

FSA GROUP LTD



ANNUAL REPORT 2006

PERSONAL DEBT > CORPORATE DEBT > LENDING

CORPORATE INFORMATION

DIRECTORS

Sam Doumany (Chairman)
Tim Odillo Maher
Deborah Southon
Hugh Parsons

COMPANY SECRETARY

Duncan Cornish

REGISTERED OFFICE AND CORPORATE OFFICE

Level 5, 60 Edward Street Brisbane QLD 4000
Phone: + 61 (0)7 3303 0690
Fax: + 61 (0)7 3303 0601

PRINCIPAL BUSINESS OFFICE

Level 3, 70 Phillip Street Sydney NSW 2000
Phone: +61 (0)2 9290 2288
Fax: +61 (0)2 9290 1977

SOLICITORS

Hopgood Ganim
Level 8, Waterfront Place
1 Eagle Street Brisbane QLD 4000

SHARE REGISTER

Link Market Services Ltd
Level 12, 300 Queen Street Brisbane QLD 4000
Phone: +61 (0)2 8280 7454

AUDITORS

PKF
Level 6, 120 Edward Street Brisbane QLD 4000

COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

Australian Stock Exchange Ltd
ASX Code: FSA

INTERNET ADDRESS

www.fsagroup.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 98 093 855 791



CONTENTS

1. CHAIRMAN'S REPORT	<u>2</u>
2. FINANCIAL HIGHLIGHTS	<u>3</u>
3. REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS	<u>4</u>
4. DIRECTORS' REPORT	<u>10</u>
5. AUDITOR'S INDEPENDENCE DECLARATION	<u>23</u>
6. SHAREHOLDER INFORMATION	<u>24</u>
7. CORPORATE GOVERNANCE STATEMENT	<u>26</u>
8. INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006	<u>29</u>
9. BALANCE SHEETS AS AT 30 JUNE 2006	<u>30</u>
10. STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006	<u>31</u>
11. CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006	<u>32</u>
12. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006	<u>33</u>
13. DIRECTORS' DECLARATION	<u>62</u>
14. INDEPENDENT AUDIT REPORT	<u>63</u>



1 CHAIRMAN'S REPORT

Dear Shareholder,

I am delighted to report the 2006 financial year has been very successful for the FSA Group Limited (the "Company"). Our financial results are solid and our business is now well positioned for the future due to our focus in the areas of infrastructure, product range and service delivery.

The Company generated \$21.8 million in revenue and achieved a profit after tax of \$2.6 million for the 2006 financial year. This represents a 116% increase in profit after tax compared with the results of 2005.

During the 2006 financial year, the Company expensed a number of items considered to be of a non-recurring nature. Additionally, the Company consolidated the operating results of the 180 Group of Companies ("180 Group") from the date it was acquired, on 21 April 2006. These items are analysed more comprehensively in "Review of Operations". I note that the Company achieved a "normalised" profit after tax of \$3.7 million after adjusting for these one-off expenses and adjusting for the full year result of 180 Group.

After careful consideration, the Directors have again not recommended a dividend, continuing the current policy of retaining otherwise distributable earnings for re-investment in further growth, new product development and the maintenance of an adequate capital base.

The Company has diversified into three primary areas: Personal Debt, Corporate Debt and Lending.

For Personal Debt the principal subsidiary "Fox Symes" is the largest personal insolvency business in Australia. It currently administers around 50% of all Debt Agreements and is the largest individual originator of non-conforming residential mortgages in Australia, originating new business of around \$200 million per annum.

For Corporate Debt the principal subsidiary "180 Group" which was acquired on 21 April 2006 maintains a high profile and growing profitability in relation to the provision of turnaround solutions for directors of companies that are experiencing financial difficulty.

For Lending the Company continues to expand its lending activities for its short term bridging finance and factoring finance.

We welcome the proposed Debt Agreement reforms announced by the Attorney General and we applaud the Federal Government's new initiative to improve financial knowledge and to promote better money management.

As a consequence, the Company believes that as a market leader it must continue to deliver the highest quality customer-focused services. This requires continuous investment in quality staff and technology.

At a Board level I am delighted to welcome Hugh Parsons as a Non-Executive Director. Mr. Parsons was a Finance Director in a leading Investment Banking Company and more recently Executive Director of the Insolvency Practitioners Association of Australia.

With rising interest rates and fuel costs placing further pressure on consumer debt it is inevitable there will be strong demand for our extensive range of products and services. Despite increasing competition we are well placed to continue in our premier position.

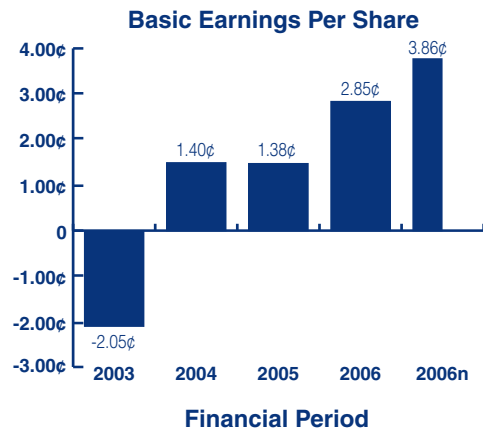
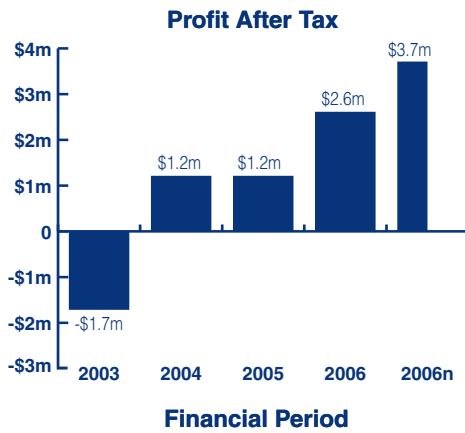
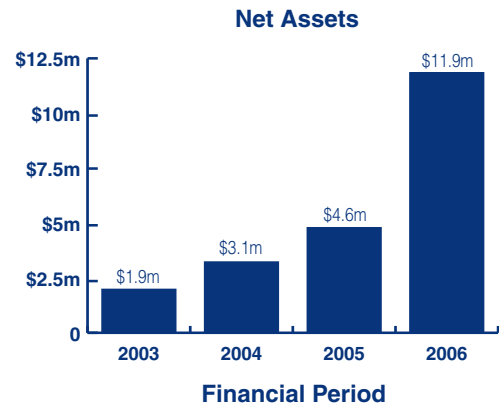
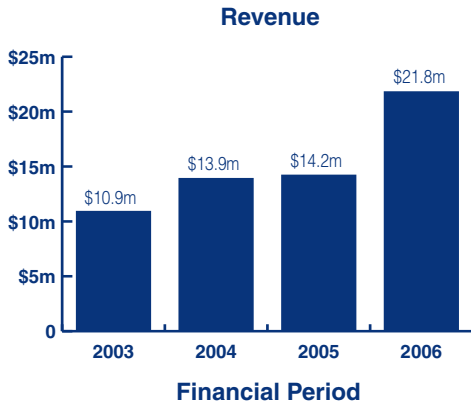
I am confident of continued substantial growth for the Company in the financial year ahead and would like to conclude with my sincere appreciation to all our executives and staff for their contribution to the successes of the current year.

Sam Doumany
Chairman



2

FINANCIAL HIGHLIGHTS



2006n- "Normalised" Profit After Tax for 2006

2006n- "Normalised" Basic Earnings Per Share for 2006

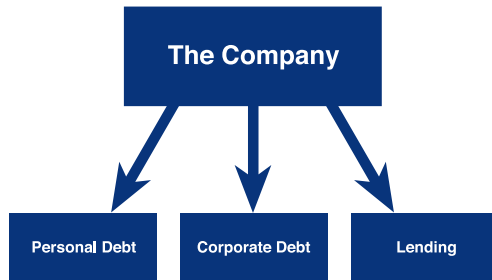


3

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

BACKGROUND TO THE COMPANY

The Company was established in February 2000 to assist individuals who are experiencing financial difficulty. It provides solutions to resolve these financial difficulties. The Company has since diversified into three primary areas.



PERSONAL DEBT

Australian households are in more debt than ever with savings at an all time low. Spending habits on credit, driven by a consumer oriented society have seen Australian consumer debt rise to billions of dollars.

In February 2006, the Reserve Bank of Australia reported that Australians spent \$15 billion dollars on 12.44 million credit cards. In September 2004, the Reserve Bank in a report on Australian "financial stability" warned that the economy could be derailed by surging debt levels. The debt levels continue to rise in an economy which is especially buoyant with interest rates, inflation and unemployment levels remaining low. However, the economy has recently experienced a series of interest rate rises and a surge in petrol prices. These events will place additional pressure on Australian households and ultimately their capacity to service debt.

The principal subsidiary "Fox Symes" is the largest personal insolvency business in Australia. When the Company commenced operation it offered a single product. Over the past three years it has expanded the products and services it offers debtors to assist them in resolving their financial difficulties. These solutions include:

- Informal Agreements
- Consolidation Loans
- Mortgage Refinancing
- Debt Agreements
- Personal Insolvency Agreements
- Bankruptcy

Informal Agreements and Consolidation Loans

The Company reviews and prepares offers on behalf of debtors for approval by creditors as an alternative to a formal arrangement. Additionally, it acts as an introducer of debtors to banks and finance companies.

Mortgage Refinancing

The Company is an introducer to conforming and non-conforming mortgage lenders and expects to originate over \$200 million worth of non-conforming residential mortgage lending for calendar year 2006. The Company is the largest individual originator of non-conforming residential mortgages in Australia.

The non-conforming residential mortgage market is made up of lenders who provide loan products to individuals unlikely to meet or "conform" to the rules of traditional lenders. They are normally credit worthy individuals with unique circumstances or those who have experienced temporary problems and need to refinance their debts.

A non-conforming borrower may have one or more of the following characteristics:

- Contract, casual or seasonal worker
- Self-employed
- Credit impaired
- No savings history
- Needs to consolidate debts
- Refinancing or investing

The market is dominated by non-bank lenders such as Liberty Financial, Bluestone, Pepper Home Loans and GE Mortgage Solutions.

Debt Agreements

Debt Agreements were introduced into the Bankruptcy Act in 1996 as a mechanism for an alternative to bankruptcy for those who find themselves temporarily unable to pay all their debts or who may be unable to meet repayments due to changes in their circumstances.

It provides an opportunity for these people to avoid the stigma and consequences of bankruptcy.

Debt Agreements are a valid and non-adversarial means for resolving a consumer debtor's financial problems.



3

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

They allow those debtors, who strongly desire to repay their debts, an affordable and effective method of resolving their financial problems.

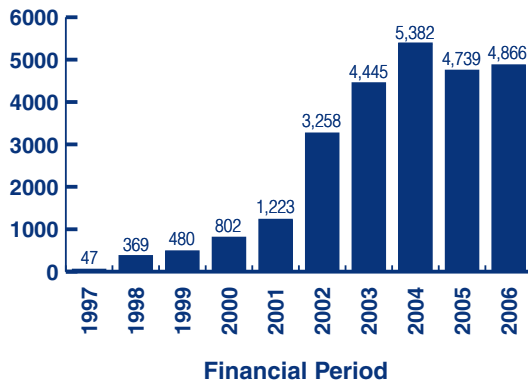
Under a Debt Agreement, the debtor and creditor agree on the terms of arrangement, and the Company may be appointed to administer the arrangement.

The Company is the largest provider of Debt Agreements and currently administers around 50% of all Debt Agreements entered into in Australia.

Debt Agreements rely equally upon the support of institutional creditors, the Insolvency and Trustee Service of Australia as well as commitment from individual debtors. In this regard, the Company has forged key strategic alliances with major institutional creditors. This is seen as a critical part of the business conducted by the Company because it is the creditors who must agree to the terms of the proposed administration.

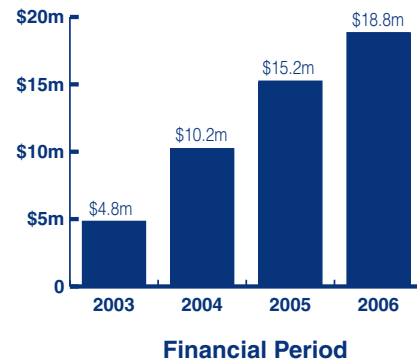
The Company has made dividend payments under Debt Agreements to creditors of \$48.9 million over the last four financial years. It is clear that Debt Agreements pay superior dividends to creditors compared with Bankruptcies.

Number of individuals entering into a Debt Agreement



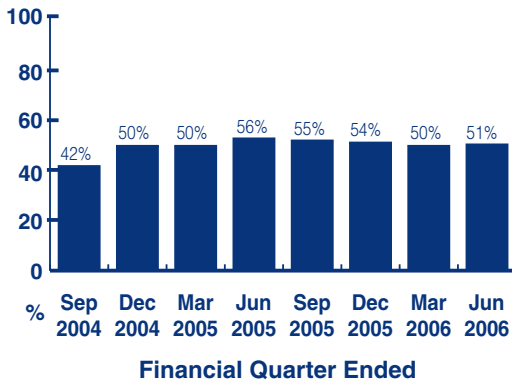
Source: Insolvency and Trustee Service Australia

Dividends paid under Debt Agreements by the Company to creditors



Source: Insolvency and Trustee Service Australia

Percentage of Company administered Debt Agreements



Source: Insolvency and Trustee Service Australia

Dividend Returns Bankruptcies vs. Debt Agreements

Item	Bankruptcies ITSA	Debt Agreements Company
3 year cases - compounding average	57,000	7,000
Dividends paid to creditors - Financial 2005	\$13.1m	\$15.2m
Dividends paid to creditors - Financial 2006	Not yet available	\$18.8m

Source: Insolvency and Trustee Service Australia



Personal Insolvency Agreements and Bankruptcy

The Company previously referred debtors to external Registered Trustees around Australia for the administration of Personal Insolvency Agreements and Bankruptcy. On 1 January 2006, the Company acquired 65% of the issued capital of a Registered Trustee in Bankruptcy. This acquisition allows the Company to assist internally those debtors who may require the services of a controlling trustee or a bankruptcy trustee should creditors require it.

