FSA Group Limited

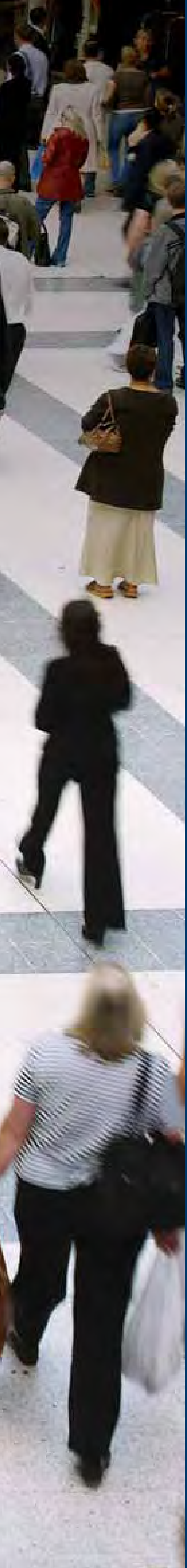
Annual Report 2010

Growing with FSA Group

FSA Group Limited

ABN 98 093 855 791

Contents



Australia's largest provider of debt solutions

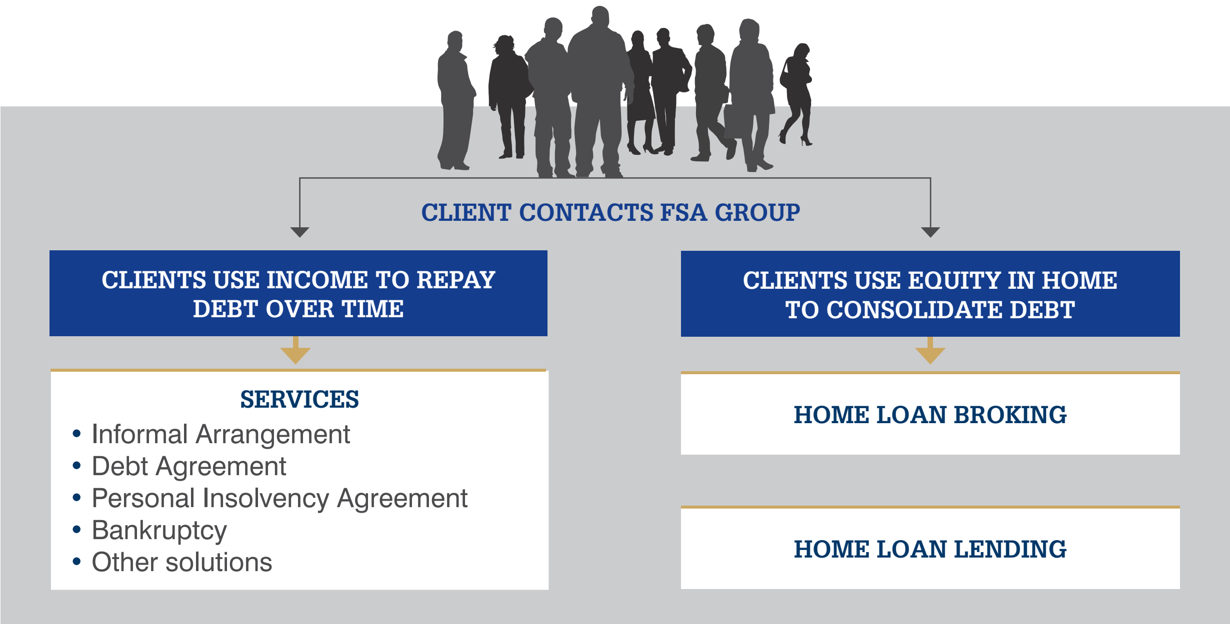
Since 2000 FSA Group has helped thousands of Australians take control of their debt. Our large and experienced team of 165 professionals offer a range of debt solutions, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients. Our vision is to expand our range of debt solutions, extending our services and introducing new products to meet the demand of our growing pool of clients.

Growing

by leveraging a proven business model…

Our Business Model

FSA Group has grown and evolved with the changing needs of our clients and market forces and, working closely with our clients, we have added products and services in direct response to client demands. We grow our client base through customised marketing and word of mouth and we support our clients through a sophisticated operating platform. This allows us to process and support large volumes at low transaction cost while also fostering positive client relationships. Critically our operating platform underpins and reinforces our risk management and compliance capabilities.



Our services

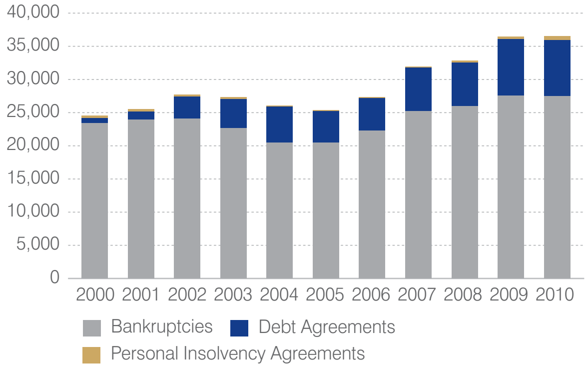
FSA Group offers a range of simple and convenient services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements, bankruptcy assistance and other solutions. We presently manage over $240 million of unsecured debt under debt agreements.

Our products

FSA Group offers a range of simple and convenient products to assist clients with property wishing to consolidate their debt. FSA Group offers solutions both as a broker and lender of non-conforming home loans. We presently manage a high quality loan pool of over $200 million which is outperforming those of our competitors.

...in growth markets with high barriers to entry.

Services Market



Source: Insolvency and Trustee Service Australia

Home Loan Market

Source: Datamonitor

FSA Group has 51% market share for debt agreements.

The services market consists of individuals who rely upon a debt agreement or a personal insolvency agreement or bankruptcy to address their unmanageable debt. Debt agreements are an alternative to bankruptcy.

In July 2007 the Bankruptcy Act 1966 was amended, changing the way fees could be charged and collected for debt agreements. The result has been to further increase the barriers to entry into the market as administrators require a substantial capital base to operate.

FSA Group is one of the few remaining non-conforming lenders.

The non-conforming home loan market consists of lenders who provide loan products to an individual who is unlikely to "conform" to the lending criteria of the banks. Prior to the Global Financial Crisis, the market was characterised by a high number of competitors.

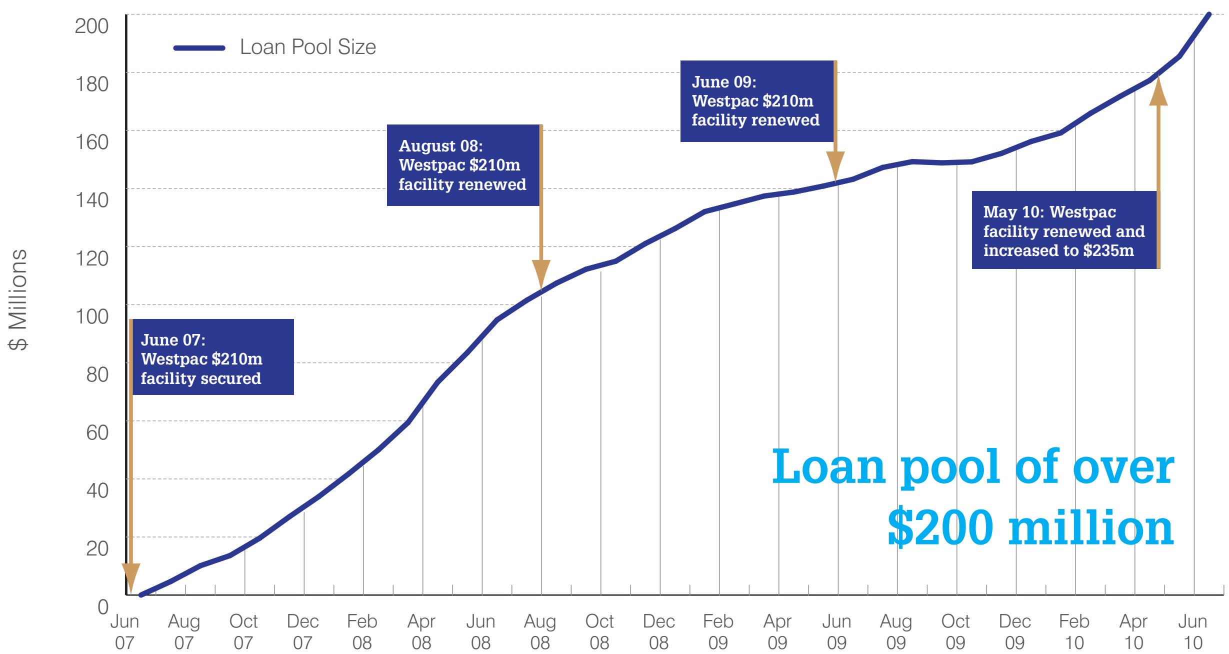
Today the market is significantly altered. Fewer competitors exist with increased levels of capital now required to operate a home loan lending business. The result has been to further increase the barriers to entry into the market.

Growing

by expanding our lending services…

Lending Services

Home Loan Lending



At the start of the 2008 financial year, FSA Group commenced its non-conforming home loan lending division with Westpac Banking Corporation committing non-recourse funding of $210 million. This facility was increased to $235 million and renewed for a further term during the 2010 financial year.

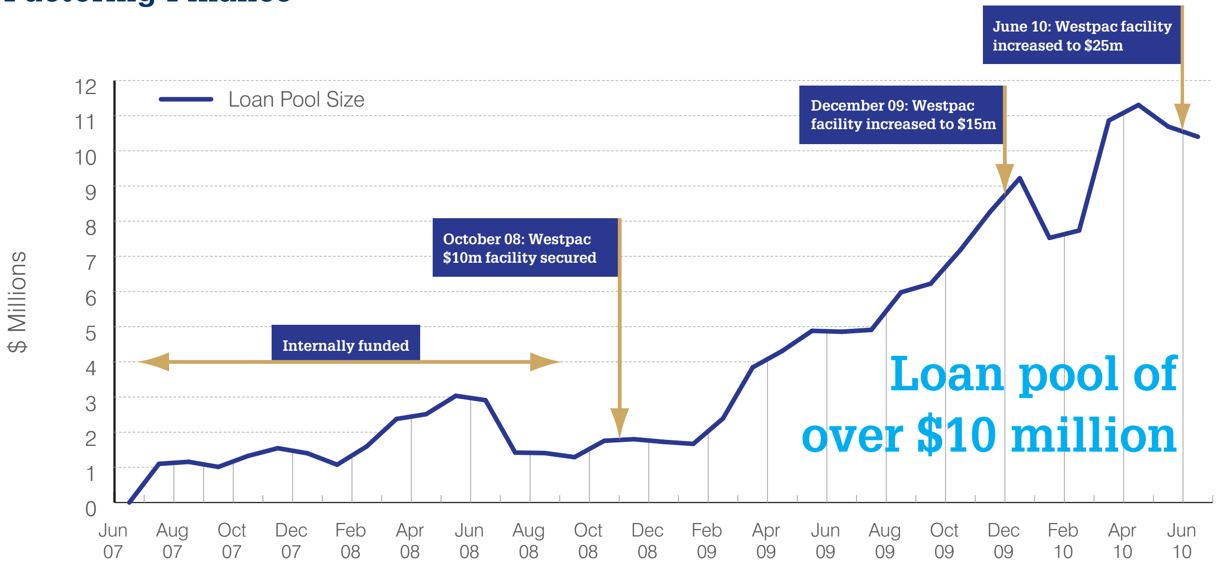
Through home loan lending FSA Group is better positioned to assist more clients, capture greater margin and most importantly secure annuity income.

FSA Group has firmly established a track record in home loan lending. It has originated a high quality loan pool of over $200 million which is outperforming those of its competitors.

The exiting from the industry of a number of lenders has opened up an opportunity for FSA Group to expand its home loan lending division. FSA Group is aiming to grow its loan pool to $600 million by 2013.

...to assist more clients, capture greater margin and secure annuity income.

Factoring Finance



FSA Group also provides a range of debt solutions to small businesses including the provision of factoring finance.

In 2008 FSA Group commenced its factoring finance division with Westpac Banking Corporation committing limited-recourse funding of $10 million. This facility was increased to $25 million and renewed for a further term during the 2010 financial year.

FSA Group has firmly established a track record in factoring finance. It has originated a high quality loan pool of over $10 million.

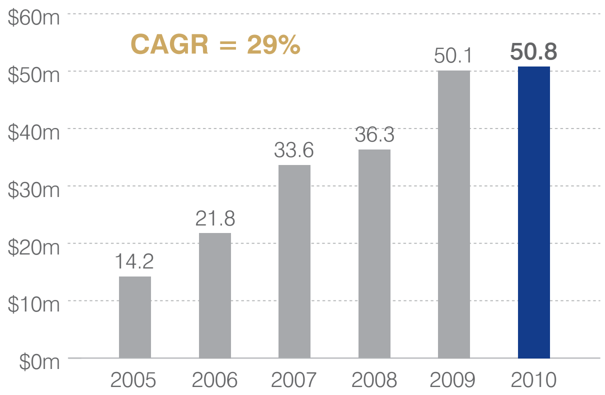
FSA Group is experiencing high quality demand for factoring finance because the availability of credit for small businesses continues to remain tight. FSA Group is aiming to grow its loan pool to around $20 million to $25 million by 2011.

Growing

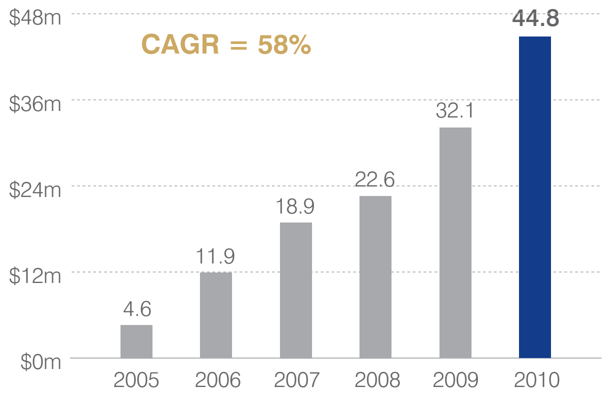
by delivering a track record of strong financial performance…

Financial Performance

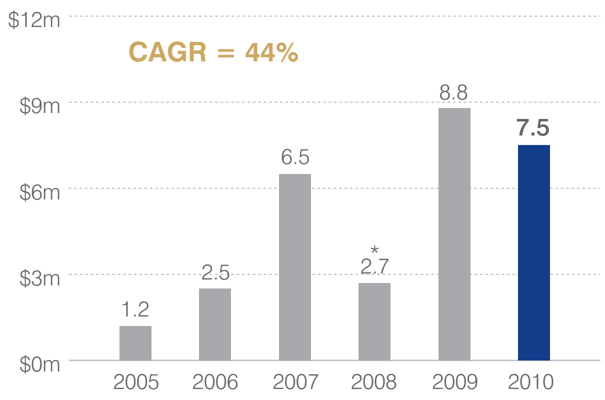
Revenue



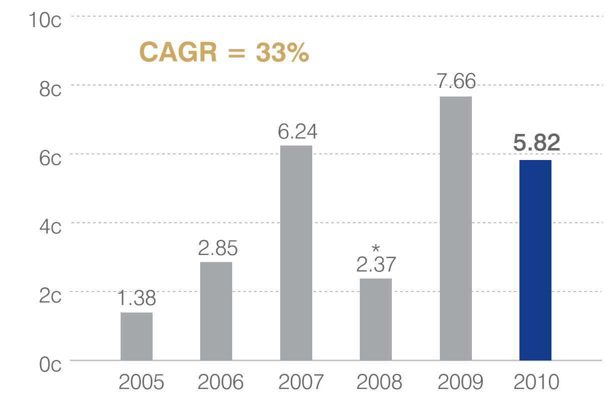
Net Assets



Profit After Tax (Attributable to Members)



Basic Earnings Per Share



*Transitioned to home long lending – once off downward pressure on profit.

...and building a range of solutions that support our clients throughout their entire financial lifecycle.

