FSA Group Limited
Annual Report 2012

Continued Growth, Delivered.

FSA Group Limited
ABN 98 093 855 791

Australia's largest provider of debt solutions

For more than a decade, FSA Group has helped thousands of Australians take control of their debt. Our large and experienced team of 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.

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

Proven Integrated Business Model

Services

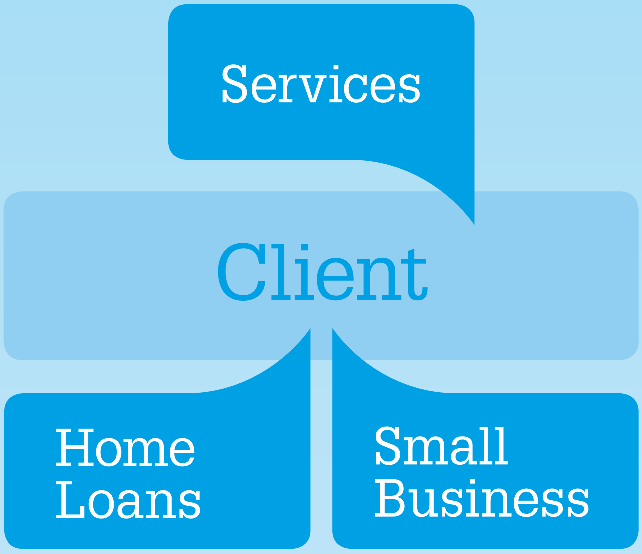
FSA Group offers a range of simple and convenient services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.

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

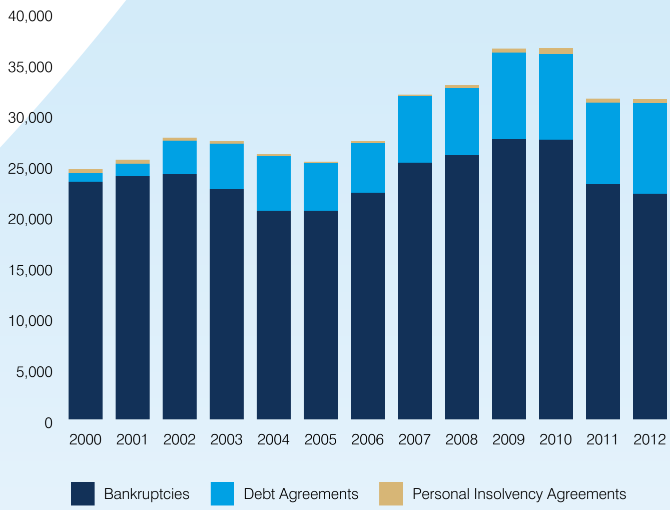
FSA Group offers factoring finance to assist small businesses with cash flow management.



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. Competition in this market has remained steady because there are significant barriers to entry. A new debt agreement administrator requires a substantial capital base to operate and this deters many potential competitors.

The Market



Source: Insolvency and Trustee Service Australia

2012 Achievements

- 50% market share for debt agreements
- 16% increase in clients administered under debt agreements
- $300m of unsecured debt managed under debt agreements
- Consistent low level of arrears
- $73m paid to creditors under debt agreements
- One of the largest providers of personal insolvency agreements and bankruptcy

Continued 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. FSA Group is also a prime home loan manager for Bendigo and Adelaide Bank. This move complements its non-conforming home loan lending activities.

The Market

Source: Datamonitor

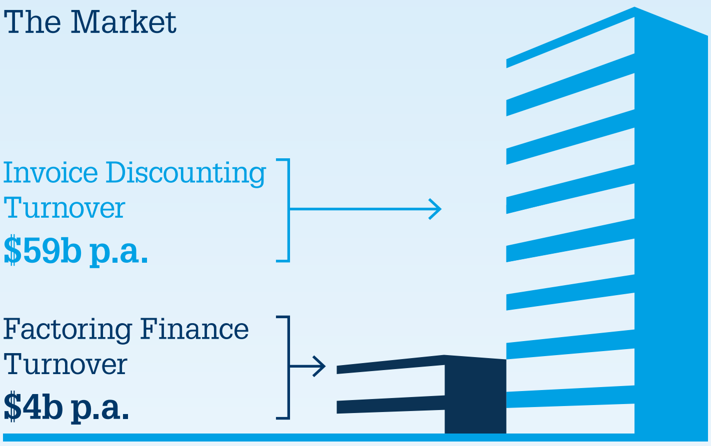
2012 Achievements

- One of the few remaining non-conforming home loan lenders
- Loan pool increased from $229m to $232m
- Consistent low level of arrears and capital losses
- Westpac facility of $258m
- Bendigo and Adelaide Bank facility of $50m
- Prime home loan 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 factoring finance to assist small businesses with cash flow management.