Other Products

The Company has a strategy of building a long-term relationship with its clients. Even though the Company's primary role is to assist the client with their debts, once a client has resolved their debt problems the Company can then assist to develop savings and build "wealth". In June 2005 the Company established its own financial planning department.

Additionally, many clients have outstanding taxation issues or taxation debt. To enhance the Company's long term relationship with its clients it established a taxation services department to assist with outstanding tax matters.

CORPORATE DEBT

The principal subsidiary "180 Group" was acquired by the Company on 21 April 2006. It maintains a high profile in relation to the provision of turnaround solutions for directors of companies which are experiencing financial difficulty.

The Company aims to provide solutions to resolve these financial difficulties by aiming to prevent the client company from entering into external administration. If external administration is unavoidable then the Company will assist the directors to deal effectively with the consequences of administration.

The primary target company assisted has a turnover averaging approximately \$1 million and rarely exceeding \$3 million. Unlike administrators or liquidators, the Company assists the directors of the client company.

The Company provides the following corporate turnaround solutions:

- Assisting companies in dealing with legal claims, including winding up applications, court proceedings, Australian Taxation Office actions;

- Assisting directors negotiate informally with creditors and debtors;
- Preparing plans and strategies to assist companies with the possibility or actuality of external administration;
- Assisting directors during the voluntary administration, including:
 - developing a detailed business plan and financial model;
 - structuring a deed of company arrangement (when appropriate); and
 - securing the commitment of key creditors.
- Securing suitable credit and finance facilities to promote successful trade both during and post administration;
- Exploring the possibility of a third party acquiring the business and/or business assets;
- Assisting directors with issues relating to:
 - personal guarantees;
 - insolvent trading claims;
 - Australian Taxation Office director's penalty notices; and
 - other director liability issues.

LENDING

The Company continues to expand its lending book for its short term bridging finance and factoring finance.

Short Term Bridging Finance

The Company has established and internally funds its own short term bridging finance to its corporate clients. Short term bridging finance plays an important role in corporate debt solutions. The Company understands and is able to mitigate against the risks associated with corporate insolvency and reconstruction and is prepared to lend where other lenders are not. All short term bridging finance is secured by a registered or registerable mortgage over real property and as secondary security a charge over business assets.

The Company has established relationships with senior lenders (when required) to either:



3

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

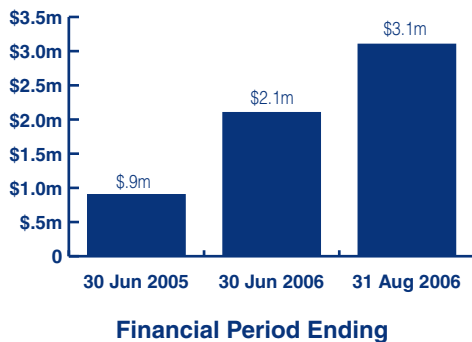
- Refinance the Company's monies out; and/or
- Support larger transactions with the Company.

Typical uses for the Company's short term bridging finance include:

- Funding working capital and assisting the directors/company to meet any statutory payments;
- Funding the acquisition of a business and/or its assets for value prior to the appointment of an external administrator;
- Funding to pay out a winding up creditor to enable the administration to proceed;
- Funding a director to fund an administrator during the trade on period;
- Funding the removal of a secured creditor during the administration;
- Funding a Deed of Company Arrangement;
- Funding the acquisition of business and/or business assets from the administrator, Deed of Company Arrangement administrator or liquidator; and
- Other business or investment needs in an insolvency context where other lenders will not operate.

The average short term bridging finance is for around \$80,000, lent over a period of around four months. The Company's outstanding loan book as at 31 August 2006 was \$3.1 million.

**Outstanding Loan Book
Short Term Bridging Finance**



The Company's short term bridging finance department is evolving. A wholesale line of credit to further support the growth of its lending activities is planned.

Factoring Finance

Many of the Company's corporate clients which have gone through a formal reconstruction find it difficult to obtain finance to cash flow their business. Factoring finance becomes a key source of finance for these clients.

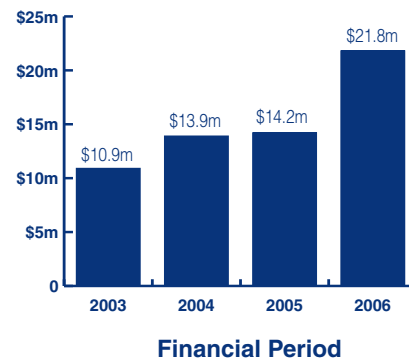
The Company, in addition to acting as an originator to factoring financiers for larger transactions, has recently established and internally funds its own factoring finance department. The Company secures its funds against each client's debtors. It can also require a registered or registerable mortgage over real property.

The Company's factoring department is evolving. A wholesale line of credit to further support the growth of its lending activities is planned.

OPERATING RESULTS

REVENUE

The Company generated \$21.8 million in revenue for the 2006 financial year. This represents a 54% increase in revenue compared with the results of 2005.



Revenue is broken down by three primary areas as follows:

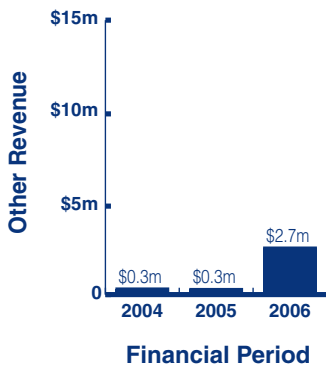
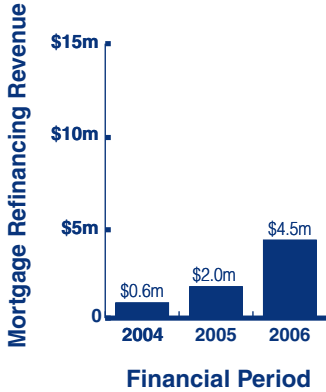
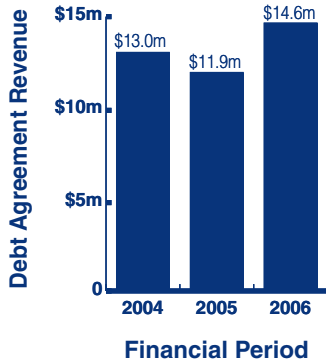
- Personal Debt
- Corporate Debt
- Lending



3

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Personal Debt



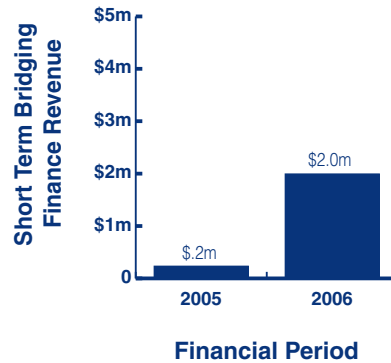
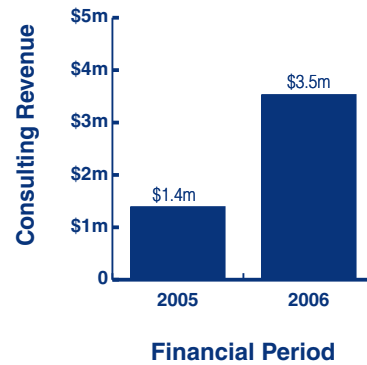
Over the past few years the Company has been actively seeking to diversify the products and services it offers debtors to reduce its reliance upon Debt Agreements as the primary revenue stream. Debt Agreements are a labour and capital intensive business with low operating margins.

One of the key areas the Company has been focusing on is the Mortgage refinancing department. The Mortgage Refinancing department has seen increases in revenue over the past three years and trades with good operating margins.

The Company also plans to generate future revenue streams from the following departments:

- Personal Insolvency Agreements and Bankruptcy;
- Taxation Services; and
- Financial Planning.

Corporate Debt and Lending



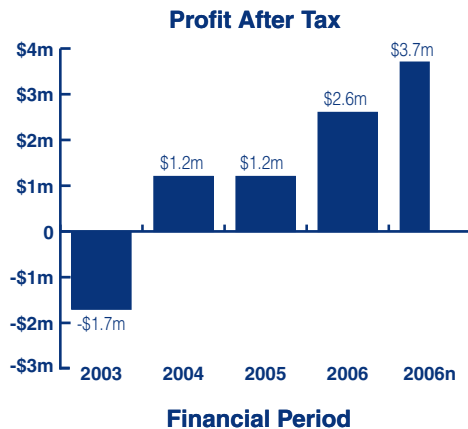
The Corporate Debt Revenue and Lending Revenue is derived from the principal subsidiary "180 Group" which was acquired by the Company on 21 April 2006. The Company also plans to generate future revenue streams from its Factoring Finance department.



3

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

PROFIT AFTER TAX



2006n- "Normalised" Profit After Tax for 2006

The Company achieved a profit after tax of \$2.6 million for the 2006 financial year. This represents a 116% increase in profit after tax compared with the results of 2005.

"NORMALISED" PROFIT AFTER TAX

During the 2006 financial year, the Company expensed a number of items considered to be expenses of a non-recurring nature. Additionally, the Company consolidated the operating results of 180 Group from the date it was acquired, on 21 April 2006. The Company achieved a "normalised" profit after tax of \$3.7 million after adjusting for these one-off expenses and adjusting for the full year result of 180 Group.

One-off expenses to be added back to "normalise" profit after tax include:

1. Costs of defending allegations from the ACCC. The Company announced to the market on 14 June 2006 that the ACCC investigation had been concluded.
 2. Costs associated with the acquisition of 180 Group.
 3. Formation costs and initial losses of new departments. These departments are expected to be profitable during the 2007 financial year.
 4. Costs associated with re-locating the Company's office at the start of the financial year from York Street to Phillip Street.
 5. Assumed corporate tax rate of 30%.
- 180 Group was acquired by the Company on 21 April 2006. 180 Group generated \$5.2 million in revenue and achieved a profit after tax of \$806,557 for the 2006 financial year.



4 DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2006.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Sam Doumany
Tim Odillo Maher
Deborah Southon
Hugh Parsons (appointed 1 August 2006)
Fletcher Quinn (resigned 30 November 2005)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Sam Doumany (Non-Executive Chairman)

Experience and Expertise

Mr Doumany was appointed as a non-executive director on 18 December 2002 and was appointed Chairman on 30 June 2003.

Mr Doumany commenced his career in economic research, agribusiness and marketing before embarking on a distinguished political career as a member of parliament in Queensland in 1974.

Between 1974 and 1983 Mr Doumany served on several parliamentary committees, the Liberal Party's State and Federal Rural Policy Committees and the Queensland Liberal Party State Executive. Elevated to the Cabinet in 1978, Mr Doumany served firstly as Minister for Welfare and Corrective Services before serving as Minister for Justice, Queensland Attorney-General and the Deputy Leader of the Liberal Parliamentary Party until late 1983.

Throughout his parliamentary and ministerial career Mr Doumany worked closely, at a senior level, with a wide range of key professional, industry and community organisations.

Since 1983 Mr Doumany has operated a consultancy practice providing services in government relations, corporate strategy and market development. Mr Doumany was also retained by Ernst & Young in an executive consultancy role between 1991 and 2002. Significant assignments for Ernst & Young include the Coutts and Bartlett Receiverships as well as major submissions to the Federal Government.

He has also held numerous executive and non-executive board positions, many as Chairman, for private and public companies, industry authorities/associations and review committees.

Mr Doumany holds a Bachelor of Science from the University of Sydney and is a member of the Australia Institute of Company Directors.

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Member of the Company's Audit Committee

Interest in shares and options

Ordinary Shares	1,000,000
Options (\$0.60 @ 30/11/06)	-
Convertible Redeemable Preference Shares	-

Tim Odillo Maher (Executive Director)

Experience and Expertise

Mr Maher was appointed on 30 July 2002. Mr Maher's background has been in banking and finance, before concentrating on insolvency and corporate finance assignments. He has worked at ANZ Banking Corporation and Star Dean Wilcocks (Chartered Accountants). Mr Maher holds a Bachelor of Business Degree (majoring in Accounting and Finance) from Australian Catholic University and is a Certified Practising Accountant. His work experience has included special reviews of companies experiencing financial difficulties, the rationalisation and re-organisation of businesses, and the implementation of turnaround and exit strategies for businesses, including support plans and asset disposal programmes.



4 DIRECTORS' REPORT

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Nil

Interest in shares and options

Ordinary Shares	24,695,512
Options (\$0.60 @ 30/11/06)	6,250,000
Convertible Redeemable Preference Shares	32

Deborah Southon (Executive Director)

Experience and Expertise

Ms Southon was appointed on 30 July 2002. Ms Southon has attained a wealth of experience in the government and community services sectors having worked for the Commonwealth Department of Health and Family Services, the former Department of Community Services, and the Smith Family. Ms Southon has successfully managed a programme and administration budget exceeding \$150 million and was part of a management team which oversaw a significant growth in client numbers and service delivery which stemmed from the implementation of fresh legislation. Ms Southon has an Executive Certificate in Leadership & Management (University of Technology, Sydney) and a Bachelor of Arts Degree (Sydney University). She also has qualifications in Speech and Drama (AMEB) and has undertaken post graduate management studies at the Australian Graduate School of Management.

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Nil

Interest in shares and options

Ordinary Shares	12,946,533
Options (\$0.60 @ 30/11/06)	6,250,000
Convertible Redeemable Preference Shares	-

Hugh Parsons (Non-Executive Director)

Experience and Expertise

Mr Parsons was appointed on 1 August 2006.

Mr Parsons commenced his career in 1969 working for Coopers & Lybrand in London and overseas.

Between 1972 and 1985 he worked for Binder Hamlyn & Co (in Audit and Banking), became a Partner in 1975 and Sydney Managing Partner and National Executive between 1983 and 1985. Binder Hamlyn & Co merged with Ernst & Whinney in 1985, subsequently Ernst & Young 1985, where he specialised in insurance and banking.

