for impairment testing is 11.4%, comprising WACC of 10.9% plus a mark up of 0.5% to reflect that intangible assets are often considered riskier than business as a whole.