The Market



Source: Institute for Factors and Discounters

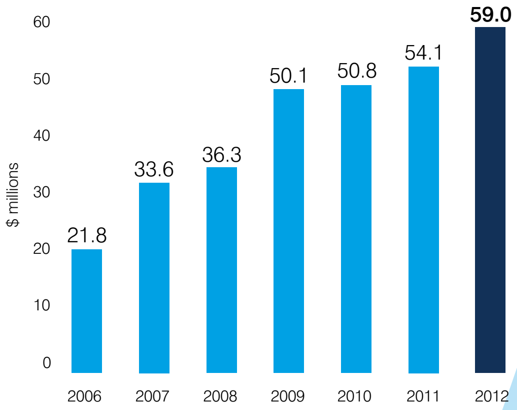
2012 Achievements

- Loan pool increased from $12m to $25m
- Consistent low level of arrears and capital losses
- Westpac facility of $25m
- Good platform in place for future growth

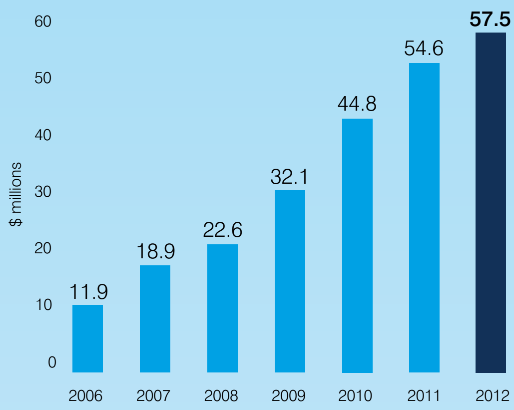
Continued growth, delivering strong, consistent and sustainable financial results

Financial Results

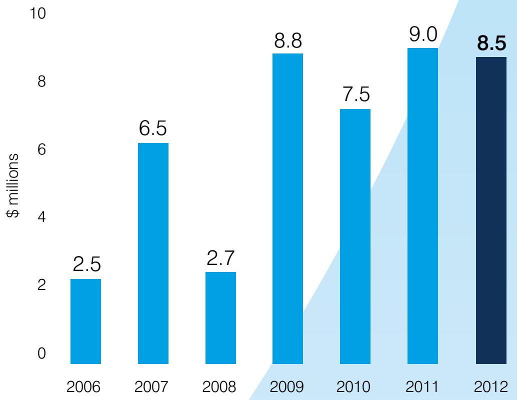
Revenue



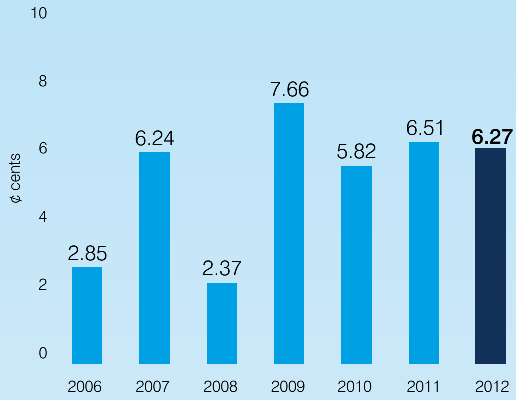
Net Assets



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.

Chairman's Letter

Dear Shareholders,

The 2012 financial year has been a year of continued growth for FSA Group despite uncertain market conditions.

FSA Group generated $59.0 million in revenue and achieved a profit after tax attributable to members of $8.5 million, a 5% decrease compared to the results of 2011.

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 with a 50% market share during 2012. 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 which grew over the year from $229 million to $232 million. Our non-recourse home loan funding facilities consist of $258 million provided by Westpac Banking Corporation and $50 million provided by Bendigo and Adelaide Bank. We are currently exploring opportunities, which should they come to fruition, will allow us to grow our loan pool.

Our Small Business division offers factoring finance to assist small businesses with cash flow management. Through factoring finance, FSA Group has originated a high quality loan pool which grew over the year from $12 million to $25 million. Our $25 million limited-recourse factoring finance funding facility is provided by Westpac Banking Corporation. We are currently in discussions to increase the facility limit.