Mr Parsons became the Finance Director of Schroders Australia Group between 1987 to 1992 and between 1992 to 1996 acted as a consultant to Price Waterhouse (in Process Re-Engineering, Banking), including 10 months in Bangkok with Commercial Bank of Siam.

Between 1997 and July 2006 he has been the Executive Director of the Insolvency Practitioners Association. In the same period he was a director of a major overseas corporation.

Mr Parsons holds the following qualifications/memberships: FCA, SA Fin., AICD, AIM, AICM.

Other (listed company) current directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Chairman of the Company's Audit Committee



4 DIRECTORS' REPORT

Interest in shares and options

Ordinary Shares	-
Options (\$0.60 @ 30/11/06)	-
Convertible Redeemable Preference Shares	-

SECRETARY

Mr Duncan Cornish was the Secretary of the Company during the period and until the date of this report.

Duncan Cornish

(Company Secretary and Chief Financial Officer)

Mr Cornish has more than ten years experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PriceWaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Mr Cornish holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants. He is also the Company Secretary of several other ASX listed companies.

Mr Cornish also serves as the Chief Financial Officer and is secretary on the Company's Audit Committee.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the period were providing financial solutions to individuals and companies experiencing financial difficulties.

OPERATING RESULTS

The consolidated profit from ordinary activities for the Consolidated Entity after providing for income tax and eliminating outside equity interests was \$2,546,164 (2005: \$1,197,279).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during or since the financial year.

REVIEW OF OPERATIONS

Detailed comments on operations up to the date of this report are included separately in the Annual Report under Review of Operations and Future Developments.

REVIEW OF FINANCIAL CONDITION

Capital structure

On 31 December 2005, all (24,623,334) of the unexercised \$0.20 listed options exercisable on or before 31 December 2005 expired.

On 10 February 2006, 1,200,000 ordinary shares and 500,000 unlisted ESOP \$0.10 cent options exercisable on or before 31 December 2008 were issued as executive remuneration.

On 3 March 2006, 375,000 (Seco) Convertible Notes were converted into 375,000 ordinary shares.

On 21 April 2006, 8,000,000 ordinary shares and 32 Convertible Redeemable Preference Shares were issued as consideration relating to the acquisition of 180 Group Holdings Pty Ltd, pursuant to resolutions passed by the shareholders at general meeting.

On 21 April 2006, 1,000,000 ordinary shares were issued as remuneration, pursuant to a resolution passed by shareholders at general meeting.

On 21 April 2006, 53,333 ordinary shares were issued following the exercise of 53,333 (unlisted) \$0.10 options.

On 9 June 2006, 454,233 ordinary shares were issued following the exercise of 454,233 (unlisted) \$0.10 options.

At 30 June 2006, the Company had 98,217,513 ordinary shares and the following other securities on issue:

- 25,000,000 unlisted \$0.60 options exercisable on or before 30 November 2006;
- 200,000 unlisted ESOP \$0.10 options exercisable on or before 24 November 2006;
- 500,000 unlisted ESOP \$0.10 options exercisable on or before 31 December 2008;



4 DIRECTORS' REPORT

- 475,000 \$0.20 Convertible Notes; and
- 32 Convertible Redeemable Preference Shares.

On 1 August 2006, 100,000 unlisted ESOP \$0.10 options exercisable on or before 24 November 2006 were exercised into 100,000 ordinary shares and on 11 September 2006 120,000 ordinary shares were issued in consideration for services rendered.

Financial position

The net assets of the Consolidated Entity have increased by \$7,249,428 from 30 June 2005 to \$11,927,134 at 30 June 2006. This increase has largely resulted from the following factors:

- Improved operating performance of the Consolidated Entity (profit after tax and eliminating outside equity interests of \$2,546,164); and
- The acquisition of 180 Group.

The group's working capital, being current assets less current liabilities has improved from \$4,083,484 in 2005 to \$7,538,797 in 2006.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity and funding

The Consolidated Entity has sufficient funds to finance its operations, and to allow the Consolidated Entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred in the financial period:

On 31 December 2005, all (24,623,334) of the unexercised \$0.20 listed options exercisable on or before 31 December 2005 expired.

On 10 February 2006, 1,200,000 ordinary shares and 500,000 unlisted ESOP \$0.10 cent options exercisable on or before 31 December 2008 were issued as executive remuneration.

On 3 March 2006, 375,000 (Seco) Convertible Notes were converted into 375,000 ordinary shares.

On 21 April 2006, 8,000,000 ordinary shares and 32 Convertible Redeemable Preference Shares (CRPS) were issued as partial consideration for the acquisition of 180 Group Holdings, pursuant to a Share Purchase Agreement between Capital Management Corporation Pty Limited (Capital Management), Tim Odillo Maher, 180 Group Holdings Pty Limited (180 Group Holdings) and the Company dated 27 October 2005 (as varied) (Share Purchase Agreement). The terms and conditions of the Share Purchase Agreement, the requirements to be met by the ASX Listing Rules and the Corporations Act 2001 (Cwlth) and the terms of CRPS were set in the Notice of Meeting and Explanatory Memorandum sent to shareholders. The resolution to approve the acquisition was passed by the shareholders at the general meeting held on 21 April 2006.

On 21 April 2006, 1,000,000 ordinary shares were issued as remuneration, pursuant to a resolution passed by shareholders at general meeting.

On 21 April 2006, 53,333 ordinary shares were issued following the exercise of 53,333 (unlisted) \$0.10 options.

On 9 June 2006, 454,233 ordinary shares were issued following the exercise of 454,233 (unlisted) \$0.10 options.

On 21 April 2006 an equal capital reduction for the purposes of writing down the value of the share capital by an amount of \$7,107,884 was completed. This reduction represented the accumulated losses of the Company up to 30 June 2003 relating to its previous activities. The terms and conditions under which the capital reduction took place were set in the Notice of Meeting and Explanatory Memorandum sent to shareholders. The resolution to approve the capital reduction was passed by shareholders at the general meeting held on 21 April 2006.



4 DIRECTORS' REPORT

ADOPTION OF AUSTRALIAN EQUIVALENTS TO AIFRS

As a result of the introduction of Australian Equivalents to International Financial Reporting Standards (IFRS) the Consolidated Entity's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to IFRS is included in Note 2 to the financial statements.

AFTER BALANCE DATE EVENTS

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2006.

FUTURE DEVELOPMENTS

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There are no further developments of which the directors are aware which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years other than the information contained in the Review of Operations and Future Developments in the Directors' Report and information which the directors believe comment on or disclosure of would prejudice the interests of the Consolidated Entity.

ENVIRONMENTAL ISSUES

There are no matters that have arisen in relation to environmental issues up to the date of this report.

SHARE OPTIONS

As at 30 June 2006 there were 25,700,000 unissued ordinary shares under options. As at the date of this report there were 25,600,000 unissued ordinary shares under options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Each of the directors and the secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors.

The Company has insured all of the directors of FSA Group Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified its auditor.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of FSA Group Ltd (the Company).

Remuneration policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Board does not presently have a Remuneration and Nomination Committee. The Directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of a separate committee. All matters which might be dealt with by such a committee are reviewed by the Directors meeting as a Board. The Board, in carrying out the functions of the Remuneration and Nomination Committee, are responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board, in carrying out the functions of the Remuneration and Nomination Committee, assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

The Company aims to reward the Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives.



4 DIRECTORS' REPORT

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in General Meeting. The total aggregate annual remuneration payable to Non-Executive Directors of the Company is currently determined to be a maximum aggregate of \$250,000 (to be divided between Non-Executive Directors as the board determines). Additionally, Non-Executive Directors will be entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. A Non-Executive Director is entitled to be paid travel and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

During the year Mr Fletcher Quinn retired as a (non-executive) director of the Company. The board determined that, taking into account Mr Quinn's contribution to the Company, that he be paid a termination payment of \$45,000. There is currently no other scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The remuneration of Non-Executive Directors for the period ending 30 June 2006 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Senior Management remuneration

The Company aims to reward the Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives.

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

1. performance based salary increases and/or bonuses; and/or
2. the issue of options

All executives and employees have the opportunity to qualify for participation in the FSA Group Ltd Employee Share Option Plan ("ESOP").

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2006 is detailed in Table 1 of this Remuneration Report.

An employee share incentive scheme has been established where executives and certain members of staff of FSA Group Limited are issued with options over the ordinary shares of FSA Group Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of FSA Group Limited. The options cannot be transferred and will not be quoted on the ASX.



4 DIRECTORS' REPORT

The total number of shares in respect of which options may be granted under the scheme to employees and which have not been exercised or lapsed shall not at any time exceed five percent (5%) of the Company's total issued share capital. There are no such restrictions as to the number of shares in respect of which options may be granted under the scheme to executives.

The exercise price of an option is ten (10) cents or such other price as may be determined by the Board in accordance with Listing Rules. The option period is three (3) years or such earlier period as either determined by the Board or as a result of the employee ceasing his or her employment with the Company. The option exercise period is the period commencing on:

- in respect of 1/2 of the Options, the first anniversary of the Option Commencement Date;
- in respect of the second 1/2 of the Options, the second anniversary of the Option Commencement Date;
- and expiring, (unless the Board determines a shorter period) at the end of the option period.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees. An employment agreement has also been entered into with Mr Hugh Parsons, a non-executive director.

Executive Directors

The Executive Directors, Mr Tim Maher and Ms Deborah Southon are employed under Executive Service Contracts. Under the terms of the contracts:

- Both FSA Group Ltd and the Executive Directors are entitled to terminate the contract upon giving three (3) months written notice.
- FSA Group Ltd is entitled to terminate the agreements upon the happening of various events or other conduct or if Mr Maher or Ms Southon cease to be a Directors of FSA Group Ltd.
- The contracts provide for annual reviews of performance by FSA Group Ltd.
- There are non early termination clauses.

Non-Executive Directors

Mr Hugh Parsons (appointed on 1 August 2006) has been engaged under an Employment Agreement and a Letter of Appointment of Non-Executive Director.

The key terms of Mr Parsons' the Employment Agreement are:

- To serve as the Company's Compliance and Public Relations Officer for a minimum of 14 hours per week.
- Three year term, plus an option (by both parties) for a further three year term.
- Total Remuneration package of \$70,850 per year.
- 500,000 (unlisted) options to be issued, subject to shareholder approval at the next Annual General Meeting, to Mr Parsons. The options will expire five years after issue and have an exercise price equal to the weighted average of the 30 trading days prior to 15 August 2006.
- Redundancy Payment as follows:

Termination within 6 months after commencement	\$50,000
Termination after six months and within 12 months after commencement	\$75,000
Termination after 12 months after commencement	\$100,000

The Redundancy Payment is payable in lieu of the Notice Period in the following circumstances:

- The Company terminates the Employment Agreement
- The Company does not renew the Employment Agreement for a further fixed term of three years
- Mr Parson is not re-elected as a director by the members of the Company
- Mr Parsons is removed as a director by members of the Company

The Redundancy Payment is not payable in the following circumstances:



4 DIRECTORS' REPORT

- Mr Parsons terminates the Employment Agreement
- The Company terminates the Employment Agreement in the event of bankruptcy or misconduct (as defined in the Employment Agreement)

The key terms of Mr Parsons' the Letter of Appointment as Non-Executive Director are:

- Annual fee of \$38,150 (inclusive of Superannuation).

Senior Management

Employment contracts entered into with senior management contain the following key terms:

Event	Company Policy
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation / notice period	1 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (ie 'golden handshakes')	None

(a) Details of Directors and Key Management Personnel

(i) Directors

Sam Doumany	Chairman (non-executive)
Tim Odillo Maher	Director (executive)
Deborah Southon	Director (executive)
Fletcher Quinn	Director (non-executive) (resigned 30 November 2005)
Hugh Parsons	Director (non-executive) (appointed 1 August 2006)

(ii) Key Management Personnel

Duncan Cornish	Chief Financial Officer and Company Secretary
Nino Eid	Refinance Manager
Julie Saredidine	Lending Manager
Scott Paterson	Lending Manager
Cellina Chen	Financial Controller

(b) Remuneration of Directors and Key Management Personnel

The Key Management Personnel are also the five most highly paid Executive Officers of the Company for the period ended 30 June 2006.



4 DIRECTORS' REPORT

(b) Remuneration of Directors and Key Management Personnel

The Key Management Personnel are also the five most highly paid Executive Officers of the Company for the period ended 30 June 2006.

Table 1

	Short-term			Post-Employment		Share-based Payment		Total \$
	Salary & Fees \$	Cash Bonus \$	Non-cash benefits \$	Superannuation \$	Termination benefits \$	Options \$	Shares \$	
Directors								
Sam Doumany								
2006	52,752	-	-	4,748	-	-	195,000	252,500
2005	45,872	-	-	4,128	-	-	-	50,000
Tim Odillo Maher								
2006	150,000	-	-	-	-	-	-	150,000
2005	120,000	30,000	-	-	-	-	-	150,000
Deborah Southon								
2006	146,722	-	-	13,338	-	-	-	160,060
2005	110,758	30,000	-	9,968	-	-	-	150,726
Fletcher Quinn								
2006	45,000	-	-	-	45,000	-	-	90,000
2005	73,992	-	-	-	-	-	-	73,992
Total Remuneration: Directors *								
2006	394,474	-	-	18,086	45,000	-	195,000	652,560
2005	350,622	60,000	-	14,096	-	-	-	424,718
Key Management Personnel								
Duncan Cornish								
2006	78,517	-	-	-	-	38,850	80,000	197,367
2005	71,500	-	-	-	-	-	-	71,500
Nino Eid								
2006	172,766	-	-	5,284	-	-	-	178,050
2005	128,699	-	-	5,284	-	1,396	-	135,379
Julie Saredidine								
2006	169,742	-	-	5,400	-	-	-	175,142
2005	115,246	-	13,677	4,808	-	-	-	133,731
Scott Paterson								
2006	125,588	-	-	4,050	-	-	-	129,638
2005	39,206	-	-	1,620	-	-	-	40,826
Cellina Chen								
2006	90,969	10,000	-	8,970	-	-	16,000	125,939
2005	68,945	5,000	-	6,096	-	-	-	80,041
Total Remuneration: Key Management Personnel*								
2006	637,582	10,000	-	23,704	-	38,850	96,000	806,136
2005	423,596	5,000	13,677	17,808	-	1,396	-	461,476

* Group totals in respect of the financial year ended 30 June 2005 do not equal the sums of amounts disclosed for 2005 for individuals specified in 2006, as different individuals were specified in 2005.