DEBT SOLUTIONS → REHABILITATION PERIOD → BUILDING WEALTH

Our vision is to expand our range of debt solutions, extending our services and introducing new products to meet the demand of our growing pool of clients.

Chairman's Letter

Dear Shareholders,

Unusual macro economic conditions during the year impacted our business. Despite this we have successfully navigated this period of historically low interest rates, followed by rising interest rates combined with the effect of the Government stimulus package, which temporarily slowed demand for our products and services.

FSA Group generated $50.78 million in revenue, achieved a profit after tax attributable to members of $7.52 million for the 2010 financial year and is in a strong financial position.

FSA Group has retained its position as the largest provider of debt solutions to individuals. Our market share for debt agreements is 51%. We manage over $240 million of unsecured debt under debt agreements and during the year paid $55.6 million in dividends to creditors. We are one of the largest registered trustees and the largest broker of non-conforming home loans in the country.

FSA Group has firmly established a track record in non-conforming home loan lending. We have originated a high quality loan pool of over $200 million which is outperforming those of our competitors. This was achieved through a disciplined approach to origination and exceptional arrears management. During the year our facility was increased to $235 million and renewed for a further term by Westpac Banking Corporation. In addition, we successfully raised $5 million in capital to support the future growth of this division. FSA Group is aiming to grow its loan pool to $600 million by 2013.

FSA Group also provides a range of debt solutions to small businesses including the provision of factoring finance. FSA Group has originated a high quality loan pool of over $10 million. During the year our facility was increased to $25 million and renewed for a further term by Westpac Banking Corporation. FSA Group is aiming to grow its loan pool to around $20 million to $25 million by 2011.

The Directors have committed to continuing the current policy of reinvesting earnings into high growth divisions particularly home loan lending and factoring finance. Through home loan lending and factoring finance FSA Group is better positioned to assist more clients, capture greater margin and most importantly secure annuity income. The Directors therefore have not recommended a dividend for the 2010 financial year.

High levels of consumer debt together with a higher interest rate environment should continue to drive demand for our products and services which we expect will increase considerably in 2011 and 2012. Demand for our home loan lending and factoring finance remains strong. We will continue to source additional funding capacity to support the growth of high quality loan pools and to achieve our long term targets.

I am confident of continued substantial growth for FSA Group in the years ahead. I would like to thank my fellow directors, all our executives and staff for their contribution to the successes of the current year.

Yours sincerely,

Sam Doumany
Chairman

Executive Director's Review

Dear Shareholders,

The 2010 financial year has been very successful for FSA Group considering the unusual macro economic conditions which impacted our business.

In the first half of the year we experienced an historically low interest rate environment combined with the effect of the Government stimulus package which temporarily slowed demand for our products and services. In the second half we experienced a rising interest rate environment, in which the RBA increased the cash rate by 150bps which had a short term impact on the profitability of our home loan lending division. There has been no better environment to test our business model than the 2010 financial year.

During the year demand for our debt solutions underpinned revenues of $50.78 million (2009: $50.07 million) and helped to deliver a profit after tax attributable to members of $7.52 million (2009: $8.84 million).

Financial Overview	FY2009	FY2010	% Change
Revenue and Income	$50.07m	$50.78m	▲ 1%
Profit Before Tax	$13.93m	$12.87m	▼ 8%
Profit After Tax (Attributable to Members)	$8.84m	$7.52m	▼ 15%
Net Assets	$32.07m	$44.75m	▲ 40%
NTA backing/share	24.2¢	29.9 ¢	▲ 24%
EPS basic	7.66¢	5.82¢	▼ 24 %

Our business operates across the following key segments, Services, Home Loan Broking and Home Loan Lending. FSA Group also provides a range of debt solutions to small businesses including the provision of Factoring Finance.

I will now provide more detail around the operational performance of each division.

Executive Director's Review

Operational Performance

Services

The Services division offers a range of simple and convenient solutions to assist clients wishing to enter into a payment arrangement with their creditors. These include informal arrangements, debt agreements, personal insolvency agreements, bankruptcy assistance and other solutions.

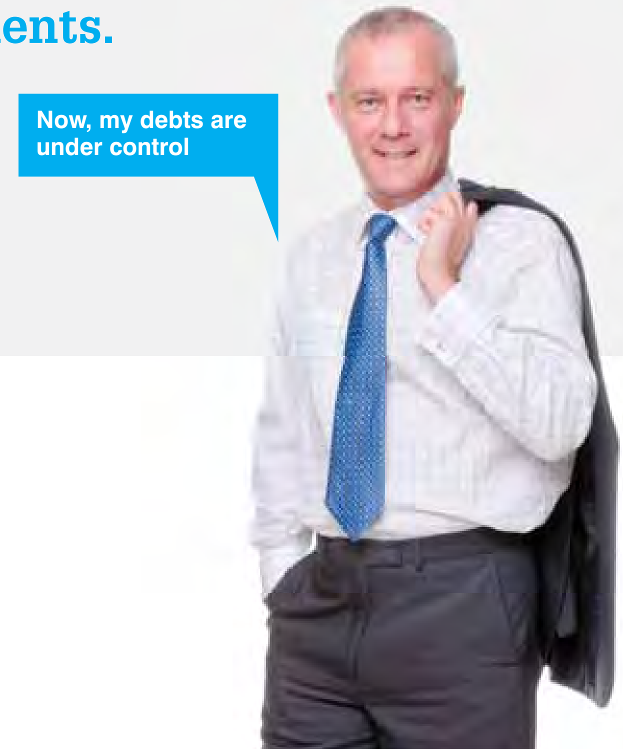
FSA Group is the largest provider of debt agreements and one of the largest registered trustees for personal insolvency agreements and bankruptcies in Australia.

During 2009 the Services division assisted a record number of clients. There was a 37% increase in debt agreement client numbers and a 22% increase in personal insolvency agreement and bankruptcy clients numbers when compared to 2008.

In the first half of 2010, our Services division was affected by an historically low interest rate environment together with the effect of the Government stimulus package. This temporarily slowed demand for our services, as shown in the table below, and resulted in lower than expected client numbers for the sector as a whole. Notwithstanding, FSA Group was able to maintain its market share for debt agreements of 51% and remains the clear market leader.

Client Numbers	FY2009	FY2010
Debt Agreements	Up 37%	Down 6%
Personal Insolvency Agreements and Bankruptcies	Up 22%	Up 2%

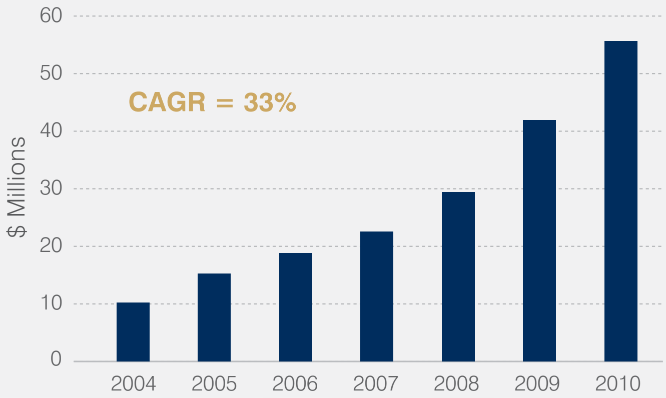
FSA Group has 51% market share for debt agreements.



FSA Group manages over $240 million of unsecured debt under debt agreements. The strength of FSA Group's arrears and risk management capabilities is evidenced by the dividends paid to creditors. During 2010 FSA Group paid $55.6 million in dividends to creditors which was an increase of 33% compared with the $41.7 million paid in 2009.

In July 2007 the Bankruptcy Act 1966 was amended, changing the way fees could be charged and collected. The result has been to further increase the barriers to entry into the market as debt agreement administrators require a substantial capital base to operate. FSA Group's competitors in this market include 35 administrators which combined, make up market share balance of around 49%.

Dividend Distributions to Creditors



WHAT IS A DEBT AGREEMENT?

A debt agreement, which was introduced into the Bankruptcy Act in 1996, is a simple way for an indebted individual to come to a payment arrangement with their creditors and yield superior returns to creditors when compared with bankruptcy.

FSA Group manages over $240 million of unsecured debt under debt agreements.

Home Loan Broking and Home Loan Lending

The Home Loan Broking and Home Loan Lending divisions offer a range of simple and convenient solutions to assist clients with property wishing to consolidate their debt. FSA Group offers solutions both as a broker and a lender of non-conforming home loans. The non-conforming home loan market consists of lenders who provide loan products to an individual who is unlikely to "conform" to the lending criteria of the banks.

FSA Group is the largest broker of non-conforming home loans in the country. During 2009, the high interest rate environment and tighter credit conditions impacted client numbers. There was an 18% fall in the number of home loan approvals when compared to 2008. During 2010, the lower interest rate environment, the improvement in availability of credit and the property market resulted in the number of home loan approvals increasing by 41% when compared to 2009. During the period, approximately 59% of FSA Group's home loan approvals were brokered to third party lenders with the balance assisted by FSA Group's Home Loan Lending division.

FSA Group has firmly established a track record in non-conforming home loan lending. We have originated a high quality loan pool of over $200 million which is outperforming those of our competitors. In the first half of 2010 the loan pool grew by $15 million and as demand recovered in the second half the loan pool increased by a further $35 million. During the year our facility was increased to $235 million and renewed for a further term by Westpac Banking Corporation.

Home Loan Lending	
Loan Pool Size	$200m
Security Type	1st Mortgage
Average Loan Size	$203,000
Average Weighted LVR	67%
% Full Doc Borrowers	97%
% Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
>30 day arrears*	3.89%
Loss of Capital since inception	$76,000
Target 2013	$600m

* By comparison our competitors >30 day arrears as measured by the Standard & Poors Index was 12.01% as at May 2010

The exiting from the industry of a number of lenders has opened up an opportunity for FSA Group to expand its home loan lending division.

FSA Group is aiming to grow its loan pool to $600 million by 2013.

Debt solutions for small businesses

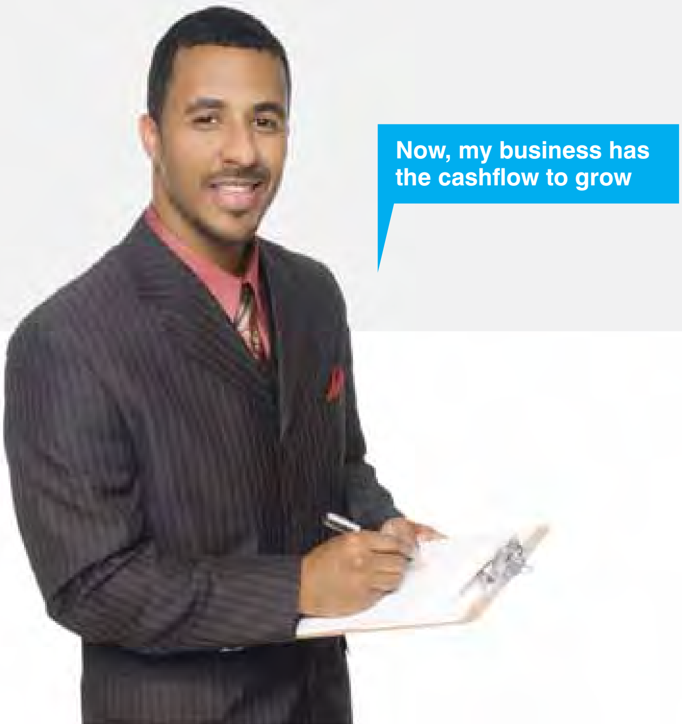
FSA Group continues to grow its small business division which offers a range of debt solutions including the provision of factoring finance. Factoring finance assists small businesses with cash flow management.

FSA Group has firmly established a track record in factoring finance. We have originated a high quality loan pool of over $10 million. During the year our facility was increased to $25 million and renewed for a further term by Westpac Banking Corporation.

Factoring Finance	
Loan Pool Size	$10m
Security Type	Assigned Receivables
Average Loan Size	$172,000
Average Weighted LVR	Ranges 55%-65%
% Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
> 90 day arrears	5.42%
Asset Insured	Yes
Loss of Capital since inception	Nil
Target 2011	$20m – 25m

FSA Group is experiencing high quality demand for factoring finance because the availability of credit for small businesses continues to remain tight.

FSA Group is aiming to grow its loan pool to $20 million to $25 million by 2011.



Executive Director’s Review continued

Strategy and Outlook

High levels of consumer debt together with a higher interest rate environment should continue to drive demand for our products and services which we expect will increase considerably in 2011 and 2012.

Through home loan lending and factoring finance FSA Group is better positioned to assist more clients, capture greater margin and most importantly secure annuity income. The exiting from the industry of a number of lenders has opened up an opportunity for FSA Group to expand its home loan lending division. FSA Group is aiming to grow its loan pool to $600 million by 2013. FSA Group is experiencing high quality demand for factoring finance because the availability of credit for small businesses continues to reman tight. FSA Group is aiming to grow its loan pool to around $20 million to $25 million by 2011. We will continue to source additional funding capacity to support the growth of high quality loan pools and to achieve our long term targets.

Our longer term vision is to build a range of accessible solutions that support our clients throughout their entire financial lifecycle. To achieve this we will continue to invest in expanding FSA Group’s products and services. We believe this will enable us to both leverage our existing client base and grow the pool of clients we can assist going forward.

Our People

FSA Group recognises that the productivity, performance and reputation of the organisation ultimately depends on the quality, knowledge and skills of its’ people. We therefore invest in our people and are committed to providing the appropriate training and development opportunities they require to excel at their role. We have created a culture founded on discipline, ethics and fairness with a focus on continuous improvement. I thank and acknowledge the commitment and effort of our team and I thank the Board for their support and guidance.

Yours sincerely,

Tim Odillo Maher
Executive Director

Directors and Secretaries

(Below from left) **Stan Kalinko, Hugh Parsons, Sam Doumany, Tim Odillo Maher, Deborah Southon, Anthony Carius and Duncan Cornish.**

Financial Statements

Contents

Directors' Report

for the year ended 30 June 2010

Your Directors present their report for the year ended 30 June 2010.

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
Stan Kalinko

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

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 (Agriculture) from the University of Sydney and is a member of the Australian Institute of Company Directors.

Other current (listed company) directorships

Lindsay Australia Limited

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Member of the Company's Audit and Risk Management Committee

Interest in shares and options

Ordinary Shares	1,040,541

Tim Odillo Maher (Executive Director)

Experience and Expertise

Mr Odillo Maher was appointed on 30 July 2002. Mr Odillo 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 Odillo 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.

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	48,809,231

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	12,960,047

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, 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 was 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., MAICD.

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Chairman of the Company's Audit and Risk Management Committee

Interest in shares and options

Nil

Stan Kalinko (Non-Executive Director)

Experience and Expertise

Mr Kalinko was appointed on 9 May 2007.

Mr Kalinko commenced his career in South Africa and spent 20 years as a practising solicitor.

In late 1983, he migrated to Australia and spent 1 year as an associate at Stephen Jaques Stone James, now Mallesons Stephen Jaques.

Between 1985 and 1989 he worked as a merchant banker for Kleinwort Benson Australia ("KBA"), a subsidiary of the largest merchant bank in the United Kingdom at the time, until KBA was sold to Security Pacific Ltd. Mr Kalinko continued to work there until 1991.

For 16 years prior to joining the Board of FSA Group, Mr Kalinko was a partner at Deacons, (now Norton Rose) a national and international law firm. He specialised primarily in corporate and commercial law, focussing on mergers and acquisitions, management buy-outs and joint ventures, and advising company directors and underwriters on capital raisings.

He spent 8 years on the board of Deacons in Sydney, 3 years on their national board, 10 years as the business unit leader of their Banking and Finance Practice Group and 3 years as Chairman of the Sydney office.

Mr Kalinko retired from Deacons on 30 June 2007.

Mr Kalinko is a Fellow of the Australian Institute of Company Directors and has a Bachelor of Commerce, a Bachelor of Law and a Higher Diploma in Tax. He is also an accredited mediator.

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Member of the Company's Audit and Risk Management Committee

Interest in shares and options

Ordinary Shares	15,406

Secretaries

Mr Duncan Cornish and Mr Anthony Carius were joint secretaries of the Company during the year and until the date of this report.