As part of our ongoing capital management strategy, in October 2011 we commenced an on market share buy back. During the year we purchased a total of 8.8 million shares.

I advise that the Directors have declared a fully franked final dividend of 1.55 cents per share for the 2012 financial year. This brings the full year dividend to 2.20 cents per share.

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 2012 financial year has been a year of continued growth for FSA Group despite uncertain market conditions.

During the year demand for our solutions underpinned revenues of $59.0 million (2011: $54.1 million) and helped to deliver a profit after tax attributable to members of $8.5 million (2011: $9.0 million).

The Directors have declared a fully franked final dividend of 1.55 cents per share for the 2012 financial year. This brings the full year dividend to 2.20 cents per share.

Financial overview	FY2011	FY2012	% Change
Revenue and income	$54.1m	$59.0m	▲ 9%
Profit before tax	$15.3m	$14.9m	▼ 3%
Profit after tax attributable to members of the parent	$9.0m	$8.5m	▼ 5%
Net assets	$54.6m	$57.5m	▲ 5%
NTA backing/share	34.9c	37.8c	▲ 8%
EPS basic	6.51c	6.27c	▼ 4%

During the 2012 financial year, FSA Group achieved a significant uplift in cash flow from operations driven by the increased number of clients administered under debt agreements. FSA Group expects client numbers will continue to grow during the 2013 financial year.

Cash flow from operations	FY2010	FY2011	FY2012
Net cash inflow from operating activities	$2.5m	$5.6m	$9.4m
Clients administered under debt agreements	11,050	14,394	16,681

Funding	Facility Type	Amount	Renewal Date
Westpac Banking Corporation	Non-recourse home loan facility	$258m	October 2013
Bendigo & Adelaide Bank	Non-recourse home loan facility	$50m	June 2014
Westpac Banking Corporation	Limited-recourse factoring finance facility	$25m	July 2013

Executive Directors' Review cont.

Operational Performance

Our business operates across the following key segments, Services, Home Loans and Small Business. The profitability before income tax of each segment is as follows:

Profitability	FY2011	FY2012	% Change
Services	$10.6m	$11.6m	▲ 9%
Home Loans	$4.2m	$4.1m	▼ 3%
Small Business	$0.6m	($0.7m)	▼ 218%
Other	($0.1m)	($0.1m)	— 0%
Profit before tax	$15.3m	$14.9m	▼ 3%
Profit after tax attributable to members of the parent	$9.0m	$8.5m	▼ 5%

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.

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 with a 50% market share during 2012. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

During 2012 there was a 16% increase in the number of clients administered under debt agreements and a 19% 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 2012. 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 $300 million of unsecured debt under debt agreements. During 2012 FSA Group paid $73 million in dividends to creditors. This was an increase of 16% compared to 2011.

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 which grew over the year from $229 million to $232 million. Greater than 30 day arrears increased to 2.66% at June 2012 compared to 2.38% at June 2011. This compares with competitor arrears of 11.87% as reported by the Standard & Poor's Index at April 2012.

Our non-recourse home loan funding facilities consist of $258 million provided by Westpac Banking Corporation and $50 million provided by Bendigo and Adelaide Bank.

We are currently exploring opportunities, which should they come to fruition, will allow us to grow our loan pool.

Executive Directors' Review cont.

Small Business

The Small Business division offers factoring finance to assist small businesses with cash flow management.

During 2012, we reviewed the operations of this division and concluded that the greatest potential for growth and opportunity was in the provision of factoring finance. As a consequence the division was restructured and consulting services will, going forward, have limited application. This restructuring has resulted in a loss as consulting services was wound down.

FSA Group has firmly established a track record in factoring finance. We have originated a high quality loan pool which grew over the year from $12 million to $25 million. Our $25 million limited-recourse factoring finance funding facility is provided by Westpac Banking Corporation. We are currently in discussions to increase the facility limit.

FSA Group is experiencing demand for factoring finance because the availability of credit for small businesses continues to remain tight. We expect this division to be profitable in 2013.

Strategy and Outlook

The market environment continues to remain uncertain. Consumer debt levels are however at a record high and demand for our products and services is steady.

We are continuing with our vision to build a range of accessible solutions which support our clients throughout their entire financial lifecycle. To achieve this we will continue to invest in expanding FSA Group's products and services. This will enable us to both leverage our existing client base and grow the pool of clients we can assist going forward.

