FE Investments Group

New Zealand
Chorus House – level 15
66 Wyndham Street
Auckland 1143, NZ
Phone: +64 9 359 9445

Australia
Level 32, 101 Miller St, North Sydney NSW 2060, AU
Phone: +61 2 9025 3567

1 November 2018

FEI restated audited financial statements FY18

FE Investment Limited have been working through a process in conjunction with their auditors, KPMG, and have now restated the audited financial statements for FEI for the financial year ended 31st March 2018 to reflect various Related Party disclosures.

There have been no changes to the Balance Sheet, Profit and Loss Statement and Statement of Cash Flows arising from the restatement. The restated audited financial statements for FEI for the financial year ended 31 March 2018 have today been filed with the Companies Office in New Zealand.

For further information contact:

TK Shim
CEO
FE Investments Limited

FE Investments

FE Investments Limited
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2018
(Restated and reissued on 31 October 2018)

FE Investments Limited
Financial Statements for the year ended 31 March 2018
(Restated and reissued on 31 October 2018)

Company Number:	1353487	
Incorporated:	2003	
Registered Office:	Level 15, Chorus House, 66 Wyndham Street, Auckland	
Securities Registrar:	FE Investments Limited Level 15, Chorus House, 66 Wyndham Street, Auckland	
Principal Activities:	Finance Company	
		No. of ordinary shares
Shareholders:	FE Investments Group Limited	27,936,524

The consent to change of ownership under section 43 of the Non-bank Deposit Takers Act 2013 was received on 25 May 2017 from Reserve Bank of New Zealand ("RBNZ"). Subsequently, on 6 June 2017 FE Investments Limited ("FEI") shareholders sold all their ordinary shares to Wolfstrike Rental Services Group Limited (now known as FE Investments Group Limited ("FEIG"), effectively making the existing FEI shareholders the majority shareholders in FEIG.

		No. of redeemable preference shares
	Equity No 8 Limited	750,000
	Parkiri Limited	319,100
	First Eastern Capital Limited	100,000
Directors:	TK Shim MD Stewart AL Schnauer MD Ritchie J Ploeg (appointed: 1 July 2017)	
Solicitors:	LeeSalmongLong, Auckland Schnauer Legal Limited, Auckland Stace Hammond, Auckland	
Auditor:	KPMG	
Supervisor:	Trustees Executors Limited	

Directors' Report

The Directors present the annual report of FE Investments Limited, incorporating the financial statements and the auditor's report, for the year ended 31 March 2018.

The Board of Directors of the Company authorised the annual financial statements presented on pages 4 to 15 for issue on 31 October 2018.

For and on behalf of the Board:

Director

Director

INDEX

Financial Statements

More Details

Introduction

Reporting entity

These annual financial statements are for FE Investments Limited ("the Company"), which raises term deposits and lends money, primarily in New Zealand. They comply with NZ GAAP as appropriate for Tier 1, for-profit entities, NZIFRS and IFRS. The Company is registered under the Companies Act 1993, and is an FMC Reporting Entity, reporting under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013, and is also a Non-Bank Deposit Taker under the Non-bank Deposit Takers Act 2013. The annual financial statements are required by clause 4.5(b) of the Trust Deed dated 28th November 2016.

Restatement and reissuance

We draw attention to note 7 of the financial statements, which discloses that related party transactions, which were material in both nature and magnitude, were not disclosed in error in the previously issued 31 March 2018 financial statements. As a result, the financial statements have been reissued on 31 October 2018 to correct that non-disclosure. The financial statements previously issued on 29 June 2018, may not be relied on in this regard. The Directors have since instituted controls to identify and report on related party transactions going forward.

Other

The functional currency of the Company and the presentation currency of the financial statements is NZD. The financial statements have been prepared on a going concern basis after considering the Company's funding and liquidity position.

A new Finance Lease Receivables policy was adopted during the period which has been included at Note 1. Apart from this all other accounting policies have been applied consistently with prior periods. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2018, and have not been applied in preparing these financial statements. The new standards identified which may have an effect on the Company are NZIFRS 9 , NZIFRS 15 and NZIFRS 16. These are further discussed in Note 6.

The material estimations and judgements made in preparing these financial statements are the valuation of finance receivables and finance lease receivables, the deposit reinvestment rate, the recognition of deferred tax assets, and the identification and treatment of related party transactions as discussed in notes 1,2,3 and 7 respectively.