Duncan Cornish

Mr Cornish has more than fifteen 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 is also the joint secretary of the Company's Audit and Risk Management Committee.

Anthony Carius

Mr Carius has worked for ten years in accounting, primarily with accounting firm PKF International in both Australia and England. His experience consists of providing mainly assurance and corporate services to a range of listed and non-listed companies across various industries.

He holds a Bachelor of Business degree and a Graduate Diploma from the Institute of Chartered Accountants in Australia. He is also a member of the Institute of Chartered Accountants in Australia.

Mr Carius serves as the Company's Chief Financial Officer and is also the joint secretary of the Company's Audit and Risk Management Committee.

Principal activities

The principal activities of the Consolidated Entity during the year were providing debt solutions and direct lending services to individuals and businesses.

Operating results

The consolidated profit from ordinary activities for the Consolidated Entity after providing for income tax and eliminating Non-Controlling interests was $7,520,564 (2009: $8,837,172).

Dividends paid or recommended

There were no dividends paid or recommended to be paid 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 in the Executive Director's review.

Review of financial condition

Capital structure

There have been no changes to the Company's capital structure during or since the end of the financial year except as follows:

- On 7 October 2009, a placement to Institutional and Sophisticated Investors for 11.35 million shares at 37 cents per share was undertaken;
- On 6 November 2009, a Share Purchase Plan to Shareholders at 37 cents per share was undertaken which issued 2,964,932 ordinary shares;
- On 27 January 2010, 500,000 ordinary shares were issued on exercise of 500,000 $0.25 options;
- On 1 February 2010, 8 convertible redeemable preference shares ("CPRS") were converted to 8,000,000 ordinary shares pursuant to the terms of the purchase agreement of 180 Group, acquired on 21 April 2006, upon 180 Group meeting its cumulative profit target to 30 June 2008. The remaining 8 CRPS were redeemed at this time due to 180 Group not meeting its profit target for 30 June 2009; and
- On 2 July 2010, 1,050,000 options exercisable at $0.50 on or before 2 July 2013 were issued as part of Executive remuneration.

Financial position

The net assets of the Consolidated Entity have increased by $12,681,024 from that at 30 June 2009 to $44,749,490 at 30 June 2010.

The Consolidated Entity's working capital, being current assets less current liabilities has improved from $19,965,584 in 2009 to $22,875,268 in 2010.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's 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

There were no significant changes in the state of affairs of the Consolidated Entity in the financial year.

After reporting date events

There have been no events since the end of the financial year that impact upon the financial statements as at 30 June 2010 except as follows:

- On 2 July 2010, 1,050,000 options exercisable at $0.50 on or before 2 July 2013 were granted as part of Executive remuneration.

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 in the Executive Director's review.

There are no further developments that the Directors are aware of 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 Executive Director's review and besides any other 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 2010 there were no unissued ordinary shares under options. Subsequent to year end 1,050,000 options for unissued ordinary shares in FSA Group Ltd were granted.

Indemnification and insurance of directors and officers

Each of the Directors and the Secretaries of the Company have entered 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 and Secretaries; and indemnifies those Directors and Secretaries against liabilities suffered in the discharge of their duties as Directors or Secretaries of the Company.

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.

Remuneration Report (Audited)

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, Executives and Senior Management. To prosper, the Company must attract, motivate and retain highly skilled Directors, Executives and Senior Management.

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 in 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, Executives and Senior Management.

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 shareholder 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 Directors, Executives 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, Executive and Senior Management objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Director, Executive Director, Executives 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 excluding the value of share options expensed as calculated by the Black-Scholes method (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 Directors' or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of Non-Executive Directors for the year ending 30 June 2010 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. 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. share-based payments.

Performance based salary increases and bonuses are assessed on a discretionary basis by the Board. No formal performance conditions or earnings milestones have been set for the granting of salary increases and bonuses. This allows the Board to retain flexibility around granting of salary increases and bonuses if the Company is affected by adverse economic conditions, and the payment of these salary increases and bonuses is not in the best interests of shareholders. A review of bonuses paid to the Executive Directors over the previous 5 years is consistent with the operational performance of the Group in those periods.

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 year ended 30 June 2010 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 Ltd are issued with options over the ordinary shares of FSA Group Ltd. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of FSA Group Ltd. The options cannot be transferred and will not be quoted on the ASX. 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 and the exercise period is determined by the Board in accordance with Listing Rules.

No formal policy has been adopted regarding employees and directors hedging exposure to holdings of the Company's securities. No employees or directors have hedged their exposures.

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 Odillo 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 Odillo Maher or Ms Southon cease to be Directors of FSA Group Ltd.
- The contracts provide for annual reviews of performance by FSA Group Ltd.
- There are no early termination clauses.

Non-Executive Directors

Mr Hugh Parsons

Mr Hugh Parsons has been engaged under an Employment Agreement and a Letter of Appointment of Non-Executive Director.

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

- Annual fee of $64,438 (exclusive of superannuation).

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

- To serve as the Company's Compliance Officer when required.
- Three year term, plus an option by both parties for a further three year term.
- Remuneration of $125 per hour.
- Redundancy Payment as follows:

  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 Parsons 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:

  – 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).

Mr Stan Kalinko

Mr Stan Kalinko has been engaged under a Letter of Appointment of Non-Executive Director.

The key terms of Mr Kalinko's Letter of Appointment as Non-Executive Director are:

- Annual fee of $49,995 (exclusive 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 and shares	board discretion
Resignation/notice period	1-3 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

(a) Details of Directors and Key Management Personnel

(i) Directors

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Hugh Parsons	Non-Executive Director
Stan Kalinko	Non-Executive Director

(ii) Key Management Personnel

Duncan Cornish	Joint Company Secretary
Anthony Carius	Chief Financial Officer and Joint Company Secretary
Fred El Tahche	Chief Information Officer (appointed 27 April 2009)
Goran Turner	Chief Executive – Fox Symes Home Loans
Nino Eid	Manager – Refinance.

(b) Remuneration of Directors and Key Management Personnel

The Key Management Personnel of the Group include Duncan Cornish, Anthony Carius and Fred El Tahche, being the only executive officers of the Group's parent company, FSA Group Ltd.

Table 1

	Short-term			Long-term	Post-Employment	Share-based Payment	Total	Performance based
	Salary & Fees $	Cash Bonus $	Non-cash benefits $	Non-cash benefits $	Super-annuation $	$	$	%
Directors								
Sam Doumany								
2010	**88,879**	–	–	**2,946**	**7,999**	–	**99,824**	–
2009	80,000	–	–	6,097	7,200	–	93,297	–
Tim Odillo Maher								
2010	**218,000**	**125,000**	–	–	–	–	**343,000**	**36%**
2009	195,333	30,000	–	–	–	–	225,333	13%
Deborah Southon								
2010	**209,230**	**123,462**	**3,846**	**5,247**	**14,461**	–	**356,246**	**35%**
2009	192,342	29,318	8,081	16,202	14,326	–	260,269	11%
Hugh Parsons								
2010	**57,937**	–	–	–	**12,299**	–	**70,236**	–
2009	71,230	–	–	–	8,591	26,802	106,623	–
Stan Kalinko								
2010	**48,307**	–	–	–	**6,187**	–	**54,494**	–
2009	–	–	–	–	49,050	67,233	116,283	–
Total Remuneration								
2010	**622,353**	**248,462**	**3,846**	**8,193**	**40,946**	**–**	**923,800**	
2009	538,905	59,318	8,081	22,299	79,167	94,035	801,805	

Executive Director bonuses totalling $250,000 ($60,000: 2009) inclusive of statutory payroll entitlements (representing 100% of the total bonuses to be paid) were paid on 4 February 2010 and were approved by the Board. The Executive Directors abstained from the vote.

	Short-term			Long-term	Post-Employment	Share-based Payment	Total	Performance based
	Salary & Fees $	Cash Bonus $	Non-cash benefits $	Non-cash benefits $	Super-annuation $	$	$	%
Key Management Personnel								
Duncan Cornish								
2010	**40,000**	–	–	–	–	–	**40,000**	–
2009	35,000	–	–	–	–	–	35,000	–
Anthony Carius								
2010	**172,815**	**–**	**13,824**	–	**14,292**	**7,647**	**208,578**	–
2009	131,175	–	17,928	–	11,550	26,809	187,462	–
Fred El Tahche								
2010	**182,000**	***30,000**	**12,839**	–	**17,161**	–	**242,000**	**12%**
2009	28,000	–	1,614	–	2,520	–	32,134	–
Goran Turner								
2010	**246,140**	–	**4,028**	–	**18,000**	–	**268,168**	–
2009	247,491	**175,000	11,563	–	18,000	–	452,054	39%
Nino Eid								
2010	**149,368**	–	–	–	**13,443**	**2,832**	**165,643**	**33%**
2009	136,247	–	5,871	–	12,260	5,618	159,996	32%
Previously designated as Key Management Personnel								
Pierre-Alain De Villecourt								
2009	205,977	***22,936	–	–	13,802	–	242,715	9%
Total Remuneration								
2010	**790,323**	**30,000**	**30,691**	–	**62,896**	**10,479**	**924,389**	
2009	783,890	197,936	36,976	–	58,132	32,427	1,109,361	

* Bonus (representing 100% of the total bonus to be paid) was paid on 11 November 2009. The bonus was approved by the Board as part of discretionary performance based remuneration.

** Bonus (representing 100% of the total bonus to be paid) was paid on 12 June 2009. The bonus was approved by the Board as part of discretionary performance based remuneration.

*** Bonus (representing 100% of the total bonus to be paid) was paid on 15 October 2008. The bonus was as part of discretionary performance based remuneration.

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.

	Option % of total remuneration 2010	2009		Option % of total remuneration 2010	2009
Directors			**Key Management Personnel**		
Hugh Parsons	–	25%	Anthony Carius	4%	14%
Stan Kalinko	–	58%	Nino Eid	2%	4%

Consolidated Entity's earnings and movement in shareholders wealth for the last five years is as follows:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Revenue and Income (Net)	**50,780,366**	50,073,622	36,288,711	33,655,696	21,737,977
Net profit before tax	**12,868,122**	13,939,337	4,737,736	9,695,906	4,066,570
Net profit after tax	**9,177,212**	10,021,632	3,203,924	6,821,586	2,583,294
Share price at the start of the year	**$0.38**	$0.16	$0.88	$0.24	$0.07
Share price at the end of the year	**$0.36**	$0.38	$0.16	$0.88	$0.24
Basic EPS (cents)	**5.82**	7.66	2.37	6.24	2.85
Diluted EPS (cents)	**5.82**	7.15	2.21	5.76	2.77

A review of discretionary performance bonuses over the previous five years is consistent with growth in Basic and Diluted Earnings per Share. Salaries and Fees, as determined by the Board are consistent with the levels required to attract and retain Directors and Key Management Personnel in companies of a comparable size.

(c) Options issued as part of remuneration for the year ended 30 June 2010

There were no options issued as part of remuneration in the year ended 30 June 2010.

(d) Shares issued on exercise of remuneration options

On 27 January 2010, 500,000 ordinary shares were issued on exercise of options previously granted to Hugh Parsons. The options were transferred to and exercised by an unrelated third party.

(e) Option holdings of Directors and Key Management Personnel

	Balance at 1 July 2009	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2010	Vested at 30 June 2010	Granted as remuneration after year end	Balance at the date of this report
ESOP Options								
Directors	n/a							
Key Management Personnel								
Anthony Carius	450,000	–	–	(450,000)	–	–	550,000	550,000
Fred El Tahche	–	–	–	–	–	–	500,000	500,000
Nino Eid	50,000	–	–	(50,000)	–	–	–	–
Total ESOP Options	**500,000**		–	**(500,000)**	–	–	**1,050,000**	**1,050,000**
Unlisted Options ($0.25 @ 31-Jan-10)								
Directors								
Hugh Parsons	500,000	–	–	(500,000)	–	–	–	–
Key Management Personnel	n/a							
Unlisted Options ($0.98 @ 31-Jan-10)								
Directors								
Stan Kalinko	250,000	–	–	(250,000)	–	–	–	–
Key Management Personnel	n/a							
Unlisted Options ($0.60 @ 31-Jan-10)								
Directors								
Stan Kalinko	250,000	–	–	(250,000)	–	–	–	–
Key Management Personnel	n/a							
Total Unlisted Options	**1,000,000**	–	–	**(1,000,000)**	–	–	–	–
Total Options	**1,500,000**	–	–	**(1,500,000)**	–	–	**1,050,000**	**1,050,000**

All options vest to Directors or other employees if they are employed with the Group at vesting date. The exercise price reflects the closing share price of FSA Group Ltd on the trading day preceding the grant plus a premium specific to each grant contract to ensure benefits are linked to the future growth in share price of the Company.

All options issued prior to 30 June 2010, expired on 31 January 2010 without being exercised with the exception of Hugh Parsons' 500,000 options exercisable at $0.25 which were sold and transferred.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Terms & Conditions for Each Grant							
Grant Date	**Grant Number**	**Vest Date**	**Fair Value per option at grant date ($)**	**Exercise Price**	**Expected Volatility**	**Dividend Yield**	**Risk-free rate**
21-Nov-2006	500,000	20-Nov-2008	$0.2736	$0.250	70.58%	0.00%	6.06%
01-Feb-2007	150,000	31-Dec-2007	$0.2948	$0.655	70.58%	0.00%	6.06%
01-Feb-2007	150,000	31-Dec-2008	$0.2948	$0.655	70.58%	0.00%	6.06%
01-Feb-2007	150,000	31-Dec-2009	$0.2948	$0.655	70.58%	0.00%	6.06%
19-Feb-2007	640,000	31-Dec-2009	$0.3220	$0.600	70.58%	0.00%	6.06%
29-Jun-2007	250,000	28-Jun-2009	$0.4014	$0.980	70.58%	0.00%	6.06%
14-Mar-2008	250,000	28-Jun-2009	$0.0980	$0.600	60.57%	0.00%	6.63%
02-Jul-2010	225,000	30-Apr 2011	$0.1000	$0.500	52.96%	0.00%	4.69%
02-Jul-2010	275,000	30-Apr 2012	$0.1000	$0.500	52.96%	0.00%	4.69%
02-Jul-2010	550,000	30-Apr-2013	$0.1000	$0.500	52.96%	0.00%	4.69%

Inputs into the Black Scholes option pricing model were determined by independent external advisors and were based on the historical performance of the underlying equities under option. There were no vesting conditions associated with these options other than the continued employment of the Individual at vesting date.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd, Including CRPS (number)	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
Directors					
Sam Doumany	1,000,000	–	–	40,541	1,040,541
Tim Odillo Maher	40,795,733	–	–	8,013,498	48,809,231
Deborah Southon	12,946,533	–	–	13,514	12,960,047
Stan Kalinko	10,000	–	–	5,406	15,406
Key Management Personnel					
Duncan Cornish	1,683,271	–	–	81,082	1,764,353
Anthony Carius	26,158	–	–	40,541	66,699
Nino Eid	100,000	–	–	–	100,000
Total	**56,561,695**	–	–	**8,194,582**	**64,756,277**

(g) Loans to Directors and Key Management Personnel

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

(h) Other transactions to Directors and Key Management Personnel

Convertible Redeemable Preference Shares (CRPS)

Background to the transaction

Part of the consideration for the acquisition of 180 Group Holdings Pty Ltd (acquired 21 April 2006) 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 Corporation Pty Ltd (a company associated with Tim Odillo Maher), 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.
- As at 30 June 2009, 16 CRPS had been converted into 16,000,000 Ordinary shares, pursuant to the terms of the purchase agreement on successfully meeting cumulative profit target up until 30 June 2007.

On 1 February 2010, 8 convertible redeemable preference shares ("CPRS") were converted into 8,000,000 ordinary shares pursuant to the terms of the purchase agreement of 180 Group, upon 180 Group meeting its cumulative profit target to 30 June 2008.

The remaining 8 CRPS were redeemed at this time due to 180 Group not meeting its profit target for 30 June 2009.