Our 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

(L to R) 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 2012

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

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 the 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 Group 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 King & Wood Mallesons.

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. Her last executive role was at the Westpac Group where she spent 16 years until September 2010, having run major business units in almost every operating division of the Group. She also has broad board experience in the corporate and Not For Profit Sector, currently sitting on several boards including Premier Investments Limited, ME Bank, Urbis Pty Ltd, Endeavour Foundation, the National Art School 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.

Other current (listed company) directorships

Premier Investments Limited (appointed 14 December 2011)

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	40,000

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.

Directors' Report cont.

for the year ended 30 June 2012

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 $8,527,891 (2011: $8,995,715).

Dividends declared and paid during the year

- On 30 September 2011, a fully franked final dividend of $1,382,538 was paid at 1c per share;
- On 20 March 2012, a fully franked interim dividend of $887,774 was paid at 0.65c per share.

Dividends declared after the end of year

On 24 August 2012, the Directors declared a 1.55 cent fully franked final dividend to shareholders to be paid on 28 September 2012 with a record date of 14 September 2012.

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 1 July 2011, 550,000 options lapsed.
- During financial year 2012, FSA Group Limited bought back 8,780,684 shares under an on market share buy-back, including 24,970 shares which were purchased and settled prior to 30 June 2012 but not cancelled with ASIC until 3 July 2012.
- Issue of 1,641,486 shares as part consideration for acquiring the non-controlling interest in Fox Symes Home Loans Pty Ltd.

Financial position

The net assets of the Consolidated Entity have increased from $54,564,463 at 30 June 2011 to $57,530,319 at 30 June 2012.

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.

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 2012 except as follows:

- On 13 August 2012, Westpac approved a temporary increase in the limited-recourse factoring finance funding facility limit from $25 million to $28 million for a period of 90 days.
- On 24 August 2012, the Directors declared a 1.55 cent fully franked final dividend to shareholders to be paid on 28 September 2012 with a record date of 14 September 2012.

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.

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 2012 there were 500,000 (2011: 1,050,000) unissued ordinary shares under option.

Indemnification and insurance of directors and officers

Each of the Directors and the Officers of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors 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 Limited. 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 Limited (the Company).

This Remuneration Report sets out the remuneration information, pertaining to the Company's Directors and Senior Executive who comprise the Key Management Personnel of the Consolidated Entity for the purposes of the Corporations Act 2001 and the Accounting Standards for the year ending 30 June 2012.

Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the Group.

Remuneration policy

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

The Board has 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 and Senior Executive. 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. The Company aims to reward the Directors and Senior Executive with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Senior Executive 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 and Senior Executive 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 2012 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Senior Executive Remuneration

The Company aims to reward the Executive Directors and Senior Executive 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 Executives is 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.

The remuneration of the Executive Directors and Senior Executive for the year ended 30 June 2012 is detailed in Table 1 of this Remuneration Report.

An employee share incentive scheme has been established where executives and certain members of staff of FSA Group Limited are issued with options over the ordinary shares of FSA Group Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of FSA Group Limited. The options cannot be transferred and will not be quoted on the ASX. 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 the Executive Directors, Senior Executive 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 Limited and the Executive Directors are entitled to terminate the contract upon giving three months written notice.
- FSA Group Limited 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 Limited.
- The contracts provide for annual reviews of performance by FSA Group Limited.
- There are no early termination clauses.

Senior Executive

Employment contracts entered into with Senior Executive 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	Three months
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	Board discretion

(a) Details of Directors and Key Management Personnel

(i) Non-Executive Directors

Sam Doumany	Non-Executive Chairman
Stan Kalinko	Non-Executive Director
Sally Herman	Non-Executive Director

(ii) Executive Directors

Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director

(iii) Senior Executive

Cellina Chen	Chief Financial Officer

(b) Remuneration of Directors and Key Management Personnel

The Key Management Personnel of the Group include Tim Odillo Maher, Deborah Southon and Cellina Chen, being the only executive officers of the Group's parent company, FSA Group Limited.