Fair value of options granted as part of remuneration are estimates only. The estimates are based on the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options.



4 DIRECTORS' REPORT

(c) Options issued as part of remuneration for the period ended 30 June 2006

During the year options were granted as equity compensation benefits to one Key Management Personnel. The options were issued for no consideration. Each of the granted options entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.10 that expire on 31 December 2008, as set out below.

The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for Executives.

	Terms & Conditions for Each Grant							
	Grant Date	Grant Number	Vest Date	Fair Value per option at grant date (\$)#	Exercise Price	Fair Value per Option at Exercise Date	Fair Value at Date Option Lapsed	% of Remuneration
Directors	No options have been issued to directors							
Key Management Personnel								
Duncan Cornish	10-Feb-06	500,000	10-Feb-06	\$0.0777	\$0.10	n/a	n/a	19.7%

Calculation of fair value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

(d) Shares issued on exercise of remuneration options

Options exercise during the year that were granted as remuneration in prior periods

	Number of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Key Management Personnel			
Cellina Chen	100,000	\$0.10	-
Total	100,000		



4 DIRECTORS' REPORT

(e) Option holdings of Directors and Key Management Personnel

	Balance at 1 July 2005	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2006	Vested at 30 June 2006		
						Total	Not Exercisable	Exercisable
ESOP Options								
Directors	n/a							
Key Management Personnel								
Duncan Cornish	-	-	-	-	-	-	-	-
Nino Eid	100,000	-	-	-	100,000	100,000	-	100,000
Julie Sarieddine	-	-	-	-	-	-	-	-
Scott Paterson	-	-	-	-	-	-	-	-
Cellina Chen	100,000	-	100,000	-	-	-	-	-
Total ESOP Options	200,000	-	100,000	-	100,000	100,000	-	100,000
Unlisted Options (\$0.10 @ 31-Dec-08)								
Directors	n/a							
Key Management Personnel								
Duncan Cornish	-	500,000	-	-	500,000	500,000	-	500,000
Nino Eid	-	-	-	-	-	-	-	-
Julie Sarieddine	-	-	-	-	-	-	-	-
Scott Paterson	-	-	-	-	-	-	-	-
Cellina Chen	-	-	-	-	-	-	-	-
Total Unlisted Options	-	500,000	-	-	500,000	500,000	-	500,000

	Balance at 1 July 2005	Granted as remuneration	Options Exercised	Net Change Other*	Balance at 30 June 2006
Listed Options (\$0.20 @ 31-Dec-05)*					
Directors					
Sam Doumany	-	-	-	-	-
Tim Odillo Maher	3,150,000	-	-	(3,150,000)	-
Deborah Southon	3,150,000	-	-	(3,150,000)	-
Fletcher Quinn	253,334	-	-	(253,334)	-
Total	6,553,334	-	-	(6,553,334)	-
Key Management Personnel					
Duncan Cornish	3,333	-	-	(3,333)	-
Nino Eid	-	-	-	-	-
Julie Sarieddine	-	-	-	-	-
Scott Paterson	-	-	-	-	-
Cellina Chen	-	-	-	-	-
Total	3,333	-	-	(3,333)	-
Options (\$0.60 @ 30-Nov-06)					
Unlisted Directors					
Sam Doumany	-	-	-	-	-
Tim Odillo Maher	6,250,000	-	-	-	6,250,000
Deborah Southon	6,250,000	-	-	-	6,250,000
Total	12,500,000	-	-	-	12,500,000

* The \$0.20 @ 31-Dec-05 Options expired on 31 December 2005



4 DIRECTORS' REPORT

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Limited (number)	Balance at 1 July 2005	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2006
Directors					
Sam Doumany	-	1,000,000	-	-	1,000,000
Tim Odillo Maher	17,495,512	-	-	7,200,000	24,695,512
Deborah Southon	12,946,533	-	-	-	12,946,533
Fletcher Quinn (resigned 1 November 2005)	5,213,138	-	-	(5,213,138)	-
Key Management Personnel					
Duncan Cornish	717,688	1,000,000	-	282,312	2,000,000
Nino Eid	-	-	-	-	-
Julie Sarieddine	-	-	-	-	-
Scott Paterson	-	-	-	-	-
Cellina Chen	-	200,000	100,000	-	300,000
Total	36,372,871	2,200,000	100,000	2,269,174	40,942,045

(g) Loans to Directors and Key Management Personnel

There were no loans to Directors or Key Management Personnel during the period.

(h) Other transactions to Directors and Key Management Personnel

Acquisition of 180 Group

On 27 October 2005, the Company entered into an agreement (Share Purchase Agreement) with Capital Management Corporation Pty Limited (Capital Management), Tim Maher (a director of the Company) and 180 Group Holdings Pty Limited (180 Group Holdings).

Under the Share Purchase Agreement, the Company agreed to acquire all of the issued capital in 180 Group Holdings from Capital Management in consideration for the issue on completion of:

- Eight million (8,000,000) ordinary shares in the capital of the Company (Shares); and
- Thirty two (32) convertible redeemable preference shares in the capital of the Company on the terms described below (CRPS).
- Capital Management owns 100% of 180 Group Holdings which in turn owns 70% of the issued capital in 180 Group Pty Limited which in turn owns interests in other operating subsidiaries (collectively, the 180 Group).

Shareholder approval was required and obtained (on 21 April 2006) due to:

- 180 Group Holdings being a substantial asset;
- Capital Management (the vendor) was controlled by Mr Tim Maher (a director of FSA Group), so was therefore a related party of FSA Group;
- consideration for the acquisition of 180 Group Holdings includes the issue of Shares and Convertible Redeemable Preference Shares; and
- the consideration paid to the vendor would result in Mr Tim Maher and his associates voting power increasing from 20% or below to more than 20% of FSA Group.

Convertible Redeemable Preference Shares (CRPS)

Part of the consideration for the acquisition of 180 Group Holdings was paid by FSA Group by the issue of the CRPS. In summary, the terms of the CRPS are as follows:

- a total of 32 one dollar (\$1) CRPS were issued to Capital Management, the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and



4 DIRECTORS' REPORT

- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

There were no other transactions or balances with Directors or Key Management Personnel during the period.

DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director are as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	7	7
Tim Odillo Maher	7	7
Deborah Southon	7	7
Fletcher Quinn (resigned 30 Nov 2005)	3	3

Total number of meetings held during the financial year – 7

AUDIT COMMITTEE MEETINGS

The number of meetings of the Audit Committee held during the period and the number of meetings attended by each member of the Audit Committee are as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	1	1
Fletcher Quinn (resigned 30 Nov 2005)	1	1

Total number of meetings held during the financial year – 1

TAX CONSOLIDATION

FSA Group Limited and its 100% owned subsidiaries have formed a tax consolidated group and have entered tax sharing and tax funding arrangements.

180 Group Pty Ltd (partially owned subsidiary of FSA Group Ltd) and its 100% owned subsidiaries have formed a tax consolidated group and have entered tax sharing and tax funding arrangements.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.
- all non-audit services are performed by persons not involved in the audit.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:

Tax consulting services \$20,000

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors Report and can be found on page 23.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of FSA Group Ltd support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is separately contained in the Annual Report.

Signed in accordance with a resolution of the directors.

Tim Odillo Maher
Director

Sydney
29 September 2006



5

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of FSA Group Ltd for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contravention of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of FSA Group Ltd and the entities it controlled during the period.

PKF

Chartered Accountants

Wayne Wessels

Partner

Signed in Brisbane this 29th day of September 2006.

Liability limited by a scheme approved under professional standards legislation.



6 SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28 September 2006.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

	Quoted Ordinary shares		Unquoted \$0.60 options exercisable on or before 30 November 2006	
	Number of holders	Number of shares	Number of holders	Number of options
1 – 1,000	8	3,253	-	-
1,001 – 5,000	159	536,261	-	-
5,001 – 10,000	192	1,809,991	-	-
10,001 – 100,000	135	5,496,515	-	-
100,001 and over	63	90,791,493	4	25,000,000
Total	557	98,637,513	4	25,000,000

The number of shareholders holding less than a marketable parcel of shares are 9 (holding a total of 4,753 ordinary shares).

	Unquoted \$0.10 options exercisable on or before 31 December 2008		Unquoted \$0.10 ESOP options exercisable on or before 24 November 2006		Convertible Redeemable Preference Shares ("CRPS")	
	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of CRPS
1 – 1,000	-	-	-	-	1	32
1,001 – 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 100,000	-	-	1	100,000	-	-
100,001 and over	1	500,000	-	-	-	-
Total	1	500,000	1	100,000	1	32



6 SHAREHOLDER INFORMATION

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

Ordinary shares:

1	ANZ Nominees Limited <Cash Income A/C>	19,407,087	19.7%
2	Mazamand Group Pty Ltd	16,545,512	16.8%
3	ADST Pty Ltd <The Southon Family A/C>	11,875,000	12.0%
4	BJR Investment Holdings Pty Ltd	8,244,388	8.4%
5	Capital Management Corporation Pty Ltd	8,000,000	8.1%
6	Bulwarra Holdings Pty Ltd	5,091,860	5.2%
7	BJR Investment Holdings Pty Ltd <BJR Investment A/C>	1,457,413	1.5%
8	Sareena Enterprises Pty Ltd	1,356,667	1.4%
9	Catherine Louisa Cornish	1,285,645	1.3%
10	Top Chook Investments Pty Ltd <Top Chook Super Fund A/C>	1,111,111	1.1%
11	Mr G W Pernase & Mrs S A Botica	1,105,000	1.1%
12	ADST Pty Limited	1,071,533	1.1%
13	Maramindi Pty Ltd <Doumany Super Fund A/C>	1,000,000	1.0%
14	Corporate Administration Services Pty Ltd	714,355	0.7%
15	Karia Investments Pty Ltd	666,666	0.7%
16	Nielsen Pty Ltd	555,555	0.6%
17	Eumundi Brewing Group Limited	545,986	0.6%
18	Mrs Zhi Chen	500,000	0.5%
19	Project Geoscience Pty Ltd <Superannuation Fund A/C>	500,000	0.5%
20	Phillips Consolidated Pty Ltd <Phillips Fam Super Fund A/C>	498,096	0.5%
	Top 20	81,531,874	82.7%
	Total	98,637,513	100.0%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Mazamand Group Pty Ltd	17,120,512
ADST Pty Ltd	12,571,533
Solutions Network Pty Ltd	11,500,000
BJR Investment Holdings Pty Ltd	9,173,211
Q Supa Pty Ltd	5,750,560
Bulwarra Holdings Pty Ltd	5,091,860
Monhill Pty Ltd	4,860,739
Anglo Irish Nominees Pty Ltd	4,666,667

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

As at the date of this report, there were no securities subject to (ASX or voluntary) restriction agreements.

(f) Business objectives

The entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.



7

CORPORATE GOVERNANCE STATEMENT

The board of directors of FSA Group Ltd is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of FSA Group Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

FSA Group Ltd's Corporate Governance Statement is now structured with reference to the Australian Stock Exchange Corporate Governance Council's (the "Council") "Principles of Good Corporate Governance and Best Practice Recommendations," which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Encourage enhanced performance
Principle 9	Remunerate fairly and responsibly
Principle 10	Recognise the legitimate interests of stakeholders

FSA Group Ltd's corporate governance practices were in place throughout the year ended 30 June 2006. Any departures to the Council's best practice recommendations are set out below.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and the individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following director is considered to be independent:

Name Mr Sam Doumany

Position Chairperson, Non-Executive Director

Mr Hugh Parsons was appointed as a non-executive director on 1 August 2006. When applying the Council's definition of independence, Mr Parsons is considered to be independent.

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following directors are not considered to be independent:

Name Mr Tim Odillo Maher

Position Executive Director

Reason for non-compliance

Mr Maher is employed by the Company in an executive capacity

Name Ms Deborah Southon

Position Executive Director

Reason for non-compliance

Ms Southon is employed by the Company in an executive capacity



7

CORPORATE GOVERNANCE STATEMENT

Until his resignation on 30 November 2005, Mr Fletcher Quinn (non-executive director) was also not considered to be independent when applying the Council's definition of independence, due to him having a relevant interest in a substantial shareholder. As the directors listed above are not considered to be independent when applying the Council's definition of independence, the majority of the board are not independent. FSA Group Ltd considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its board members. The members of the board have been brought together to provide a blend of qualifications, considerable industry skills and national and international experience required for managing a company operating within the financial services and debt management industry.

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Sam Doumany	3 years 9 months
Tim Odillo Maher	4 years 2 months
Deborah Southon	4 years 2 months
Hugh Parsons	2 months

Nomination and Remuneration Committees

Recommendations 2.4 and 9.2 require listed entities to establish nomination and remuneration committees. During the year ended 30 June 2006, FSA Group Ltd did not have separately established nomination or remuneration committees. The full Board shall for the time being carry out the functions of remuneration & nomination committees. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate remuneration or nomination committees.

Audit committee

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity.

This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The members of the audit committee during the period 1 July 2005 to 30 November 2005 were:

- Sam Doumany
- Fletcher Quinn
(resigned as a director on 30 November 2005)

During this period, the structure of the audit committee did not meet the ASX's recommendations of containing a majority of independent directors, an independent chairperson (who is not chairperson of the board) and having at least three members. The board considered the structure of the audit committee to be appropriate given the size and structure of the board and the relevant experience of members of the audit committee.

During the period 1 December 2005 to 31 July 2006, the full board carried out the functions of the audit committee.

Mr Hugh Parsons was appointed as a non-executive director on 1 August 2006. Mr Parsons was also appointed chairman of the audit committee. Although the audit committee now contains a majority of independent directors (Messrs Doumany and Parsons) and an independent chairperson (Mr Parsons), the structure of the audit committee does not meet the ASX's recommendations of having at least three members. The board considers the structure of the audit committee to be appropriate given the size and structure of the board and the relevant experience of members of the audit committee.



