FSA Group Limited

Annual Report 2011

Steady growth

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 179 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 solutions, extending our services and introducing new products to meet the demand of our growing pool of clients.

Steady growth delivered

by leveraging a proven integrated business model in growth markets with high barriers to entry

Proven integrated business model

FSA Group has grown and evolved with the changing needs of our clients. We work closely with our clients and have added products and services in direct response to their evolving demands and needs. Our client base has grown through customised marketing and word of mouth. We support our clients through a sophisticated operating platform which allows us to process and support large volumes at low transaction cost and, it underpins and reinforces our risk management and compliance capabilities. Our relationship with our clients is of prime importance and it is based on the principles of fairness, transparency and honesty.

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 and bankruptcy.

Home Loans

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 lender and manager of home loans.

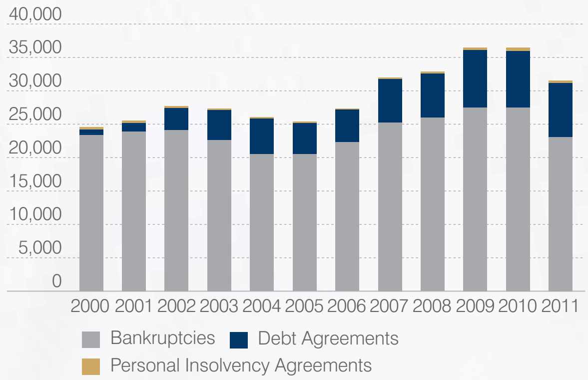
Small Business

FSA Group offers a range of simple and convenient products and services to assist small businesses with cash flow management. These solutions include consulting services and the provision of factoring finance.

Services

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. They offer 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. 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.

The Market



Source: Insolvency and Trustee Service Australia

2011 Achievements:

- 53% market share for debt agreements
- 30% increase in clients administered under debt agreements
- $270m of unsecured debt managed under debt agreements
- Consistent low level of arrears
- $63m paid to creditors under debt agreements
- One of the largest providers of personal insolvency agreements and bankruptcy

Steady growth delivered

through tailored solutions that assist more clients to achieve successful outcomes

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. Prior to the Global Financial Crisis, the market was characterised by a high number of competitors. Today fewer competitors remain with many exiting the market in 2008. Increased levels of capital are now required to operate a home loan lending business and this has increased the barriers to entry into the market. FSA Group is one of the few remaining non-conforming home loan lenders operating in the market. During the year FSA Group announced its launch into the prime home loan market as a home loan manager for Bendigo and Adelaide Bank. This move complements its existing non-conforming home loan lending activities.

The Market

Prime Home Loan Market
$200b p.a. →

Non-Conforming Home Loan Market
Estimated $2-4b p.a. →

Source: Datamonitor

2011 Achievements:

- ✓ One of the few remaining non-conforming home loan lenders
- ↑ Loan pool increased to $229m
- ✓ Consistent low level of arrears and capital losses
- ✓ Westpac facility increased to $260m and renewed to October 2013
- ✓ Bendigo and Adelaide Bank approved a 3 year $50m facility
- ✓ Launched into the prime home loan market as a manager for Bendigo and Adelaide Bank

Small Business

The factoring finance market consists of lenders who assist small to medium businesses with cash flow management by providing finance primarily secured against the unpaid invoices of a business. There are only a few competitors operating in the market, many having been casualties of the Global Financial Crisis. Competition is likely to increase over the next few years, although the level of capital required to operate a factoring finance business presents real barriers to entry. FSA Group offers a range of simple and convenient products and services to assist small businesses with cash flow management. These solutions include consulting services and the provision of factoring finance.

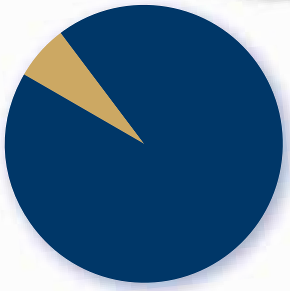
2011 Achievements:

- Loan pool increased to $12m
- Consistent low level of arrears
- Nil Capital losses
- $25m Westpac facility renewed to July 2012
- Good platform in place for future growth

The Market

Factoring Finance Turnover
$4b p.a.

Invoice Discounting Turnover
$59b p.a.



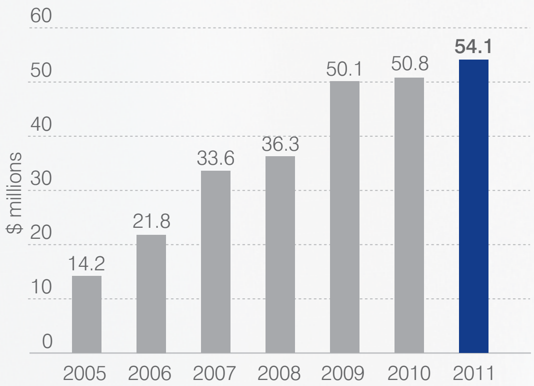
Source: Institute for Factors and Discounters

Steady growth delivering

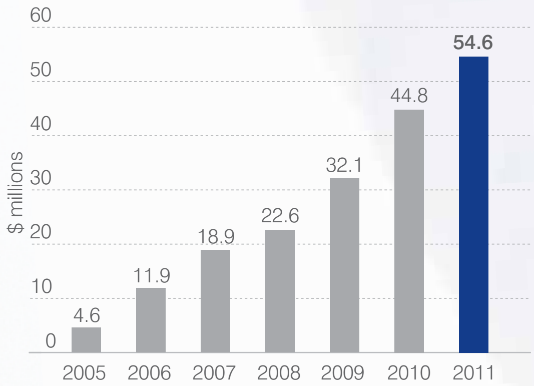
strong, consistent and sustainable financial results

Financial Results

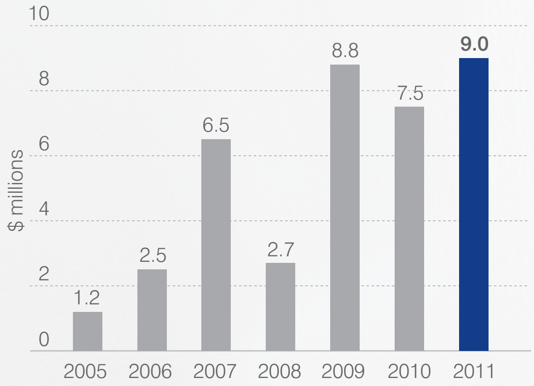
Revenue



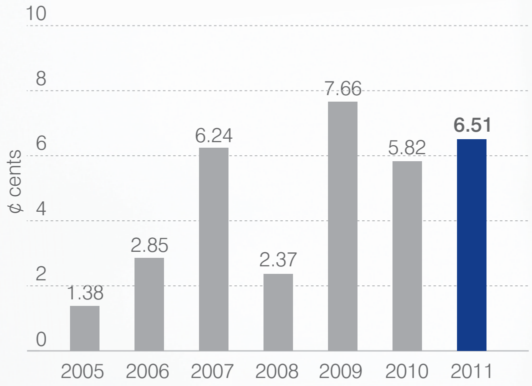
Net Assets



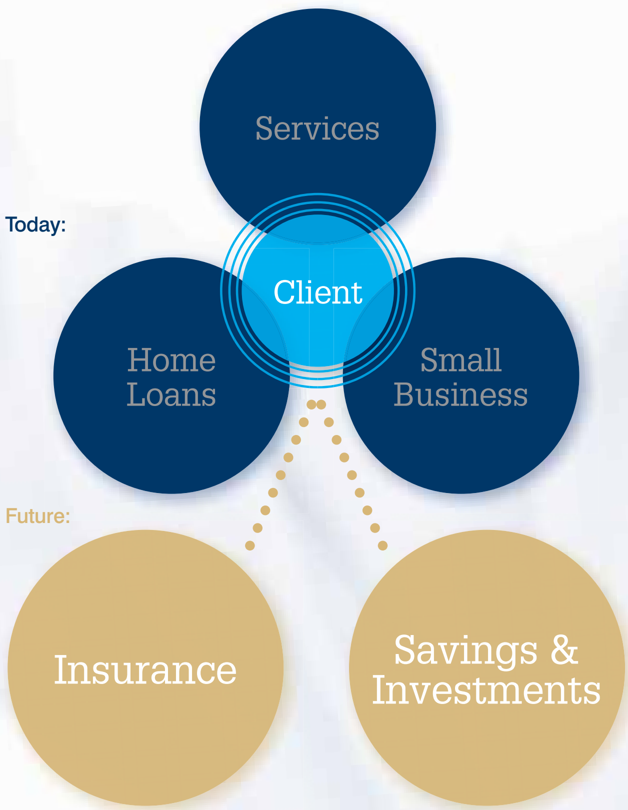
Profit After Tax (Attributable to Members)



Basic Earnings Per Share



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



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

Chairman's Letter

Dear Shareholders,

The 2011 financial year has been a year of steady growth for FSA Group. FSA Group generated $54.1 million in revenue and achieved a record profit after tax attributable to members of $9.0 million, a 20% increase compared to the results of 2010.

Our Services division, which offers debt agreements, personal insolvency agreements and bankruptcy as an option to indebted individuals, maintained its position as the market leader for debt agreements and increased its market share from 51% to 53% during 2011. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

Our Home Loans division 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 lender and manager of home loans. As a lender we have originated a high quality loan pool of over $229 million which is outperforming those of our competitors. Our non-recourse home loan funding facility was increased to $260 million and renewed for a further term by Westpac Banking Corporation. In addition Bendigo and Adelaide Bank approved a three year $50 million non-recourse home loan funding facility to supplement the Westpac facility.

Our Small Business division provides a range of solutions to assist small businesses including consulting services and the provision of factoring finance. Through factoring finance, FSA Group has originated a high quality loan pool of over $12 million. Our $25 million limited-recourse factoring finance funding facility has been renewed until July 2012 by Westpac Banking Corporation.

I am delighted to advise that the Directors have declared a maiden fully franked dividend of one cent per share for the 2011 financial year.

I am confident of 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 Directors' Review

Dear Shareholders,

The 2011 financial year has been successful for FSA Group.

During the year demand for our solutions underpinned revenues of $54.1 million (2010: $50.8 million) and helped to deliver a record profit after tax attributable to members of $9.0 million (2010: $7.5 million).

The Directors have declared a maiden fully franked dividend of one cent per share for the 2011 financial year.

Financial Overview	FY2010	FY2011	% Change
Revenue and Income	$50.8m	$54.1m	▲ 7%
Profit Before Tax	$12.9m	$15.3m	▲ 19%
Profit After Tax (Attributable to Members)	$7.5m	$9.0m	▲ 20%
Net Assets	$44.8m	$54.6m	▲ 22%
NTA Backing/share	28.4c	34.9c	▲ 23%
EPS basic	5.82c	6.51c	▲ 12%

During the 2011 financial year, FSA Group achieved a significant uplift in cash flow from operations to $8.5 million driven by the increased number of clients administered under debt agreements. FSA Group expects client numbers will continue to grow during the 2012 financial year and the costs of administering these additional clients will be negligible. As a result FSA Group should continue to see a steady and sustained increase in cash flow from operations.

Cash Flow from operations	FY2009	FY2010	FY2011
Cash flow from operations	$1.1m	$5.3m	**$8.5m**
Clients administered under debt agreements	7,180	11,050	**14,394**

After year-end FSA Group secured additional funding and our existing funding facilities were increased and renewed. In August 2011, FSA Group announced its non-recourse home loan funding facility with Westpac Banking Corporation had been increased to $260 million and renewed to October 2013. In July 2011 FSA Group announced Bendigo and Adelaide Bank had approved a three year $50 million non-recourse home loan funding facility. This facility supplements the Westpac facility.