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								
2012	100,348	–	–	–	9,031	–	109,379	–
2011	98,142	–	–	4,708	8,833	–	111,683	–
Stan Kalinko								
2012	59,746	–	–	–	7,036	–	66,782	–
2011	59,258	–	–	–	5,333	–	64,591	–
Sally Herman								
2012	54,371	–	–	–	12,623	–	66,994	–
2011	25,294	–	–	–	2,277	–	27,571	–
Tim Odillo Maher								
2012	399,667	*50,000	–	–	–	–	449,667	11%
2011	258,875	54,500	–	–	–	–	313,375	17%
Deborah Southon								
2012	360,521	*50,000	19,083	34,216	22,908	–	486,728	10%
2011	241,154	50,000	11,638	28,781	19,699	–	351,272	14%
Senior Executive – CFO								
Cellina Chen								
2012	164,962	^25,000	7,268	3,634	17,288	–	218,152	11%
Former Director								
Hugh Parsons								
2011	65,711	–	–	–	10,539	51,389	127,639	–
Previously designated as 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%
Fred El-Tahche								
2011	182,000	25,000	1,298	2,991	20,549	26,457	258,295	10%
Goran Turner								
2011	253,798	150,000	5,312	7,028	18,000	–	434,138	–
David Camilleri								
2011	195,476	–	1,869	3,384	17,592	–	218,321	–
Total Remuneration								
2012	**1,139,615**	**125,000**	**26,351**	**37,850**	**68,886**	**–**	**1,397,702**	
2011	1,591,316	314,500	33,516	46,892	120,609	132,846	2,239,679	

* Bonus (representing 100% of the total bonus to be paid) was paid on 5 March 2012. The bonus was approved by the Board as part of discretionary performance based remuneration. The Executive Directors abstained from the vote.

^ Bonus (representing 100% of the total bonus to be paid) was paid on 1 November 2011. The bonus was approved by the Board as part of discretionary performance based remuneration.

Directors' Report cont.
for the year ended 30 June 2012

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

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue and income (net)	**$58,965,143**	$54,139,504	$50,780,366	$50,073,622	$36,288,711
Net profit before tax	**$14,914,460**	$15,328,466	$12,868,122	$13,939,337	$4,737,736
Net profit after tax	**$10,706,394**	$11,015,591	$9,177,212	$10,021,632	$3,203,924
Share price at the start of the year	**$0.24**	$0.36	$0.38	$0.16	$0.88
Share price at the end of the year	**$0.32**	$0.24	$0.36	$0.38	$0.16
Basic EPS (cents)	**6.27**	6.51	5.82	7.66	2.37
Diluted EPS (cents)	**6.27**	6.51	5.82	7.15	2.21

A review of discretionary performance bonuses over the previous five years is 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 2012

There were no options issued or exercised as part of remuneration during or since the end of the financial year.

(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 2011	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2012
ESOP Options					
Directors	n/a				
Key Management Personnel					
Anthony Carius [(1)]	550,000	–	–	(550,000)	–
Fred El Tahche [(2)]	500,000	–	–	(500,000)	–
Total ESOP Options	**1,050,000**	**–**	**–**	**(1,050,000)**	**–**

Weighted average remaining contract life 367 days

(1) Resigned 1 July 2011

(2) No longer Key Management Personnel. Details of the unvested and unexercised options are included in note 21.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Limited	Balance at 1 July 2011	Purchased on market	Options Exercised	Other Changes	Balance at 30 June 2012
Directors					
Sam Doumany	1,040,541	–	–	–	1,040,541
Tim Odillo Maher	42,809,231	–	–	–	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	–	–	–	15,406
Sally Herman	–	40,000	–	–	40,000
Key Management Personnel					
Cellina Chen	–	–	–	–	–
Anthony Carius [(2)]	68,199	–	–	(68,199)	–
Goran Turner [(1)]	–	–	–	–	–
David Camilleri [(1)]	77,000	–	–	(77,000)	–
Total	**56,970,424**	**40,000**	**–**	**(145,199)**	**56,865,225**

(1) Due to company restructure, ceased to be a Key Management Personnel during the period

(2) Mr. Carius's equity holding of 68,199 shares has been removed from the Key Management Personnel disclosure as a result of his resignation on 1st July 2011

(g) Services from remuneration consultants

For the period commencing 1 July 2012, the remuneration committee engaged TripleTee Advisory in November 2011 as a remuneration consultant to the Board to review the amount and elements of the Key Management Personnel ("KMP") remuneration and provide recommendations in relation thereto.

TripleTee Advisory was paid $28,132 for the remuneration recommendations in respect of reviewing the amount and elements of the KMP remuneration.

The engagement of TripleTee Advisory by the Remuneration Committee was based on a documented set of protocols that would be followed by TripleTee Advisory, members of the Remuneration Committee and members of the KMP for the way in which remuneration recommendations would be developed by TripleTee Advisory and provided to the Board.