KPMG

FE Investments Limited
Financial Statements for the year ended 31 March 2018
(Restated and reissued on 31 October 2018)

PROFIT OR LOSS

	Note	31-Mar-18 $000	31-Mar-17 $000
Total portfolio income	4	12,810	7,475
Cost of leasing sales		(4,031)	-
Interest expense		(3,342)	(2,480)
Net portfolio income		**5,437**	**4,995**
Employment expenses		(1,612)	(789)
Receivables impairment expenses		(2,348)	(222)
Depreciation and amortisation expenses		(63)	(26)
Operating and other expenses	4	(2,560)	(2,201)
Exchange rate gain/(loss)		2	(57)
Profit before tax		**(1,144)**	**1,700**
Tax (expense) / benefit	3	(300)	(487)
Profit after tax		**(1,444)**	**1,213**

BALANCE SHEET

	Note	31-Mar-18 $000	31-Mar-17 $000
Cash		13,285	12,125
Finance receivables	1	41,211	41,940
Finance lease receivables	1	11,758	-
Deferred tax asset	3	315	615
Other assets	5	446	652
Total assets		67,015	55,332
First ranking term deposits	2	55,453	44,209
Other liabilities	5	696	653
Total liabilities		56,149	44,862
Share capital	2	13,373	11,533
Retained earnings	2	(2,507)	(1,063)
Total Equity		10,866	10,470

CHANGES IN EQUITY

	Note	31-Mar-18	31-Mar-17
Opening equity		10,470	7,020
Shares issued	2	1,840	2,237
Profit after tax	2	(1,444)	1,213
Closing equity		10,866	10,470

KPMG

CASH FLOWS

	31-Mar-18 $000 NZD	31-Mar-17 $000 NZD
Interest and fee income	3,577	5,630
Interest expense	(2,217)	(1,223)
Cost of leasing sales	(4,009)	-
Cash payments to suppliers and employees	(3,768)	(2,840)
Net cash change in finance receivables	2,321	(12,263)
Net cash change in finance lease receivables	(7,357)	-
Net increase in first term deposits	10,121	13,428
Net cash flows from operating activities	**(1,332)**	**2,732**
Purchase of property and equipment	(135)	(109)
Net cashflows from investing activities	**(135)**	**(109)**
Issue of ordinary shares	1,171	2,237
Issue of redeemable preference shares	669	-
Net movement in related party advances	787	-
Net cashflows from financing activities	**2,627**	**2,237**
Opening cash	**12,125**	**7,265**
Net Movement in cash held	**1,160**	**4,860**
Closing cash	**13,285**	**12,125**

RECONCILIATION TO PROFIT AFTER TAX

	31-Mar-18	31-Mar-17
Net profit for the year after tax	**(1,444)**	**1,213**
Other non-cash items in profit or loss		
Receivables and loan impairment expenses	2,348	222
Interest receivable	(4,238)	(2,404)
Finance lease income	(4,401)	-
Interest payable	1,125	1,257
Fee and other income	(594)	559
Depreciation and amortisation	63	26
Exchange differences	(2)	57
Other non-cash movements	66	-
Net cash inflows from operating activities before changes in operating assets and liabilities	**(5,633)**	**(283)**
Change in operating assets & liabilities		
Movement in Finance receivables	2,425	(12,012)
Movement in Finance lease receivables	(7,357)	-
Movement in other receivables	278	(30)
Movement in first ranking term deposits	10,121	13,428
Movement in payables	82	180
Movement in net deferred tax assets	300	487
Movement in deferred income	(104)	(251)
Net cash inflows from operating activities	**(1,332)**	**2,732**

KPMG

1 Finance receivables and credit risk

Finance receivables

Finance receivables are initially recognised at fair value, including loan fees where applicable. They are subsequently carried at amortised cost, adjusted for an allowance for impairment where there is evidence that a loss has been incurred. 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 Company's exposure to risk in relation to assigned receivables is limited to ongoing management commissions. The Company 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 Company 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.

Finance lease receivables

Finance lease receivables relate to the contracted revenues for leases issued by the Company to its customers and originators. The contracted revenue 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.

Finance leases, which transfer to the customer 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.

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. Provision for doubtful debts.

Provision for doubtful debts

Losses on lease and loan receivables are recognised when they are incurred, which requires FEI to identify objective evidence that the receivable is impaired, and make best estimate of incurred losses inherent in the portfolio. FEI individually assess significant receivables and the remainder of the receivables are assessed collectively at a portfolio level. 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.