7

CORPORATE GOVERNANCE STATEMENT

For additional details of directors' attendance at audit committee meetings and to review the qualifications of the members of the audit committee, please refer to the Directors' Report.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of FSA Group Limited.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating director and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive director's and officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of FSA Group Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year, and for all directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of FSA Group Limited and the performance of the individual during the period.

During the year Mr Fletcher Quinn retired as a (non-executive) director of the Company. The board determined that, taking into account Mr Quinn's contribution to the Company, that he be paid a termination payment of \$45,000. There is no currently no other scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. As noted above, no separate remuneration committee has been created.



8 INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
REVENUE	3	21,818,508	14,178,201	137,947	118,767
EXPENSES FROM ORDINARY ACTIVITIES (excluding finance costs)	4a	(17,671,407)	(12,423,178)	(234,276)	(11,322)
FINANCE COSTS	4a	(80,531)	(3,724)	-	-
PROFIT/(LOSS) BEFORE INCOME TAX		4,066,570	1,751,299	(96,329)	107,445
INCOME TAX EXPENSE	5	(1,483,276)	(554,020)	(29,601)	(36,676)
PROFIT/(LOSS) FOR THE YEAR		2,583,294	1,197,279	(125,930)	70,769
PROFIT ATTRIBUTABLE TO MINORITY EQUITY INTEREST		37,130	-	-	-
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		2,546,164	1,197,279	(125,930)	70,769
Earnings per share					
Basic earnings per share (cents per share)	7	2.85	1.38		
Diluted earnings per share (cents per share)	7	2.77	1.32		

The Income Statements should be read in conjunction with the Notes to the Financial Statements.



BALANCE SHEETS AS AT 30 JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	8	7,954,396	5,141,092	2,503,238	2,313,980
Trade and other receivables	9	8,087,876	4,886,750	-	-
Other assets	10	134,712	220,264	-	-
Total Current Assets		16,176,984	10,248,106	2,503,238	2,313,980
NON-CURRENT ASSETS					
Trade and other receivables	9	209,913	253,039	-	-
Plant and equipment	12	649,558	357,391	-	-
Investment property	13	352,081	-	-	-
Other assets	10	640,464	313,600	6,546,397	2,565,036
Deferred tax assets	5d	714,040	365,432	-	-
Intangible assets	14	3,830,835	345,124	-	-
Total Non-Current Assets		6,396,891	1,634,586	6,546,397	2,565,036
TOTAL ASSETS		22,573,875	11,882,692	9,049,635	4,879,016
CURRENT LIABILITIES					
Trade and other payables	15	5,752,041	4,710,471	1,445,804	2,006,758
Current tax liabilities		1,982,615	1,033,105	1,456,000	1,035,352
Borrowings	16	364,024	14,578	-	-
Provisions	17	539,507	406,468	-	-
Total Current Liabilities		8,638,187	6,164,622	2,901,804	3,042,110
NON-CURRENT LIABILITIES					
Borrowings	16	880,446	42,909	-	-
Deferred tax liabilities	5e	1,128,108	997,455	-	-
Total Non-Current Liabilities		2,008,554	1,040,364	-	-
TOTAL LIABILITIES		10,646,741	7,204,986	2,901,804	3,042,110
NET ASSETS		11,927,134	4,677,706	6,147,831	1,836,906
EQUITY					
Share capital	18	6,891,022	9,600,899	6,891,022	9,600,899
Reserves	19	38,848	-	38,848	-
Retained earnings/(Accumulated losses)		4,730,855	(4,923,193)	(782,039)	(7,763,993)
Minority equity interest		266,409	-	-	-
TOTAL EQUITY		11,927,134	4,677,706	6,147,831	1,836,906

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements.



10

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

Consolidated Entity

	Share Capital	Retained Earnings/ (Accumulated Losses)	Reserves	Minority Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2004	9,450,899	(6,120,472)	-	-	3,330,427
Convertible Notes converted	150,000	-	-	-	150,000
Profit for the year	-	1,197,279	-	-	1,197,279
Balance at 30 June 2005	9,600,899	(4,923,193)	-	-	4,677,706
Issue of shares and options (remuneration)	291,000	-	38,848	-	329,848
Convertible Notes converted into shares	75,000	-	-	-	75,000
Ordinary Shares issued for acquisitions (180 Group)	1,504,000	-	-	-	1,504,000
Options exercised into ordinary shares	50,757	-	-	-	50,757
Capital reduction	(7,107,884)	7,107,884	-	-	-
Share Capital attributable to minority interests of companies acquired	-	-	-	385	385
Retained earnings attributable to minority shareholders of companies acquired	-	-	-	228,894	228,894
Profit attributable to minority shareholders	-	-	-	37,130	37,130
Profit for the year	-	2,546,164	-	-	2,546,164
Issue of Convertible Redeemable Preference Shares for acquisitions (180 Group)	2,477,250	-	-	-	2,477,250
Balance at 30 June 2006	6,891,022	4,730,855	38,848	266,409	11,927,134

Parent Entity

	Share Capital	Retained Earnings/ (Accumulated Losses)	Reserves	Minority Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2004	9,450,899	(7,834,762)	-	-	1,616,137
Convertible Notes converted	150,000	-	-	-	150,000
Profit for the year	-	70,769	-	-	70,769
Balance at 30 June 2005	9,600,899	(7,763,993)	-	-	1,836,906
Issue of shares and options (remuneration)	291,000	-	38,848	-	329,848
Convertible Notes converted into shares	75,000	-	-	-	75,000
Ordinary Shares issued for acquisitions (180 Group)	1,504,000	-	-	-	1,504,000
Options exercised into ordinary shares	50,757	-	-	-	50,757
Capital reduction	(7,107,884)	7,107,884	-	-	-
Loss for the year	-	(125,930)	-	-	(125,930)
Issue of Convertible Redeemable Preference Shares for acquisitions (180 Group)	2,477,250	-	-	-	2,477,250
Balance at 30 June 2006	6,891,022	(782,039)	38,848	-	6,147,831

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.



11

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity		Parent Entity	
		2006 \$ Inflows/ (Outflows)	2005 \$ Inflows/ (Outflows)	2006 \$ Inflows/ (Outflows)	2005 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from debtors and customers		39,138,914	28,983,409	-	-
Payments to institutional creditors, suppliers and employees		(35,141,433)	(27,781,818)	(429)	(11,321)
Income tax paid		(1,025,092)	(2,248)	-	-
Interest received		407,341	256,092	137,947	118,767
Interest and other costs of finance paid		(80,531)	(3,724)	-	-
GST recovered/(paid)		(1,112,848)	(365,859)	983	(984)
Net cash inflow from operating activities	20	2,186,351	1,085,852	138,501	106,462
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of plant and equipment		(456,488)	(220,083)	-	-
Acquisition of subsidiaries, net of cash acquired		1,034,820	-	-	-
Proceeds from disposal of property, plant and equipment		25,000	-	-	-
Net cash inflow/(outflow) from investing activities		603,332	(220,083)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds/(repayments) from borrowing		(27,136)	(9,399)	-	-
Proceeds for shares issues		50,757	-	50,757	-
Unsecured Notes repaid		-	(19,000)	-	(19,000)
Net cash inflow/(outflow) from financing activities		23,621	(28,399)	50,757	(19,000)
Net increase in cash held		2,813,304	837,370	189,258	87,462
Cash at the beginning of the financial year		5,141,092	4,303,722	2,313,980	2,226,518
Cash at the end of the financial year	8	7,954,396	5,141,092	2,503,238	2,313,980

The Cash Flow Statements should be read in conjunction with the Notes to the Financial Statements.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Equivalents to International Reporting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes the financial statements of FSA Group Limited ("the Parent Entity" or "The Company") and the Consolidated Entity consisting of FSA Group Limited and its subsidiaries. FSA Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of the Parent Entity and the Consolidated Entity comply with all Australian Equivalents to International Financial Reporting Standards (IFRS).

The Financial Report was authorised for issue by the Directors on 29 September 2006.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The financial report is presented in Australian dollars.

First-time adoption of Australian Equivalents to International Financial Reporting Standards

FSA Group Limited and its controlled entities and FSA Group Limited as an individual parent entity have prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005. Compliance with AIFRS ensures that the consolidated financial statements and notes to the financial statements comply with International Financial Reporting Standards (IFRS).

In accordance with the requirement of AASB1: First-time of adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to comparative figures. These consolidated financial statements are the first financial statements of FSA Group Limited to be prepared in accordance with Australian Equivalents to IFRS.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity FSA Group Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 12 to the financial statements. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

FSA Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Additionally, 180 Group Pty Ltd and its wholly-owned Australian subsidiaries have also formed an income tax consolidated group under the Tax Consolidation Regime.

FSA Group Limited and 180 Group Pty Ltd as head entities of their respective tax consolidated groups and the controlled entities in each group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity of each tax consolidated 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.

The respective tax consolidated groups have entered into tax sharing agreements whereby each company in the group contributes to the income tax payable of the consolidated group.

(c) Property, Plant and Equipment

Property, Plant and equipment

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Property, plant and equipment is depreciated over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset are:

Class of Asset	Depreciation Rate
Investment property	40 years
Plant and equipment	2 to 5 years
Computers and Office Equipment	2 to 5 years
Furniture and Fitting	2 to 5 years
Motor Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial instruments

Recognition

Financial assets and liabilities are recognised on the balance sheet when the Consolidated Entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

(f) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Employee benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity settled compensation

Share based compensation benefits are provided to employees via the FSA Group Ltd Employee Share Option Plan ("ESOP"). Information relating to the ESOP is set out in the Remuneration Report, contained within the Directors' report.

Shares and options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of the options or shares issued to employees for nil consideration. Shares issued following the exercise of options are recognised at that time and the proceeds received allocated to share capital.

Shares and options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the ESOP is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a 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 option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Under the employee share scheme, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

(h) Provisions

Provisions are recognised when the Consolidated Entity 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.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made, when revenue is recognised, based on historical trends. Bad debts are written-off as incurred.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

When the outcome of a contract to provide services under the Bankruptcy Act can be estimated reliably, revenue is recognised by reference to the right to be compensated for services and where the stage of completion of the service can be reliably estimated, specifically:

Debt Agreement Application Fees

Upon the completion of preparing the Debt Agreement proposal for consideration by the creditors and ITSA.

Debt Agreement Fees

At the date of approval of the Debt Agreement proposal by at least 50% (in number) of creditors who vote and they must carry with them at least 75% of the vote value (i.e. those who vote).

Refinance Fees

Upon receipt of upfront fee and subsequent trail commission.

Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

(m) Comparative figures

When required by Australian Equivalents to International Reporting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Investments in Subsidiaries

Investments are brought to account on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flow from investments has not been discounted to their present value in determining the recoverable amounts, except where stated.

(o) Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(p) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Monies received (and not yet distributed pursuant to the Debt Agreement Proposals) on behalf of institutional creditors are recorded as current liabilities.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(q) Provision for Institutional Creditor Payments

Dividends payable to Institutional Creditors are provided for in the financial statements in accordance with the respective Debt Agreement Proposals and are classified as current provisions unless all of the Debt Agreement fee has been received, in which case they are classified as a current payable.

(r) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions about future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Impairment of receivables

Debt agreement receivables

Impairment of debt agreement receivables is assessed on a collective basis based on historical collections data. Considering the length of time it takes to collect debts in administration and the inherent uncertainty over the collection of these amounts this method represents management's "best estimate" of the recoverability of debtors in the debt agreement business.

The evaluation process is subject to a series of estimates and judgments. The frequency of default, loss history, and economic conditions are considered. Changes in these estimates could have a direct impact on the level of provision determined.

Other loans and advances

For other loans and advances individually assessed provisions are raised where there is objective evidence of impairment and full recovery of the principal is considered doubtful. Provisions are established after considering the estimates of the fair value of the collateral taken.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2 FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

There are no material changes to measurement and presentation of the previously reported financial position, performance or cash flows at the transition date to AIFRS, 1 July 2004, nor that reported at the end previous financial year, other than as follows.