Funding	Facility Type	Amount	Renewal Date
Westpac Banking Corporation	Non-recourse home loan facility	$260m	**October 2013**
Bendigo & Adelaide Bank	Non-recourse home loan facility	$50m	**June 2014**
Westpac Banking Corporation	Limited-recourse factoring finance facility	$25m	**July 2012**

Our business operates across the following key segments, Services, Home Loans and Small Business.

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

Operational Performance

Services

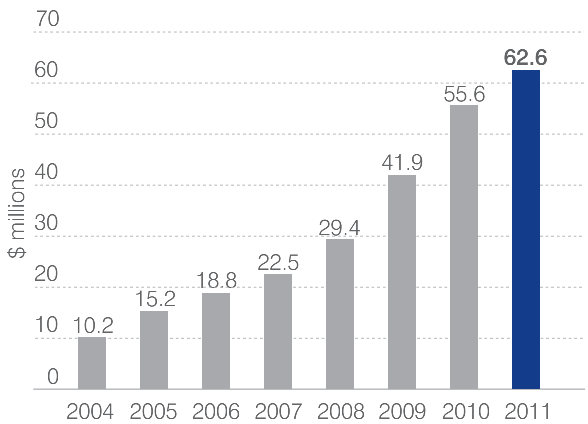
The Services division offers a range of simple and convenient solutions to assist clients wishing to enter into a payment arrangement with their creditors. These include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.

FSA Group maintained its position as the market leader for debt agreements and increased its market share from 51% to 53% during 2011. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

During 2011 there was a 30% increase in the number of clients administered under debt agreements and a 32% increase in the number of clients administered under personal insolvency agreements and bankruptcy.

FSA Group's arrears and risk management capabilities are a competitive advantage. Our disciplined operating practices produced further productivity and efficiency gains in 2011. A testament to this is the dividends paid to creditors and a continued and sustained reduction in the level of arrears. FSA Group manages over $270 million of unsecured debt under debt agreements. During 2011 FSA Group paid $63 million in dividends to creditors. This was an increase of 13% compared to 2010.

Dividend Distribution 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. It is an alternative to going bankrupt and is a binding agreement between the individual and their creditors.

Home Loans

The Home Loans division offers a range of simple and convenient solutions to assist clients with property wishing to consolidate their debt. FSA Group offers solutions both as a lender and manager of 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 has firmly established a track record in non-conforming home loan lending. We have originated a high quality loan pool of over $229 million which is outperforming those of our competitors. Greater than 30 day arrears fell to 2.38% at June 2011 compared to 3.89% at June 2010. This compares with competitor arrears of 12.67% as reported by the Standard & Poor's Index at May 2011. Demand for non-conforming home loan lending continues to rise due to fewer competitors and the stricter lending criteria imposed by the banks.

During the year FSA Group announced its launch into the prime home loans market as a home loan manager for Bendigo and Adelaide Bank. This move complements its existing non-conforming home loan lending activities.

Home Loan Lending	
Loan Pool Size	**$229m**
Security Type	**1st Mortgage**
Average Loan Size	**$206,000**
Average Weighted LVR	**68%**
Full Doc Borrowers	**98%**
Variable Rate Borrowers	**100%**
Geographical Spread	**Australia Wide**
> 30 day arrears*	**2.38%**
Loss of Capital since inception	**$149,619**

* Competitors > 30 day arrears as reported by Standard & Poor's Index was 12.67% at May 2011.

Executive Directors' Review cont.

Small Business

The Small Business division offer a range of simple and convenient solutions to assist small businesses with cash flow management. These solutions include consulting services and the provision of factoring finance.

FSA Group has firmly established a track record in factoring finance. We have originated a high quality loan pool of over $12 million. FSA Group is experiencing demand for factoring finance because the availability of credit for small businesses continues to remain tight.

Factoring Finance	
Loan Pool Size	**$12m**
Security Type	**Assigned Receivables**
Average Loan Size	**$225,000**
Average Weighted LVR	**Ranges 55%–65%**
Variable Rate Borrowers	**100%**
Geographical Spread	**Australia Wide**
> 90 day arrears	**9.30%**
Asset insured	**Yes**
Loss of Capital since inception	**Nil**

Strategy and Outlook

High levels of consumer debt should continue to drive demand for our products and services.

Home loan lending and factoring finance have positioned FSA Group to assist more clients and secure annuity income. 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 employs 179 people. We would like to acknowledge the efforts of all our team during what has been a very busy period. We would also like to thank our Board for their guidance and support during the year.

Yours sincerely,

Tim Odillo Maher
Executive Director

Deborah Southon
Executive Director

Directors and Secretary

(Above from left) Tim Odillo Maher, Don Mackenzie (Secretary), Sam Doumany, Sally Herman, Deborah Southon and Stan Kalinko

Financial Statements

Directors' Report

for the year ended 30 June 2011

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
Stan Kalinko
Sally Herman (appointed 24 January 2011)
Hugh Parsons (resigned 31 May 2011)

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

Nil

Former (listed company) directorships in last 3 years

Lindsay Australia Limited (resigned 17 November 2010)

Special responsibilities

Member of the Audit & Risk Management Committee and Remuneration 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	42,809,231

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).

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

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 one 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 eight years on the board of Deacons in Sydney, three years on their national board, 10 years as the business unit leader of their Banking and Finance Practice Group and three 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 Laws 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 Audit & Risk Management Committee and Remuneration Committee

Interest in shares and options

Ordinary shares	15,406

Sally Herman (Non-Executive Director)

Experience and Expertise

Ms Herman was appointed on 24 January 2011.

Ms Herman has more than 25 years' executive experience in financial services in both Australia and in the United States, and has spent the last 16 years with the Westpac Group running major business units in almost every operating division of the Group. She also has broad board experience in the Not For Profit Sector, currently sitting on several boards including Urbis Pty Ltd, Endeavour Foundation and the State Library of NSW Foundation. She is also a graduate of the Australian Institute of Company Directors and holds a Bachelor of Arts degree.

Prior to Westpac, Ms Herman held a senior role at Macquarie Bank and has worked for Australian and international financial services firms during her career. Ms Herman retired as an executive of Westpac in September 2010.

Other current (listed company) directorships

Nil

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Member of the Audit & Risk Management Committee and Remuneration Committee

Interest in shares and options

Ordinary shares	Nil

Company Secretary

Mr Don Mackenzie was appointed to the position of Company Secretary on 19 November 2010.

He is a Chartered Accountant and has had experience working with Chartered Accounting firms and has held senior positions with public companies involved in the rural and manufacturing industries.

Since 1993 he has provided corporate support services to public companies predominately involved in manufacturing, mining, information technology and rural operations. Mr Mackenzie is a Non-Executive Director of Forest Place Group Limited (since March 2004), an alternate Director of Silver Chef Limited (since March 2005) and was previously a Director of Occupational and Medical Innovations Limited (November 2004 to 29 March 2010).

He is also the Secretary to all Board committees.

Former Company Secretaries

Mr Duncan Cornish and Mr Anthony Carius were joint secretaries of the Company until their resignations on 19 November 2010.

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 $8,995,715 (2010: $7,520,564).

Dividends paid or recommended

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

Review of operations

Detailed comments on operations are included separately in the Annual Report in the Executive Directors' 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 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 from $44,749,490 at 30 June 2010 to $54,564,463 at 30 June 2011.

The Consolidated Entity's working capital, being current assets less current liabilities has improved from $22,875,268 in 2010 to $33,340,303 in 2011.

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 also 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 2011 except as follows:

- On 4 July 2011, the Company obtained a three year non-recourse $50m note facility from Bendigo and Adelaide Bank.
- On 25 August 2011, the Company signed an extension of its existing non-recourse note facility, increasing its $235m facility limit to $260m for a further term with the facility now expiring on 15 October 2013.
- On 30 August 2011, Directors declared a maiden one cent fully franked dividend to shareholders to be paid on 30 September 2011 with a record date of 13 September 2011.

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 Directors' 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 Directors' 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 2011 there were 1,050,000 (2010: Nil) unissued ordinary shares under options.

Indemnification and insurance of directors and officers

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

The Company has also insured all of the Directors and Officers 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 has introduced a Remuneration Committee but does not have a 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 Nominations Committee. All matters which might be dealt with by that committee are reviewed by the Directors in meeting as a Board. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors, Executives and Senior Management. The Remuneration Committee assesses 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, Executive 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 was determined at the Annual General Meeting held on 18 November 2010 at $500,000 (and where applicable, excludes the value of share options expensed as calculated by the Black-Scholes method).

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 2011 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 five 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 2011 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.

A Securities Trading Policy has been adopted for employees' and directors' dealings in the Company's securities.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees. Employment contracts are for no specific fixed term unless otherwise stated.

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 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

Until his resignation on 31 May 2011, Mr Hugh Parsons had been engaged under an Employment Agreement and a Letter of Appointment of Non-Executive Director. Upon his resignation, the terms of both arrangements ceased and details of his remuneration for the period are included in *(b) Remuneration of Directors and Key Management Personnel.*

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	One to three months
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	Board discretion

Directors' Report cont.

for the year ended 30 June 2011

(a) Details of Directors and Key Management Personnel

(i) Directors

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Stan Kalinko	Non-Executive Director
Sally Herman	Non-Executive Director (appointed 24 January 2011)
Hugh Parsons	Non-Executive Director (resigned 31 May 2011)

(ii) Key Management Personnel

Don Mackenzie	Company Secretary (appointed 19 November 2010)
Anthony Carius	Chief Financial Officer (resigned 1 July 2011)*
Fred El Tahche	Chief Information Officer
Goran Turner	Chief Executive – Fox Symes Home Loans
David Camilleri	Manager – Debt Agreements

* Anthony Carius resigned as CFO with effect from 1 July 2011. He will remain with the Company until 31 August 2011 to ensure a smooth transition to the Company's new CFO Ms Cellina Chen who has been the Company's Financial Controller since December 2003.

(b) Remuneration of Directors and Key Management Personnel

The Key Management Personnel of the Group include Don Mackenzie, 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	Termination	Total	Performance based
	Salary & Fees $	Cash Bonus $	Non-cash benefits $	Non-cash benefits $	Super-annuation $	$	$	%
Directors								
Sam Doumany								
2011	**98,142**	**–**	**–**	**4,708**	**8,833**	**–**	**111,683**	**–**
2010	88,879	–	–	2,946	7,999	–	99,824	–
Tim Odillo Maher								
2011	**258,875**	**54,500**	**–**	**–**	**–**	**–**	**313,375**	**17%**
2010	218,000	125,000	–	–	–	–	343,000	36%
Deborah Southon								
2011	**241,154**	**50,000**	**11,638**	**28,781**	**19,699**	**–**	**351,272**	**14%**
2010	209,230	123,462	3,846	5,247	14,461	–	356,246	35%
Stan Kalinko								
2011	**59,258**	**–**	**–**	**–**	**5,333**	**–**	**64,591**	**–**
2010	48,307	–	–	–	6,187	–	54,494	–
Sally Herman								
2011	**25,294**	**–**	**–**	**–**	**2,277**	**–**	**27,571**	**–**
2010	–	–	–	–	–	–	–	–
Hugh Parsons								
2011	**65,711**	**–**	**–**	**–**	**10,539**	**51,389**	**127,639**	**–**
2010	57,937	–	–	–	12,299	–	70,236	–
Total Remuneration								
2011	**748,434**	**104,500**	**11,638**	**33,489**	**46,681**	**51,389**	**996,131**	
2010	622,353	248,462	3,846	8,193	40,946	–	923,800	

Executive Director bonuses inclusive of statutory payroll entitlements (representing 100% of the total bonuses to be paid) were paid on 23 August 2010 and were approved by the Board. The Executive Directors abstained from the vote.