	Finance lease receivables		**Finance receivables**	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
	$000	**$000**	**$000**	**$000**
Secured and not past due nor impaired receivables	11,772	-	41,181	41,370
90 day past due receivables	59	-	-	-
Less collective provisions	(73)	-	(261)	(64)
	11,758	-	40,920	41,306
Net Individually impaired receivables	-	-	291	634
	11,758	**-**	**41,211**	**41,940**

1 Finance receivables and credit risk (Continued)

	Finance lease receivables		Finance receivables	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	$000	$000	$000	$000
Individually impaired receivables				
GROSS IMPAIRED FINANCE RECEIVABLES				
Opening balance of gross receivables	-	-	792	66
Additions	-	-	1,303	792
(Write offs)/ Recoveries	-	-	(370)	(66)
Closing balance of gross receivables	-	-	1,725	792
ALLOWANCE FOR IMPAIRMENT				
Opening balance of individual impairment allowance	-	-	(158)	(33)
Impairment charge	-	-	(1,346)	(158)
Write offs/ (Recoveries)	-	-	70	33
Closing balance of individually impairment allowance	-	-	(1,434)	(158)
NET INDIVIDUALLY IMPAIRED FINANCE RECEIVABLES	-	-	291	634
Provision for collectively impaired receivables				
Opening provision for collectively impaired receivables	-	-	(64)	-
Impairment change	(73)	-	(197)	(64)
Closing provision for collectively impaired receivables	(73)	-	(261)	(64)
Intercompany debt written-off	-	-	(432)	-
TOTAL IMPAIRMENT CHARGE	(73)	-	(2,275)	(222)

At 31 March 2018 the Company had one loan with a zero percent interest rate which is measured at fair value. The fair value adjustment will be unwound over the life of the loan as capitalised interest. The net value at balance date was $370,940 (31/3/2017 $344,825) with a remaining fair value adjustment is $269,597 (31/03/2017 $313,712). Capitalised interest during the period was $26,115 (31/03/2017: $35,043).

Derecognised finance receivables

The Company has assigned absolutely, for consideration, certain finance receivables on commercial terms (including to entities associated with three of the Company's directors, as disclosed in note 7). To the extent of the assignment, these finance receivables have been derecognised. The Company has a continuing interest in the assigned receivables to the extent of the interest differential earned over and above the interest paid away to the third party investors.

	31-Mar-18	31-Mar-17
	$000	$000
Gross finance receivables subject to assignment	30,924	16,829
Derecognised finance receivables	16,008	8,508
Residual interest in derecognised finance receivables	629	95

1 Finance receivables and credit risk (continued)

Credit risk

The Company 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 Company's maximum exposure to credit risk is the amount shown in the balance sheet, without any allowance for security held. The Company holds security over assets financed. For many receivables, the Company also holds other forms of collateral, such as general security agreements over the borrowing company 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.

Concentrations of credit risk	31-Mar-18	31-Mar-17
Lending type	%	%
Property Development	28	23
Commercial	63	62
Others	9	15
Geographic concentration of lending & leasing	%	%
Auckland	84	93
North Island	10	2
South Island	3	-
Australia	3	5
Counterparty concentrations[1] (as a % of equity)	**Number of counterparties**	
10-19%	3	4
20-29%	2	2
30-39%	3	1
40-49%	2	-
>50%	1[2]	2

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

[2]This includes receivables from Mr Kells as discussed in note 7(c)(ii).

2 Funding and liquidity risk

The Company funds its activitities through a combination of first ranking term deposits and equity.

Term deposits

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

Geographic concentration of term deposits	%	%
Auckland	45%	42%
Wellington	2%	3%
Rest of North Island	19%	14%
South Island	8%	5%
Non-NZ Residents	26%	36%

2 Funding and liquidity risk (Continued)

Equity

All ordinary shares have been issued and are fully paid, have equal voting rights, share equally in dividends and surplus on winding up, and have no par value.

Preference Shares were issued in accordance with the requirements of the Non-bank deposit takers regulations requirements of the Company. 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. On wind up or other capital distribution the Preference Shares shall be redeemed in preference to any distribution to ordinary shares of the Company. All Preference Shares have been issued to entities associated with three of the Company's directors, as discussed in note 7.