(a) Reconciliation of Equity at 1 July 2004

	Note	Consolidated AGAAP 1 July 2004 \$	AIFRS FY 2004 Adjustments \$	Consolidated AIFRS 1 July 2004 \$	Parent AGAAP 1 July 2004 \$	AIFRS FY 2004 Adjustments \$	Parent AIFRS 1 July 2004 \$
EQUITY							
Contributed equity		9,450,900	-	9,450,900	9,450,900	-	9,450,900
Accumulated losses	3	(6,311,481)	191,009	(6,120,472)	(8,025,771)	191,009	(7,834,762)
TOTAL EQUITY		3,139,419	191,009	3,330,428	1,425,129	191,009	1,616,138

(b) Reconciliation of Equity at 30 June 2005

Reconciliation of equity as presented under AGAAP to that under AIFRS as at 30 June 2005 for the Consolidated Entity

	Note	Consolidated AGAAP 30 June 2005 \$	AIFRS FY 2005 Adjustments \$	Consolidated AIFRS 30 June 2005 \$	Parent AGAAP 30 June 2005 \$	AIFRS FY 2005 Adjustments \$	Parent AIFRS 30 June 2005 \$
CURRENT ASSETS							
Cash and cash equivalents		5,141,092	-	5,141,092	2,313,980	-	2,313,980
Trade and other Receivables		4,886,750	-	4,886,750	-	-	-
Other		220,264	-	220,264	-	-	-
Total Current Assets		10,248,106	-	10,248,106	2,313,980	-	2,313,980
NON-CURRENT ASSETS							
Trade and other Receivables		253,039	-	253,039	-	-	-
Plant and equipment		357,391	-	357,391	-	-	-
Other Financial Assets		313,600	-	313,600	2,565,036	-	2,565,036
Deferred Tax Benefit	2	365,432	-	365,432	365,432	(365,432)	-
Intangibles	1	258,844	86,280	345,124	-	-	-
Total Non-Current Assets		1,548,306	86,280	1,634,586	2,930,468	(365,432)	2,565,036
TOTAL ASSETS		11,796,412	86,280	11,882,692	5,244,448	(365,432)	4,879,016
CURRENT LIABILITIES							
Trade and other Payables	2	4,710,471	-	4,710,471	1,374,735	632,023	2,006,758
Tax Liabilities		1,033,105	-	1,033,105	1,035,352	-	1,035,352
Financial liabilities		14,578	-	14,578	-	-	-
Provisions		406,468	-	406,468	-	-	-
Total Current Liabilities		6,164,622	-	6,164,622	2,410,087	632,023	3,042,110
NON-CURRENT LIABILITIES							
Financial liabilities		42,909	-	42,909	-	-	-
Deferred Income Tax Liabilities	2	997,455	-	997,455	997,455	(997,455)	-
Total Non-Current Liabilities		1,040,364	-	1,040,364	997,455	(997,455)	-
TOTAL LIABILITIES		7,204,986	-	7,204,986	3,407,542	365,432	3,042,110
NET ASSETS		4,591,426	86,280	4,677,706	1,836,906	-	1,836,906



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(b) Reconciliation of Equity at 30 June 2005 (continued)

Reconciliation of equity as presented under AGAAP to that under AIFRS as at 30 June 2005 for the Consolidated Entity

	Note	Consolidated AGAAP 30 June 2005 \$	AIFRS FY 2005 Adjustments \$	Consolidated AIFRS 30 June 2005 \$	Parent AGAAP 30 June 2005 \$	AIFRS FY 2005 Adjustments \$	Parent AIFRS 30 June 2005 \$
EQUITY							
Share Capital		9,600,899	-	9,600,899	9,600,899	-	9,600,899
Accumulated losses	1	(5,009,473)	86,280	(4,923,193)	(7,763,993)	-	(7,763,993)
TOTAL EQUITY		4,591,426	86,280	4,677,706	1,836,906	-	1,836,906

(c) Reconciliation of Profit/(Loss) for the period as presented under AGAAP to that under AIFRS

Note	Consolidated Entity		Parent entity	
	2005 \$	2004 \$	2004 \$	2004 \$
Profit/(Loss) for the year as reported under AGAAP	1,302,008	1,205,481	261,778	(917,886)
Write back of amortisation expense	86,280	-	-	-
Reallocation of correction of an error	(191,009)	-	(191,009)	-
Profit/(Loss) for the year under AIFRS	1,197,279	1,205,481	70,769	(917,886)

Note 1 Intangible Assets

Under AASB 3 "Business Combinations" amortisation of goodwill is no longer being permitted. At the date of adoption of AIFRS, goodwill was allocated to cash generating units of the Combined Group and was impairment tested on initial adoption of IFRS and annually thereafter. Any necessary impairment write down in relation to goodwill was expensed through the statement of financial performance. The Company has elected under AASB 1: 'First Time Adoption of Australian Financial Reporting Pronouncements', not to apply AASB 3, retrospectively. The balance of goodwill at 1 July 2004 was \$345,124. Amortised goodwill for the year ended 30 June 2005 of \$86,280 was reversed under AIFRS. There is no impairment of goodwill in the current year.

Note 2 Tax consolidation

Under AIFRS deferred tax assets and liabilities that relate to wholly-owned Australian controlled entities, where they do not relate to tax losses available to the tax consolidated group, are recorded in the balance sheets of the controlled entities to which they relate. Under previous AGAAP these were recognised by the parent entity.

As all the deferred tax assets and liabilities recorded in the balance sheet of the parent entity as at 30 June 2005 relate to controlled entities, and do not constitute tax losses, the relevant deferred tax assets and liabilities have been restated in the balance sheets of the controlled entities.

Note 3 Correction of an error

Under previous AGAAP the correction of a fundamental error which had an effect on profit was charged to the income statement in the period the error was identified. Under AIFRS, where there is a material error to the reported figures the adjustment is made retrospectively, and if necessary through retained earnings or accumulated losses.

In June 2003 tax losses of \$636,697 relating to the results of the parent entity were not recognised in the financial statements. The effect of the error on the balance sheet is to reduce tax payable by \$191,009 for the recognition of these tax losses, and decrease accumulated losses brought forward by \$191,009.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
3 REVENUE				
Operating activities				
- Services (Debt Agreement Fees)	14,631,352	11,933,034	-	-
- Services (Refinance Fees)	4,527,127	1,989,075	-	-
- Services (Corporate)	1,606,791	-	-	-
- Services (other operating)	645,897	-	-	-
Other revenue				
Interest received	407,341	256,092	137,947	118,767
Total revenue	21,818,508	14,178,201	137,947	118,767
4 PROFIT/(LOSS) FOR THE YEAR				
Expenses				
Classification of expenses by function				
Expenses from operating activities excluding finance costs:				
Marketing expenses	3,492,847	2,357,204	-	-
Administrative expenses	4,358,456	3,420,229	428	11,322
Operating expenses	2,480,822	1,897,252	-	-
Employee benefits expenses	7,339,282	4,748,493	233,848	-
	17,671,407	12,423,178	234,276	11,322
Profit/(Loss) include:				
Finance costs:				
- external	80,531	3,724	-	-
- related entities	-	-	-	-
- other related entities	-	-	-	-
Write down of non-current assets	-	29,103	-	-
Bad and doubtful debts – trade receivables	3,414,801	2,755,184	-	-
Bad debt recovery	(864,190)	(198,710)	-	-
Rental expense on operating lease				
- minimum lease payment	419,218	178,582	-	-



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
5 INCOME TAX				
a. Income tax expense				
Current tax expense	1,421,329	244,745	29,601	36,676
Deferred tax expense	74,883	293,959	-	-
(Over)/under provision in a prior period	(12,936)	15,316	-	-
	<u>1,483,276</u>	<u>554,020</u>	<u>29,601</u>	<u>36,676</u>
Deferred income expense included in income tax expense comprises				
(Increase)/decrease in deferred tax assets	(55,770)	132,106	-	-
Increase in deferred tax liabilities	130,653	161,853	-	-
	<u>74,883</u>	<u>293,959</u>	<u>-</u>	<u>-</u>
b. Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(Loss) before income tax	<u>4,066,570</u>	<u>1,751,299</u>	<u>(96,329)</u>	<u>107,445</u>
Tax at the Australian tax rate of 30% (2005:30%)	<u>1,219,971</u>	<u>525,390</u>	<u>(28,899)</u>	<u>32,233</u>
Tax effect at the Australian tax rate of 30% (2005:30%)				
Entertainment	13,708	8,702	-	-
Unrecognised tax losses	202,671	168	-	-
Penalties	1,362	-	-	-
Other	-	4,444	-	4,443
Non-deductible employee costs	58,500	-	58,500	-
	<u>1,496,212</u>	<u>538,704</u>	<u>29,601</u>	<u>36,676</u>
Over provision in the prior year	<u>(12,936)</u>	<u>15,316</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>1,483,276</u>	<u>554,020</u>	<u>29,601</u>	<u>36,676</u>
c. Unused tax losses				
Unused tax losses for which no deferred tax asset has been recognised	<u>675,570</u>	<u>560</u>	<u>-</u>	<u>-</u>
Potential tax benefit	<u>202,671</u>	<u>168</u>	<u>-</u>	<u>-</u>
Unused tax losses were principally incurred by entities not part of the tax consolidated group				



	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
5 INCOME TAX (continued)				
d. Deferred tax assets				
Provisions	300,974	324,598	-	-
Capital legal expenses	70,500	13,926	-	-
Accrued expenditure	39,548	-	-	-
Other	10,180	26,908	-	-
	<u>421,202</u>	<u>365,432</u>	<u>-</u>	<u>-</u>
Deferred tax assets acquired as part of the purchase of a subsidiary				
Provisions	264,122	-	-	-
Accrued expenditure	9,598	-	-	-
Other	19,118	-	-	-
	<u>292,838</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred tax assets	<u>714,040</u>	<u>365,432</u>	<u>-</u>	<u>-</u>
e. Deferred tax liabilities				
Temporary difference on assessable income	1,127,203	997,455	-	-
Other	905	-	-	-
	<u>1,128,108</u>	<u>997,455</u>	<u>-</u>	<u>-</u>
6 AUDITORS' REMUNERATION				
Amounts received or due and receivable by PKF:				
Audit and review of financial reports	71,000	60,000	71,000	60,000
Other services - taxation	20,000	29,041	20,000	29,041
	<u>91,000</u>	<u>89,041</u>	<u>91,000</u>	<u>89,041</u>

	Consolidated Entity	
	2006	2005

7 EARNINGS PER SHARE(a) Reconciliation of earnings used to calculated basic
and dilutive earnings per share

Profit	\$2,546,164	\$1,197,279
Basic earning per share (cents)	2.85	1.38
Diluted earning per share (cents)	2.77	1.32



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 Number	2005 Number		
7 EARNINGS PER SHARE (continued)				
(b) Weighted average number of ordinary shares outstanding during the year	89,470,008	86,469,194		
Dilution effect of convertible notes	473,699	4,570,753		
Dilution effect of options	387,123	-		
Dilution effect of preference shares	1,534,247	-		
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>91,865,076</u>	<u>91,039,947</u>		
	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
8 CASH AND CASH EQUIVALENTS				
Cash on hand and at bank	7,954,396	2,827,112	2,503,238	-
Cash on deposit	-	2,313,980	-	2,313,980
	<u>7,954,396</u>	<u>5,141,092</u>	<u>2,503,238</u>	<u>2,313,980</u>
9 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	16,071,779	11,570,314	-	-
Provision for doubtful debts	(8,087,996)	(6,719,488)	-	-
	7,983,783	4,850,826	-	-
Sundry receivables	104,093	35,924	-	-
	<u>8,087,876</u>	<u>4,886,750</u>	<u>-</u>	<u>-</u>
Non-current				
Trade receivables	283,666	341,945	-	-
Provision for doubtful debts	(73,753)	(88,906)	-	-
	<u>209,913</u>	<u>253,039</u>	<u>-</u>	<u>-</u>
10 OTHER ASSETS				
Current				
Prepayments	68,462	77,580	-	-
Security Bonds	-	142,684	-	-
Other	66,250	-	-	-
	<u>134,712</u>	<u>220,264</u>	<u>-</u>	<u>-</u>
Non-current				
Security Bonds	640,464	313,600	-	-
Investments in controlled entities (Refer Note 12)	-	-	6,546,397	2,565,036
	<u>640,464</u>	<u>313,600</u>	<u>6,546,397</u>	<u>2,565,036</u>



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11 CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity	
		2006 %	2005 %
Prospex Profile Pty Ltd	Australia	100	100
FSA Australia Pty Ltd	Australia	100	100
Fox Symes Financial Pty Ltd (4)	Australia	100	100
Fox Symes & Associates Pty Ltd (4)	Australia	100	100
Fox Symes Debt Relief Services Pty Ltd (4)	Australia	100	100
FSA Services Group Pty Ltd (5)	Australia	100	100
ACN 118 229 771 Pty Ltd	Australia	100	100
180 Group Holdings Pty Ltd (1)(6)	Australia	100	-
Aravanis Insolvency Pty Ltd (2)	Australia	65	-
Fox Symes Business Services Pty Ltd (3) (4)	Australia	75	-
Fox Symes Recruitment Pty Ltd (3) (4)	Australia	70	-
Fox Symes Wealth Management Pty Ltd (3)(4)	Australia	67	-
180 Group Pty Ltd (7)	Australia	70	-

(1) Acquired 21 April 2006

(2) Acquired 1 January 2006

(3) Incorporated during the year ended 30 June 2006

(4) Investment held by FSA Australia Pty Ltd

(5) Investment held by Fox Symes & Associates Pty Ltd

(6) Investment held by FSA Group Limited

(7) Investment held by 180 Group Holdings Pty Ltd

The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by the 180 Group Pty Ltd
		2006 %
180 Capital Finance Pty Ltd	Australia	100
180 Corporate Pty Ltd	Australia	100
180 Property Holdings Pty Ltd	Australia	100
180 Equity Partners Pty Ltd	Australia	100
180 Capital Funding Pty Ltd	Australia	100
One Financial Pty Ltd	Australia	65

Ultimate Parent Entity

FSA Group Ltd is the ultimate parent entity.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11 CONTROLLED ENTITIES (continued)

Business Combinations

(a) Summary of acquisition

Aravanis Insolvency Pty Ltd

On 1st of January 2006 the parent entity acquired 65% of the issued share capital of Aravanis Insolvency Pty Ltd.

The acquired business contributed revenues of \$75,336 and a net loss of \$94,456 to the Group for the period from 1 January 2006 to 30 June 2006. If the acquisition had occurred on 22 July 2005 (incorporation date), consolidated revenue and consolidated loss for the year ended 30 June 2006 would have been \$125,043 and \$94,391 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 22 July 2005, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):

Consideration:	\$
Cash	65
Ordinary shares issued	<u>-</u>
Total purchase consideration	65

Fair value of net identifiable assets acquired (refer to (c) below)	<u>65</u>
---	-----------

Goodwill - refer to (c) below	<u>-</u>
-------------------------------	----------

180 Group Holdings Pty Ltd

On 21 April 2006 the parent entity acquired all of the issued share capital of 180 Group Holdings Pty Ltd. 180 Group Holdings Pty Ltd has a 70% interest in 180 Group Pty Ltd and its controlled entities.

The acquired business 180 Group Holdings Pty Ltd contributed revenues of \$1,606,791 and net profit after tax and outside equity interests of \$69,482 to the Group for the period from 21 April 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated profit for the year ended 30 June 2006 would have been \$5,230,767 and \$564,590 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2005, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):

Consideration	\$
Cash	-
Ordinary shares issued	1,504,000
Convertible redeemable preference shares	<u>2,477,250</u>
Total purchase consideration	<u>3,981,250</u>
Fair value of net identifiable assets acquired (refer to (c) below)	534,189
Goodwill - refer to (c) below	<u>3,447,061</u>
	<u>3,981,250</u>

The goodwill is attributable to the current and potential high profitability of 180 Group Holdings Pty Ltd.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

11 CONTROLLED ENTITIES (continued)

Business Combinations

(b) Purchase Consideration

On 27 October 2005, the Company entered into an agreement (Share Purchase Agreement) with Capital Management Corporation Pty Limited (Capital Management), Tim Odillo Maher (a director of the Company) and 180 Group Holdings Pty Limited (180 Group Holdings).