Directors' Report cont.

for the year ended 30 June 2011

	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								
Don Mackenzie								
2011	**28,000**	**–**	**–**	**–**	**–**	**–**	**28,000**	**–**
Anthony Carius								
2011	**183,608**	***35,000**	**13,399**	**–**	**17,787**	**55,000**	**304,794**	**12%**
2010	172,815	–	13,824	–	14,292	7,647	208,578	–
Fred El Tahche								
2011	**182,000**	****25,000**	**1,298**	**2,991**	**20,549**	**26,457**	**258,295**	**10%**
2010	182,000	^30,000	12,839	–	17,161	–	242,000	12%
Goran Turner								
2011	**253,798**	**^^150,000**	**5,312**	**7,028**	**18,000**	**–**	**434,138**	**35%**
2010	246,140	–	4,028	–	18,000	–	268,168	–
David Camilleri								
2011	**195,476**	**–**	**1,869**	**3,384**	**17,592**	**–**	**218,321**	**–**
Previously designated as Key Management Personnel								
Duncan Cornish								
2010	40,000	–	–	–	–	–	40,000	–
Nino Eid								
2010	149,368	–	–	–	13,443	2,832	165,643	33%
Total Remuneration								
2011	**842,882**	**210,000**	**21,878**	**13,403**	**73,928**	**81,457**	**1,243,548**	
2010	790,323	30,000	30,691	–	62,896	10,479	924,389	

* Bonus (representing 100% of the total bonus to be paid) was paid on 9 November 2010. 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 26 October 2010. 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 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 23 August 2010. The bonus was approved by the Board 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 2011	2010		Option % of total remuneration 2011	2010
Directors			**Key Management Personnel**		
Nil	Nil	Nil	Anthony Carius	18%	4%
			Fred El-Tahche	10%	Nil

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

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue and Income (Net)	$54,139,504	$50,780,366	$50,073,622	$36,288,711	$33,655,696
Net profit before tax	$15,328,466	$12,868,122	$13,939,337	$4,737,736	$9,695,906
Net profit after tax	$11,015,591	$9,177,212	$10,021,632	$3,203,924	$6,821,586
Share price at the start of the year	$0.36	$0.38	$0.16	$0.88	$0.24
Share price at the end of the year	$0.24	$0.36	$0.38	$0.16	$0.88
Basic EPS (cents)	6.51	5.82	7.66	2.37	6.24
Diluted EPS (cents)	6.51	5.82	7.15	2.21	5.76

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 2011

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.

(d) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of remuneration options during or since the end of the financial year.

(e) Option holdings of Directors and Key Management Personnel

	Balance at 1 July 2010	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2011	Vested at 30 June 2011	Granted as remuneration/ (lapsed) after year end	Balance at the date of this report
ESOP Options								
Directors	n/a							
Key Management Personnel								
Anthony Carius	–	550,000	–	–	550,000	125,000	–	550,000
Fred El Tahche	–	500,000	–	–	500,000	100,000	–	500,000
Total ESOP Options	**–**	**1,050,000**	**–**	**–**	**1,050,000**	**225,000**	**–**	**1,050,000**

All options due to vest to Directors or other employees under their respective option agreements, will vest 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.

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**
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	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2011
Directors					
Sam Doumany	1,040,541	–	–	–	1,040,541
Tim Odillo Maher	48,809,231	–	–	(6,000,000)	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	–	–	–	15,406
Sally Herman	–	–	–	–	–
Key Management Personnel					
Anthony Carius	66,699	–	–	1,500	68,199
David Camilleri	77,000	–	–	–	77,000
Total	**62,968,924**	**–**	**–**	**(5,998,500)**	**56,970,424**

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	13	13
Tim Odillo Maher	13	13
Deborah Southon	13	12
Hugh Parsons	11	8
Stan Kalinko	13	13
Sally Herman	6	6
Total number of meetings held during the financial year –	13	

Audit & Risk Management Committee Meetings

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

	Number of meetings held while in office	Meetings attended
Hugh Parsons	3	3
Sam Doumany	4	4
Stan Kalinko	4	4
Sally Herman	2	2
Total number of meetings held during the financial year –	4	

Remuneration Committee Meetings

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

	Number of meetings held while in office	Meetings attended
Sam Doumany	2	2
Stan Kalinko	2	2
Sally Herman	2	2
Total number of meetings held during the financial year –	2	

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.

Directors' Report cont.

for the year ended 30 June 2011

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit & 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 & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
- 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; and
- 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 2011:

Tax consulting services	$59,460

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors Report and can be found on page 25.

Auditor Details

PKF continues in office in accordance with section 327(4) 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. A Statement of Corporate Governance is separately contained in the Annual Report.

Signed in accordance with a resolution of the directors.

Tim Odillo Maher
Director

Sydney
30 August 2011

Auditor's Independence Declaration

To the Directors of FSA Group Limited

PKF

Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To : The Directors
FSA Group Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

a) no contraventions of the auditor independence requirements as set out in 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.

PKF

PKF

Arthur Milner
Partner

30 August 2011
Sydney

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Corporate Governance Statement

FSA Group Limited (the Company) and the Board of Directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 2nd edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) issued in August 2007, including the 2010 amendments.

The Company's Corporate Governance Charter is available on the FSA website www.fsagroup.com.au

The table below summarises how the Company complies with the ASX Principles, and if not why not.

Principle Number	Best Practice Recommendation	Compliance (Yes/No)	Comments
1	*Lay solid foundations for management and oversight*		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose these functions.	Yes	–
1.2	Disclose the process for evaluating the performance of senior executives.	Yes	–
1.3	Provide the information in the Guide to reporting on Principle 1.	Yes	–
2	*Structure the Board to add value*		
2.1	A majority of the Board should be independent Directors.	Yes	–
2.2	The chair should be an independent Director.	Yes	–
2.3	The roles of the Chair and Chief Executive Officer or similar roles should not be exercised by the same individual.	Yes	–
2.4	The Board should establish a nominations committee.	No	Page 29
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	–
2.6	Provide the information in the Guide to reporting on Principle 2.	Yes	–
3	*Promote ethical and responsible decision making*		
3.1	Establish a code of conduct and disclose the code or summary of the code as to:		
	• the practices necessary to maintain confidence in the Company's integrity;	Yes	–
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	Yes	–
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	–
3.2	Establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	–
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	–
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 33
3.5	Provide the information in the Guide to reporting on Principle 3.	Yes	–
4	*Safeguard integrity in financial reporting*		
4.1	The Board should establish an audit committee.	Yes	–
4.2	The audit committee should be structured so that it:		
	• consists only of Non-Executive Directors;	Yes	–
	• consists of a majority of independent Directors;	Yes	–
	• is not chaired by the Chair of the Board; and	No	Page 31
	• has at least three members.	Yes	–
4.3	The audit committee should have a formal Charter.	Yes	–
4.4	Provide the information in the Guide to reporting on Principle 4.	Yes	–

Corporate Governance Statement cont.

Principle Number	Best Practice Recommendation	Compliance (Yes/No)	Comments
5	*Make timely and balanced disclosures*		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	–
5.2	Provide the information in the Guide to reporting on Principle 6.	Yes	–
6	*Respect the rights of shareholders*		
6.1	Design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	–
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	–
7	*Recognise and manage risk*		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	–
7.2	The Board should require management to design and implement the 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 as to the effectiveness of the Company's management of its material business risks.	Yes	–
7.3	The Board should disclose whether it has received assurance from the Chief Executive officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	–
7.4	Provide the information in the Guide to reporting on Principle 7.	Yes	–
8	*Remunerate fairly and responsibly*		
8.1	The Board should establish a remuneration committee.	Yes	–
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent Directors;	Yes	–
	• is chaired by an independent Chair; and	Yes	–
	• has at least three members	Yes	–
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives.	Yes	–
8.4	Provide the information in the Guide to reporting on Principle 8.	Yes	–

Set out overleaf is commentary on the practical application of each of the ASX Principles noted above.

Principle 1: Lay solid foundations for management and oversight

The Directors are responsible to the shareholders for promoting and managing the performance of the Company in both the short and longer term. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. The functions, powers and responsibilities of the Board are governed by the *Corporations Act* and general law.

The Board has established the functions reserved for the Board and those delegated to senior executives and disclosure of those functions are included in the Corporate Governance Charter which can be found on the Company's website.

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in the Corporate Governance Charter which includes:

- to aim for, so far as is practicable given the size of the Company, a majority of the Board being independent directors;
- to aim for, so far as is practicable given the size of the Company, the appointment of a chairperson who is an independent director;
- to aim for, so far as is practicable given the size of the Company, a chairperson who is not the chief executive officer;
- to aim for, so far as is practicable given the size of the Company, a board comprising of members with diverse backgrounds; and
- to have at least three directors.

The Non-Executive Directors meet from time to time without the Executive Directors present.

Directors' independence

In assessing the independence of directors, the Company has regard to Principle 2 of the *Corporate Governance Principles and Recommendations* and regards an independent director as a Non-Executive director (that is, not a member of management) who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another Company member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company.

The Board regularly assesses whether each Non-Executive Director is independent.

Board members

The names, skills and experience of the Directors in office at the date of this Statement, and the period of office of each Director, are set out in the Directors' Report. At the date of signing the Directors' Report, the Board comprised two Executive Directors and three Non-Executive Directors (including the Chairman). The three Non-Executive Directors have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Mr Timothy Odillo Maher, an Executive Director, is a substantial shareholder of the Company and accordingly he is not considered to be independent of the Company based on the ASX Principles. Mr Odillo Maher has a long association with FSA Group and the Board considers that it is in the best interests of all shareholders to have a Director with Mr Odillo Maher's industry and business expertise and Company history as a member of the Board.

Ms Deborah Southon, an Executive Director, is a substantial shareholder of the Company and accordingly she is not considered to be independent of the Company based on the ASX Principles. Ms Southon has a long association with FSA Group Limited and the Board considers that it is in the best interests of all shareholders to have a Director with Ms Southon's industry and business expertise and Company history as a member of the Board.

Corporate Governance Statement cont.

Term of office

The Company's Constitution requires that one third (or the nearest number thereto but not less than one third) of the Directors, other than the Managing Director, must retire from office at each Annual General Meeting. Director/s retiring by rotation are eligible for re-election. The Company's Constitution does not provide exclusions from re-election by rotation for the Executive Directors.

The Chairperson

The Chairperson is responsible for leadership of the Board, for efficient organisation and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. The Chairperson is also responsible for shareholder communication and arranging Board performance evaluation.

Chief Executive Officer

The Chief Executive Officer and/or Joint Executive Directors are responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategies set by the Board. In carrying out these responsibilities, the Chief Executive Officer and/or Joint Executive Directors must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operating results.