	31-Mar-18		31-Mar-17	
Ordinary shares issued and fully paid	**Number (000)**	**$000**	**Number (000)**	**$000**
Opening balance	27,093	11,033	25,797	9,296
Issued during the period	1,272	1,599	1,296	1,737
Reclassed during the period	(428)	(428)	-	-
Closing balance	27,937	12,204	27,093	11,033
Redeemable Preference Shares issued and fully paid				
Opening balance	500	500	-	-
Issued during the period	241	241	500	500
Reissued during the period	428	428	-	-
Closing balance	1,169	1,169	500	500
SHARE CAPITAL		**13,373**		**11,533**
Retained earnings				
Opening balance (deficit)		(1,063)		(2,276)
Profit after tax		(1,444)		1,213
Closing balance		(2,507)		(1,063)
TOTAL EQUITY		**10,866**		**10,470**

Capital Management

The Company manages its capital position within the requirements of its Trust Deed and the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 ("The Regulations").

The Trust Deed requires that the Company's Total Liabilities do not exceed 90% of Total Tangible Assets. The Regulations require a minimum capital adequacy ratio of 8% for companies with a credit rating from an agency approved by the Reserve Bank. The Company has complied with these requirements during the period:

Credit Rating (Standard & Poor's)	'B/Negative/B'	'B/ Stable/B'
	31-Mar-18	**31-Mar-17**
Total liabilities to total tangible assets	%	%
Trust Deed maximum	90.0%	90.0%
Actual	84.2%	82.0%
RBNZ Capital Adequacy Ratio		
Regulatory minimum	8.0%	8.0%
Actual	8.5%	10.8%

KPMG

2 Funding and liquidity risk (continued)

Other matters

1. In the course of finalising FEI's financial statements for the year end 31 March 2018, FEI made various adjustments to revalue downwards its finance lease portfolio. In addition to FEI's collective provisioning policy, FEI has increased loan provisions for individually impaired loans and allocated a more conservative level of specific provisioning for such loans. These adjustments caused a number of breaches of ratios imposed under the Non-Bank Deposit Takers Act 2013 (and related regulation) and the Trust Deed, as described below:

(a) From 1 April 2018, an amendment to FEI's Trust Deed increased its minimum capital adequacy ratio from 8% of 9%, while the adjustments and specific loan provisioning lowered the capital ratio, causing FEI to be in breach of its new capital ratio. As at the date of approving these financial statements the ratio was at 9.54% (unaudited).
We note that measure excludes the possible impact of the adoption of an NZIFRS 9 provision (disclosed in note 6(a)), which would negatively impact the ratio by approximately 0.3% (unaudited).

(b) Additionally, the Non-Bank Deposit Takers Act 2013 (and related regulations) and FEI's Trust Deed restrict the Company's related party exposures as a percentage of capital to 15%. The adjustments noted above decreased FEI's capital, thereby increasing the percentage of exposures to Related Parties. FEI breached the related party exposure limit as at 31 March 2018 (15.8%). As at the date of approving these financial statements the ratio was 11.98% (unaudited).
We note that measure excludes the possible impact of the the adoption of an NZIFRS 9 provision (disclosed in note 6(a)), which would negatively impact the ratio by approximately 0.4% (unaudited).

(c) Lastly, FEI's Trust Deed limits the total concentration to any single exposure group to 10% of the company's total tangible assets. At 31 March, one exposure group totalled 10.8% of total tangible assets.
On 25 May 2018 FEI notified the Supervisor of the compliance breaches and implemented a remediation plan.
The remediation measures brought the capital ratio above 9% by a $400,000 increase in capital and reduced FEI's related party exposure to under the limit by a $100,000 repayment. The remediation measure took effect 31st May 2018.
On the basis of the discussions and correspondence with the Supervisor, the directors are confident that FEI will retain its Non-Bank Deposit Taker licence and remain a going concern.

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

   As at 31st May 2018, one of the loans to a borrower was at 10.8% of FEI's total assets which exceeded the Limit by a margin of 0.8%. This is one of FEI's property development loans within its loan portfolio. On 31 May 2018 FEI notified the Supervisor of the compliance breach and implemented a remediation plan. The breach on the Limit was remedied in June 2018 with the outstanding loan falling under the Limit by the end of June 2018.