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

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director are as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	11	10
Tim Odillo Maher	11	11
Deborah Southon	11	10
Hugh Parsons	11	11
Stan Kalinko	11	11
Total number of meetings held during the financial year –	11	

Audit and Risk Management Committee Meetings

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

	Number of meetings held while in office	Meetings attended
Hugh Parsons	4	4
Sam Doumany	4	4
Stan Kalinko	4	4
Total number of meetings held during the financial year –	4	

Tax Consolidation

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

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

Fox Symes Home Loans Pty Ltd (controlled by 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 and Risk Management 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 and Risk Management 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 2010:

Tax consulting services	$55,897

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors Report and can be found on page 29.

Auditor Details

PKF continues in office in accordance with section 327 of the *Corporations Act 2001*.

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
31 August 2010

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of FSA Group Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of FSA Group Limited and the entities it controlled during the year.

Arthur Milner
Partner

PKF

31 August 2010

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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 Securities Exchange Corporate Governance Council's (the "Council") Corporate Governance Principles and Recommendations, 2nd Edition, 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	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and Recommendations	Summary of the Company's Position
Principle 1 – Lay solid foundations for management and oversight	
Recommendation 1.3 – The Board should evaluate the performance of Directors and Senior Executives in accordance with its documented process	No formal performance evaluation of the Directors or Senior Management was undertaken by the Board during the year ended 30 June 2010, though this was considered informally by the Board at its regular meetings.
Principle 2 – Structure the Board to add value	
Recommendation 2.4 – The Board should establish a nomination committee	FSA Group Ltd does not have a separately established nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek advice of external advisors in relation to this role. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.
Principle 7 – Recognise and manage risk	
Recommendation 7.2 – The Board should require management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that Management has reported to it the effectiveness of the Company's management of its material risks	While the design and implementation of a basic risk management and internal control system is in place, a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board. The Company is currently reviewing and updating its risk management systems and procedures and adherence to providing formal reports is under review. Nonetheless, the Board is otherwise satisfied that adequate operational risk management procedures and reporting exists at the business unit level and certain compliance reports are reviewed by the Board monthly in lieu of a formal board report.
Principle 8 – Remunerate fairly and responsibly	
Recommendation 8.1 – The Board should establish a remuneration committee	FSA Group Ltd does not have a separately established remuneration committee. The Board currently performs the functions of a remuneration committee. For further details regarding remuneration please refer to the Remuneration Report included in the Directors' Report.

Role of the Board

The role of the Board is to exercise its management responsibilities in the wider interests of the Company's shareholders.

The Board charter and functions reserved for the Board (and senior executives) have been established and can be viewed in the Company's corporate governance practices and policies, publicly available on the Company's web site, www.fsagroup.com.au

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 to or less than 10% 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 Directors are considered to be independent:

Name	Position
Mr Sam Doumany	Non-Executive Chairman
Mr Hugh Parsons	Non-Executive Director
Mr Stan Kalinko	Non-Executive Director

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	Position	Reason for non-compliance
Mr Tim Odillo Maher	Executive Director	Mr Odillo Maher is employed by the Company in an executive capacity and is a substantial shareholder.
Ms Deborah Southon	Executive Director	Ms Southon is employed by the Company in an executive capacity and is a substantial shareholder.

The majority of FSA Group Ltd's Board is 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 the 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	7 years 8 months
Tim Odillo Maher	8 years 1 month
Deborah Southon	8 years 1 month
Hugh Parsons	4 years 1 month
Stan Kalinko	3 years 4 months

Nomination and Remuneration Committees

Recommendations 2.4 and 8.1 require listed entities to establish nomination and remuneration committees. During the year ended 30 June 2010, 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 performing this function at its regular meetings. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate remuneration or nomination committees.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management 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 and Risk Management Committee.

The Audit and Risk Management Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit and Risk Management Committee are Non-Executive Directors.

The members of the Audit and Risk Management Committee during the period 1 July 2009 to 30 June 2010 were:

- Sam Doumany BSc. (Agric.) – Independent Director
- Hugh Parsons – Independent Director (Chairman – Audit and Risk Management Committee)
- Stan Kalinko BCom LLB. – Independent Director

For additional details of Directors' attendance at Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

The Audit and Risk Management Committee met four times throughout the year.

The Audit and Risk Management Charter, contained in the Company's corporate governance charter has been made publicly available on the Company's website www.fsagroup.com.au.

This also contains the Committee's procedures for the selection and appointment of external auditors and the rotation of external audit engagement partners.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and Management.

As required by Recommendation 7.3, the Board has received written assurances from the Executive Directors and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that their system is operating effectively in all material respects in relation to financial reporting risks.

Performance evaluation

The full Board, in carrying out the functions of the Remuneration and Nomination Committee, considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The performance of the individual members of the Board, the Audit and Risk Management Committee and Senior Executives is considered at the regular meetings of the Board. No formal performance evaluation of the Directors or Senior Management was undertaken by the Board during the year ended 30 June 2010.

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 Directors and Key Executives fairly and appropriately with reference to relevant 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 Ltd

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 Ltd and the performance of the individual during the year.

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.

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and Employees which prohibits dealing in the Company's securities when those persons possess inside information, until it has been released to the market and adequate time has passed for this to be reflected in the security's prices, and during certain pre-determined windows.

Code of Conduct

The Company seeks to actively promote appropriate standards of ethics and integrity in carrying out their duties for the Company. To this end the Company requires that its Directors and Employees:

Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;

Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;

Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates;

Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company;

Provide a workplace that is free of harassment and discrimination and observe the rule and spirit of the legal and regulatory environment in which the Company operates; and

Report any breach of this code of conduct to Management, who will treat reports made in good faith of such violations with respect and in confidence.

Continuous disclosure and compliance

The Company's policies for ensuring compliance with ASX listing rule and continuous disclosure is located in the Company's corporate governance charter which may be viewed on the Company's website www.fsagroup.com.au.

Communications policy

The Company has adopted a Communications Policy aimed at promoting effective communication with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the policy can be located in the Company's corporate governance charter which may be viewed on the Company's website www.fsagroup.com.au. In addition to the corporate information generally available on the Company's website, the following information is made available:

- ASX announcements
- Presentations
- Annual and Periodic Reports
- Press releases
- Investor relations contacts

Risk Management

The Company has developed an informal framework for risk management and internal compliance and control systems which cover organisational, financial, and operational aspects of the Company's affairs. Further detail on the Company's risk management policies can be found within the Audit and Risk Managements Committee Charter which may be viewed on the Company's website www.fsagroup.com.au.

FSA Group Ltd is currently updating its risk management system.

Management has undertaken to monitor and review the code periodically and report to the Board. The full code of conduct is available in the Company's corporate governance charter which may be viewed on the Company's website www.fsagroup.com.au

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site.

Statements of Comprehensive Income

for the year ended 30 June 2010

	Notes	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Revenue and other income					
Fees from Services	2	38,473,602	38,830,270	–	–
Finance income	2	22,250,254	20,163,442	87,548	9,157
Finance expense	2	(10,848,977)	(8,959,124)	–	–
Net finance income	2	11,401,277	11,204,318	87,548	9,157
Other income	2	905,487	39,034	–	100,041
Total revenue and other income net of finance expense		50,780,366	50,073,622	87,548	109,198
Share of profits of an associate using the equity accounting method	28	18,528	126,323	–	–
Expenses from continuing activities	3	(37,930,772)	(36,260,608)	(53,070)	(249,220)
Profit/(loss) before income tax		12,868,122	13,939,337	34,478	(140,022)
Income tax (expense)/benefit	4	(3,690,910)	(3,917,705)	(28,200)	163,373
Profit after income tax		9,177,212	10,021,632	6,278	23,351
Other Comprehensive Income		–	–	–	–
Share of Other Comprehensive income of Associates		–	–	–	–
Total Comprehensive income for the year		9,177,212	10,021,632	6,278	23,351
Total Comprehensive income for the year attributable to:					
Non-Controlling Interests		1,656,648	1,184,460	–	–
Owners of the parent		7,520,564	8,837,172	6,278	23,351
Earnings per share					
Basic earnings per share (cents per share)	6	5.82	7.66		
Diluted earnings per share (cents per share)	6	5.82	7.15		

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

Statements of Financial Position

as at 30 June 2010

	Notes	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current Assets					
Cash and cash equivalents	7	7,394,759	11,648,184	1,637,606	626,350
Trade and other receivables	8	32,564,893	22,177,467	24,820	50,000
Current tax assets		–	–	112,758	–
Other assets	9	245,697	745,292	9,000	–
Total Current Assets		40,205,349	34,570,943	1,784,184	676,350
Non-Current Assets					
Trade and other receivables	8	24,508,906	17,489,641	–	–
Investments in associates	28	47,188	2,843	–	–
Plant and equipment	13	450,003	719,308	–	–
Investment property	14	313,051	321,686	–	–
Other assets	9	–	–	10,426,990	11,046,302
Other financial assets	10	898,050	–	–	–
Deferred tax assets	4c	40,788	227,498	–	–
Intangible assets	15	3,413,633	4,104,948	–	–
Total Non-Current Assets		29,671,619	22,865,924	10,426,990	11,046,302
Assets financed by non-recourse financial liabilities					
Cash and cash equivalents	7	6,605,211	8,043,786	–	–
Trade and other receivables	8	–	12,576	–	–
Mortgage finance assets	11	200,434,621	145,319,192	–	–
Total assets financed by non-recourse financial liabilities		207,039,832	153,375,554	–	–
Total Assets		276,916,800	210,812,421	12,211,174	11,722,652
Current Liabilities					
Trade and other payables	16	12,750,551	11,774,359	745,186	4,650,668
Current tax liabilities		629,453	363,828	–	219,861
Borrowings	17	3,361,542	1,989,773	–	–
Provisions	18	588,535	477,399	–	–
Total Current Liabilities		17,330,081	14,605,359	745,186	4,870,529
Non-Current Liabilities					
Borrowings	17	11,893,779	9,807,001	–	–
Provisions	18	251,012	158,819	–	–
Deferred tax liabilities	4d	8,150,799	5,592,589	–	–
Total Non-Current Liabilities		20,295,590	15,558,409	–	–
Non-Recourse Financial Liabilities					
Borrowings	17	194,541,639	148,580,187	–	–
Total Non-Recourse Financial Liabilities		194,541,639	148,580,187	–	–
Total Liabilities		232,167,310	178,743,955	745,186	4,870,529
Net Assets		44,749,490	32,068,466	11,465,988	6,852,123
Equity					
Share capital	19	11,692,255	7,137,472	11,692,255	7,137,472
Reserves	20	664,374	611,570	664,374	611,570
Retained earnings/(Accumulated losses)		30,289,397	22,768,833	(890,641)	(896,919)
Non-Controlling interest		2,103,464	1,550,591	–	–
Total Equity		44,749,490	32,068,466	11,465,988	6,852,123

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

Statements of Changes in Equity

for the year ended 30 June 2010

Consolidated Entity

	Share Capital $	Reserves $	Retained Earnings $	Non-Controlling Interest $	Total $
Balance at 1 July 2008	7,137,472	402,605	13,931,661	1,091,113	22,562,851
Total Comprehensive Income for the year attributable to members of the parent	–	–	8,837,172	–	8,837,172
Total Comprehensive Income for the year attributable to Non-Controlling interests	–	–	–	1,184,460	1,184,460
Share-based payments expense	–	208,965	–	–	208,965
Acquisition of Non-Controlling interests	–	–	–	(89,387)	(89,387)
Distribution to unit-holders	–	–	–	(635,595)	(635,595)
Balance at 30 June 2009/1 July 2009	7,137,472	611,570	22,768,833	1,550,591	32,068,466
Total Comprehensive Income for the year attributable to members of the parent	–	–	**7,520,564**	–	**7,520,564**
Total Comprehensive Income for the year attributable to Non-Controlling interests	–	–	–	**1,656,648**	**1,656,648**
Shares issued	**5,422,000**	–	–	–	**5,422,000**
Issues costs	**(247,905)**	–	–	–	**(247,905)**
Redemption of Convertible Redeemable Preference Shares	**(619,312)**	–	–	–	**(619,312)**
Share-based payment expense	–	**52,804**	–	–	**52,804**
Distribution to Non-Controlling interests	–	–	–	**(1,103,775)**	**(1,103,775)**
Balance at 30 June 2010	**11,692,255**	**664,374**	**30,289,397**	**2,103,464**	**44,749,490**

Parent Entity

	Share Capital $	Reserves $	(Accumulated Losses) $	Total $
Balance at 1 July 2008	7,137,472	402,605	(920,270)	6,619,807
Total Comprehensive Income for the year	–	–	23,351	23,351
Share-based payments expense	–	208,965	–	208,965
Balance at 30 June 2009/1 July 2009	7,137,472	611,570	(896,919)	6,852,123
Shares issued	**5,422,000**	–	–	**5,422,000**
Issues costs	**(247,905)**	–	–	**(247,905)**
Total Comprehensive Income for the year	–	–	**6,278**	**6,278**
Redemption of Convertible Redeemable Preference Shares	**(619,312)**	–	–	**(619,312)**
Share-based payment expense	–	**52,804**	–	**52,804**
Balance at 30 June 2010	**11,692,255**	**664,374**	**(890,641)**	**11,465,988**

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

Statements of Cash Flows

for the year ended 30 June 2010

	Notes	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities					
Receipts from customers and debtors		19,021,929	27,316,140	–	–
Payments to suppliers and employees		(27,418,416)	(32,724,955)	(34,073)	–
Interest received		22,178,148	15,592,111	87,548	9,157
Interest and other costs of finance paid		(8,520,112)	(9,124,209)	–	(40,000)
Cash Flows from operations		5,261,549	1,059,087	53,475	(30,843)
Net cash receipts/(payments) for institutional creditor distributions		(2,128,935)	1,424,924	–	–
Income tax paid		(674,804)	399,887	(360,832)	296,263
Net cash inflow/(outflow) from operating activities	21	2,457,810	2,883,898	(307,357)	265,420
Cash flows from investing activities					
Acquisition of property, plant and equipment		(207,814)	(295,299)	–	–
Acquisition of Intangibles		(279,394)	(429,374)	–	–
Acquisition of subsidiaries net of cash acquired		–	(100,000)	–	–
Proceeds from disposal of property, plant and equipment		25,502	–	–	–
Proceeds from disposal of subsidiaries		–	50,000	–	–
Net (Increase) in Mortgage finance assets		(53,971,177)	(54,319,699)	–	–
Net (Increase) in Bridging finance assets		1,557,558	1,017,664	–	–
Net (Increase) in Factoring finance assets		(6,707,823)	(905,664)	–	–
Investment in Associate		–	147,696	–	–
Net cash outflow from investing activities		(59,583,148)	(54,834,676)	–	–
Cash flows from financing activities					
Net proceeds from/(repayment of) borrowings		47,122,882	53,569,850	(3,855,482)	199,474
Payment of distributions to Non-Controlling interests		(863,639)	(240,914)	–	–
Share issue expenses		(47,905)	–	(47,905)	–
Proceeds from share issues		5,222,000	–	5,222,000	–
Repayment of Unsecured notes		–	(550,000)	–	(95,000)
Net cash inflow from financing activities		51,433,338	52,778,936	1,318,613	104,474
Net (decrease)/increase in cash and cash equivalents		(5,692,000)	828,158	1,011,256	369,894
Cash and cash equivalents at the beginning of the financial year		19,691,970	18,863,812	626,350	256,456
Cash and cash equivalents at the end of the financial year	7	13,999,970	19,691,970	1,637,606	626,350

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

Notes to the Financial Statements

for the year ended 30 June 2010

Note 1. Summary of significant accounting policies

The financial statements include the financial statements of FSA Group Ltd (“the Parent Entity” or “the Company”) and the Consolidated Entity (or “the Group”) consisting of FSA Group Ltd and its controlled entities. FSA Group Ltd is a listed public company, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements of the Group and the financial statements of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

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

Basis of preparation

The financial statements are presented in Australian dollars.

Reporting basis and conventions

The financial statements have been prepared on an accruals basis and are 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.

The Consolidated Entity has applied ASIC class order 10/654 dated 26 July 2010 which allows companies presenting consolidated financial statements to also present the parent entity financial statements.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity FSA Group Ltd 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 Group, 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 Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Non-Controlling interests in equity and results of the entities controlled are shown as separate items in the consolidated financial statements.