The Chief Executive Officer and/or Joint Executive Directors together with the Chief Financial Officer shall be required to state in writing to the Board that in accordance with section 295A of the *Corporations Act 2001* and the relevant assurances required under recommendation 7.3 of the ASX Principles that to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the financial reports are founded on a sound system of risk management and internal compliance and control;
- the system of risk management in operation at 30 June 2011 implements the policies adopted and delegated by the Board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

Nomination Committee

The Company has not established a Nominations Committee and the Board currently performs the functions of this Committee, and in doing so, observes the Nominations Committee Charter which is incorporated into the Corporate Governance Charter. The Directors in deciding not to have a separate Nominations Committee concluded that the Company was not of a size nor are its affairs of such complexity as to justify the formation of this Committee.

Board selection process

The Board, acting in the capacity of the Nominations Committee, and observing the Nominations Committee Charter contained in the Corporate Governance Charter properly assesses prospective Directors. In doing so it ensures there are complementary board skills and experience in place, and where necessary, engages consultants to assist in this process.

The Board seeks to have a balanced diversity in Board members and currently has two female Board members out of a Board comprising five members.

Induction and education

The induction provided to new Directors enables them to actively participate in Board decision-making as soon as possible. It also ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board.

Directors are encouraged to participate in continuing education so as to maintain and update their skills.

Company Secretary

The Company Secretary's appointment is determined by the Board, and is accountable to the Board, through the Chairman, on all governance matters.

Commitment

Details of the attendance of Directors at Board and committees of the Board in the year ended 30 June 2011 are disclosed on page 23 of the annual report. Non-Executive Directors are expected to spend at least 20 days a year preparing for and attending Board and Committee meetings and associated Board activities.

The commitments of Non-Executive Directors are considered by the Board prior to the Director's appointment and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each Non-Executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this will not be unreasonably withheld. The advice obtained must be made available to all Board members.

Board performance

The Board undertakes an annual self-assessment of the performance of the Board as a whole (including its Committees and governance processes) and as part of this process considers Board renewal as and when appropriate.

Performance of individual Directors is assessed against a range of criteria. This review includes assessing the ability of the Director to consistently create shareholder value, contribute to the development of strategies, participate in risk identification, mentoring senior management, consider the views of other Directors and members of management and key third party stakeholders. The performance assessment also considers the ability for the Director to discharge his duties and obligations to the Company.

Board Committees

The Board has established an Audit & Risk Management Committee and a Remuneration Committee to assist in the execution of its duties and to allow detailed consideration of complex issues. Both committees comprise a majority of Non-Executive Directors.

Each Committee has its own charter which sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Charters are reviewed on an annual basis. All matters determined by the committees are submitted to the Board as recommendations for Board consideration.

Minutes of committee meetings are tabled at the subsequent Board meeting.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

A Code of Conduct has been determined and is set out in the Corporate Governance Charter. The Board, management and employees of the Company are encouraged to comply when dealing with each other, shareholders, and the broader community, and covers the following areas:

- Compliance required with legal obligations, responsibilities to shareholders and the financial community generally
- Responsibilities to clients, customers and consumers
- Employment practices which ensures that the Company will employ the best available staff, both male and female, from a diverse background, with skills required to carry out their roles
- The Company will ensure that diversity objectives are adopted at all levels of the Company
- The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities
- Responsibility to the community
- Responsibility to the individual
- Obligations relative to fair trading and dealing.

Gender diversity

A gender diversity policy has also been adopted and is included as a separate policy together with the Corporate Governance Charter on the Company's website. The Board is currently considering suitable diversity targets to work towards achieving greater diversity at all levels of the workforce. The objectives will be adopted by the Board and will then be assessed by the Board on an annual basis.

Data which details the proportion of women employees in the Company, women in senior executive positions and women on the Board is contained at page 33 of the annual report.

Conflicts of interest

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company (excluding those matters which may be subject to legal professional privilege). Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the Managing Director (if any), the Managing Director or Chief Executive Officer in the case of a member of Management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

Compliance with the code

Any breach of compliance with this code is to be reported directly to the Chief Executive Officer, Managing Director or Chairperson, as appropriate.

Corporate Governance Statement cont.

Periodic review of code

The Company will monitor compliance with the code periodically by liaising with the Board, Management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time.

Code of conduct for employees (including contractors)

The Company shall ensure that the above principles are implemented and adopted by employees and contractors of the Company.

Trading in company securities by directors, senior management and employees

The Company issued a Securities Trading Policy with effect from 1 January 2011 which regulates dealings by Directors, senior management and employees in shares, options and other securities issued by the Company.

The Securities Trading Policy provides that trading is prohibited in the period from 1 January and 1 July each year until the financial results are released to the Australian Securities Exchange in or around the third week of February and August respectively with such periods coinciding with the release of the half year and full year financial results. A copy of this policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Audit & Risk Management Committee

The Board has an Audit & Risk Management Committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Committee consists of the following independent Non-Executive Directors:

- Mr Sam Doumany (Committee Chairman);
- Ms Sally Herman; and
- Mr Stan Kalinko.

When Mr Doumany was appointed as Chairman of the Audit & Risk Management Committee (upon the resignation of Mr Parsons) the Board acknowledged that this appointment was contrary to the ASX Principles which provides that the Chairman of the Company should not also be the Chairman of the Audit & Risk Management Committee. However they noted that the appointment was transitionary in nature and situation would be remedied when a suitable person became available.

Ms Sally Herman, was appointed a Director on 24 January 2011, and a member of the Audit & Risk Management Committee from that date.

Mr Hugh Parsons, who had been a Director and a member of the Audit & Risk Management Committee, resigned from both positions on 31 May 2011.

Details of members' qualifications and their attendance at Audit & Risk Management Committee meetings are set out in the Directors' Report on pages 15, 16 and 23, respectively.

The Committee's primary audit function is set out in the Corporate Governance Charter, and which is included on the Company's website.

External Auditor

The Company and Audit & Risk Management Committee policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually. PKF was appointed as the external auditor in 2003 and it is PKF's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the Directors' Report and in the notes to the financial statements. The external auditor provides a declaration of their independence to the Audit & Risk Management Committee each time they report to the Company.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosures

The Company has an established policy and procedure for timely disclosure of material information concerning the Company. This includes internal reporting procedures to ensure that any required market announcements are reported to the Company Secretary in a timely manner.

The Company Secretary has been nominated as the person responsible for communication with the ASX.

All information disclosed to the ASX is posted on the Company's corporate website as soon as it is disclosed to the ASX. When analysts are briefed following half year and full year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. This information is also posted on the Company's corporate website.

Corporate Governance Statement cont.

The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner. A copy of the disclosure policy is incorporated in the Company's corporate website.

Principle 6: Respect the rights of shareholders

The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- financial reports (including the full year financial report, the preliminary final report, and the half-year financial report) all of which are published on the Company's corporate website and distributed to shareholders where nominated;
- the Annual General Meeting, and any other formally convened Company meetings; and
- all other information released to the ASX is posted to the Company's corporate website.

The Company's corporate website maintains, at a minimum, information about the last three years' press releases or announcements.

A copy of the Shareholder Communications Policy is contained in the Corporate Governance Charter and is available on the Company's corporate website.

Principle 7: Recognise and manage risk

The Board, through the Audit & Risk Management Committee, is responsible for ensuring the adequacy of the Company's risk management and compliance framework and system of internal controls and for regularly reviewing its effectiveness.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

The Company has implemented a risk management system based on ASX Principles and the Audit & Risk Management Committee's additional function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company by:

- ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- defining and periodically reviewing risk management as it applies to the Company and clearly identify all stakeholders;
- ensuring the Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;
- ensuring that Directors and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures; and
- considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities.

The Executive Directors are responsible for identifying, evaluating and monitoring risk in accordance with the risk management framework and are responsible for the accuracy and validity of risk information reported to the Board and also for ensuring clear communication to the Board on risk throughout the Company.

In particular, at the Board and Executive Directors' strategy planning sessions held throughout the year an evaluation is undertaken to identify key business and financial risks which could prevent the Company from achieving its objectives.

Additionally, a formal risk assessment process is part of any major business acquisitions, major capital expenditures or significant business initiatives.

Certification of financial reports

The Chief Executive Officer and/or Joint Executive Directors together with the Chief Financial Officer shall be required to state in writing to the Board that in accordance with section 295A of the *Corporations Act 2001* and the relevant assurances required under recommendation 7.3 of the ASX Principles that to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the financial reports are founded on a sound system of risk management and internal compliance and control;
- the system of risk management in operation at 30 June 2011 implements the policies adopted and delegated by the Board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

In February 2011, the Board established a Remuneration Committee which operates in accordance with the Corporate Governance Charter. The Committee is responsible for the review and recommendation to the Board on the following matters –

- the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives
- senior executives' remuneration and incentives
- superannuation arrangements
- remuneration framework for Directors (in consultation with external consultants when appropriate)
- remuneration by gender

The initial Committee comprises the following independent Non-Executive Directors:

- Mr Sam Doumany (Committee Chairman);
- Ms Sally Herman and
- Mr Stan Kalinko.

The performance of senior executives are reviewed by the Executive Directors, and in accordance with guidelines issued by the Remuneration Committee with the review having taken place in June 2011.

Details of these Directors' qualifications and their attendance at Remuneration Committee meetings are set out in the Directors' Report on pages 15, 16 and 23 respectively.

Structure of remuneration

Details of the nature and amount of each element of remuneration for Executive Directors and senior management of the Company are set out in the "Remuneration Report" section of the Directors' Report.

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Fees and payments are reviewed annually by the Chairman, and Non-Executive Director remuneration takes the form of a set fee plus superannuation entitlements and where applicable includes an allowance for Board Committees.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount which has been approved by the Company's shareholders for payment to Non-Executive Directors is $500,000. Fees for Non-Executive Directors are not linked to the performance of the Company.

Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's senior executive positions. The Board has established a policy regarding gender, age, ethnic and cultural diversity, details of the policy are available on the Company's website.

The key elements of the diversity policy are to work towards:

- increased gender diversity in the Board and senior executive positions
- an annual assessment by the Board of performance against the objectives.