   There was another property development to a different borrower which was in breach of the Limit. However, FEI was granted a consent by the Supervisor to exceed the related group of debtors exposure limit under clause 4.2(c) of the Trust Deed with regard to the financing receivables related to this borrower until 31 March 2018 (see above at 'Other limitations, restrictions and prohibitions'). The loans were sold down on 26 March 2018 which means that all related exposure to that borrower is no longer above the limit of 10% and the breach was resolved for the period ending 31 March 2018 as required by the Supervisor's consent.

3. During the 2017 financial year the RBNZ reviewed the loan classification of a few loans which the company had reclassified based on its interpretation of loan classification for deriving its capital ratio. The company's loan reclassification methodology was reviewed and vetted by its external advisers at the time of reclassification. In June 2018 the RBNZ issued a letter stating no further action would be taken with regard to this matter.

Liquidity risk

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

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

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

A deposit reinvestment rate of 40% (31/3/17: 40%) has been assumed in the expected liquidity analysis, which is lower than the actual average reinvestment rate experienced during the period of 55% (31/3/17: 68%).

KPMG

2 Funding and liquidity risk (continued)

Financial Instruments

	On demand	0-6 months	6-12 months	1-2 years	> 2 years	Total	Carrying amount
Contractual liquidity at 31/3/18							
Cash	13,285	-	-	-	-	13,285	13,285
Finance receivables	-	11,109	17,844	16,649	7,101	52,703	41,211
Finance lease receivables	-	2,888	2,614	4,250	3,808	13,560	11,758
First ranking term deposits	-	(22,968)	(17,566)	(16,376)	(1,871)	(58,781)	(55,453)
Other liabilities	-	(696)	-	-	-	(696)	(696)
Total	13,285	(9,667)	2,892	4,523	9,038	20,071	10,105
Contractual liquidity at 31/3/17							
Cash	12,125	-	-	-	-	12,125	12,125
Finance receivables	-	11,709	11,097	17,738	10,146	50,690	41,940
First ranking term deposits	-	(14,560)	(16,952)	(10,590)	(2,107)	(44,209)	(44,209)
Other liabilities	-	(653)	-	-	-	(653)	(653)
Total	12,125	(3,504)	(5,855)	7,148	8,039	17,953	9,203
Expected liquidity at 31/3/18							
Cash	13,285	-	-	-	-	13,285	13,285
Finance receivables	-	13,240	10,136	21,451	6,991	51,818	41,211
Finance lease receivables	-	2,888	2,614	4,250	3,808	13,560	11,758
First ranking term deposits	-	(13,781)	(10,540)	(9,826)	(24,634)	(58,781)	(55,453)
Other liabilities	-	(696)	-	-	-	(696)	(696)
Total	13,285	1,651	2,210	15,875	(13,835)	19,186	10,105
Expected liquidity at 31/3/17							
Cash	12,125	-	-	-	-	12,125	12,125
Finance receivables	-	10,813	10,928	18,927	10,146	50,814	41,940
First ranking term deposits	-	(8,736)	(10,171)	(6,354)	(18,948)	(44,209)	(44,209)
Other liabilities	-	(653)	-	-	-	(653)	(653)
Total	12,125	1,424	757	12,573	(8,802)	18,077	9,203

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

3 Income tax

Deferred tax assets arising from temporary differences or tax losses, are recognised only to the extent that the directors believe that it is probable that future tax able profit will be available against which the asset can be utilised. This assessment is a key estimate made in preparing these financial statements.

Tax Expense	31-Mar-18	31-Mar-17
Profit before tax	(1,144)	1,700
Prima facie tax at 28%	320	(476)
Permanent differences	(8)	(11)
Derecognition of tax losses	(612)	-
Tax (expense) / benefit	(300)	(487)
Deferred tax (expense) / benefit	(300)	(487)
	(300)	(487)

Deferred tax asset	31-Mar-18	31-Mar-17
Opening balance	615	1,102
Provisions increased	435	57
Tax losses recognised	(123)	-
Loss of deferred tax assets	(612)	(544)
Closing balance	315	615
Current tax asset		
Opening balance	26	26
Tax paid/received	-	-
Closing balance	26	26
Imputation credits available	-	-

4 Income and expenses

Total portfolio income	31-Mar-18	31-Mar-17
Gross interest and finance lease income	11,599	5,826
Other portfolio income	1,211	1,649
Total portfolio income	12,810	7,475
Cost of leasing sales	(4,031)	-
Interest expense	(3,342)	(2,480)
Net portfolio income	5,437	4,995