(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 reporting 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 Statement of Comprehensive Income 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 and unused tax losses can be utilised.

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 Group 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 Ltd 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 and Fox Symes Home Loans Pty Ltd and its wholly-owned Australian subsidiaries have also formed income tax consolidated groups under the Tax Consolidation Regime.

FSA Group Ltd, 180 Group Pty Ltd and Fox Symes Home Loans 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.

Note 1. Summary of significant accounting policies continued

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) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to cashflows from the financial assets expire or the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date i.e. the date the Group commits itself to purchase or sell an asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows.

Ordinary Share Capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity net of any related income tax benefit.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and Receivables

Loans and receivables are held at amortised cost. Loan assets held at amortised cost are non derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when a mortgage loan is originated in the Group's Statement of Financial Position. These are accounted for at amortised cost using the effective interest method.

(d) Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis less accumulated depreciation and accumulated 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Note 1. Summary of significant accounting policies continued

(d) Property, Plant and Equipment continued

Depreciation

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

The useful lives used for each class of asset are:

Class of Asset	Useful life
Plant and equipment	2 to 5 years
Computers and Office Equipment	2 to 5 years
Leasehold improvements	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 reporting 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 Statement of Comprehensive Income.

(e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation. The carrying amount of an asset in this class is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties have a useful life of 40 years.

(f) Leases

Leases of property plant and equipment where the Group, as lessee, has substantially all the risks and benefits incidental to the ownership of the asset 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 year.

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 to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

(g) Impairment of assets

At each reporting date, the Group 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 Statement of Comprehensive Income.

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

(h) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting 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.

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 the 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

Note 1. Summary of significant accounting policies continued

are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group 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.

Bonuses and profit sharing arrangements

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) 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 – Personal Insolvency

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 the Insolvency and Trustee Service of Australia (ITSA).

Debt Agreement Fees

At the date of approval of the Debt Agreement proposal by a majority of the vote value of creditors.

Trustee Fees Bankruptcy and Personal Insolvency Agreements

Trustee Fees are recognised as work in progress and time billed. Fee income is only recognised to the extent fees have been approved by creditors.

Rendering of Services – Recruitment Fees

Recruitment Fees are recognised upon commencement of employment under the agreed contact terms for that placement.

Under the contract terms the outcome of the transaction cannot be measured reliably until such time as the candidate has commenced employment.

Refinance Fees

When the outcome of a contract to provide services can be estimated reliably, either upon receipt of upfront fee and subsequent turbo or trail commission, in the case of non-conforming lending, or in the case of conforming lending, trail commission revenue and receivables are recognised at fair-value being the future trail commission receivable discounted to their net present value.

Interest

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest method is the method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability (which includes, where applicable, the unamortised balance of transaction costs).

Finance fee income

Finance fee income is recognised in either of two ways, either upfront where the fee represents a recovery of costs or a charge for services provided to customers (e.g. application fees and risk assessment fees) or, where income relates to loan origination, income is deferred and amortised over the effective life of the loan using the effective interest method. Deferred establishment fees are establishment fees which the borrower is contracted to pay but payment is deferred until such time as they repay the outstanding loan balance. These fees are waived if the loan is repaid after the qualifying period. These fees are recognised at the commencement of the contract and are amortised over the current average life of the loan.

(k) Goods & Services Tax (GST)

Revenue, 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.

Note 1. Summary of significant accounting policies continued

(k) Goods & Services Tax (GST) continued

In these circumstances GST is recognised as part of the acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

(l) Comparative figures

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

In the prior year, trade payables included amounts payable on invoices legally assigned but not approved for factoring finance. The balance is now shown on a net basis to reflect the substance of what is ultimately owed to the client on their undrawn facility limit. This affects the trade and other receivables in Note 8 and factoring client payables in Note 16. The comparatives have been restated to reflect this treatment resulting in both the gross trade receivable and gross factoring client payables in the prior year being offset by $2.37m. This restatement has had no effect on the working capital ratio, net assets of the group, profit before tax and total comprehensive income in the prior or current year.

(m) Investments in Subsidiaries

Investments are brought to account on the cost basis in the Parent Entity's financial statements and using the acquisition method, after initially being recognised at costs in the Consolidated Entity's financial statements. 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.

(n) Intangibles

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 acquisition 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 a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Software is measured on the cost basis less accumulated amortisation and accumulated impairment losses.

Software is amortised over its useful life of 2 years.

(o) Trade and other payables

Trade payables and other amounts are carried at amortised 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 Group.

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

(p) 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 accepted by the official receiver for processing prior to 1 July 2007 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.

(q) 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 in 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 (refer to Note 15 in the financial statements).

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. Impairment is provided for and recorded in a separate Allowance account. Amounts are written off against this account as bad when debt agreements are terminated by creditors.

The evaluation process is subject to a series of estimates and judgments. The frequency of default, loss history, and current economic conditions are considered.

Note 1. Summary of significant accounting policies continued

Changes in these estimates could have a direct impact on the level of provision determined (refer to Note 8 in the financial statements).

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 and recorded in a separate Allowance account. Amounts are written off against the account as bad after management establishes amounts which will not be recovered from available evidence.

(r) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from that date the significant influence commences until the date where significant influence ceases. When the Group's share of the loss extends its interest in the equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(s) Finance Income and Costs

Finance Income is measured and recognised as per *(j) Revenue recognition* above.

Finance costs comprise interest expense on borrowings, unwinding of discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All finance costs are recognised in profit or loss using the effective interest method.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Operating segments are distinguished and presented based on the differences in providing services and providing finance products.

(v) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(w) New standards and interpretations issued not yet effective or adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Consolidated Entity and the Parent Entity's assessment of the impact of these new standards, amendments to standards and interpretations in the period of initial application is set out below.

(i) AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements process [AASB 5, 8, 101, 107, 117, 118, 136 & 139]

This affects the above mentioned standard resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory in the Company's 30 June 2011 financial statements, are not expected to have a material impact to the financial statements.

(ii) AASB 2010-3 Further amendments to Australian Accounting Standards arising from the annual improvements process [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]

This affects the above mentioned standard resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory in the Company's 30 June 2011 financial statements, are not expected to have a material impact to the financial statements.

Note 1. Summary of significant accounting policies continued

(w) New standards and interpretations issued not yet effective or adopted continued

(iii) AASB 2010-4 Further amendments to Australian Accounting Standards arising from the annual improvements process [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

This affects the above mentioned standard resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory in the Company's 30 June 2011 financial statements, are not expected to have a material impact to the financial statements.

(iv) AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets resulting from Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard on its financial statements

(v) AASB 124 Related Party Disclosures

Revised in December 2009, the amendments simplify and clarify the intended meaning of the definition of a "related party" and provide partial exemption from the disclosure requirements for government related entities. These amendments which become mandatory for the 30 June 2012 financial year are not anticipated to have any impact on the Company's financial statements.

(x) New, revised or amending Standards and Interpretations

The Consolidated Entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant in the current period. Any significant impact on the accounting policies of the Consolidated Entity on adoption of these accounting standards and interpretations is disclosed in the relevant accounting policy. The adoption of these standards did not have any impact on the financial performance or position of the Consolidated Entity. The following standards and interpretations are most relevant to the Consolidated Entity:

(i) AASB 101 Presentation of Financial Statements

The Consolidated Entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result the Consolidated Entity now presents all owner changes in the Statement of Changes in Equity. The Balance Sheet is now referred to as the Statement of Financial Position. There is a requirement to present a third Statement of Financial Position if there is a restatement of comparatives through either a correction of an error, change in accounting policy or a reclassification. The Cashflow Statement is now referred to as a Statement of Cash Flows.

(ii) AASB 3 Business Combinations

The Consolidated Entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interests, there are a number of significant changes which do not impact on the Consolidated Entity's financial position in this or the prior year.

(iii) AASB 127 Consolidated and Separate Financial Statements

The Consolidated Entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as loss of control of a subsidiary. The changes do not impact on the Consolidated Entity's financial position in this year.

(iv) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amended standard is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss.

(v) AASB 7 Financial Instruments – Disclosure

The amended standard is applicable from 1 July 2009 and requires additional disclosure about the fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidity management.

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 2. Revenue and other income net of finance expense

	2010 $	2009 $	2010 $	2009 $
Fees from Services				
– Personal Insolvency	33,331,572	31,420,122	–	–
– Refinance	1,978,488	2,303,300	–	–
– Corporate	2,927,259	1,854,269	–	–
– Recruitment	–	2,911,737	–	–
– Other services	236,283	340,842	–	–
	38,473,602	38,830,270	–	–
Finance Income				
– Interest income – bridging finance	232,696	2,813,254	–	–
– Interest income – mortgage finance assets	16,644,392	13,799,540	–	–
– Upfront Fee income – bridging finance	158,883	580,379	–	–
– Upfront Fee income – mortgage finance assets	1,930,346	1,259,055	–	–
– Factoring income	2,794,919	1,096,400	–	–
– Other interest income	489,018	614,814	87,548	9,157
	22,250,254	20,163,442	87,548	9,157
Finance Expense				
– Interest expense – Warehouse facilities	(9,950,609)	(8,277,149)	–	–
– Interest expense – Other lending facilities	(898,368)	(681,975)	–	–
	(10,848,977)	(8,959,124)	–	–
Net Finance income	11,401,277	11,204,318	87,548	9,157
Other Income				
Gain on Option Valuation – fair value through profit and loss	898,050	–	–	–
Gain on Disposal of Plant and Equipment	7,437	–	–	–
Gain on disposal of subsidiary	–	39,034		100,041
	905,487	39,034	–	100,041

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $

Note 3. Profit/(loss) for the year

Expenses

	2010 $	2009 $	2010 $	2009 $
Expenses from continuing activities excluding finance costs, classified by function:				
Marketing expenses	6,546,096	5,824,243	–	–
Administrative expenses	9,919,351	8,321,966	52,804	208,965
Operating expenses	21,465,325	22,114,399	266	40,255
	37,930,772	36,260,608	53,070	249,220
Depreciation on plant and equipment	459,053	546,150	–	–
Depreciation on investment properties	8,635	12,236	–	–
Amortisation of software	302,134	165,874	–	–
	769,822	724,260	–	–
Impairment in value – Goodwill	49,263	–	–	–
Impairment in value – trade receivables	8,729,201	8,706,343	–	–
Reversal of impairment in value – trade receivables	(1,469,504)	(1,973,479)	–	–
Net Impairment – trade receivables	7,259,697	6,732,864	–	–
Rental expense on operating lease				
– minimum lease payment	1,210,894	1,113,427	–	–
Employee benefits expenses	15,641,548	16,066,365	–	–
Share-based payments expense	52,804	208,965	52,804	208,965
Legal and consultancy	705,920	380,010	–	–

Note 4. Income Tax

(a) Income tax expense

	2010 $	2009 $	2010 $	2009 $
Current tax expense	943,964	929,616	26,185	20,683
Deferred tax expense	2,722,269	3,088,395	–	–
(Over)/under provision in a prior period	24,677	(100,306)	2,015	(184,056)
	3,690,910	3,917,705	28,200	(163,373)
Deferred income tax expense included in income tax expense comprises:				
Increase in deferred tax assets	(582,134)	(509,595)	–	–
Increase in deferred tax liabilities	3,304,903	3,597,990	–	–
	2,722,769	3,088,395	–	–

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2010 $	2009 $	2010 $	2009 $
Profit/(Loss) before income tax	12,868,122	13,939,337	34,478	(140,022)
Tax at the Australian tax rate of 30% (2009: 30%)	3,860,437	4,181,801	10,344	(42,006)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment	17,810	24,399	–	–
Non-assessable income	(242,716)	(269,300)	–	–
Other	14,861	18,422	–	–
Non-deductible employee costs	15,841	62,689	15,841	62,689
	3,666,233	4,018,011	26,185	20,683
(Over)/under provision in the prior year	24,677	(100,306)	2,015	(184,056)
Income tax expense/(benefit)	3,690,910	3,917,705	28,200	(163,373)

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 4. Income Tax continued

(c) Deferred tax assets

	2010 $	2009 $	2010 $	2009 $
Provisions	1,439,782	922,943	–	–
Capital legal expenses	156,461	193,850	–	–
Accrued expenditure	130,931	144,724	–	–
Current year tax losses carried forward	453,714	323,923	–	–
Other	272,180	82,278	–	–
	2,453,068	1,667,718	–	–
Deferred tax liability offset on tax consolidation	(2,412,280)	(1,440,220)	–	–
Total deferred tax assets	40,788	227,498	–	–

(d) Deferred tax liabilities

	2010 $	2009 $	2010 $	2009 $
Temporary difference on assessable income	10,563,079	7,031,864	–	–
Other	–	945	–	–
	10,563,079	7,032,809	–	–
Deferred tax liability offset on tax consolidation	(2,412,280)	(1,440,220)	–	–
Total deferred tax liabilities	8,150,799	5,592,589	–	–

Note 5. Auditors' Remuneration

Amounts received or due and receivable by PKF (East Coast Practice):

	2010 $	2009 $	2010 $	2009 $
Audit and review of financial statements	191,750	158,600	–	–
Other services – assurance	–	8,000	–	–
Other services – taxation	55,897	56,450	–	–
	247,647	223,050	–	–

	Consolidated Entity	
	2010 $	2009 $

Note 6. Earnings Per Share

(a) Reconciliation of earnings used to calculated basic and dilutive earnings per share

	2010 $	2009 $
Total Comprehensive income for the year ($)	7,520,564	8,837,172
Basic earning per share (cents)	5.82	7.66
Diluted earning per share (cents)	5.82	7.15

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares outstanding during the year	129,141,305	115,437,513
Dilution effect of options	–	170,584
Dilution effect of preference shares	–	8,000,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	129,141,305	123,608,097

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $

Note 7. Cash and Cash Equivalents

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Cash on hand and at bank	7,394,759	11,648,184	1,637,606	626,350
Assets financed by Non-Recourse Financial Liabilities				
Cash on hand and at bank	6,605,211	8,043,786	–	–
	13,999,970	19,691,970	1,637,606	626,350

Note 8. Trade and Other Receivables

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Trade receivables	40,324,302	27,145,390	–	–
Provision for impairment	(7,867,793)	(5,223,592)	–	–
	32,456,509	21,921,798	–	–
Sundry receivables	108,384	255,669	24,820	50,000
	32,564,893	22,177,467	24,820	50,000
Non-current				
Trade receivables	30,636,133	22,626,477	–	–
Provision for impairment	(6,127,227)	(5,136,836)	–	–
	24,508,906	17,489,641	–	–
Assets financed by Non-Recourse Financial Liabilities				
Other receivables	–	12,576	–	–

Ageing Analysis

	Consolidated Entity 2010 Gross $	2010 Allowance $	2010 Net $	2009 Gross $	2009 Allowance $	2009 Net $
Trade and Other Receivables						
Not past due	61,011,953	(12,193,181)	48,818,772	42,600,548	(8,483,364)	34,117,184
Past due 0-30 Days	2,901,117	(28,935)	2,872,182	613,375	(366,651)	246,724
Past due 31-60 Days	1,928,708	(32,196)	1,896,512	249,181	(198,318)	50,863
Past due 61-90 Days	352,569	(33,609)	318,960	188,563	(148,472)	40,091
Past 90 Days	4,874,472	(1,707,099)	3,167,373	6,388,445	(1,163,623)	5,224,822
Total	71,068,819	(13,995,020)	57,073,799	50,040,112	(10,360,428)	39,679,684

The movement in the provision for impairment

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Opening Balance	10,360,428	6,662,902
Additional provision	7,919,422	7,613,886
Reversal of provision	(1,469,504)	(2,170,828)
Bad debts	(2,815,326)	(1,745,532)
Closing balance	13,995,020	10,360,428

Some amounts have been written off as Bad debts during the year, as incurred and were not provided for. These are included in Bad and doubtful debts in the Statement of Comprehensive Income. The additional provision amount in this reconciliation will therefore not agree to the Bad and doubtful debts amount disclosed in Note 3.