The Group's current gender representation is detailed below:

	30 June 2011		30 June 2010	
	Female (%)	Male (%)	Female (%)	Male (%)
Board	40	60	20	80
Senior Executive	22	78	22	78
Group	43	57	45	55

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	Consolidated Entity 2011 $	2010 $
Revenue and other income			
Fees from services	2	40,425,188	38,473,602
Finance income	2	30,134,445	22,250,254
Finance expense	2	(16,120,165)	(10,848,977)
Net finance income	2	14,014,280	11,401,277
Other gains/(losses)	2	(299,964)	905,487
Total revenue and other income net of finance expense		54,139,504	50,780,366
Share of profits of an associate using the equity accounting method	28	23,981	18,528
Expenses from continuing activities	3	(38,835,019)	(37,930,772)
Profit before income tax		15,328,466	12,868,122
Income tax expense	4(a)	(4,312,875)	(3,690,910)
Profit after income tax		11,015,591	9,177,212
Other Comprehensive Income		–	–
Share of Other Comprehensive income of Associates		–	–
Total Comprehensive income for the year		11,015,591	9,177,212
Total Comprehensive income for the year attributable to:			
Non-Controlling Interests		2,019,876	1,656,648
Owners of the parent		8,995,715	7,520,564
		11,015,591	9,177,212
Earnings per share			
Basic earnings per share (cents per share)	6	6.51	5.82
Diluted earnings per share (cents per share)	6	6.51	5.82

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

Statement of Financial Position

as at 30 June 2011

	Notes	Consolidated Entity 2011 $	2010 $
Current Assets			
Cash and cash equivalents	7	9,413,356	7,394,759
Trade and other receivables	8	36,618,162	32,564,893
Other assets	9	891,090	245,697
Total Current Assets		46,922,608	40,205,349
Non-Current Assets			
Trade and other receivables	8	27,856,932	24,508,906
Investments in associates	28	63,975	47,188
Plant and equipment	13	405,003	450,003
Investment property	14	301,547	313,051
Other financial assets	10	600,420	898,050
Deferred tax assets	4c	213,760	40,788
Intangible assets	15	3,502,277	3,413,633
Total Non-Current Assets		32,943,914	29,671,619
Assets financed by non-recourse financial liabilities			
Cash and cash equivalents	7	7,394,118	6,605,211
Mortgage finance assets	11	228,964,764	200,434,621
Total assets financed by non-recourse financial liabilities		236,358,882	207,039,832
Total Assets		316,225,404	276,916,800
Current Liabilities			
Trade and other payables	16	10,519,345	12,750,551
Current tax liabilities		1,409,212	629,453
Borrowings	17	841,313	3,361,542
Provisions	18	812,435	588,535
Total Current Liabilities		13,582,305	17,330,081
Non-Current Liabilities			
Borrowings	17	16,246,220	11,893,779
Provisions	18	343,055	251,012
Deferred tax liabilities	4d	10,624,047	8,150,799
Total Non-Current Liabilities		27,213,322	20,295,590
Non-Recourse Financial Liabilities			
Borrowings	17	220,865,314	194,541,639
Total Non-Recourse Financial Liabilities		220,865,314	194,541,639
Total Liabilities		261,660,941	232,167,310
Net Assets		54,564,463	44,749,490
Equity			
Share capital	19	11,692,255	11,692,255
Reserves	20	745,831	664,374
Retained earnings		39,285,112	30,289,397
Non-Controlling Interest		2,841,265	2,103,464
Total Equity		54,564,463	44,749,490

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

Statement of Changes in Equity

for the year ended 30 June 2011

Consolidated Entity

	Share Capital $	Reserves $	Retained Earnings $	Non-Controlling Interest $	Total $
Balance at 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
Distributions to Non-Controlling Interests	–	–	–	(1,103,775)	(1,103,775)
Balance at 30 June 2010/1 July 2010	**11,692,255**	**664,374**	**30,289,397**	**2,103,464**	**44,749,490**
Total Comprehensive Income for the year attributable to members of the parent	**–**	**–**	**8,995,715**	**–**	**8,995,715**
Total Comprehensive Income for the year attributable to Non-Controlling Interests	**–**	**–**	**–**	**2,019,876**	**2,019,876**
Share-based payment expense	**–**	**81,457**	**–**	**–**	**81,457**
Distributions to Non-Controlling Interests	**–**	**–**	**–**	**(1,282,075)**	**(1,282,075)**
Balance at 30 June 2011	**11,692,255**	**745,831**	**39,285,112**	**2,841,265**	**54,564,463**

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

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	Consolidated Entity 2011 $ Inflows/(Outflows)	2010 $ Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers and debtors		36,971,898	19,021,929
Payments to suppliers and employees		(42,115,321)	(27,418,416)
Finance income received		29,088,744	22,178,148
Finance cost paid		(15,450,044)	(8,520,112)
Cash flows from operations		8,495,277	5,261,549
Net cash payments for institutional creditor distributions		(1,653,810)	(2,128,935)
Income tax paid		(1,200,840)	(674,804)
Net cash inflow from operating activities	21	5,640,627	2,457,810
Cash flows from investing activities			
Acquisition of property, plant and equipment		(261,248)	(207,814)
Acquisition of intangibles		(220,862)	(279,394)
Proceeds from disposal of property, plant and equipment		–	25,502
Net increase in mortgage finance assets		(27,606,481)	(53,971,177)
Net decrease in bridging finance assets		373,458	1,557,558
Net increase in factoring finance assets		(1,528,144)	(6,707,823)
Net increase in other loans		(476,000)	–
Net cash outflow from investing activities		(29,719,277)	(59,583,148)
Cash flows from financing activities			
Net proceeds from borrowings		27,666,107	47,122,882
Payment of distributions to Non-Controlling interests – Warehouse Trust		(779,953)	(863,639)
Share issue expenses		–	(47,905)
Proceeds from share issues		–	5,222,000
Net cash inflow from financing activities		26,886,154	51,433,338
Net (decrease)/increase in cash and cash equivalents		2,807,504	(5,692,000)
Cash and cash equivalents at the beginning of the financial year		13,999,970	19,691,970
Cash and cash equivalents at the end of the financial year	7	16,807,474	13,999,970

The Statement 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 2011

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.

The financial statements were authorised for issue by the directors on 30 August 2011.

Basis of preparation

The financial statements are presented in Australian dollars.

Reporting basis and conventions

The financial statements 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. These items in the Statement of Financial Position are:

- Loans and receivables at amortised cost; and
- Other financial assets at fair value through profit or loss ("FVTPL")

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.

Note 1. Summary of significant accounting policies cont.

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 standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity of each tax consolidated group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

(c) 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 Statement of Financial Position. These are accounted for at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies cont.

(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.

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.

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
Furniture and Fittings	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 property

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.

Note 1. Summary of significant accounting policies cont.

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 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:

<u>Debt agreement application fees</u>

Upon the completion of preparing the debt agreement proposal for consideration by the creditors and the Insolvency and Trustee Service of Australia (ITSA).

<u>Debt agreement administration fees</u>

At the date of approval of the debt agreement proposal by a majority of the vote value of creditors.

<u>Trustee fees bankruptcy and personal insolvency agreements</u>

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.

Refinance fees

When the outcome of a contract to provide services can be estimated reliably, either upon receipt of upfront fees and subsequent 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.

Note 1. Summary of significant accounting policies cont.

(j) Revenue recognition cont.

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 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.

Where not recoverable, 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.

(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 cost 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 under the pre 1 July 2007 regime) on behalf of institutional creditors are recorded as current liabilities.

(p) 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:

Note 1. Summary of significant accounting policies cont.

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 there is no practical likelihood of recovery (e.g. 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.

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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

Note 1. Summary of significant accounting policies cont.

(v) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 30.

(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 2011 reporting period. The Consolidated 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 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

(ii) AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

(iii) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

(iv) AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

Note 1. Summary of significant accounting policies cont.

(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 2 Share-based Payment Transactions – amendments for Group Cash-settled Share-based Payment Transactions

The Consolidated Entity has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Consolidated Entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

(ii) Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Consolidated Entity has applied Interpretation 19 from 1 July 2010. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measured, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

(iii) AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Consolidated Entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 101 'Presentation of Financial Statements' – classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

AASB 107 'Statement of Cash Flows' – only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

AASB 117 'Leases' – removal of specific guidance on classifying land as a lease;

AASB 118 'Revenue' – provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 136 'Impairment of Assets' – clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

(iv) AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues

The Consolidated Entity has applied AASB 2009-10 from 1 July 2010. The amendments clarified that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendment therefore provides relief to entities that issue rights in a currency other than their functional currency from treating the rights as derivatives with fair value changes recorded in profit or loss.

(v) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Consolidated Entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations – clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 2. Revenue and other income net of finance expense

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Fees from services		
– Personal insolvency	36,054,935	33,331,572
– Refinance broking and mortgage management	1,224,284	1,978,488
– Corporate	2,962,017	2,927,259
– Other services	183,952	236,283
Total revenue	40,425,188	38,473,602
Finance Income		
– Interest income – bridging finance	133,009	232,696
– Interest income – mortgage finance assets	23,274,307	16,644,392
– Upfront fee income – bridging finance	–	158,883
– Upfront fee income – mortgage finance assets	1,393,637	1,930,346
– Factoring income	4,757,959	2,794,919
– Other interest income	575,533	489,018
	30,134,445	22,250,254
Finance Expense		
– Interest expense – Warehouse facilities	(14,948,891)	(9,950,609)
– Interest expense – other lending facilities	(1,171,274)	(898,368)
	(16,120,165)	(10,848,977)
Net Finance income	14,014,280	11,401,277
Other gains/(losses)		
Gain/(loss) on option valuation – fair value through profit or loss	(297,630)	898,050
Gain/(loss) on disposal of plant and equipment	(2,334)	7,437
	(299,964)	905,487

Notes to the Financial Statements cont.

for the year ended 30 June 2011

	Consolidated Entity 2011 $	2010 $

Note 3. Profit for the year

Expenses

	2011 $	2010 $
Expenses from continuing activities excluding finance costs, classified by function:		
Marketing expenses	5,440,401	6,546,096
Administrative expenses	9,754,301	9,919,351
Operating expenses	23,640,317	21,465,325
	38,835,019	37,930,772
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Depreciation on plant and equipment	303,914	459,053
Depreciation on investment properties	11,504	8,635
Amortisation of software	132,218	302,134
	447,636	769,822
Impairment in value – goodwill	–	49,263
Impairment in value – trade receivables	7,660,760	8,729,201
Reversal of impairment in value – trade receivables (a)	(1,276,365)	(1,469,504)
Net impairment	6,384,395	7,259,697
Rental expense on operating lease – minimum lease payment	974,947	1,210,894
Employee and contractor expenses	18,242,573	15,641,548
Share-based payments expense	81,457	52,804
Legal consulting – client services	1,066,327	705,920

(a) change in estimates previously reported

As stated in Note 1(p) the impairment of trade receivables is based on a method which evaluates the frequency of default, loss history, and current economic conditions. During the period, management received updated information on the loss history and recoverability percentages of debt agreement administration fees over their collection periods. Accordingly management has revised its best-estimate based on assumptions consistent with the updated information. This has resulted in the reduction in the provision for impairment in trade receivables previously recognised of $1,260,943.

Note 4. Income Tax

(a) Income tax expense

	2011 $	2010 $
Current tax expense	2,035,707	943,964
Deferred tax expense	2,300,276	2,722,269
(Over)/under provision in a prior period	(23,108)	24,677
	4,312,875	3,690,910
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	959,841	(582,134)
Increase in deferred tax liabilities	1,340,435	3,304,903
	2,300,276	2,722,769

	Consolidated Entity 2011 $	2010 $

Note 4. Income Tax cont.