Operating and other expenses	31-Mar-18	31-Mar-17
Directors' remuneration (refer note 7)	929	491
Audit Fees - statutory audit	37	49
- registry audit	12	12
- Half year review	30	25
- supervisor reporting	13	5
- prospectus audit	-	3
Operating lease costs	89	78
Transaction costs (merger related)	236	-
Other	1,214	1,538
	2,560	2,201

5 Other assets and liabilities

Other assets	31-Mar-18	31-Mar-17
Other receivables	234	512
Property, Plant & Equipment	186	114
Current tax asset	26	26
	446	652

Other liabilities	31-Mar-18	31-Mar-17
Trade payables	652	505
Deferred income	44	148
	696	653

KPMG

6 Standards issued but not yet effective

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

a. NZIFRS 9

In December 2014, the New Zealand External Reporting Board issued the NZIFRS 9 which will replace NZIAS 39 'Financial Instruments: Recognition and Measurement'. The standard covers three broad topics: Impairment, Classification and Measurement and Hedging. The Company is required to adopt the standard from 1 April 2018 where applicable.

The adoption of NZIFRS 9 will have an impact on the Company's impairment methodology. The NZIFRS 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 NZIFRS 9 on the Company

Impairment

The Company 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 NZIFRS 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 NZIAS 39, 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 NZIFRS 9.

Hedging

Adoption of NZIFRS 9's hedge accounting requirements are not expected to have any impact on the Company as currently the Company has not undertaken any hedging activities.

b. NZIFRS 15

NZIFRS 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 company will be adopting this from 1 April 2018. Currently, no impact on the Company's financial statements is expected.

c. NZIFRS 16

NZIFRS 16 Leases will replace NZIAS 17 Leases. NZIFRS 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 NZIFRS 16 on the Company.

7 Related party transactions

As disclosed in the introduction on page 3, this note has been restated due to the non-disclosure of certain transactions with entities associated with three of the Company's directors.

a. Business acquisition

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

b. Transactions with key management personnel

i. Key management personnel compensation

Key Management Personnel covers the directors of the Company. Directors' remuneration in note 4 above includes salaries, directors' fees, kiwisaver contributions.

KPMG

ii. Transactions with First Eastern Securities Limited

First Eastern Securities Limited is beneficially owned by Mr Shim and Mr Stewart. It provides services to some borrowers, which include investor relations and property loan sell-down related matters. The Company's loan agreements with those borrowers sometimes include a requirement for the borrower to pay a share of fees described as loan documentation fees, finance fees, property loan management fees, advisory fees, exit fees and other fees to First Eastern Securities Limited in some instances. The services provided by First Eastern Securities Limited are in the nature of an arranger/facilitator of the loan, and the directors' judgment is that FEI is an agent, not a principal, to these fee transactions. These amounts are drawn down by the Company from the borrowers' accounts. The identification of these transactions as related party transactions is a key judgement in preparing these financial statements. The Company also pays certain operating expenses on behalf of First Eastern Securities Limited which are reimbursed to the Company.

	31-Mar-18	**31-Mar-17**
	$000	$000
Amounts drawn down from borrowers and paid to First Eastern Securities Limited	2,390	2,091
Expenses paid on behalf of First Eastern Securities Limited and reimbursed	4	-

iii. Other transactions with directors and related entities

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

	Mr Shim		**Mr Stewart**	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
	$000	$000	$000	$000
Expenses paid on behalf of directors and associated entities	25	8	69	58
Outstanding interest free unsecured receivable	8	163	18	173
Outstanding unsecured term loan (8% interest)	181	-	224	-

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

Legal fees of $40,964 (2017: $20,700) were paid to Schnauer Legal Ltd and Schnauer and Co, entities associated with Mr Schnauer. Additionally, Mr Schnauer is both a trustee and a beneficiary of J A Delmont Family Trust, which has deposits of $74,816 with FEI as at 31 March 2018 (2017: $80,427), and gross received interest of $5,140 during the year ended 31 March 2018 (2017: $6,321). The Company also paid consulting fees of $41,453 to Mr Ian Bailey and charged $3,991 interest on a loan to an entity controlled by him, during the brief period that he was a director of the Company's parent company (FEIG) following the reverse acquisition of Wolfstrike Rentals during the year. Mr Bailey ceased being a director of FEIG on 31 August 2017.

iv. Derecognised finance receivables

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

- Equity No 8 Limited and First Eastern Securities Limited which are beneficially owned jointly by Mr Shim and Mr Stewart
- Snowbird Trust which was jointly controlled by Mr Ritchie up to June 2017, and of which Mr Ritchie is a beneficiary.
- CNZF Management Co. Ltd which is majority owned by entities controlled by Mr Huang and Mr Sun, both directors of FEIG.