Note 8. Trade and Other Receivables continued

Debt Agreement receivables

Debt agreement receivables are collected on 2 bases:

1. For all debt agreements accepted by ITSA for processing prior to 1 July 2007, debt agreement fees are receipted in priority to other parties to the debt agreement, and in accordance with work performed to date; and
2. For all debt agreements accepted by ITSA for processing after 1 July 2007, debt agreement fees are receipted on a pro rata basis, in parity with other parties to the debt agreement.

These debtors are assessed as being in arrears where they do not make their periodic payments as required by their debt agreements and where the terms of this payment have not been re-negotiated and approved by creditors to the debt agreement. This is monitored continuously by the Company's internal collection department.

Impairment of debt agreement receivables is assessed on a collective (portfolio) 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. Amounts are written off against this account as bad when debt agreements are terminated by creditors.

Bridging and factoring finance receivables

Bridging finance receivables are generally on 90 day terms and factoring finance receivables are generally on 14 to 60 day terms.

Impairment of bridging finance receivables and factoring finance receivables is assessed primarily by the equity in their underlying mortgage security (collateral), any fixed and floating charges over the borrower's business assets, the credit quality of the debtor, payment history and any other information available. Factoring finance receivables are credit insured up to 90c in every dollar of approved receivables.

These debtors are assessed as being in arrears where they do not make their payment obligations as required by their loan contracts and where the terms of this payment have not been re-negotiated. This is monitored monthly by management.

At reporting date there are certain bridging finance receivables that were past due and are not impaired. Management has reviewed these receivables, their underlying mortgage security (collateral) and other information available, and have considered these to be recoverable.

Of the $4,874,472 of receivables which are past 90 days in arrears, $1,885,734 represents bridging finance receivables which are have underlying collateral and security as mentioned above.

Other trade and sundry receivables

Other trade and sundry receivables are generally on 14 to 30 day terms.

Impairment of other trade and sundry receivables is assessed on an individual basis with regard to the credit quality of the debtor, payment history and any other information available.

These debtors are assessed as being in arrears where they do not pay on their invoice terms and where the terms of this payment have not been re-negotiated. This is monitored monthly by management.

At reporting date there are certain other trade and sundry receivables that were past due and are not impaired.

Management has reviewed these receivables, their payment history and other information available, and have considered these to be recoverable.

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Note 9. Other Assets				
Current				
Prepayments	242,122	593,361	–	–
Security bonds	3,497	3,512	–	–
Other	78	148,419	9,000	–
	245,697	745,292	9,000	–
Non-current				
Investments in controlled entities (Refer Note 12)	–	–	10,426,990	11,046,302
	–	–	10,426,990	11,046,302
Movements during year (Investments)				
Beginning of the year	–	–	11,046,302	6,546,397
Additions	–	–	–	4,500,000
Redemption of CRPS	–	–	(619,312)	–
Disposals	–	–	–	(95)
	–	–	10,426,990	11,046,302

On 1 February 2010, the remaining unconverted convertible redeemable preference shares ("CRPS") were redeemed pursuant to the terms of the purchase agreement of 180 Group, acquired on 21 April 2006.

(2009) During the year the Parent Entity converted $4,500,000 of receivables from Fox Symes Home Loans Pty Ltd to equity pursuant to Fox Symes Home Loans Pty Ltd's shareholders' deed. The Consolidated Entity's shareholding as a percentage of the overall shareholding did not change as a result of this conversion.

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Note 10. Other Financial Assets				
Investments – fair value though profit and loss	898,050	–	–	–
Movements during year (Investments)				
Beginning of the year	–	–	–	–
Additions	898,050	–	–	–
Disposals	–	–	–	–
	898,050	–	–	–
Note 11. Mortgage Finance Assets				
Non-securitised mortgage assets	200,654,826	145,494,523	–	–
Provision for impairment	(220,205)	(175,331)	–	–
	200,434,621	145,319,192	–	–
Maturity Analysis				
Amounts to be received in less than 1 year	2,199,038	2,363,121	–	–
Amounts to be received in greater than 1 year	198,455,788	143,131,402	–	–
	200,654,826	145,494,523	–	–

Note 11. Mortgage Finance Assets continued

Impairment

An impairment loss is recognised if the total expected recoveries in regard to an individual loan do not exceed the mortgage balance. In the event that actual or expected sales proceeds do not exceed the mortgage loan balance, this difference and any realisation costs would equal the impairment loss. Total recoveries include expected or actual net sales proceeds resulting from enforced sale of property security.

Impairment has been assessed on an individual basis with primary regard to the underlying equity in mortgage security (collateral) for each of the loans receivable and also with regard to the credit quality of the debtor, payment history and any other information available.

A mortgage loan is classified as being in arrears at the reporting date on the basis of "past due" amounts. Any loan with an amount that is past due (either instalment arrears or total arrears comprising of any instalments arrears plus any other charges) is classified as being in arrears and the total amount of the loan is recorded as in arrears. Ageing of arrears is determined by dividing total arrears over instalment amount and multiplying this by the instalment frequency (i.e. weekly, fortnightly, and monthly).

At reporting date, the Group had registered mortgages over real property (comprising of residential land and buildings) for each of the mortgage loan receivables. The assessed fair value of the underlying real property securities at reporting date were $485,571,000 (2009: $241,822,500). The valuations of the underlying property securities have been performed at the later of the original loan application or subsequent loan variation date and do not take into account any other realisation costs.

Ageing Analysis

	Consolidated Entity					
	2010			2009		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	172,434,715	–	172,434,715	122,675,020	–	122,675,020
Past due 0-30 Days	18,242,207	–	18,242,207	15,073,706	–	15,073,706
Past due 31-60 Days	2,586,980	–	2,586,980	3,107,604	–	3,107,604
Past due 61-90 Days	2,057,086	–	2,057,086	1,400,815	(12,584)	1,388,231
Past 90 Days	5,333,838	(220,205)	5,113,633	3,237,378	(162,747)	3,074,631
Total	200,654,826	(220,205)	200,434,621	145,494,523	(175,331)	145,319,192

The movement in the provision for impairment

	Consolidated Entity	
	2010 $	2009 $
Opening Balance	175,331	–
Additional provision	400,932	175,331
Bad debts	(356,058)	–
Closing balance	220,205	175,331

Note 12. Controlled Entities

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2010 %	2009 %
Prospex Profile Pty Ltd (2)	Australia	100	100
FSA Australia Pty Ltd (2)	Australia	100	100
Fox Symes Financial Pty Ltd (1)	Australia	100	100
Fox Symes & Associates Pty Ltd (1)	Australia	100	100
Fox Symes Debt Relief Services Pty Ltd (1)	Australia	100	100
Fox Symes Home Loans Pty Ltd (2)	Australia	90	90
180 Group Holdings Pty Ltd (2)	Australia	100	100
Aravanis Insolvency Pty Ltd (1)	Australia	65	65
Fox Symes Business Services Pty Ltd (1)	Australia	75	75
180 Group Pty Ltd (3)	Australia	70	70

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by FSA Group Ltd

(3) 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 Consolidated Entity 2010 %	2009 %
180 Capital Finance Pty Ltd	Australia	100	100
180 Corporate Pty Ltd	Australia	100	100
180 Property Holdings Pty Ltd	Australia	100	100
180 Equity Partners Pty Ltd	Australia	100	100
180 Capital Funding Pty Ltd	Australia	100	100
One Financial Pty Ltd	Australia	100	100

The following entities are subsidiaries of Fox Symes Home Loans Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2010 %	2009 %
Fox Symes Home Loans (Services) Pty Ltd	Australia	100	100
Fox Symes Home Loans (Management) Pty Ltd	Australia	100	100
Fox Symes Home Loans Warehouse Trust No.1	Australia	85	85

Ultimate Parent Entity

FSA Group Ltd is the Ultimate Parent Entity.

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 13. Plant and Equipment

	2010 $	2009 $	2010 $	2009 $
Computer equipment at cost	1,718,175	1,695,455	–	–
Accumulated depreciation	(1,446,325)	(1,215,698)	–	–
Net carrying amount	271,850	479,757	–	–
Office equipment at cost	331,817	369,378	–	–
Accumulated depreciation	(259,242)	(250,975)	–	–
Net carrying amount	72,575	118,403	–	–
Furniture and fittings at cost	246,350	234,866	–	–
Accumulated depreciation	(184,812)	(139,891)	–	–
Net carrying amount	61,538	94,975	–	–
Motor vehicles at cost	47,372	65,973	–	–
Accumulated depreciation	(3,332)	(39,800)	–	–
Net carrying amount	44,040	26,173	–	–
Total plant and equipment at cost	2,343,714	**2,365,672**	–	–
Accumulated depreciation	(1,893,711)	**(1,646,364)**	–	–
Net carrying amount	450,003	**719,308**	–	–

Consolidated

	Computer Equipment $	Office Equipment $	Furniture & Fittings $	Motor Vehicles $	Total $
Movements					
Balance at 1 July 2008	750,947	98,359	142,860	^^37,123	1,029,289
Additions	193,525	89,960	8,320	3,494	295,299
Disposals	(25,082)	(19,012)	(11,542)	(3,494)	(59,130)
Depreciation	(439,633)	(50,904)	(44,663)	(10,950)	(546,150)
Balance at 30 June 2009/1 July 2009	479,757	118,403	94,975	26,173	719,308
Additions	**136,933**	**15,518**	**11,485**	**43,878**	**207,814**
Disposals	**(497)**	**(1,840)**	–	**(15,729)**	**(18,066)**
Depreciation	**(344,343)**	**(59,506)**	**(44,922)**	**(10,282)**	**(459,053)**
Balance at 30 June 2010	**271,850**	**72,575**	**61,538**	**44,040**	**450,003**

^^ – (2009) Included in this amount are Motor Vehicles which have a fixed charge relating to a Hire Purchase Liability. The Hire Purchase Liability is secured by the underlying asset. Refer Note 17 for further information

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 14. Investment Property

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Investment property				
At cost	362,339	362,339	–	–
Accumulated depreciation	(49,288)	(40,653)	–	–
	313,051	321,686	–	–
Movements during year:				
Beginning of the year	321,686	333,922	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation	(8,635)	(12,236)	–	–
	313,051	321,686	–	–

There is a first mortgage registered over the Investment Property (refer Note 17), and is leased on a "month to month" basis.

The fair value of the Investment Property at 30 June 2010 was $350,000 (independently valued using current market data).

Note 15. Intangible Assets

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Goodwill				
Recognised on consolidation	3,222,136	3,841,448	–	–
Accumulated impairment	(49,263)	–	–	–
	3,172,873	3,841,448	–	–
Software at cost	708,768	429,374	–	–
Accumulated amortisation	(468,008)	(165,874)	–	–
	240,760	263,500	–	–
	3,413,633	4,104,948	–	–
Movements during year (Goodwill):				
Beginning of the year	3,841,448	3,830,835	–	–
Additions	–	10,613	–	–
Impairment	(49,263)	–	–	–
Reduction in value*	(619,312)	–	–	–
	3,172,873	3,841,448	–	–
Movements during year (Software):				
Beginning of the year	263,500	–	–	–
Additions	279,394	429,374	–	–
Amortisation	(302,134)	(165,874)	–	–
	240,760	263,500	–	–

* Reduction in value relates to the redemption of 8 Convertible Redeemable Preference Shares which have been credited against Goodwill. Please refer to Note 19(b) for further commentary.

Included in the carrying amount of Goodwill is an amount of $2,827,749 which relates to the Goodwill acquired on acquisition of 180 Group Holdings Pty Ltd and its controlled entities, and $345,124 which relates to the original investment by the parent company in FSA Australia Pty Ltd and its controlled entities. The 180 Group represents a separate cash generating unit (CGU).

Note 15. Intangible Assets continued

Impairment

The recoverable amount of goodwill attributable to the 180 Group CGU, is determined based on "value in use" calculations, by estimating the future cash inflows and outflows to be derived by the CGU and applying an appropriate discount rate to those future cashflows. The major key assumption relating to the forecast information is the continued growth of the factoring finance division and the utilisation of its funding lines. The cashflows have been projected over a 2 year period with a growth rate of 3% each year. The cashflows beyond the two year period are extrapolated using a constant growth rate of 3%, which does not exceed the long-term average growth rate for the industry. An average pre-tax discount rate of 18.5% has been applied to the net cashflows.

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Note 16. Trade and Other Payables				
Current				
Unsecured Trade payables	965,940	829,759	–	–
Factoring client payables	2,396,313	896,328	–	–
Institutional creditors	3,212,578	5,993,872	–	–
Sundry payables and accruals	6,175,720	4,054,400	–	–
Intercompany loan – controlled entities	–	–	745,186	4,650,668
	12,750,551	11,774,359	745,186	4,650,668

Factoring client payables in 2009 have been restated per Note 1(l).

Note 17. Borrowings

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Unsecured				
Other loans	527,151	209,613	–	–
Secured				
Mortgage	3,728	272,000	–	–
Bank loan – Other lending facilities	2,830,663	1,500,000	–	–
Hire Purchase Liability	–	8,160	–	–
	2,834,391	1,780,160	–	–
	3,361,542	1,989,773	–	–
Non-current				
Secured				
Hire purchase liability	–	19,217	–	–
Mortgage	268,272	–	–	–
Bank loan – Other lending facilities	11,625,507	9,787,784	–	–
	11,893,779	9,807,001	–	–
Non-Recourse Financial Liabilities				
Secured				
Warehouse facilities	194,541,639	148,580,187	–	–
(a) Total Current, Non-Current and Non-Recourse secured liabilities:				
Hire Purchase Liability	–	27,377	–	–
Mortgage	272,000	272,000	–	–
Bank loans – Other lending facilities	14,456,170	11,287,784	–	–
Warehouse facilities	194,541,639	148,580,187	–	–
	209,269,809	160,167,348	–	–

Note 17. Borrowings continued

(b) The carrying amounts of non-current assets pledged as security are:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Fixed charge over assets				
Motor vehicles	–	13,353	–	–
Investment properties	313,051	321,686	–	–
Loan and other assets in the Fox Symes				
Home Loans Warehouse Trust No. 1	207,039,832	153,375,554	–	–
	207,352,883	153,710,593	–	–

Bank loan – Other lending facilities consist of two funding facilities:

i) A full recourse lending facility to support bridging finance operations which is secured by a floating charge over the remaining assets of the 180 Group Pty Ltd and controlled entities and the other wholly-owned subsidiaries of FSA Group Ltd. Excluded from this charge are cash assets held on behalf of Institutional and other creditors to Debt Agreements administered by the Group; and

ii) A limited recourse factoring finance facility, where the funder may at its election, enforce a “first-loss” liability on factored receivables of 10% of the outstanding facility balance, up to a maximum of $1 million, unless there has been an event of default or breach of borrowing covenants.

There have been no breaches of borrowing covenants on either agreement during the year.

(c) Warehouse facility

Warehouse facilities are used to fund mortgages prior to securitisation and include revolving Senior and Mezzanine Note facilities (the facilities). The drawdown limit under the Senior and Mezzanine Note facilities is $225 million and $10 million respectively and at reporting date $183,908,000 and $7,996,000 respectively had been drawn down.

The Warehouse facilities are 364 day facilities that are renewable annually. The facility is currently due to expire on 15 July 2011. Interest is payable at the applicable BBSW rate plus a margin of 2.05% for the Senior Notes and a margin of 9% for the Mezzanine Notes. The interest rate at 30 June 2010 for the Senior and Mezzanine Notes is 6.89% and 13.75% respectively. The facilities are secured against current and future mortgage finance assets (refer Note 11). All borrowing covenants were met during the year.

Note 18. Provisions

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Current				
Provision for Institutional Creditor Payments	–	–	–	–
Employee benefits	588,535	477,399	–	–
	588,535	477,399	–	–
Non-current				
Employee benefits	251,012	158,819	–	–
Analysis of provisions				
Institutional Creditor Payments				
Balance at 1 July 2009	–	1,413,615	–	–
Additional provisions	–	–	–	–
Creditor payments reversal	–	(1,413,615)	–	–
Balance at 30 June 2010	–	–	–	–

Note 18. Provisions continued

Provision for employee benefits

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

As at 30 June 2010, the Consolidated Entity employed 162 full-time equivalent employees (2009: 144) plus a further 5 independent contractors (2009: 4).