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

	2011 $	2010 $
Profit before income tax	15,328,466	12,868,122
Tax at the Australian tax rate of 30% (2010: 30%)	4,598,540	3,860,437
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Entertainment	8,876	17,810
Non-assessable income	(295,897)	(242,716)
Other	–	14,861
Non-deductible employee costs	24,464	15,841
	4,335,983	3,666,233
(Over)/under provision in the prior year	(23,108)	24,677
Income tax expense	4,312,875	3,690,910

(c) Deferred tax assets

	2011 $	2010 $
Provisions	826,711	1,439,782
Capital legal expenses	32,113	156,461
Accrued expenditure	55,974	130,931
Tax losses carried forward	381,425	453,714
Other	197,004	272,180
	1,493,227	2,453,068
Deferred tax liability offset on tax consolidation	(1,279,467)	(2,412,280)
Total deferred tax assets	213,760	40,788

(d) Deferred tax liabilities

	2011 $	2010 $
Temporary difference on assessable income	11,903,514	10,563,079
Deferred tax liability offset on tax consolidation	(1,279,467)	(2,412,280)
Total deferred tax liabilities	10,624,047	8,150,799

Note 5. Auditors' Remuneration

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

	2011 $	2010 $
Audit and review of financial statements	191,000	191,750
Other services – taxation	59,460	55,897
	250,460	247,647

Note 6. Earnings Per Share

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

	2011 $	2010 $
Total Comprehensive income attributable to members of the parent for the year ($)	8,995,715	7,520,564
Basic earnings per share (cents)	6.51	5.82
Diluted earnings per share (cents)	6.51	5.82

(b) Weighted average number of ordinary shares outstanding during the year

	2011 $	2010 $
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	138,253,785	129,141,305

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Note 7. Cash and Cash Equivalents		
Current		
Cash on hand and at bank	9,413,356	7,394,759
Assets financed by Non-Recourse Financial Liabilities		
Cash on hand and at bank	7,394,118	6,605,211
	16,807,474	13,999,970

Note 8. Trade and Other Receivables

Current

	2011 $	2010 $
Trade receivables	42,587,174	40,324,302
Provision for impairment	(6,556,234)	(7,867,793)
	36,030,940	32,456,509
Sundry receivables	587,222	108,384
	36,618,162	32,564,893

Non-current

	2011 $	2010 $
Trade receivables	33,947,853	30,636,133
Provision for impairment	(6,090,921)	(6,127,227)
	27,856,932	24,508,906

Ageing Analysis

Consolidated Entity

	2011 Gross $	2011 Allowance $	2011 Net $	2010 Gross $	2010 Allowance $	2010 Net $
Trade and other Receivables						
Not past due	67,782,961	(10,341,436)	57,441,525	61,011,953	(12,193,181)	48,818,772
Past due 0-30 Days	3,276,620	(118,416)	3,158,204	2,901,117	(28,935)	2,872,182
Past due 31-60 Days	904,773	(52,445)	852,328	1,928,708	(32,196)	1,896,512
Past due 61-90 Days	74,510	(35,454)	39,056	352,569	(33,609)	318,960
Past 90 Days	5,083,385	(2,099,404)	2,983,981	4,874,472	(1,707,099)	3,167,373
Total	77,122,249	(12,647,155)	64,475,094	71,068,819	(13,995,020)	57,073,799

The movement in the provision for impairment

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Opening balance	13,995,020	10,360,428
Provision for impairment recognised	6,002,213	7,919,422
Unused provision reversed	(1,276,365)	(1,469,504)
Bad debts	(6,073,713)	(2,815,326)
Closing balance	12,647,155	13,995,020

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

Note 8. Trade and Other Receivables cont.

Debt Agreement receivables

Debt agreement receivables 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, when the company has no realistic possibility of recovery.

Bridging and factoring finance receivables

The Company does not currently offer bridging finance products and is only active in pursuing recovery of this portfolio. 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, assigned receivables in the case of factoring finance operations, 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 finance 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 $5,083,385 of receivables which are past 90 days in arrears, $947,826 represents bridging finance receivables which have underlying collateral and security as mentioned above and are not impaired.

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.

Notes to the Financial Statements cont.

for the year ended 30 June 2011

	Consolidated Entity 2011 $	2010 $
Note 9. Other Assets		
Current		
Prepayments	887,138	242,122
Other	3,952	3,575
	891,090	245,697
Note 10. Other Financial Assets		
Investments – fair value though profit or loss	600,420	898,050
Movements during year (Investments)		
Beginning of the year	898,050	–
Additions	–	898,050
Impairment in value	(297,630)	–
	600,420	898,050
Note 11. Mortgage Finance Assets		
Non-securitised mortgage assets	229,428,987	200,654,826
Provision for impairment	(464,223)	(220,205)
	228,964,764	200,434,621
Maturity Analysis		
Amounts to be received in less than 1 year	2,629,888	2,199,038
Amounts to be received in greater than 1 year	226,799,099	198,455,788
	229,428,987	200,654,826

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 weighted average loan to valuation ratio (at the fair values of the underlying real property securities) at reporting date was 67.53% (2010: 67.39%). 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.

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 11. Mortgage Finance Assets cont.

Ageing Analysis

	Consolidated Entity					
	2011			2010		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	200,163,987	–	200,163,987	172,434,715	–	172,434,715
Past due 0-30 Days	20,181,949	–	20,181,949	18,242,207	–	18,242,207
Past due 31-60 Days	3,083,280	–	3,083,280	2,586,980	–	2,586,980
Past due 61-90 Days	1,664,891	–	1,664,891	2,057,086	–	2,057,086
Past 90 Days	4,334,880	(464,223)	3,870,657	5,333,838	(220,205)	5,113,633
Total	229,428,987	(464,223)	228,964,764	200,654,826	(220,205)	200,434,621

The movement in the provision for impairment

	Consolidated Entity	
	2011 $	2010 $
Opening balance	220,205	175,331
Provision for impairment recognised	644,236	400,932
Bad debts	(400,218)	(356,058)
Closing balance	464,223	220,205

Note 12. Controlled Entities

		Percentage of equity interest held by the Consolidated Entity	
Name	Country of Incorporation	2011 %	2010 %
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

Note 12. Controlled Entities cont.

The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2011 %	2010 %
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 2011 %	2010 %
Fox Symes Home Loans (Services) Pty Ltd	Australia	100	100
Fox Symes Home Loans (Management) Pty Ltd	Australia	100	100
Fox Symes Home Loans (Mortgage Management) Pty Ltd	Australia	100	–
Fox Symes Home Loans (Special Services) Pty Ltd	Australia	100	–
Fox Symes Home Loans Warehouse Trust No.1	Australia	85	85

Ultimate Parent Entity

FSA Group Ltd is the Ultimate Parent Entity.

Note 13. Plant and Equipment

	Consolidated Entity 2011 $	2010 $
Computer equipment at cost	1,820,410	1,718,175
Accumulated depreciation	(1,639,186)	(1,446,325)
Net carrying amount	181,224	271,850
Office equipment at cost	447,040	331,817
Accumulated depreciation	(302,684)	(259,242)
Net carrying amount	144,356	72,575
Furniture and fittings at cost	266,044	246,350
Accumulated depreciation	(220,284)	(184,812)
Net carrying amount	45,760	61,538
Motor vehicles at cost	47,372	47,372
Accumulated depreciation	(13,709)	(3,332)
Net carrying amount	33,663	44,040
Total plant and equipment at cost	2,580,866	2,343,714
Accumulated depreciation	(2,175,863)	(1,893,711)
Net carrying amount	405,003	450,003

Note 13. Plant and Equipment cont.

	Computer Equipment $	Office Equipment $	Furniture & Fittings $	Motor Vehicles $	Total $
Movements					
Balance at 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 2010/1 July 2010	271,850	72,575	61,538	44,040	450,003
Additions	**115,819**	**120,111**	**25,318**	–	**261,248**
Disposals	**(477)**	**(374)**	**(1,483)**	–	**(2,334)**
Depreciation	**(205,968)**	**(47,956)**	**(39,613)**	**(10,377)**	**(303,914)**
Balance at 30 June 2011	**181,224**	**144,356**	**45,760**	**33,663**	**405,003**

Note 14. Investment Property

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Investment property		
At cost	362,339	362,339
Accumulated depreciation	(60,792)	(49,288)
	301,547	313,051
Movements during year:		
Beginning of the year	313,051	321,686
Depreciation	(11,504)	(8,635)
	301,547	313,051

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

The fair value of the Investment Property at 30 June 2011 was $364,439 (independently valued at using current market data).

	Consolidated Entity 2011 $	Consolidated Entity 2010 $

Note 15. Intangible Assets

	2011 $	2010 $
Goodwill		
Recognised on consolidation	3,222,136	3,222,136
Accumulated impairment	(49,263)	(49,263)
	3,172,873	3,172,873
Software at cost	929,630	708,768
Accumulated amortisation	(600,226)	(468,008)
	329,404	240,760
	3,502,277	3,413,633
Movements during year (Goodwill):		
Beginning of the year	3,172,873	3,841,448
Impairment	–	(49,263)
Reduction in value*	–	(619,312)
	3,172,873	3,172,873
Movements during year (Software):		
Beginning of the year	240,760	263,500
Additions	220,862	279,394
Amortisation	(132,218)	(302,134)
	329,404	240,760

* (2010) Reduction in value relates to the redemption of 8 Convertible Redeemable Preference Shares ("CRPS") which have been credited against Goodwill. On 1 February 2010, pursuant to the terms of the purchase agreement of 180 Group acquired on 21 April 2006, the remaining 8 CRPS were redeemed due to 180 Group not meeting its profit target for 30 June 2009.

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).

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 two year period using average historical earnings margins and then adjusted for non-cash items. 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.

Note 16. Trade and Other Payables

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Current		
Unsecured trade payables	1,234,243	965,940
Factoring client payables	359,161	2,396,313
Institutional creditors	1,558,767	3,212,578
Sundry payables and accruals	7,367,174	6,175,720
	10,519,345	12,750,551

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Note 17. Borrowings		
Current		
Unsecured		
Other loans	837,279	527,151
Secured		
Mortgage	4,034	3,728
Bank loan – other lending facilities	–	2,830,663
	4,034	2,834,391
	841,313	3,361,542
Non-current		
Secured		
Mortgage	263,862	268,272
Bank loan – other lending facilities	15,982,358	11,625,507
	16,246,220	11,893,779
Non-Recourse Financial Liabilities		
Secured		
Warehouse facilities	220,865,314	194,541,639
(a) Total Current, Non-Current and Non-Recourse secured liabilities:		
Mortgage	267,896	272,000
Bank loans – other lending facilities	15,982,358	14,456,170
Warehouse facilities	220,865,314	194,541,639
	237,115,568	209,269,809
(b) The carrying amounts of Non-Current Assets pledged as security are:		
Fixed charge over assets		
Investment properties	301,547	313,051
Loan and other assets in the Fox Symes		
Home Loans Warehouse Trust No. 1	236,358,882	207,039,832
	236,660,429	207,352,883

Bank loans – other lending facilities consist of two funding facilities:

i) A full recourse lending facility to support bridging finance operations, amounting to $1,624,974 (2010: $2,830,664) 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. This facility expires on 31 December 2012; and

ii) A limited recourse factoring finance facility, amounting to $14,357,384 (2010: $11,625,506) 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 $2 million, unless there has been an event of default or breach of borrowing covenants. This facility expires on 31 July 2012. The Company has started to renegotiate and extend the current term of the facility. The Board believes this renegotiation will be completed prior to the current expiry date on similar terms.

Note 17. Borrowings cont.

(c) Warehouse facility

Warehouse facilities are used to fund mortgages prior to securitisation and include revolving Senior and Mezzanine Note facilities. As at 30 June 2011, the drawdown limit under the Senior and Mezzanine Note facilities was $225 million and $10 million respectively and $208,428,000 and $9,080,000 respectively had been drawn down at reporting date. Subsequent to year end the drawdown limit under the Senior Note facility increased to $250 million.

The Warehouse facilities are 2 year rolling facilities. As at 30 June 2011, the facility was due to expire on 15 October 2012. Subsequent to year end the term of the facility was extended until 15 October 2013. Interest is payable at the applicable BBSW rate plus a margin of 2% for the Senior Notes and a margin of 9% for the Mezzanine Notes. The interest rate at 30 June 2011 for the Senior and Mezzanine Notes was 6.90% and 13.90% respectively. The facilities are secured against current and future mortgage finance assets (refer Note 11). All borrowing covenants were met during the year.

	Consolidated Entity	
	2011 $	2010 $

Note 18. Provisions

Current		
Employee benefits	812,435	588,535
Non-current		
Employee benefits	343,055	251,012

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 2011, the Consolidated Entity employed 171 full-time equivalent employees (2010: 162) plus a further 5 independent contractors (2010: 5).