Under the Share Purchase Agreement, the Company agreed to acquire all of the issued capital in 180 Group Holdings from Capital Management in consideration for the issue on completion of:

- Eight million (8,000,000) ordinary shares in the capital of the Company (Shares); and
- Thirty two (32) Convertible Redeemable Preference Shares (CRPS) in the capital of the Company.

In summary, the terms of the CRPS are as follows:

- a total of 32 one dollar (\$1) CRPS were issued to Capital Management, the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

Following shareholder approval on 21 April 2006, 8,000,000 ordinary shares were issued to Capital Management at a total cost of \$1,504,000.

The fair value of the 32 CRPS issued to Capital Management on 21 April 2006 was \$2,477,250. This value has been determined by reference to an independent valuation at the time of the acquisition.

The total fair value of the consideration paid to Capital Management on 21 April 2006 was \$3,981,250.

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition of Aravanis Insolvency Pty Ltd. are as follows:

	Acquiree's carrying amount \$	Fair Value \$
Cash at Bank	3,855	3,855
Trade receivables	12,525	12,525
Property Plant & Equipment	1,304	1,304
Trade payables	(498)	(498)
Other payables & accruals	(13,727)	(13,727)
Provision employee entitlements	(3,359)	(3,359)
Net assets	100	100
Minority Interests		(35)
Net identifiable assets acquired		65

The assets and liabilities arising from the acquisition of 180 Group Pty Ltd are as follows:

	Acquiree's carrying amount \$	Fair Value \$
Cash at Bank	1,030,965	1,030,965
Trade receivables	2,692,629	2,692,629
Other current assets	36,200	36,200
Trade payables	(181,249)	(181,249)
Unearned Income	(63,728)	(63,728)
Other payables & accruals	(273,912)	(273,912)
Lease Liability – current	(8,661)	(8,661)
Lease Liability – non current	(48,458)	(48,458)
Provision employee entitlements	(31,689)	(31,689)
Loans – directors	(10,000)	(10,000)
Loans – related corps	(500,000)	(500,000)
Loans – mortgages	(272,000)	(272,000)
Unsecured Notes	(875,000)	(875,000)
Provision for doubtful debts	(848,715)	(848,715)
Property Plant & Equipment	453,519	453,519
Intangibles – goodwill	3,650	3,650
Future Income Tax Benefits	292 817	292 817
Provision for Income Tax	(633,241)	(633,241)
Net assets	763,127	763,127
Minority Interests		(228,938)
Net identifiable assets acquired		534,189



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
12 PLANT AND EQUIPMENT				
Computer equipment at cost	977,951	705,916	-	-
Accumulated depreciation	(645,274)	(459,185)	-	-
Net carrying amount	332,677	246,731	-	-
Office equipment at cost	249,785	144,653	-	-
Accumulated depreciation	(131,592)	(96,936)	-	-
Net carrying amount	118,193	47,717	-	-
Office improvements at cost	106,714	106,714	-	-
Accumulated depreciation	(106,714)	(106,714)	-	-
Net carrying amount	-	-	-	-
Furniture and fittings at cost	168,088	22,489	-	-
Accumulated depreciation	(27,131)	(13,336)	-	-
Net carrying amount	140,957	9,153	-	-
Motor vehicles at cost	76,040	58,103	-	-
Accumulated depreciation	(18,309)	(4,313)	-	-
Net carrying amount	57,731	53,790	-	-
Total plant and equipment at cost	1,578,578	1,037,875	-	-
Accumulated depreciation	(929,020)	(680,484)	-	-
Net carrying amount	649,558	357,391	-	-

Consolidated

	Computer Equipment \$	Office Equipment \$	Office Improvements \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
<i>Movements during year:</i>						
Balance at 1 July 2005	246,731	47,717	-	9,153	53,790	357,391
Additions	251,352	75,050	-	145,599	-	472,001
Acquisitions through business combinations	23,264	28,920	-	-	50,558	102,742
Disposals	-	-	-	-	(30,377)	(30,377)
Depreciation	(188,670)	(33,494)	-	(12,215)	(10,862)	(245,241)
Write downs	-	-	-	(1,580)	(5,378)	(6,958)
Balance at 30 June 2006	332,677	118,193	-	140,957	57,731	649,558



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
13 INVESTMENT PROPERTY				
Investment property				
At cost	362,339	-	-	-
Accumulated depreciation	(10,258)	-	-	-
	<u>352,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements during year:				
Beginning of the year	-	-	-	-
Additions	-	-	-	-
Acquisitions through business combinations	352,081	-	-	-
Disposals	-	-	-	-
Depreciation	-	-	-	-
	<u>352,081</u>	<u>-</u>	<u>-</u>	<u>-</u>

There is a first mortgage over the Investment Property (see Note 16).

14 INTANGIBLE ASSETS

Intellectual property – at cost	2,344,959	2,344,959	2,344,959	2,344,959
Accumulated amortisation	(729,914)	(729,914)	(729,914)	(729,914)
	<u>1,615,045</u>	<u>1,615,045</u>	<u>1,615,045</u>	<u>1,615,045</u>
Write down to recoverable amount	(1,615,045)	(1,615,045)	(1,615,045)	(1,615,045)
	-	-	-	-
Goodwill	3,830,835	345,124	-	-

Consolidated Entity

Goodwill

Year ended 30 June 2005

Balance at the beginning of year	345,124
Additions	-
Disposals	-
Impairment losses	-
	<u>-</u>
Closing value at 30 June 2005	<u>345,124</u>



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Consolidated Entity

Goodwill

14 INTANGIBLE ASSETS (continued)

Year ended 30 June 2006

Balance at the beginning of year	345,124
Acquisitions through business combinations	3,450,711
Additions	35,000
Disposals	-
Impairment losses	-
Closing value at 30 June 2006	<u>3,830,835</u>

Impairment

The recoverable amount of goodwill is determined based on "fair value less costs to sell" by capitalisation of estimated Future Maintainable Earnings ("FME") at an appropriate earnings multiple. The FME is that level of sustainable earning that can be maintained by the cash Generating Unit ("CGU") and excludes one-off and/or non-recurring items.

The appropriate earnings multiple is determined with reference to the observed multiples of entities whose businesses are comparable to that of the CGU being considered. The key assumption on which management has based its determination is that the CGUs could be sold for the earnings multiple derived from the analysis.

	Consolidated Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

15 TRADE AND OTHER PAYABLES

Current

Unsecured

Trade payables	700,551	319,752	-	11,167
Institutional Creditors	3,569,897	3,719,678	-	-
Sundry payables and accruals	1,386,593	501,041	12,148	-
Intercompany loan – controlled entities	-	-	1,338,656	1,825,591
Notes payable – non-interest bearing	95,000	170,000	95,000	170,000
	<u>5,752,041</u>	<u>4,710,471</u>	<u>1,445,804</u>	<u>2,006,758</u>



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
16 BORROWINGS				
Current				
Unsecured				
Interest bearing notes	325,000	-	-	-
Interest bearing loan	10,000	-	-	-
Banks loans other	15,996	-	-	-
	<u>350,996</u>	<u>-</u>	<u>-</u>	<u>-</u>
Secured				
Hire Purchase Liability	13,028	14,578	-	-
	<u>364,024</u>	<u>14,578</u>	<u>-</u>	<u>-</u>
Non-current				
Unsecured				
Interest bearing notes	550,000	-	-	-
Secured				
Hire Purchase Liability	58,446	42,909	-	-
Mortgage	272,000	-	-	-
	<u>330,446</u>	<u>42,909</u>	<u>-</u>	<u>-</u>
	<u>880,446</u>	<u>42,909</u>	<u>-</u>	<u>-</u>
(a) Total current and non-current secured liabilities:				
Hire Purchase Liability	71,474	57,487	-	-
Mortgage	272,000	-	-	-
	<u>343,474</u>	<u>57,487</u>	<u>-</u>	<u>-</u>
(b) The carrying amount of non-current assets pledged as security are:				
Floating charge over assets				
Motor vehicle and lease assets	60,146	50,828	-	-
First mortgage				
Investment Property	352,081	-	-	-
	<u>412,227</u>	<u>50,828</u>	<u>-</u>	<u>-</u>
(c) The interest bearing notes held by persons outside the Company and are unsecured.				
Maturity date	Interest Rates			
30 June 2007	20.0%	325,000	-	-
30 June 2008	22.5%	550,000	-	-
		<u>875,000</u>	<u>-</u>	<u>-</u>
(d) The interest bearing loan held by a person outside the Company and are unsecured.				
Maturity date	Interest Rates			
No maturity date	10.0%	10,000	-	-



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
17 PROVISIONS				
Current				
Provision for Institutional Creditor Payments	283,665	262,484	-	-
Employee benefits	255,842	143,984	-	-
	<u>539,507</u>	<u>406,468</u>	<u>-</u>	<u>-</u>
Analysis of provisions				
<u>Institutional Creditor Payments</u>				
Balance at 1 July 2005	262,484	421,750	-	-
Additional provisions	283,665	262,665	-	-
Unused amounts reversed	(262,484)	(421,931)	-	-
Balance at 30 June 2006	<u>283,665</u>	<u>262,484</u>	<u>-</u>	<u>-</u>
<u>Provision for employee benefits</u>				

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

As at 30 June 2006, the Consolidated Entity employed 76 full-time employees (2005: 69) plus a further 15 (independent) contractor field agents (2005: 17).

	2006 \$	2005 \$	2006 \$	2005 \$
18 SHARE CAPITAL				
98,217,513 (2005: 87,134,947) fully paid Ordinary Shares	4,413,772	9,600,899	4,413,772	9,600,899
32 (2005: nil) Convertible Redeemable Preference Shares (CRPS)	2,477,250	-	2,477,250	-
	<u>6,891,022</u>	<u>9,600,899</u>	<u>6,891,022</u>	<u>9,600,899</u>
(a) Ordinary shares	2006 Number	2005 Number	2006 Number	2005 Number
Balance 1 July	87,134,947	86,384,947	87,134,947	86,384,947
- 20 May 2005	-	750,000	-	750,000
- 13 February 2006	1,200,000	-	1,200,000	-
- 3 March 2006	375,000	-	375,000	-
- 21 April 2006	9,053,333	-	9,053,333	-
- 9 June 2006	454,233	-	454,233	-
Balance 30 June	<u>98,217,513</u>	<u>87,134,947</u>	<u>98,217,513</u>	<u>87,134,947</u>



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

On 20 May 2005 750,000 (Seco) Convertible Notes were converted into 750,000 ordinary shares and 1,500,000 listed 20 cent options, exercisable on or before 31 December 2005.

On 13 February 2006, 1,200,000 ordinary shares were issued as executive remuneration.

On 3 March 2006, 375,000 (Seco) Convertible Notes were converted into 375,000 ordinary shares.

On 21 April 2006, 8,000,000 ordinary shares were issued relating to the acquisition of 180 Group Holdings Pty Ltd, pursuant to resolutions passed by the shareholders at general meeting. Also on 21 April 2006, 1,000,000 ordinary shares were issued to the Chairman as remuneration, pursuant to a resolution passed by shareholders at general meeting, plus a further 53,333 ordinary shares were issued following the exercise of 53,333 (unlisted) \$0.10 options.

On 21 April 2006 an equal capital reduction for the purposes of writing down the value of the share capital by an amount of \$7,107,884 was completed. This reduction represented the accumulated losses of the Company up to 30 June 2003 relating to its previous activities. The terms and conditions under which the capital reduction took place were set in the Notice of Meeting and Explanatory Memorandum sent to shareholders. The resolution to approve the capital reduction was passed by shareholders at the general meeting held on 21 April 2006.

On 9 June 2006, 454,233 ordinary shares were issued following the exercise of 454,233 (unlisted) \$0.10 options.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Convertible Redeemable Preference Shares

On 21 April 2006, 32 CRPS were issued relating to the acquisition of 180 Group Holdings Pty Ltd, pursuant to resolutions passed by the shareholders at general meeting.

In summary, the terms of the CRPS are as follows:

- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

(c) Options

For information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report included in the Directors' Report.

19 RESERVES

(a) Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
20 CASH FLOW INFORMATION				
(a) Reconciliation of cash flows from operations to Profit after tax				
Profit/(loss) after tax	2,583,294	1,197,279	(125,930)	70,769
Non-cash flows in profit/(loss):				
Depreciation	245,241	252,005	-	-
Write down on disposal of Plant & Equipment	(3,179)	29,103	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(1,301,261)	391,215	-	-
(Increase)/decrease in other non-current assets	(326,864)	(313,600)	-	-
(Increase)/decrease in other current assets	65,929	(94,979)	-	-
(Decrease)/increase in trade and other creditors	899,725	(816,222)	69,391	(502,024)
(Decrease)/increase in employee benefits	76,810	55,079	-	-
(Decrease)/increase in other liabilities	(53,344)	385,972	195,040	324,793
Cash flow from operations	2,186,351	1,085,852	138,501	106,462
21 COMMITMENTS				
<i>(i) Operating leases (non-cancellable):</i>				
Minimum lease payments				
- not later than one year	808,562	362,060	-	-
- later than one year and not later than five years	3,206,522	1,962,127	-	-
- later than five years	-	-	-	-
	<u>4,015,084</u>	<u>2,324,187</u>	-	-
<i>(ii) Hire purchase liability:</i>				
- not later than one year	17,161	18,481	-	-
- later than one year and not later than five years	66,123	47,557	-	-
- later than five years	-	-	-	-
Total minimum lease payments	83,284	66,038	-	-
- future finance charges	(11,810)	(8,551)	-	-
- lease liability	<u>71,474</u>	<u>57,487</u>	-	-
- current liability	13,028	14,578	-	-
- non-current liability	58,446	42,909	-	-
	<u>71,474</u>	<u>57,487</u>	-	-



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Directors and Key Management Personnel

(i) Directors

Sam Doumany	Chairman (non-executive)
Tim Odillo Maher	Director (executive)
Deborah Southon	Director (executive)
Fletcher Quinn	Director (non-executive) (resigned 30 November 2005)
Hugh Parsons	Director (non-executive) (appointed 1 August 2006)

(ii) Key Management Personnel

Duncan Cornish	Chief Financial Officer and Company Secretary
Nino Eid	Refinance Manager
Julie Sarriddine	Lending Manager
Scott Paterson	Lending Manager
Cellina Chen	Financial Controller

(b) Remuneration of Directors and Key Management Personnel

	Consolidated Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
Short-term employee benefits	1,042,056	852,895	-	-
Post-employment benefits	86,790	31,904	-	-
Share-based payments	329,850	1,396	195,000	-
	<u>1,458,696</u>	<u>886,195</u>	<u>195,000</u>	<u>-</u>

* Group totals in respect of the financial year ended 30 June 2005 do not equal the sums of amounts disclosed for 2005 for individuals specified in 2006, as different individuals were specified in 2005.

