

The Manager
Company Announcements Office
ASX Limited
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PROPOSED TRANSACTION AND MARKET UPDATE

Finexia Financial Group Limited (ASX: FNX) ("Finexia" or "the Company") provides the following update in relation to matters arising since the market announcement on 6 March 2025 concerning the proposed strategic disposal transaction ("proposed transaction") involving Creative Capital Group Pty Ltd (CCG) and the management rights to Finexia Childcare Finance Trust (FCFT).

The Company wishes to confirm that it has ceased all negotiations in respect of the proposed transaction as outlined on 6 March 2025. Previously the Company had signed a non-binding agreement where a group of investors (including Mr Patrick Bell, former CEO) proposed to acquire CCG and the management rights of FCFT. This proposal is at an end. The Company will not be entering into any further negotiations or agreements with this party, nor any other party at this stage.

Genius Administration

During the transaction due diligence process, the Company identified changing circumstances with one of Finexia's borrowers, Vertical 4 Pty Ltd and Abacus 49 Pty Ltd (collectively referred to as "Genius"). In line with Finexia's commitment to thorough risk management and portfolio oversight, the Company conducted a comprehensive assessment of the Genius exposure. As a consequence, and in order to protect the interests of all stakeholders and preserve asset value, Finexia appointed Mr Alan Walker of WLP Restructuring as external administrator to Genius. As the priority secured creditor, Finexia has been working collaboratively with the Administrator to achieve an optimal resolution to the default loans. The Company notes that the administration has had no material impact on Finexia's revenue, which has remained largely consistent with the prior financial year

The Genius loan exposures were held with two distinct pools of capital namely the Finexia Childcare Income Fund (FCIF) (ARSN 625 123 123), a registered managed investment scheme and the Finexia Childcare Finance Trust (FCFT) a securitised note facility. Finexia has no direct balance sheet exposure to the impaired credit due to the fact that the loans in FCIF are held within a registered managed investment scheme, which is not consolidated into the Group's financial statements. The Fund comprises external retail and wholesale investors, and the Group acts as the Fund Manager under its Australian Financial Services Licence (AFSL). In the case of FCFT, it is consolidated into the Company's financial statements, but the loan assets are held in a securitised trust with external investors, that Finexia does not control

As originator, servicer and loan manager, the Group is responsible for managing and overseeing the recovery process, including any adjustment to the loan book valuation, in accordance with prudent financial practices. The total exposure is \$21.2m secured against asset totalling \$29.1m, the security comprising 11 operational childcare businesses. The lending is secured against operations and associated business assets, not the underlying property. Originally, the collateral was made up of 27 childcare centres, however, during the

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administration process it became apparent that to preserve capital and ensure the best opportunity to recover the loans, the most viable centres (11) would be acquired as the secured creditor.

Finexia has incorporated a special purpose vehicle (Shared Beginnings Pty Ltd ACN 686 827 654) to hold the assets throughout the debt recovery workout for the benefit of the investors in FCIF and FCFT. Shared Beginnings will acquire the childcare assets (businesses) and in partnership with proven experienced operator, Early Learning Management (ELM) will operate the centres and trade them to profitability. The strategy is to stabilise the trading performance of each centre and then commence a program of divestment and debt reduction, repaying investors in both FCIF and FCFT.

During the administration process, as part of its role of managing and overseeing the recovery process, Finexia successfully secured from the debtor an additional \$6m in collateral over and above the existing security pool. This extra security is for the benefit of investors and is in the form of fully paid shares in Mayfield Childcare Limited (ASX:MFD), bring the total pooled collateral to \$35.1m against a debt of \$21.2m. The Company is not the beneficial owner or controller of the MFD shares, as they legally belong to the borrower. The shares are treated as security for the loans in default. Finexia has the legal right to call on that security (being the MFD shares) in the event of default.

On 2 June 2025, ELM commenced operational responsibility of the 11 childcare centres while the final conditions of release with respect to the administration are met. These conditions relate to the assignment of leases and various regulatory service approvals. Finexia is confident these conditions will be met and the administration formally closed off.

Operational and Compliance Review

Concurrent with the Genius administration process the Finexia Board has commissioned two parallel investigations into the factors that gave rise to the Genius situation. The first of these investigations is in an internal investigation focused on matters concerning the Genius relationship and the credit approval process that resulted in the default loans. The review will also extend to broader matters concerning all procedures and policies that govern Finexia's credit activities. At the conclusion of the investigation Finexia intends to make the findings known to the market via announcement.

Furthermore, Finexia has engaged external lawyers to conduct an independent wide-ranging investigation into any potential regulatory breaches within the FCIF. Under the microscope will be the actions of the former CEO and his role overseeing the operation and compliance of the Fund. Finexia had proactively self-reported a potential breach notice to ASIC. The investigation has now concluded, with the draft findings to date primarily related to record keeping issues and asset revaluation procedures. Finexia has been advised that the report identifies a total two breaches, both of which have either been remediated, or are currently being actioned.

As part of our prudent approach to credit management, the Company has conducted a comprehensive assessment of all credit exposures across the aggregate loan book. At this stage, the balance of the loan book remains in order, but the Company continues to monitor and test each individual credit.

Whilst the aforementioned actions have consumed a disproportionate amount of management time over the past 3-months, Finexia has continued to conduct its core business activities; lending to childcare operators. The Company has secured the continued support of its main strategic financing partners in Income Asset Management Limited ('IAM') and Global Credit Investments ('GCI'). Finexia continues to engage with both partners on various financing opportunities consistent with the Group's overall business strategy.

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The Company, led by its independent Director, Mr Robert Spano, has commenced a review of the Company's strategy and its overall approach to credit provision and credit management. At this juncture, the Company continues to focus its strategy on financing the childcare sector, primarily through lending to operating businesses. The Company intends to broaden its lending scope to also include childcare related property assets. Extending the strategy to encompass childcare property lending is designed to build greater resilience across the portfolio by reshaping the risk and maturity profile of the loan aggregate. The Company intends to revise its current business plan to capture the aforementioned activities and by extension will adopt a revised credit policy in step with the broadening of its lending activities. This is not a change in the Group's strategy, structure or principal activities but rather an expansion within the existing focus of supporting the sector. The Company does not anticipate any changes to the Group's strategy, structure, or main business activities into the foreseeable future.

Finexia Securities is the trustee of the unregistered wholesale unit trust known as Stay Company Income Fund (Stayco). The Stayco Fund was established in 2021 as a resort and holiday accommodation business through the ownership of a portfolio of management letting rights located primarily in Southeast Queensland. The Fund is structured as an income fund and has returned to investors, in the form of monthly cash distributions, an annualised return of approximately 8.50%pa since inception.

With the Company's strategic shift to a private credit focus, the Board has initiated a review of the Stayco business to evaluate its place within the Finexia portfolio of assets moving forward. The review is examining Stayco's operational, financial performance, capital structure, resource requirements along with the valuation of the underlying businesses. The review will involve obtaining independent valuations from industry experts to ensure that Finexia's carrying value of its Stayco investment is accurate and current.

While the Stayco review remains ongoing and no conclusive findings have been tabled at this point in time, the Board believe there may be a revaluing of the Company's Stayco investment. At the conclusion of the review Finexia will provide its finding to investors via ASX announcement.

Since inception Stayco has been classified as an 'off balance sheet' item and is disclosed as an investment. The Board is reconsidering this position and may consolidate Stayco into Finexia's financial statements.

Finexia is compliant with the ASX Listing Rules, in particular ASX Listing Rule 3.1.

The announcement has been authorised for release by the Board Finexia Financial Group Limited.

END

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