FE Investments Group

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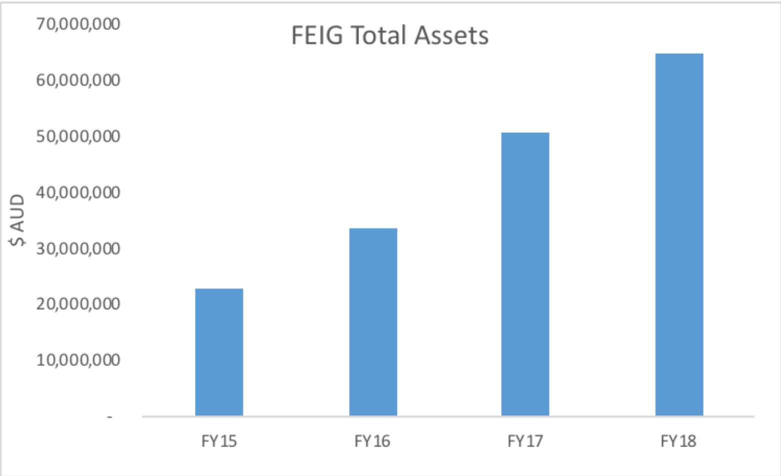
2018 ANNUAL RESULTS - UPDATE

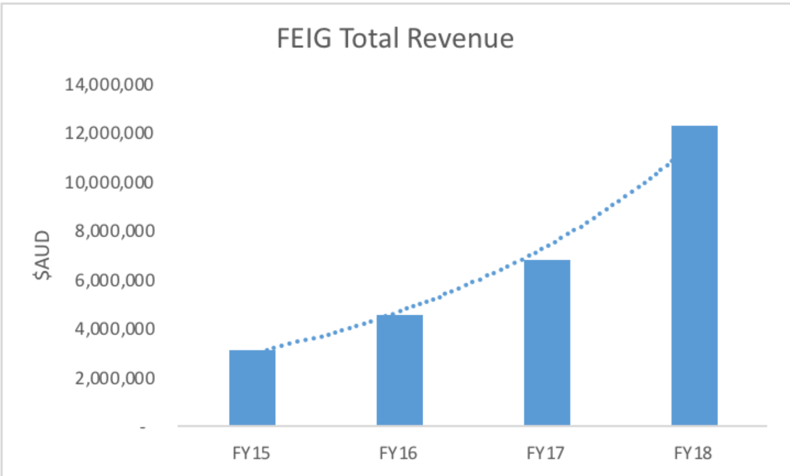
FE Investments Group Limited ("FEIG") has achieved key milestones in the financial year ending 31st March 2018.

In June 2017, FEIG completed the acquisition of FE Investments Limited, an established licenced deposit taking financial institution operating in New Zealand which has been in business since 2003.

FEIG's total assets were at $65m as at 31st March 2018. Total Assets grew by 28% in the FY18 compared to the preceding financial year as the company expanded its leasing business and increased its lending activities to SME lending and Vendor Financing.



Lease financing receivables accounted for 14% of its total receivables whereas loans to the SME sector made up 47%. Property loans were at 29%.



Annual revenue FY18 grew by 80% compared to the preceding financial year. The key revenue drivers were interest and fee income from loans to the SME and property sectors as well as finance leases.

LeaseTech our leasing unit has successfully made in-roads into the automotive trade sector by having a tie-up with key suppliers to provide financing packages to its broad network of automotive clients. LeaseTech is also active in the leasing of equipment to various specialised trades and we are confident that the lease financing revenue will continue to grow in the current financial year.

Late in FY18 the company launched its "B2B Micro loan product which was well-received in the marketplace. This is a financing package targeted at the SME segment of our existing customers with approved loans ranging from $5,000 to $50,000. The company is using its online platform to deliver the "B2B Micro loans" to this segment of borrowers and will increase its online capabilities as this product gains wider acceptance in the SME sector.

With the consolidation of the business operations in the FY18, FEIG's overhead cost structure was substantially larger than its historical norm. The company will take steps in the FY19 year to bring its cost structure into line with its historical norm to improve the company's profit margin.

Included in the overhead costs for FY18 were abnormal consultant, professional and legal costs incurred as a result of the merger. These are once-off costs.

FEIG's cost structure was also exacerbated by the inheritance of the listed parent company structure. Over time, the listed company overhead costs will normalise to a more sustainable level as our total assets grow over time.
Below are the company pro-forma results with explanatory notes below on various aspects of the results.

PRO-FORMA RESULTS

	31-Mar-17 $000 AUD	31-Mar-18 $000 AUD
Total portfolio income	6,834	12,296
Interest expenses	(2,267)	(3,144)
Cost of leasing products	-	(3,874)
Gross profit	**4,566**	**5,277**
Employment expenses	(721)	(1,802)
Receivable impairment expenses	(203)	(1,806)
Goodwill impairment loss	-	(11,655)
Depreciation and amortisation expenses	(23)	(134)
Exchange rate loss	(52)	(6)
Operating and other expenses	(2,012)	(3,103)
Transaction costs	-	(222)
(Loss)/ profit before income tax for the period	**1,555**	**(13,449)**
Add back:		
Good will impairment loss		11,655
Transaction costs		222
One off costs related to merger		635
		12,512
Adjusted (Loss)/profit before income tax		**(937)**

As alluded in Appendix 4D (September 2017 Half-Year results), we took steps to write off substantially the acquisition goodwill (from the Wolfstrike merger) in the FY18 financial statements. Going forward, the company will have substantially reduced amortisation charges against its future income statements which will improve our bottom-line.

In FY18, the company recognised "Cost of Leasing Products" as an expense in its income statement. Instead of amortising this cost over the term of a lease, our accounting policy requires us to recognise the lease product cost upfront whilst accruing lease income over a multi-year horizon.

In other words, as our finance lease portfolio grows in size, the company will enjoy annuity type income from the finance leases over several years without having to book any more costs against these existing finance leases. All new contracts added to the finance lease portfolio will have their Cost of Leasing Products recognised upfront.

Receivables impairment expense is effectively loan provisioning amount set against certain loans made in the SME and property sector. The average historical annual loan provision was less than $470,00 in the last five years and the FY18 impairment expense meant that the company took a more conservative view on loan provisioning compared to its historical trend.

FE Investments business model is that of a banking model where we accept deposits and then lend the funds out. We believe that given FEIG's size and the fact that FEIG does not have a network of "bricks and mortar" branches puts FEIG in an enviable position to create a more responsive and cost-effective model to service borrowers and create value for shareholders.

To maximise its deposit taking strategic advantage, FEIG will increase its presence in the lending and leasing arenas by building up the capability of LeaseTech (our in-house leasing brand), recruitment of high performance lending staff and making acquisitions where this make sense for shareholder value.

These initiatives will have a positive impact in FY19 and we believe that initiatives will be beneficial to our Return on Equity and we look forward to providing regular updates to inform our shareholders.

Yours sincerely,

TK Shim
Chief Executive Officer
FE Investments Group Limited