Note 19. Share Capital

138,253,785 (2010: 138,253,785) Fully paid ordinary shares	11,692,255	11,692,255

(a) Ordinary shares

	2011 Number	2010 Number
Balance 1 July	138,253,785	115,437,513
– 7 October 2009	–	11,351,340
– 6 November 2009	–	2,964,932
– 27 January 2010	–	500,000
– 1 February 2010	–	8,000,000
Balance 30 June	138,253,785	138,253,785

2011

There were no movements in share capital during the year ended 30 June 2011.

2010

On 7 October 2009, a placement to Institutional and Sophisticated Investors for 11.35 million ordinary 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.

Note 19. Share Capital cont.

(b) Options

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 20. Reserves

Share based payments reserve

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

	Consolidated Entity 2011 $	Consolidated Entity 2010 $

Note 21. Cash Flow Information

Reconciliation of cash flows from operations to profit after tax

	2011 $	2010 $
Profit after tax	11,015,591	9,177,212
Non-cash flows in profit/(loss):		
Depreciation	315,418	467,688
Amortisation – intangibles	132,218	302,134
Impairment – intangibles	–	49,263
(Gain)/Loss on financial asset at FVTPL	297,630	(898,050)
Loss on disposal of intangibles	2,334	
Gain on disposal of plant & equipment	–	(7,437)
Changes in assets and liabilities:		
Increase in trade and other receivables	(9,027,173)	(17,887,059)
(Increase)/decrease in other current assets	(645,390)	499,593
(Decrease)/increase in trade and other payables	(984,800)	6,155,280
Increase in employee entitlements	315,943	203,329
Increase in other liabilities	4,218,856	4,395,857
Cash flows from operating activities	5,640,627	2,457,810

Note 22. Commitments

(i) Operating leases (non-cancellable):

	2011 $	2010 $
Minimum lease payments		
– not later than one year	948,912	899,075
– later than one year and not later than five years	3,142,998	4,091,910
	4,091,910	4,990,985

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

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
Stan Kalinko	Non-Executive Director
Sally Herman	Non-Executive Director (appointed 24 January 2011)
Hugh Parsons	Non-Executive Director (resigned 31 May 2011)

Note 23. Key Management Personnel Disclosures cont.

(a) Details of Directors and Key Management Personnel cont.

(ii) Key Management Personnel of the Consolidated Entity

Don Mackenzie	Company Secretary (appointed 19 November 2010)
Anthony Carius	Chief Financial Officer (resigned 1 July 2011)*
Fred El Tahche	Chief Information Officer
Goran Turner	Chief Executive – Fox Symes Home Loans
David Camilleri	Manager – Debt Agreements

(b) Remuneration of Directors and Key Management Personnel

	Consolidated Entity	
	2011 $	2010 $
Short-term employee benefits	1,939,332	1,725,675
Long-term employee benefits	46,892	8,193
Post-employment benefits	120,609	103,842
Termination benefits	51,389	–
Share-based payments	81,457	10,479
	2,239,679	1,848,189

* Anthony Carius resigned as CFO with effect from 1 July 2011. He will remain with the Company until 31 August 2011 to ensure a smooth transition to the Company's new CFO Ms Cellina Chen who has been the Company's Financial Controller since December 2003.

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 18 to 22.

(c) Options issued as part of remuneration for the year ended 30 June 2011

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.

(d) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of remuneration options during or since the end of the financial year.

(e) Option holdings of Directors and Key Management Personnel

						Vested at 30 June 2011		
	Balance at 1 July 2010	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2011	Total	Not Exercisable	Exercisable
ESOP Options								
Directors	n/a							
Key Management Personnel								
Anthony Carius	–	550,000	–	–	550,000	125,000	–	125,000
Fred El Tahche	–	500,000	–	–	500,000	100,000	–	100,000
Total ESOP Options	**–**	**1,050,000**	–	–	**1,050,000**	225,000	–	225,000

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 23. Key Management Personnel Disclosures cont.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2011
Directors					
Sam Doumany	1,040,541	–	–	–	1,040,541
Tim Odillo Maher	48,809,231	–	–	(6,000,000)	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	–	–	–	15,406
Sally Herman	–	–	–	–	–
Key Management Personnel					
Anthony Carius	66,699	–	–	1,500	68,199
David Camilleri	77,000	–	–	–	77,000
Total	**62,968,924**	**–**	**–**	**(5,998,500)**	**56,970,424**

(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

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 $42,296 for the year ended 30 June 2011 (2010: $24,036). 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 $39,079 (2010: $20,276). 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 2011 except as follows:

- On 4 July 2011, the Company obtained a three year non-recourse $50m note facility from Bendigo and Adelaide Bank
- On 25 August 2011, the Company signed an extension of its existing non-recourse note facility, increasing its $235m facility limit to $260m for a further term with the facility now expiring on 15 October 2013
- On 30 August 2011, Directors declared a maiden one cent fully franked dividend to shareholders to be paid on 30 September 2011 with a record date of 13 September 2011.

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 Note 12.

(c) Transactions with related parties

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

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

	Consolidated Entity	
	2011 $	2010 $
Current factoring receivables – other related parties	31,775	81,361

Note 26. Segment Information

Operating Segments

	Services		Home Loans		Small Business		Other/ Unallocated		Consolidated Total	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Revenue and Income										
External sales	36,054,936	33,331,572	1,224,284	1,978,488	2,962,017	2,927,259	183,951	236,283	40,425,188	38,473,602
Finance Income	89,665	94,928	25,023,810	18,838,593	4,974,092	3,228,220	46,878	88,513	30,134,445	22,250,254
Finance expense	(8,841)	(2,817)	(14,959,134)	(10,055,162)	(1,129,694)	(768,874)	(22,496)	(22,124)	(16,120,165)	(10,848,977)
Net Finance Income	80,824	92,111	10,064,676	8,783,431	3,844,398	2,459,346	24,382	66,389	14,014,280	11,401,277
Other gains/(losses)	(2,334)	–	–	–	(297,630)	898,050	–	7,437	(299,964)	905,487
Internal sales and income	569,664	331,462	–	–	–	–	–	–	569,664	331,462
Eliminations	–	–	–	–	–	–	–	–	(569,664)	(331,462)
Total Revenue and Income	36,703,090	33,755,145	11,288,960	10,761,919	6,508,785	6,284,655	208,333	310,109	54,139,504	50,780,366
Results										
Segment profit before tax	10,585,117	7,417,209	4,249,885	4,600,204	624,704	865,005	(131,240)	(14,296)	15,328,466	12,868,122
Income tax (expense)/benefit	(3,180,044)	(2,230,618)	(1,000,299)	(1,167,632)	(191,958)	(263,518)	59,426	(29,142)	(4,312,875)	(3,690,910)
Profit for the year	7,405,073	5,186,591	3,249,586	3,432,572	432,746	601,487	(71,814)	(43,438)	11,015,591	9,177,212
Items included in Profit for the year										
Share of the profits of an associate using the Equity Accounting Method	–	–	–	–	–	–	23,981	18,528	23,981	18,528
Depreciation and amortisation	394,935	717,090	33,193	30,894	7,791	12,835	11,717	9,003	447,636	769,822
Impairment in value – Goodwill	–	–	–	–	–	–	–	49,263	–	49,263
Impairment in value – trade receivables	5,754,532	6,426,423	701,364	400,932	1,201,888	1,892,662	2,976	9,184	7,660,760	8,729,201
Reversal of impairment in value – trade receivables	(1,276,365)	(1,469,504)	–	–	–	–	–	–	(1,276,365)	(1,469,504)
Employee and contractor expenses	12,709,766	11,033,124	3,085,528	2,790,532	2,312,585	1,681,716	134,694	136,176	18,242,573	15,641,548
Share based payments expense	–	–	–	–	–	–	81,457	52,804	81,457	52,804
Legal and consultancy	25,274	93,381	662,093	351,857	369,960	260,083	9,000	599	1,066,327	705,920
Rental expense on operating lease – minimum lease payment	941,876	1,210,894	–	–	33,071	–	–	–	974,947	1,210,894
Segment assets	78,340,498	63,487,167	247,786,529	219,538,543	23,595,862	22,884,380	17,972,825	15,938,868	367,695,714	321,848,958
Eliminations									(51,470,310)	(44,932,158)
Total assets									316,225,404	276,916,800
Included in Segment assets										
Investment in associate	–	–	–	–	–	–	63,975	47,188	63,975	47,188
Segment liabilities	51,439,660	41,308,856	230,415,580	204,430,854	20,280,841	20,002,106	2,405,026	1,524,206	304,541,107	267,266,022
Eliminations									(42,880,166)	(35,098,712)
Total liabilities									261,660,941	232,167,310

Note 26. Segment Information cont.

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 Loans; and
Small Business.

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

Home Loans includes the provision of mortgage finance, home loan broking and mortgage management.

Small Business includes corporate 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.

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

Restatement of segment information

In the prior financial report the following were identified as reportable segments:

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

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

Home Loan Lending includes the provision of mortgage finance.

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

During the period, the Consolidated Entity's Chief Operating Decision Maker has decided that the Home Loan Lending segment be expanded to include home loan broking (previously included in the "Services" segment). Given the anticipated increasing contribution to profit of home loan broking with its new mortgage management business, the Consolidated Entity's Chief Operating Decision Maker now analyses these results with those of Home Loan Lending under the umbrella of "Home Loans" related products and services. As such these are now combined to form the "Home Loans" segment.

The "Business Services and Lending" segment has been renamed "Small Business" but contains all the same financial segment information as it did in the prior period.

If the previous segmentation methodology had been used to report for the year ended 30 June 2010, the information would have been presented as follows:

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 26. Segment Information cont.

	Services		Home Loan Lending		Business Services and Lending		Other/ Unallocated		Consolidated Total	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Revenue and Income										
External sales	37,235,348	35,310,060	43,871	–	2,962,017	2,927,259	183,952	236,283	40,425,188	38,473,602
Finance Income	91,723	96,936	25,021,752	18,836,585	4,974,092	3,228,220	46,878	88,513	30,134,445	22,250,254
Finance expense	(8,840)	(2,817)	(14,959,135)	(10,055,162)	(1,129,694)	(768,874)	(22,496)	(22,124)	(16,120,165)	(10,848,977)
Net Finance Income	82,883	94,119	10,062,617	8,781,423	3,844,398	2,459,346	24,382	66,389	14,014,280	11,401,277
Other gains/(losses)	(2,334)	–	–	–	(297,630)	898,050	–	7,437	(299,964)	905,487
Internal sales and income	2,281,736	2,083,968	20,455	192,799	–	–	–	–	2,302,191	2,276,767
Eliminations									(2,302,191)	(2,276,767)
Total Revenue and Income	39,597,633	37,488,147	10,126,943	8,974,222	6,508,785	6,284,655	208,334	310,109	54,139,504	50,780,366
Results										
Segment profit before tax	11,363,890	8,585,062	3,471,112	3,432,350	624,704	865,005	(131,240)	(14,295)	15,328,466	12,868,122
Income tax (expense)/benefit	(3,413,676)	(2,583,557)	(766,667)	(814,693)	(191,958)	(263,518)	59,426	(29,142)	(4,312,875)	(3,690,910)
Profit for the year	7,950,214	6,001,505	2,704,445	2,617,657	432,746	601,487	(71,814)	(43,437)	11,015,591	9,177,212
Items included in Profit for the year										
Share of the profits of an associate using the Equity Accounting Method	–	–	–	–	–	–	23,981	18,528	23,981	18,528
Depreciation and amortisation	394,935	717,090	33,193	30,894	7,791	12,835	11,717	9,003	447,636	769,822
Impairment in value – Goodwill	–	–	–	–	–	–	–	49,263	–	49,263
Impairment in value – trade receivables	5,824,914	6,426,423	630,983	400,932	1,201,888	1,892,662	2,975	9,184	7,660,760	8,729,201
Reversal of impairment in value – trade receivables	(1,276,365)	(1,469,504)	–	–	–	–	–	–	(1,276,365)	(1,469,504)
Employee and contractor expenses	14,445,314	12,940,696	1,349,980	882,960	2,312,585	1,681,716	134,694	136,176	18,242,573	15,641,548
Share based payments expense	–	–	–	–	–	–	81,457	52,804	81,457	52,804
Legal and consultancy	25,866	93,381	661,501	351,857	369,960	260,083	9,000	599	1,066,327	705,920
Rental expense on operating lease – minimum lease payment	941,876	1,210,894	–	–	33,071	–	–	–	974,947	1,210,894
Segment assets	81,731,018	66,599,281	236,847,768	207,459,549	23,595,862	22,884,380	17,972,827	15,938,870	360,147,475	312,882,080
Eliminations									(43,922,071)	(35,965,280)
Total assets									316,225,404	276,916,800
Included in Segment assets										
Investment in associate	–	–	–	–	–	–	63,975	47,188	63,975	47,188
Segment liabilities	42,943,818	34,743,152	229,699,778	202,029,679	20,280,841	20,002,106	2,230,886	1,524,207	295,155,323	258,299,144
Eliminations									(33,494,382)	(26,131,834)
Total liabilities									261,660,941	232,167,310

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 note facility funding, bank loans and mortgage loans.