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Note 19. Share Capital				
138,253,785 (2009: 115,437,513) Fully Paid Ordinary Shares	11,692,255	5,898,848	11,692,255	5,898,848
Nil (2009: 16) Convertible Redeemable Preference Shares (CRPS)	–	1,238,624	–	1,238,624
	11,692,255	7,137,472	11,692,255	7,137,472

(a) Ordinary shares

	2010 Number	2009 Number	2010 Number	2009 Number
Balance 1 July	115,437,513	115,437,513	115,437,513	115,437,513
– 7 October 2009	11,351,340	–	11,351,340	–
– 6 November 2009	2,964,932	–	2,964,932	–
– 27 January 2010	500,000	–	500,000	–
– 1 February 2010	8,000,000	–	8,000,000	–
Balance 30 June	138,253,785	115,437,513	138,253,785	115,437,513

2010

On 7 October 2009, a placement to Institutional and Sophisticated Investors for 11.35 million shares at 37 cents per share was undertaken. The shares were fully paid and have no par value.

On 6 November 2009, a Share Purchase Plan to Shareholders at 37 cents per share was undertaken which issued 2,964,932 ordinary shares. The shares were fully paid and have no par value.

On 27 January 2010, 500,000 ordinary shares were issued on exercise of 500,000 $0.25 options.

On 1 February 2010, 8 convertible redeemable preference shares (“CRPS”) were converted pursuant to the terms of the purchase agreement of 180 Group, acquired on 21 April 2006, upon 180 Group meeting its cumulative profit target to 30 June 2008. The remaining 8 CRPS were redeemed at this time due to 180 Group not meeting its profit target for 30 June 2009.

2009

Nil.

Note 19. Share Capital continued

(b) Convertible Redeemable Preference Shares (CRPS)

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.
- As at 30 June 2009, 16 CRPS had been converted into 16,000,000 Ordinary shares, pursuant to the terms of the purchase agreement on successfully meeting cumulative profit target up until 30 June 2007.

On 1 February 2010, 8 convertible redeemable preference shares ("CRPS") were converted pursuant to the terms of the purchase agreement of 180 Group upon 180 Group meeting its cumulative profit target to 30 June 2008. The remaining 8 CRPS were redeemed at this time due to 180 Group not meeting its profit target for 30 June 2009.

There are no Convertible Redeemable Preference Shares remaining outstanding and unconverted at 30 June 2010.

(c) Options

On 31 January 2010 1,590,000 unexercised options to acquire Ordinary shares in FSA Group Ltd, issued as part of the Company's ESOP, Executive remuneration and Director's remuneration lapsed.

Note 20. Reserves

Option Reserve

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

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 21. Cash Flow Information Reconciliation of cash flows from operations to Profit after tax

Profit after tax	9,177,212	10,021,632	6,278	23,351
Non-cash flows in profit/(loss):				
Depreciation	467,688	558,386	–	–
Amortisation – Intangibles	302,134	165,874	–	–
Impairment – Intangibles	49,263	–	–	–
Gain on sale of Subsidiaries	–	(50,000)	–	–
Gain on financial asset at FVTPL	(898,050)	–	–	–
Loss/(Gain) on disposal of plant & equipment	(7,437)	59,131	–	–
Changes in assets and liabilities:				
Increase in trade and other receivables	(17,887,059)	(13,028,192)	(9,000)	–
Decrease in other non-current assets	–	3,901	–	–
(Increase)/decrease in other current assets	499,593	(304,696)	–	–
(Decrease)/increase in trade and other payables	6,155,280	2,509,933	(24,822)	–
Increase in employee entitlements	203,329	88,724	–	–
(Decrease)/increase in other liabilities	4,395,857	2,859,205	(279,813)	242,069
Cash Flows from operating activities	2,457,810	2,883,898	(307,357)	265,420

Note 22. Commitments

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(i) Operating leases (non-cancellable):				
Minimum lease payments				
– not later than one year	899,075	1,211,431	–	–
– later than one year and not later than five years	4,091,910	–	–	–
	4,990,985	1,211,431	–	–

Operating leases relate to the lease of the Consolidated Entity's business premises, and printing equipment rental.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(ii) Hire purchase liability:				
– not later than one year	–	9,928	–	–
– later than one year and not later than five years	–	19,664	–	–
– later than five years	–	–	–	–
Total minimum hire purchase payments	–	29,592	–	–
– future finance charges	–	(2,215)	–	–
Hire purchase liability	–	27,377	–	–
– current liability (Note 17)	–	8,160	–	–
– non-current liability (Note 17)	–	19,217	–	–
	–	27,377	–	–

Note 23. Key Management Personnel Disclosures

(a) Details of Directors and Key Management Personnel

(i) Directors

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Hugh Parsons	Non-Executive Director
Stan Kalinko	Non-Executive Director

(ii) Key Management Personnel of the Consolidated Entity

Duncan Cornish	Joint Company Secretary
Anthony Carius	Chief Financial Officer and Joint Company Secretary
Fred El Tahche	Chief Information Officer
Goran Turner	Chief Executive – Fox Symes Home Loans
Nino Eid	Manager – Refinance

(b) Remuneration of Directors and Key Management Personnel

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Short-term employee benefits	1,725,675	1,625,106	–	–
Long-term employee benefits	8,193	22,299	–	–
Post-employment benefits	103,842	137,299	–	–
Share-based payments	10,479	126,462	10,479	126,462
	1,848,189	1,911,166	10,479	126,462

Note 23. Key Management Personnel Disclosures continued

(b) Remuneration of Directors and Key Management Personnel continued

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 Directors' Report on pages 20 to 27.

(c) Options issued as part of remuneration for the year ended 30 June 2010

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

(d) Shares issued on exercise of remuneration options

On 27 January 2010, 500,000 ordinary shares were issued on exercise of options previously granted to Hugh Parsons. The options were transferred to and exercised by an unrelated third party.

(e) Option holdings of Directors and Key Management Personnel

						Vested at 30 June 2010		
	Balance at 1 July 2009	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2010	Total	Not Exercisable	Exercisable
ESOP Options								
Directors	n/a							
Key Management Personnel								
Anthony Carius	450,000	–	–	(450,000)	–	–	–	–
Nino Eid	50,000	–	–	(50,000)	–	–	–	–
Total ESOP Options	**500,000**	–	–	**(500,000)**	–	–	–	–
Unlisted Options ($0.25 @ 31-Jan-10)								
Directors								
Hugh Parsons	500,000	–	–	(500,000)	–	–	–	–
Key Management Personnel	n/a							
Unlisted Options ($0.98 @ 31-Jan-10)								
Directors								
Stan Kalinko	250,000	–	–	(250,000)	–	–	–	–
Key Management Personnel	n/a							
Unlisted Options ($0.60 @ 31-Jan-10)								
Directors								
Stan Kalinko	250,000	–	–	(250,000)	–	–	–	–
Key Management Personnel	n/a							
Total Unlisted Options	**1,000,000**	–	–	**(1,000,000)**	–	–	–	–
Total Options	**1,500,000**	–	–	**(1,500,000)**	–	–	–	–

All options expired on 31 January 2010 without being exercised with the exception of Hugh Parsons' 500,000 options exercisable at $0.25 which were sold and transferred.

Note 23. Key Management Personnel Disclosures continued

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd, Including CRPS (number)	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
Directors					
Sam Doumany	1,000,000	–	–	40,541	1,040,541
Tim Odillo Maher	40,795,733	–	–	8,013,498	48,809,231
Deborah Southon	12,946,533	–	–	13,514	12,960,047
Stan Kalinko	10,000	–	–	5,406	15,406
Key Management Personnel					
Duncan Cornish	1,683,271	–	–	81,082	1,764,353
Anthony Carius	26,158	–	–	40,541	66,699
Nino Eid	100,000	–	–	–	100,000
Total	**56,561,695**	**–**	**–**	**8,194,582**	**64,756,277**

(g) Loans to Directors and Key Management Personnel

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

(h) Other transactions to Directors and Key Management Personnel

Convertible Redeemable Preference Shares (CRPS)

Part of the consideration for the acquisition of 180 Group Holdings Pty Ltd (acquired on 21 April 2006) was paid by FSA Group Ltd 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 Corporation Pty Ltd (a company associated with Tim Odillo Maher), the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group Pty Ltd, into 1,000,000 ordinary fully paid FSA Group Ltd 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 Ltd shares under one of three scenarios (or “Phases”) based on the financial performance of the 180 Group Pty Ltd. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.
- As at 30 June 2009, 16 CRPS had been converted into 16,000,000 Ordinary shares, pursuant to the terms of the purchase agreement on successfully meeting cumulative profit target up until 30 June 2007.

On 1 February 2010, 8 convertible redeemable preference shares (“CRPS”) were converted pursuant to the terms of the purchase agreement of 180 Group, acquired on 21 April 2006, upon 180 Group meeting its cumulative profit target to 30 June 2008. The remaining 8 CRPS were redeemed at this time due to 180 Group not meeting its profit target for 30 June 2009.

Other transactions with Directors and Key Management Personnel and related parties

During the year, the Consolidated Entity provided factoring finance to Skin Patrol Pty Ltd, a company which is associated with Mr Tim Odillo Maher. The total of all factoring fees received was $24,036 for the year ended 30 June 2010, (2009: $31,352). The finance facility and factoring fees charged were provided on normal commercial terms.

During the year the Consolidated Entity purchased supplies from the Ethan Group Pty Ltd, a company which is associated with Mr Tim Odillo Maher. The total amount purchased was $20,276 (2009: $17,600). The supplies were purchased on normal commercial terms.

Note 24. Events Occurring After Reporting date

There have been no events since the end of the financial year that impact upon the financial statements as at 30 June 2010 except as follows:

On 2 July 2010, 1,050,000 options exercisable at $0.50 on or before 2 July 2013 were issued as part of Executive remuneration.

Note 25. Related Party Disclosures

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

(b) Subsidiaries

Interests in subsidiaries are set out in notes 9 and 12.

(c) Transactions with related parties

Transactions with related parties of Directors or Key Management Personnel are as disclosed in Note 23 (h).

Details of other related party transactions are as follows:

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Tax Consolidation legislation				
Current tax payable/(receivable) assumed from wholly-owned tax consolidated entities	–	–	(112,758)	219,861

(d) Outstanding related party balances arising from sales/purchase of goods or services

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Current factoring receivables – Other related parties	81,361	83,102	–	–
Current factoring payables – Other related parties	–	5,456	–	–

(e) Loans from related parties

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Current loans from subsidiaries				
Beginning of the year	–	–	4,650,668	509,998
Advances received	–	–	888,518	4,852,308
Repayments made (including liabilities from the tax consolidated group)	–	–	(4,794,000)	(711,638)
Balance at the end of the year	–	–	745,186	4,650,668

Intercompany loans are unsecured and repayable at call.

Note 26. Segment Information

Operating Segments

	Services		Home Loan Lending		Business Services and Lending		Other/ Unallocated		Consolidated Total	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Revenue and Income										
External sales	35,310,060	33,723,422	–	–	2,927,259	1,854,269	236,283	3,252,579	38,473,602	38,830,270
Finance Income	96,936	215,320	18,836,585	15,416,147	3,228,220	4,518,623	88,513	13,352	22,250,254	20,163,442
Finance expense	(2,817)	(2,412)	(10,055,162)	(8,212,462)	(768,874)	(681,975)	(22,124)	(62,275)	(10,848,977)	(8,959,124)
Net Finance Income	94,119	212,908	8,781,423	7,203,685	2,459,346	3,836,648	66,389	(48,923)	11,401,277	11,204,318
Other Income	–	–	–	–	898,050	–	7,437	39,034	905,487	39,034
Internal sales and income	2,083,968	1,761,311	192,799	361,723	–	–	–	174,801	2,276,767	2,297,835
Eliminations									(2,276,767)	(2,297,835)
Total Revenue and Income	37,488,147	35,697,641	8,974,222	7,565,408	6,284,655	5,690,917	310,109	3,417,491	50,780,366	50,073,622
Results										
Segment profit before tax	8,585,062	10,272,597	3,432,350	3,070,485	865,005	544,214	(14,295)	52,041	12,868,122	13,939,337
Income tax (expense)/benefit	(2,583,557)	(3,204,115)	(814,693)	(648,885)	(263,518)	(166,285)	(29,142)	101,580	(3,690,910)	(3,917,705)
Profit for the year	6,001,505	7,068,482	2,617,657	2,421,600	601,487	377,929	(43,437)	153,621	9,177,212	10,021,632
Items included in Profit for the year										
Share of the profits of an associate using the Equity Accounting Method	–	–	–	–	–	–	18,528	126,323	18,528	126,323
Depreciation and amortisation	717,090	644,504	30,894	30,460	12,835	15,858	9,003	33,438	769,822	724,260
Impairment in value – Goodwill	–	–	–	–	–	–	49,263	–	49,263	–
Impairment in value – trade receivables	6,426,423	6,566,465	400,932	182,086	1,892,662	1,922,531	9,184	35,261	8,729,201	8,706,343
Reversal of impairment in value – trade receivables	(1,469,504)	(1,973,479)	–	–	–	–	–	–	(1,469,504)	(1,973,479)
Rental expense on operating lease – minimum lease payment	1,210,894	1,112,977	–	–	–	–	–	450	1,210,894	1,113,427
Employee benefits expense	12,940,696	11,894,047	882,960	920,739	1,681,716	1,338,562	136,176	1,913,017	15,641,548	16,066,365
Share based payments expense	–	–	–	–	–	–	52,804	208,965	52,804	208,965
Legal and consultancy	93,381	24,136	351,857	72,530	260,083	273,019	599	10,325	705,920	380,010
Segment assets	66,599,281	55,469,009	207,459,549	154,169,189	22,884,380	17,495,193	15,938,870	16,398,165	312,882,080	243,531,556
Eliminations									(35,965,280)	(32,719,135)
Total assets									276,916,800	210,812,421
Included in Segment assets										
Investment in associate	–	–	–	–	–	–	47,188	2,843	47,188	2,843
Segment liabilities	34,743,152	29,208,386	202,029,679	150,547,925	20,002,106	14,998,584	1,524,207	5,235,455	258,299,144	199,990,350
Eliminations									(26,131,834)	(21,246,395)
Total liabilities									232,167,310	178,743,955

Note 26. Segment Information continued

Information about operating segments

Identification of reportable segments

The Consolidated Entity's Chief Operating Decision Maker has identified three reportable segments based on the differences in providing services and providing finance products. These three segments are subject to different regulatory environments and legislation.

The three identified reportable segments are:

Services;
Home Loan Lending; and
Business Services and Lending.

Services include debt agreement proposal preparation and administration, refinance broking, trustee services and other related services.

Home Loan Lending includes the provision of mortgage finance.

Business Services and Lending includes corporate insolvency consultancy services and the provision of bridging finance and factoring finance.

The Consolidated Entity operates in one geographic region – Australia.

Measurement

Each identified reportable segment accounts for transactions consistently with the Accounting policies mentioned in Note 1 to these financial statements. Inter-segment transactions are highlighted as eliminated to reconcile to the profit, total assets and liabilities amounts of the Consolidated Entity, with the exception of internal refinance broking fees which have not been eliminated in the segment profit of Home Loan Lending. The Consolidated Entity's Chief Operating Decision Maker, has specifically elected to do this so that the Home Loan Lending division can be read as a standalone entity and have its cost structure benchmarked against other similar market lenders.

Centrally incurred costs for shared services are allocated between segments based employee numbers as a percentage of the total head count.