Fair value of options granted as part of remuneration are estimates only. The estimates are based on the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options.

Information about the remuneration of Directors and Key Management Personnel which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 124 "Related Party Disclosures" is included in the Remuneration Report within the Director's Report on pages 19 to 25. The Company has taken the relief provided by the Corporations Amendments Regulation 2006 (No. 4) released on 1 June 2006.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Options issued as part of remuneration for the period ended 30 June 2006

During the year options were granted as equity compensation benefits to one Key Management Personnel. The options were issued for no consideration. Each of the granted options entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.10 that expire on 31 December 2008, as set out below.

The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for Executives.

	Terms & Conditions for Each Grant							
	Grant Date	Grant Number	Vest Date	Fair Value per Option at Grant Date (\$)#	Exercise Price	Fair Value per Option at Exercise Date	Fair Value at Date Option Lapsed	% of Remuneration
Directors	No options have been issued to directors							
Key Management Personnel								
Duncan Cornish	10-Feb-06	500,000	10-Feb-06	\$0.0777	\$0.10	n/a	n/a	19.7%

Calculation of fair value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

(d) Shares issued on exercise of remuneration options

Options exercise during the year that were granted as remuneration in prior periods

	Number of Ordinary shares Issued	Amount Paid per Share	Amount Unpaid per Share
Key Management Personnel			
Cellina Chen	100,000	\$0.10	-
Total	<u>100,000</u>		

(e) Option holdings of Directors and Key Management Personnel

	Balance at 1 July 2005	Granted as remuneration	Options Exercised Other	Net Change	Balance at 30 June 2006	Vested at 30 June 2006		
						Total	Not Exercisable	Exercisable
ESOP Options								
Directors	n/a							
Key Management Personnel								
Duncan Cornish	-	-	-	-	-	-	-	-
Nino Eid	100,000	-	-	-	100,000	100,000	-	100,000
Julie Sarriddine	-	-	-	-	-	-	-	-
Scott Paterson	-	-	-	-	-	-	-	-
Cellina Chen	100,000	-	100,000	-	-	-	-	-
Total ESOP Options	200,000	-	100,000	-	100,000	100,000	-	100,000



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Option holdings of Directors and Key Management Personnel (continued)

	Balance at 1 July 2005	Granted as remuner- ation	Options Exercised	Net Change Other	Balance at 30 June 2006	Vested at 30 June 2006		
						Total	Not Exercisable	Exercisable
Unlisted Options (\$0.10 @ 31-Dec-08)								
Directors	n/a							
Key Management Personnel								
Duncan Cornish	-	500,000	-	-	500,000	500,000	-	500,000
Nino Eid	-	-	-	-	-	-	-	-
Julie Saredidine	-	-	-	-	-	-	-	-
Scott Paterson	-	-	-	-	-	-	-	-
Cellina Chen	-	-	-	-	-	-	-	-
Total Unlisted Options	-	500,000	-	-	500,000	500,000	-	500,000

	Balance at 1 July 2005	Granted as remuner- ation	Options Exercised	Net Change Other*	Balance at 30 June 2006
Listed Options (\$0.20 @ 31-Dec-05)*					
Directors					
Sam Doumany	-	-	-	-	-
Tim Odillo Maher	3,150,000	-	-	(3,150,000)	-
Deborah Southon	3,150,000	-	-	(3,150,000)	-
Fletcher Quinn	253,334	-	-	(253,334)	-
Total	6,553,334	-	-	(6,553,334)	-
Key Management Personnel					
Duncan Cornish	3,333	-	-	(3,333)	-
Nino Eid	-	-	-	-	-
Julie Saredidine	-	-	-	-	-
Scott Paterson	-	-	-	-	-
Cellina Chen	-	-	-	-	-
Total	3,333	-	-	(3,333)	-
Options (\$0.60 @ 30-Nov-06)					
Unlisted Directors					
Sam Doumany	-	-	-	-	-
Tim Odillo Maher	6,250,000	-	-	-	6,250,000
Deborah Southon	6,250,000	-	-	-	6,250,000
Total	12,500,000	-	-	-	12,500,000

* The \$0.20 @ 31-Dec-05 Options expired on 31 December 2005



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

22 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(f) Shareholdings of Directors and Key Management Personnel

<i>Shares held in FSA Group Limited (number)</i>	Balance 1 July 2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2006
Directors					
Sam Doumany	-	1,000,000	-	-	1,000,000
Tim Odillo Maher	17,495,512	-	-	7,200,000	24,695,512
Deborah Southon Fletcher Quinn (resigned 1 November 2005)	12,946,533	-	-	-	12,946,533
	5,213,138	-	-	(5,213,138)	-
Key Management Personnel					
Duncan Cornish	717,688	1,000,000	-	282,312	2,000,000
Nino Eid	-	-	-	-	-
Julie Sarieddine	-	-	-	-	-
Scott Paterson	-	-	-	-	-
Cellina Chen	-	200,000	100,000	-	300,000
Total	36,372,871	2,200,000	100,000	2,269,174	40,942,045

(g) Loans to Directors and Key Management Personnel

There were no loans to Directors or Key Management Personnel during the period.

(h) Other transactions to Directors and Key Management Personnel

Acquisition of 180 Group

On 27 October 2005, the Company entered into an agreement (Share Purchase Agreement) with Capital Management Corporation Pty Limited (Capital Management), Tim Maher (a director of the Company) and 180 Group Holdings Pty Limited (180 Group Holdings).

Under the Share Purchase Agreement, the Company agreed to acquire all of the issued capital in 180 Group Holdings from Capital Management in consideration for the issue on completion of:

- Eight million (8,000,000) ordinary shares in the capital of the Company (Shares); and
- Thirty two (32) convertible redeemable preference shares in the capital of the Company on the terms described below (CRPS).

- Capital Management owns 100% of 180 Group Holdings which in turn owns 70% of the issued capital in 180 Group Pty Limited which in turn owns interests in other operating subsidiaries (collectively, the 180 Group).

Shareholder approval was required and obtained (on 21 April 2006) due to:

- 180 Group Holdings being a substantial asset;
- Capital Management (the vendor) was controlled by Mr Tim Maher (a director of FSA Group), so was therefore a related party of FSA Group;
- consideration for the acquisition of 180 Group Holdings includes the issue of Shares and Convertible Redeemable Preference Shares; and
- the consideration paid to the vendor would result in Mr Tim Maher and his associates voting power increasing from 20% or below to more than 20% of FSA Group.



Convertible Redeemable Preference Shares (CRPS)

Part of the consideration for the acquisition of 180 Group Holdings was paid by FSA Group by the issue of the CRPS. In summary, the terms of the CRPS are as follows:

- a total of 32 one dollar (\$1) CRPS were issued to Capital Management, the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

Other transactions with key management personnel

Mr Fletcher Quinn (a former director), was a director of Sirocco Broadband Pty Ltd during the period. Sirocco Broadband Pty Ltd provided broadband services to the Company. The Company paid \$33,004 for the provision of broadband services to Sirocco Broadband Pty Ltd during the year. The services were based on normal commercial terms and conditions.

Prior to the acquisition of 180 Group, Mr Tim Odillo Maher (a director), was a director and majority shareholder of 180 Group Pty Ltd. 180 Group Pty Ltd rented office space from the Company during the period. 180 Group Pty Ltd paid \$103,862 for office rental to the Company during the year. The rental was based on normal commercial terms and conditions.

23 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2006.

24 RELATED PARTY DISCLOSURES

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(b) Subsidiaries

Interests in subsidiaries are set out in note 11.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

25 SEGMENT INFORMATION

The Consolidated Entity's principal activities are:

- Debt Agreements
- Mortgage Refinancing
- Other services

The Consolidated Entity operates in one geographical segment being Australia.

Business segments

	Debt Agreements		Mortgage Refinancing		Other		Consolidated Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue								
External sales	14,632,705	11,933,034	4,634,954	1,989,075	2,550,849	256,092	21,818,508	14,178,201
Internal sales	-	-	-	-	198,654	4,154,293	198,654	4,154,293
Eliminations	-	-	-	-	-	-	(198,654)	(4,154,293)
Total Revenue							21,818,508	14,178,201
Results								
Segment profit	1,803,298	1,876,554	954,814	504,300	(174,818)	(1,110,319)	2,583,294	1,197,279
Unallocated expense							-	-
Net Profit							2,583,294	1,197,279
Segment assets	16,116,222	10,184,763	5,779,088	2,421,758	10,540,577	3,024,539	32,435,887	15,631,060
Eliminations							(9,862,012)	(3,748,368)
Total assets							22,573,875	11,882,692
Segment liabilities	12,246,187	7,795,068	1,733,565	616,517	4,326,637	2,526,456	18,306,389	10,938,041
Eliminations							(7,659,648)	(3,733,055)
Total liabilities							10,646,741	7,204,986



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26 FINANCIAL INSTRUMENTS

(a) Terms and Conditions relating to financial assets and liabilities:

Receivables – Trade receivables are non-interest bearing and can take up to eighteen months to collect. This is normal for this type of business.

Payables – Trade and other payables are non-interest bearing and normally settled on 30 day terms.

Institutional Creditors – Non-interest bearing and are dispersed to institutional creditors in accordance with the debt agreements.

Convertible Note facility – FSA Group Ltd has entered into convertible note facilities that, at 30 June 2006, had \$95,000 owing. The convertible note facilities currently in place expired on 24 June 2004.

(c) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2006	Floating interest rate	Fixed interest rate		Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year and less	2 – 5 years			
	\$	\$	\$	\$	\$	%
(i) Financial assets						
Cash	7,954,396	-	-	-	7,954,396	5.13%
Other financial assets	-	640,464	-	-	640,464	5.24%
Trade receivables	-	1,895,705	-	6,297,991	8,193,696	5.91%
Total financial assets	7,954,396	2,536,169	-	6,297,991	16,788,556	
(ii) Financial liabilities						
Trade creditors	-	71,474	-	700,551	700,551	
Institutional creditors	-	-	-	3,569,897	3,569,897	
Other creditors	-	-	-	1,386,593	1,386,593	
Hire purchase liabilities	-	-	-	-	71,474	7.60%
Mortgage loan	-	-	272,000	-	272,000	6.75%
Convertible Note - unsecured	-	-	-	95,000	95,000	
Total financial liabilities	-	71,474	272,000	5,752,041	6,095,515	
Net financial assets/ (liabilities)	7,954,396	2,464,695	(272,000)	545,950	10,693,041	

The Noteholders have the ability to convert the loan moneys into ordinary shares in the Company at an issue price of 20 cents each, together with two (2) free attaching options to subscribe for ordinary shares in the Company, exercisable at 20 cents each. The notes are no longer interest bearing.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The Company does not have any material credit risk exposure to any single debtor or group of debtor under financial instruments entered into by the Company.



12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 26 FINANCIAL INSTRUMENTS (continued)

2005	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		I year and less			
	\$	\$	\$	\$	%
(i) Financial assets					
Cash	2,827,112	2,313,980	-	5,141,092	4.17%
Other financial assets	-	313,600	-	313,600	5.24%
Trade receivables	-	-	4,850,826	4,850,826	
Total financial assets	2,827,112	2,627,580	4,850,826	10,305,518	
(ii) Financial liabilities					
Trade creditors	-	-	319,752	319,752	
Institutional creditors	-	-	3,719,678	3,719,678	
Other creditors	-	-	501,041	501,041	
Hire purchase liabilities	-	57,487	-	57,487	7.60%
Convertible Note - unsecured	-	-	170,000	170,000	
Total financial liabilities	-	57,487	4,710,471	4,767,958	
Net financial assets/(liabilities)	2,827,112	2,570,093	140,355	5,537,560	



13

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) The audited remuneration disclosures set out on pages 14 to 22 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Chief Executive Officer and Chief Financial Officer have each declared that:

- (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) the financial statements and accompanying notes for the financial year comply with the Accounting Standards; and

(c) the financial statements and accompanying notes for the financial year give a true and fair view

(d) any other matters that are prescribed by regulations in relation to the financial statements and notes for the financial year are satisfied.

On behalf of the Board

This declaration is made in accordance with a resolution of the Board of Directors.

Tim Odillo Maher
Director

Sydney
29 September 2006



14

INDEPENDENT AUDIT REPORT

Scope

The financial report, remuneration disclosures and directors' responsibility.

The financial report comprises the balance sheets, income statements, statements of changes in equity, statements of cash flows, notes to the financial statements and the directors' declaration for both FSA Group Ltd (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures under the heading "remuneration report" in pages 14 to 22 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by

the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion:

- (1) the financial report of the company and the consolidated entity is in accordance with:
 - (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia; and
- (2) the remuneration disclosures that are contained in pages 14 to 22 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

PKF

Chartered Accountants

Wayne Wessels

Partner

Dated in Brisbane this the 29th day of September 2006

Liability limited by a scheme approved under professional standards legislation.



THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

FSA GROUP LTD

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006



FSA GROUP LTD

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