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

	Consolidated Entity	
	2011 $	2010 $
Financial Assets		
Cash and cash equivalents	**16,807,474**	13,999,970
Financial assets at fair value through profit or loss	**600,420**	898,050
Loans and receivables at amortised cost	**293,439,858**	257,508,420
Financial Liabilities		
Payables at amortised cost	**249,881,404**	223,176,964

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 & Risk Management Committee. The Audit & Risk Management Committee is responsible for developing and monitoring risk management policies. The Chairman of the Audit & Risk Management Committee reports to the Board of Directors on its activities.

Risk management procedures are established by the Audit & 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. 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 2011, 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% (2010: 25.8%).

Note 27. Financial Instruments cont.

It was the policy of the Consolidated Entity during the 2011 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% (2010: 50%)

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

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 2011 was $600,420 (2010: $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 (mortgage receivables).

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 & 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 & 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.

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.

Note 27. Financial Instruments cont.

	Consolidated Entity 30 June 2011						
	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	1,593,404	1,593,404	1,593,404	–	–	–	–
Institutional creditors	1,558,767	1,558,767	1,558,767	–	–	–	–
Other payables	7,367,174	7,367,174	7,367,174	–	–	–	–
Other short term loans	837,279	837,279	837,279	–	–	–	–
Bank loans	15,982,358	17,228,521	577,510	568,095	16,082,916	–	–
Mortgage loans	267,896	607,697	13,405	13,405	26,810	82,664	471,413
Warehouse facilities	220,865,314	237,724,412	7,880,974	7,752,480	222,090,958	–	–

	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	–	–

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. As at 30 June 2011, 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 2011 the Consolidated Entity had withdrawn $217,508,000 from this facility. It had unused credit at the end of the year of $17,492,000. The term and limit of this facility was increased post year end. Please refer to Note 24 "Events occuring after reporting date".

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 $2,500,000 and $25,000,000 respectively. As at 30 June 2011, the Company had withdrawn $1,650,000 from the bridging finance facility and it had unused credit at the end of the year of $850,000 on this facility. As at 30 June 2011, the Company had withdrawn $14,362,215 from the factoring finance facility and it had unused credit at the end of the year of $10,637,785 on this facility.

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.

Note 27. Financial Instruments cont.

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 two year 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 long term debt facilities.

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 50 basis points (bps) higher or lower at reporting date on the Consolidated Entity's floating rate financial instruments (2010:25 bps). A 50 bps sensitivity is considered reasonable given the current level of both short-term and long-term Australian interest rates. This would represent approximately two rate increases/decreases. In the current economic environment, where uncertainty remains about a second serious worldwide economic recession, it is the Company's view that it is unlikely there will be 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	
	2011 $	2010 $
If interest rates increased by 50bps (2010: 25bps)	28,928	8,778
If interest rates decreased by 50bps (2010: 25bps)	(28,928)	(8,778)

Note 28. Investments in Associates

	2011	2010
Equity accounted investments in associates		
Purchase consideration	7,963	7,963
Inter-entity loan	(366,322)	(366,322)
Share of associates retained earnings	422,334	405,547
	63,975	47,188

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.

Note 28. Investments in Associates cont.

Information about the Associate is as follows:

Consolidated Entity's share of:

	2011 $	2010 $
Revenue	34,990	107,811
Profit before tax	23,981	18,528
Income tax expense	(7,194)	(5,558)
Profit for the year	16,787	12,970
Net assets	122,951	106,164

Note 29. Contingent Liabilities

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

2011

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $1,809,500.

Mortgages are usually settled within 4 weeks of acceptance.

Bank Guarantees

The Company has obtained a bank guarantee for it business premises as at 30 June 2011 amounting to $685,278.

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.

Note 30. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 3 for a summary of the significant accounting policies relating to the Group.

Financial position

	2011 $	2010 $
Total Current Assets	3,314,319	1,784,184
Total Non-Current Assets	10,426,990	10,426,990
Total Assets	13,741,309	12,211,174
Total Current Liabilities	2,265,452	745,186
Total Liabilities	2,265,452	745,186
Net Assets	11,475,857	11,465,988
Equity		
Share capital	11,692,255	11,692,255
Reserves	745,831	664,374
Accumulated losses	(962,229)	(890,641)
Total Equity	11,475,857	11,465,988

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 30. Parent Entity Information cont.

Financial performance

	2011 $	2010 $
Profit/(loss)after income tax	(71,588)	6,278
Other Comprehensive Income	–	–
Total Comprehensive income/(loss)for the year	(71,588)	6,278

Guarantees entered into by the parent entity relation to the debts of its subsidiaries

FSA Group Limited has entered into a deed of cross guarantee with two of its wholly owned subsidiaries, FSA Australia Pty Limited and Fox Symes Debt Relief Services Pty Limited. Refer to Note 31 for further details.

There are no contingent liabilities or commitments in the parent entity.

Note 31. Deed of Cross Guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

FSA Group Limited
FSA Australia Pty Limited
Fox Symes Debt Relief Services Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by FSA Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'Closed Group'.

Statement of Comprehensive Income

	2011 $	2010 $
Revenue and other income		
Fees from services	23,696,281	23,012,747
Finance income	668,299	398,375
Finance expense	(26,783)	(6,056)
Net finance income	641,516	392,319
Total revenue and other income net of finance expense	24,337,797	23,405,066
Expenses from continuing activities	(3,533,706)	(3,812,464)
Profit/(loss) before income tax	20,804,091	19,592,602
Income tax (expense)/benefit	(6,058,509)	(5,827,390)
Profit after income tax	14,745,582	13,765,212
Other Comprehensive Income	–	–
Share of Other Comprehensive income of Associates	–	–
Total Comprehensive income for the year	14,745,582	13,765,212

Notes to the Financial Statements cont.

for the year ended 30 June 2011

Note 31. Deed of Cross Guarantee cont.

Statement of Financial Position

	2011 $	2010 $
Current Assets		
Cash and cash equivalents	4,751,906	4,938,247
Trade and other receivables	13,212,307	10,439,295
Current tax assets	290,703	112,756
Other assets	13,905	8,998
Total Current Assets	18,268,821	15,499,296
Non-Current Assets		
Trade and other receivables	25,793,101	21,898,540
Investments	77,265,279	67,752,080
Total Non-Current Assets	103,058,380	89,650,620
Total Assets	121,327,201	105,149,916
Current Liabilities		
Trade and other payables	6,193,781	6,559,488
Total Current Liabilities	6,193,781	6,559,488
Non-Current Liabilities		
Deferred tax liabilities	10,401,612	8,685,659
Total Non-Current Liabilities	10,401,612	8,685,659
Total Liabilities	16,595,393	15,245,147
Net Assets	104,731,808	89,904,769
Equity		
Share capital	11,692,256	11,692,256
Reserves	745,831	664,374
Retained earnings	92,293,721	77,548,139
Total Equity	104,731,808	89,904,769

Directors' Declaration

The Directors of FSA Group Ltd declare that:

(a) in the Directors' opinion the financial statements and notes, set out on pages 15 to 70, and the Remuneration report in the Directors' report, set out on pages 18 to 22 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 2011 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;

(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; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 31 to the financial statements.

The Directors have been given the declarations for the financial year ended 30 June 2011, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors

Tim Odillo Maher
Director

Sydney
30 August 2011

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 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of FSA Group Limited ("the company") and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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.

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PKF

Independence

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

Opinion

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 22 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of FSA Group Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001.*

PKF

PKF

Arthur Milner
Partner

30 August 2011
Sydney

Shareholder Information

for the year ended 30 June 2011

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 17 August 2011.

(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 shares
1 – 1,000	118	19,400
1,001 – 5,000	267	859,549
5,001 – 10,000	211	1,855,639
10,001 – 100,000	362	13,551,026
100,001 and over	124	121,968,171
Total	**1,082**	**138,253,785**

The number of shareholders holding less than a marketable parcel of shares (1,852) are 161 (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	26,000,000	18.81%
2	Mazamand Group Pty Ltd	16,809,231	12.16%
3	ADST Pty Ltd	12,960,047	9.37%
4	BJR Investment Holding Pty Ltd	11,000,000	7.96%
5	Investment Custodial Services Ltd	3,693,566	2.67%
6	ABN AMRO Clearing Sydney	2,574,376	1.86%
7	Ms Danita Rae Lowes	2,541,953	1.84%
8	Ruminator Pty Ltd	2,385,174	1.73%
9	Berne Nominees No 132 Pty Ltd	2,274,193	1.64%
10	Atkone Pty Ltd	2,256,506	1.63%
11	Harness Capital Pty Ltd	2,155,000	1.56%
12	Toga Enterprises Pty Ltd	1,604,431	1.16%
13	J P Morgan Nominees Australia	1,400,000	1.01%
14	Sareena Enterprises Pty Ltd	1,356,667	0.98%
15	Contemplator Pty Ltd	1,285,223	0.93%
16	Mr Costa Emil Vrisakis and Mrs Despina Vrisakis	1,256,000	0.91%
17	Bulwarra Holdings Pty Ltd	1,113,150	0.81%
18	Mr Peter Carr	1,058,505	0.77%
19	Maramindi Pty Ltd	1,040,541	0.75%
20	James Dundas Ritchie	1,000,000	0.72%
	Top 20	**95,764,563**	**69.27%**
	Total	**138,253,785**	**100.00%**

Shareholder Information cont.

for the year ended 30 June 2011

(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.

Corporate Information

Directors

Sam Doumany – Non-Executive Chairman
Tim Odillo Maher – Executive Director
Deborah Southon – Executive Director
Stan Kalinko – Non-Executive Director
Sally Herman – Non-Executive Directoror

Company Secretary

Don Mackenzie

Registered Office and Corporate 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
Locked Bag A14
Sydney South, NSW 1235
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

DESIGN: COLLIER & ASSOCIATES THE STRATEGIC DESIGN COMPANY #15903

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