Note 27. Financial Instruments

Financial and Capital Risk Management

The Group undertakes transactions in a range of financial instruments including:

- Cash and cash equivalents
- Trade and other receivables
- Mortgage Finance Assets (Mortgage receivables)
- Other Financial Assets
- Payables (including Institutional creditor liabilities)
- Interest Bearing Liabilities including 364 day rolling Note Facility funding, Bank loans, Mortgage Loans and Hire Purchase Liabilities

Note 27. Financial Instruments continued

Financial and Capital Risk Management continued

These financial instruments represented in the Statements of Financial Position are categorised under AASB 139 Financial Instruments: Recognition and Measurement as follows:

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Financial Assets				
Cash and Cash Equivalents	13,999,970	19,691,970	1,637,606	626,350
Financial assets at fair value through profit and loss	898,050	–	–	–
Loans and Receivables at amortised cost	257,508,420	184,998,876	137,578	50,000
Financial Liabilities				
Payables at amortised cost	223,176,964	172,515,148	745,186	4,870,529

The Consolidated Entity has exposure to the following risks from these financial Instruments:

- credit risk
- liquidity risk
- market (interest) risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework through the work of the Audit and Risk Management Committee. The Audit and Risk Management Committee is responsible for developing and monitoring risk management policies. The Chairman of the Audit and Risk Management Committee reports to the Board of Directors on its activities.

Risk management procedures are established by the Audit and Risk Management Committee and carried out by management to identify and analyse the risks faced by the Consolidated Entity and to set controls and monitor risks. These are discussed individually below.

Capital Management

The Consolidated Entity's objectives in managing its capital is the safeguard of the Consolidated Entity's ability to continue as a going concern, maintain the support of its Investors and other business partners, support the future growth initiatives of the Consolidated Entity and maintain an optimal capital structure to reduce the costs of capital. The Consolidated Entity's current capital maintenance policy as opposed to a dividend policy is consistent with its Capital Management objectives. These objectives are reviewed periodically by the Board.

The Consolidated Entity assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) in line with these objectives.

Gearing is used to monitor levels of debt capital used by the Consolidated Entity to fund its operations. The ratio is calculated as Net Interest Bearing Liabilities divided by Tangible Assets (less Cash Assets).

The gearing ratio at 30 June 2010, excluding the Consolidated Entity's special purpose entity Fox Symes Home Loans Warehouse Trust #1, whose liabilities are non-recourse to the Consolidated Entity, was 25.6% (2009: 26.8%).

It was the policy of the Consolidated Entity during the 2010 financial year to maintain a gearing ratio, excluding the Consolidated Entity's special purpose entity Fox Symes Home Loans Warehouse Trust #1 of less than 50% (2009: 50%)

The Consolidated Entity defines capital as total equity reported in the Statement of Financial Position.

Note 27. Financial Instruments continued

Fair values of financial instruments

The carrying values of the Consolidated Entity's financial assets and liabilities approximate their fair values.

Fair value measurements recognised in the Statements of Financial Position

The Consolidated Entity has only one financial asset measured at fair value through profit or loss, being an option to acquire shares in an unlisted proprietary company. The value has been determined by independent external experts using inputs which have been derived from observable market data. The fair value of this option as at 30 June 2010 was $898,050. This represents a "tier 2" fair value measurement as per AASB 7 Financial Instruments.

Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity. Credit risk is concentrated in two categories of financial instruments:

- Trade and other receivables, including bridging finance receivables and factoring finance receivables; and
- Mortgage Finance Assets (Residential mortgage secured loans receivable)

Credit and lending policies have been established for all lending operations whereby each new borrower is analysed individually for creditworthiness and serviceability prior to the Consolidated Entity doing business with them. This includes where applicable credit history checks and affordability assessment and, in the case of lending activities, confirming the existence and title of the property security, and assessing the value of the security provided. These are monitored by the Audit and Risk Management Committee though the management of the Consolidated Entity.

Mortgage Finance Assets are secured by first mortgage security over real property. Bridging finance and factoring finance receivables are secured by first or second mortgage security, and where applicable, fixed and floating charges over business assets.

The Consolidated Entity retains the mortgages over the secured real property (consisting of land and buildings) until the loans are repaid. The Consolidated Entity is entitled to take possession of and enforce the sale of the secured real property in the event that the borrower defaults under the terms of their mortgage.

Personal Insolvency (debt agreement and personal insolvency agreements under the Bankruptcy Act) receivables are unsecured, though debtors are assessed for serviceability and affordability prior to inception of each agreement.

The above minimises the Consolidated Entity's credit risk exposure to acceptable levels.

The Audit and Risk Management Committee also establishes the Consolidated Entity's allowance for impairment policy which is discussed in notes 8 and 11.

Liquidity Risk

Liquidity risk is the risk that Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach in managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's liquidity risk management policies include cashflow forecasting, which is reviewed and monitored monthly by management as part of the Consolidated Entity's master budget and having access to funding through credit facilities.

Note 27. Financial Instruments continued

Liquidity Risk continued

The contractual maturity of the Consolidated Entity's fixed and floating rate financial liabilities are as follows. The amounts represent the future undiscounted principal and interest cashflows.

	Consolidated Entity 30 June 2010						
	Carrying amount $	Contractual Cashflows $	6 months or less $	6-12 months $	1 to 2 years $	2 to 5 years $	5-25 years $
Trade and Other Payables	**3,362,253**	**3,362,253**	**3,362,253**	–	–	–	–
Institutional creditors	**3,212,578**	**3,212,578**	**3,212,578**	–	–	–	–
Other payables	**6,175,720**	**6,175,720**	**6,175,720**	–	–	–	–
Other Short term loans	**527,151**	**527,151**	**527,151**	–	–	–	–
Bank Loans	**14,456,170**	**16,267,646**	**3,377,166**	**405,045**	**12,485,435**	–	–
Mortgage Loans	**272,000**	**608,062**	**13,029**	**13,029**	**26,059**	**78,179**	**477,766**
Warehouse Facilities	**194,541,639**	**203,783,550**	**5,988,595**	**5,890,955**	**191,904,000**	–	–

	Consolidated Entity 30 June 2009					
	Carrying amount $	Contractual Cashflows $	6 months or less $	6–12 months $	1 to 2 years $	2 to 5 years $
Trade and Other Payables	1,726,087	1,726,087	1,726,087	–	–	–
Institutional creditors	5,993,872	5,993,872	5,993,872	–	–	–
Other payables	4,054,400	4,054,400	4,054,400	–	–	–
Hire Purchase Liabilities	27,377	29,622	4,963	4,963	19,696	–
Other Short term loans	209,613	209,613	209,613	–	–	–
Bank Loans	11,287,784	12,356,910	366,258	1,866,258	10,124,394	–
Mortgage Loans	272,000	279,425	279,425	–	–	–
Warehouse Facilities	148,580,187	157,686,341	4,553,077	4,553,077	148,580,187	–

The Parent Entity has trade and other payables amounting to $745,146 (2009: $4,650,668). These relate to loans with its Subsidiaries. There is no contractual maturity on these balances.

FSA Group Ltd has a secured note facility comprising of senior and mezzanine debt through a special purpose entity, the Fox Symes Home Loans Warehouse Trust No.1. The facility has a combined drawdown limit of $235,000,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2010 the Consolidated Entity had withdrawn $191,904,000 from this facility. It had unused credit at the end of the year of $43,096,000.

FSA Group Ltd's subsidiary 180 Group Pty Ltd has two secured loan facilities supporting its lending activities. The bridging finance and factoring finance facilities have drawdown limits of $7,000,000 and $25,000,000 respectively. As at 30 June 2010, the Company had withdrawn $2,850,000 from the bridging finance facility and it had unused credit at the end of the year of $4,150,000 on this facility. As at 30 June 2010, the Company had withdrawn $11,668,631 from the factoring finance facility and it had unused credit at the end of the year of $13,331,369 on this facility.

Note 27. Financial Instruments continued

Warehouse facilities

The Consolidated Entity is reliant on the renewal of existing warehouse facilities, the negotiation of new warehouse facilities, or the issuance of residential mortgage backed securities.

Each warehouse facility is structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Consolidated Entity. If a warehouse facility is not renewed or otherwise defaults and its assets are liquidated, the primary impact to the Consolidated Entity would be the loss of future income streams from excess spread, being the difference between our mortgage rate and the cost of funds, fee income and the write off of any unamortised balance of deferred transaction costs.

The Directors are satisfied that any sale of mortgages in repayment of warehouse facilities or an event of default in relation to the Consolidated Entity's warehouse facilities will not affect the Consolidated Entity's ability to continue as a going concern.

Market Risk

Market risk is the risk that changes in market prices will affect the Consolidated Entity's income or the value of holdings in its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk of the Consolidated Entity is concentrated in interest rate risk.

Mortgage Finance Assets are lent on variable interest rates and are financed by variable rate borrowings, which mitigate the Consolidated Entity's exposure to interest rate risk on these borrowings to an acceptable level. These borrowings are provided to the Consolidated Entity on a 364 day rolling facility and are non-recourse to the Consolidated Entity unless there is material event of default or breach of borrowing covenants.

Bridging finance assets and factoring finance assets are provided to borrowers on fixed and variable rate terms. These are financed by variable rate borrowings. The returns on the products are sufficient to mitigate adverse interest rate movements on the borrowings. As such the risk does not warrant the cost of purchasing derivative financial instruments to mitigate this risk completely. The Board and Management are satisfied that this policy is appropriate for the Consolidated Entity at this time. These assets are financed by a long term debt facility.

All other sources of finance are immaterial to the Consolidated Entity in amount and exposure.

Interest rate sensitivity analysis

The tables below show the effect on finance costs and profit after tax if interest rates had been 25 basis points (bps) higher or lower at reporting date on the Consolidated Entity's floating rate financial instruments (2009:50 bps). A 25 bps sensitivity is considered reasonable given the current level of both short-term and long-term Australian interest rates. This would represent approximately 1 rate increase/decrease. The Reserve Bank of Australia in its commentary has noted that interest rates have returned from emergency levels required to stimulate the economy through the Global Economic Crisis and as such have not moved the official cash rate since May 2010. In the current economic environment, where inflation remains low and unemployment stable, it is unlikely that the Reserve Bank of Australia will commence a sharp upwards movement in the interest rate cycle over the next 12 months. The analysis is based on interest rate risk exposures at reporting date on both financial assets and liabilities.

	Consolidated Entity Profit after tax	
	2010 $	2009 $
If interest rates increased by 25bps (2009: 50bps) – Increase/(decrease)	8,778	17,052
If interest rates decreased by 25bps (2009: 50bps) – increase/(decrease)	(8,778)	(17,052)

	Parent Entity Profit after tax	
	2010 $	2009 $
If interest rates increased by 25bps (2009: 50bps) – increase/(decrease)	2,866	2,192
If interest rates decreased by 25bps (2009: 50bps) – increase/(decrease)	(2,866)	(2,192)

	Consolidated Entity		Parent Entity	
	2010 $	2009 $	2010 $	2009 $

Note 28. Investments in Associates

	Consolidated Entity 2010 $	Consolidated Entity 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Equity accounted investments in associates				
Purchase consideration	7,963	7,963	–	–
Inter-entity loan	(366,322)	(397,697)	–	–
Share of associates retained earnings	405,547	392,577	–	–
	47,188	2,843	–	–

The Consolidated Entity has one investment in an associate which it accounts for using the equity accounting method. The associate, Huntingdale Smythe Lawyers Pty Ltd is a company incorporated in Australia and provides legal services. The Consolidated Entity has 50% ownership and 50% of the voting power in the entity.

Information about the Associate is as follows:

Consolidated Entity's share of:

	2010 $	2009 $
Revenue	107,811	501,528
Profit before tax	18,528	126,323
Income tax expense	(5,558)	(37,897)
Profit for the year	132,970	88,426
Assets	107,608	103,080
Liabilities	1,444	9,886
Net assets	106,164	93,194

Note 29. Contingent Liabilities

There were no contingent liabilities relating to the Group at reporting date except the following:

2010

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $9,537,900

Mortgages are usually settled within 4 weeks of acceptance.

2009

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $503,950.

Mortgages are usually settled within 4 weeks of acceptance.

Directors' Declaration

The Directors of FSA Group Ltd declare that:

(a) in the Directors' opinion the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 17 to 69 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 2010 and of their performance, for the financial year ended on that date; and

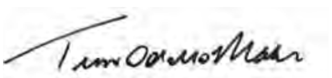
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors



Tim Odillo Maher

Director

Sydney
31 August 2010

Independent Auditor's Report

To the members of FSA Group Ltd

PKF

Chartered Accountants & Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of FSA Group Limited

Report on the Financial Report

We have audited the accompanying financial report of FSA Group Limited, which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cashflow for the year ended on that date selected explanatory notes and the directors' declaration of the consolidated entity comprising FSA Group Limited and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the FSA Group Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's Opinion

In our opinion:

(a) the financial report of FSA Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of FSA Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF

Arthur Milner

Partner

31 August 2010

Shareholder Information

for the year ended 30 June 2010

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 August 2010.

(a) Distribution of equity securities

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

	Quoted Ordinary shares	
	Number of holders	Number of holders
1 – 1,000	115	21,327
1,001 – 5,000	297	941,697
5,001 – 10,000	234	2,037,700
10,001 – 100,000	374	13,003,567
100,001 and over	116	122,249,494
Total	**1,136**	**138,253,785**

The number of shareholders holding less than a marketable parcel of shares (1,471) are 146 (holding a total of 59,613 ordinary shares).

	Unquoted $0.50 options exercisable on or before 2 July 2013	
	Number of holders	Number of options
1 – 1,000	–	–
1,001 – 5,000	–	–
5,001 – 10,000	–	–
10,001 – 100,000	–	–
100,001 and over	2	1,050,000
Total	**2**	**1,050,000**

(b) Twenty largest holders

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

Ordinary shares:			
1	Capital Management Corporation Pty Ltd	32,000,000	23.1%
2	Mazamand Group Pty Ltd	16,809,231	12.2%
3	ADST Pty Ltd	12,960,047	9.4%
4	BJR Investment Holdings Pty Ltd	11,000,000	8.0%
5	Investment Custodial Services Ltd	3,772,216	2.7%
6	ABN AMRO Clearing Sydney	2,615,076	1.9%
7	Ruminator Pty Ltd	2,350,174	1.7%
8	Citicorp Nominees Pty Ltd	2,100,000	1.5%
9	Berne No 132 Nominees Pty Ltd	1,949,193	1.4%
10	Ms Danita Rae Lowes	1,590,552	1.2%
11	ANZ Nominees Limited	1,581,500	1.1%
12	Perpetual Trustees Limited	1,557,212	1.1%
13	Sareena Enterprises Pty Limited	1,356,667	1.0%
14	Mr Costa Emil Vrisakis and Mrs Despina Vrisakis	1,200,000	0.9%
15	Bulwarra Holdings Pty Ltd	1,113,150	0.8%
16	Maramindi Pty Ltd	1,040,541	0.8%
17	James Dundas Ritchie	1,000,000	0.7%
18	Miss Xin Zhang	911,000	0.7%
19	Atkone Pty Ltd	888,516	0.6%
20	Aftron Pty Ltd	792,000	0.6%
	Top 20	**98,587,075**	**71.3%**
	Total	**138,253,785**	**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	16,809,231
ADST Pty Ltd	12,960,047
BJR Investment Holdings Pty Ltd	11,000,000

(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 ordinary shares subject to 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.

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Corporate Information

Directors

Sam Doumany – Non-Executive Chairman
Tim Odillo Maher – Executive Director
Deborah Southon – Executive Director
Hugh Parsons – Non-Executive Director
Stan Kalinko – Non-Executive Director

Company Secretaries

Duncan Cornish
Anthony Carius

Registered Office and Corporate Office

Level 5
10 Market Street
Brisbane QLD 4000
Phone: + 61 (07) 3212 6299
Fax: + 61 (07) 3212 6250

Principal Business Office

Level 3
70 Phillip Street
Sydney NSW 2000
Phone: +61 (02) 8985 5565
Fax: +61 (02) 8985 5290

Solicitors

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

Share Register

Link Market Services Ltd
Level 19, 324 Queen Street
Brisbane QLD 4000
Phone: +61 (02) 8280 7454

Auditors

PKF
Level 10
1 Margaret Street
Sydney New South Wales 2000

Country of Incorporation

Australia

Securities Exchange Listing

Australian Securities Exchange Ltd
ASX Code: FSA

Internet Address

www.fsagroup.com.au

Australian Business Number

ABN 98 093 855 791

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