	Balance at year end		**Interest paid to related entities**	
	31-Mar-18	**31-Mar-17**	**31-Mar-18**	**31-Mar-17**
	$000	$000	$000	$000
Equity No 8 Limited	250	253	31	130
First Eastern Securities Limited	191	113	18	14
Snowbird Trust	-	-	-	24
CNZF management Co. Ltd	1,592	-	127	-

v. Equity transaction with directors

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

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

	Equity No 8 Limited		First Eastern Capital Limited		Parkiri Limited	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
	$000	$000	$000	$000	$000	$000
Opening balance	500	-	-	-	-	-
Issued during the period	250	500	100	-	319	-
Redeemed during the year	-	-	-	-	-	-
Closing balance	750	500	100	-	319	-

c. Other related party transactions

i. Transactions with Group entities

An amount of $1,165,018 was advanced by FEI to FE Investment Group Limited (legal parent entity) since the merger. An interest rate of 9% is charged per annum and the loan is expected to be settled by the end of 2018.

As at the date of merger, FEI loans to Wolfstrike Rental Services Limited were settled by transfer of income generating assets into FEI, a shortfall of $434,284 was written off and expensed as shown in note 1.

ii. Transactions with other related parties

As at 31 March 2018 the company had loan exposures totalling $6.8m to Mr Martin Kells and associated entities. Mr Kells is an experienced developer who acts on behalf of the company as bare trustee of an entity involved in the realisation of property security on unrelated loan exposures. As at the date of approving these financial statements the outstanding loan amount was $2.9m (unaudited).

8 Subsequent events

The Company received capital of NZD500,000 in April 2018, NZD400,000 in May 2018 and NZD657,353 in October from its parent entity, FE Investments Group Limited.

Independent Auditor's Report

To the shareholders of FE Investments Limited

Report on the restated and reissued financial statements

Qualified opinion

In our opinion, the accompanying financial statements of FE Investments Limited (the 'Company') on pages 3 to 15, except for the possible effects of the matter described in the basis for qualified opinion:

i. present fairly in all material respects the Company's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the balance sheet as at 31 March 2018;
- the statements of profit or loss, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We note that the Company had not established adequate controls over the identification and reporting of related party transactions. We also note the circumstances of the restatement described in the Emphasis of Matter below. These circumstances require us to obtain significant corroborative audit evidence to independently support the information provided by the company over the completeness of related party transactions in order to issue an unqualified opinion on that aspect of the financial statements. We have qualified our opinion as we have been unable to practically obtain sufficient corroborative audit evidence over the completeness of related party transactions.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the Company in relation to supervisor reporting, registry assurance and review of the half-year financial statements. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Emphasis of matter – restatement and reissuance of financial statements

We draw attention to the Introduction and note 7 of the financial statements, which discloses that certain related party relationships, transactions and balances, which were material in both nature and magnitude, were not disclosed in error in the previously issued 31 March 2018 financial statements. As a result, the financial statements have been reissued on 31 October 2018 to correct that non-disclosure.

The financial statements previously issued on 29 June 2018, may not be relied on in this regard. Our opinion is not modified in respect of this matter.

Emphasis of matter – regulatory non-compliance

Note 2 to the financial statements sets out the Company's non-compliance with requirements of its trust deed that relate to its related party exposure limit, concentration of debtors and its minimum capital. The note also sets out the actions being taken by the Company to address those matters with the Company's supervisor.

As part of our responsibilities as the Company's auditor under the Financial Markets Conduct Act 2013, we have formally notified that non-compliance to Trustees Executors Limited in their role as supervisor of the Company.

Our opinion is not modified in respect of this matter.

Other information

The directors, on behalf of the Company, are responsible for the other information included in the Company's annual financial statements. Other information includes the Company Information and Directors' Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the directors for the financial statements

The directors, on behalf of the Company, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board ('XRB') website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

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

The engagement partner on the audit resulting in this independent auditor's report is Matthew Prichard.

For and on behalf of

KPMG

KPMG

31 October 2018