These arrangements were implemented to ensure that TripleTee Advisory would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the KMP about whom the recommendations may relate.

The Board is satisfied that the remuneration recommendations were made by TripleTee Advisory free from undue influence by members of the KMP about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by TripleTee Advisory during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

This concludes the remuneration report, which has been audited.

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	14	14
Tim Odillo Maher	14	14
Deborah Southon	14	14
Stan Kalinko	14	14
Sally Herman	14	14
Total number of meetings held during the financial year	14	

Directors' Report cont.

for the year ended 30 June 2012

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
Sam Doumany	4	4
Stan Kalinko	4	4
Sally Herman	4	4
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	6	6
Stan Kalinko	6	6
Sally Herman	6	6
Total number of meetings held during the financial year	6	

Directors' Report cont.

for the year ended 30 June 2012

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;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2012:

Tax compliance services	$77,380
Taxation advice and consulting	$152,269

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of the Directors Report and can be found on page 25.

Auditor Details

BDO East Coast Partnership (formerly known as 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 Limited 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
24 August 2012

Auditor's Independence Declaration

Tel: 61 2 9251 4100
Fax: 61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF FSA GROUP LIMITED

As lead auditor of FSA Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Arthur Milner

Partner

BDO East Coast Partnership

Sydney, 24 August 2012

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 Company 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	(Yes/No) Compliance	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:	Yes	–
	• the practices necessary to maintain confidence in the Company's integrity;		
	• 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.

for the year ended 30 June 2012

Principle Number	Best Practice Recommendation	(Yes/No) Compliance	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.

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 2012 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 2012 are disclosed on page 22 and 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 continues to consider suitable diversity targets to work towards achieving greater diversity at all levels of the workforce. The targets 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.

for the year ended 30 June 2012

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 in May 2011, 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 the situation would be remedied when a suitable person became available.

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

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. BDO East Coast Partnership (formerly known as PKF) was appointed as the external auditor in 2003 and it is their 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.

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 for annual reports are 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, 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 2012 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

The Remuneration Committee which operates in accordance with the Corporate Governance Charter, 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
- remuneration framework for Directors (in consultation with external consultants when appropriate)
- remuneration by gender

The Committee comprises the following independent Non-Executive Directors:

- Ms Sally Herman (Committee Chair);
- Mr Sam Doumany
- 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 2012.

Details of Directors' attendance at Remuneration Committee meetings are set out in the Directors' Report on page 23.

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 Remuneration Committee. 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 and senior management. 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 and senior management positions
- an annual assessment by the Board of performance against the objectives.

	30 June 2012		30 June 2011	
	Female (%)	**Male (%)**	**Female (%)**	**Male (%)**
Non-executive directors	33	67	33	67
Key Management Personnel	67	33	33	67
Senior management	20	80	–	100
Group	48	52	43	57

* 2011 comparatives were updated based on 2012 group structure.

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	Consolidated Entity 2012 $	2011 $
Revenue and other income			
Fees from services	2	**44,929,578**	40,425,188
Finance income	2	**31,679,103**	30,134,445
Finance expense	2	**(16,863,420)**	(16,120,165)
Net finance income	2	**14,815,683**	14,014,280
Other losses	2	**(780,118)**	(299,964)
Total revenue and other income net of finance expense		**58,965,143**	54,139,504
Share of profits of an associate using the equity accounting method	29	**4,599**	23,981
Expenses from continuing activities	3	**(44,055,282)**	(38,835,019)
Profit before income tax expense		**14,914,460**	15,328,466
Income tax expense	5(a)	**(4,208,066)**	(4,312,875)
Profit after income tax		**10,706,394**	11,015,591
Other comprehensive Income		**–**	–
Share of other comprehensive income of associates		**–**	–
Total Comprehensive income for the year		**10,706,394**	11,015,591
Total comprehensive income for the year attributable to:			
Non-controlling interests		**2,178,503**	2,019,876
Members of the parent		**8,527,891**	8,995,715
		10,706,394	11,015,591
Earnings per share			
Basic earnings per share (cents per share)	7	**6.3**	6.5
Diluted earnings per share (cents per share)	7	**6.3**	6.5

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 2012

	Notes	Consolidated Entity 2012 $	2011 $
Current Assets			
Cash and cash equivalents	8	**6,498,741**	9,413,356
Trade and other receivables	9	**50,877,863**	36,618,162
Other assets	10	**954,137**	891,090
Total Current Assets		**58,330,741**	46,922,608
Non-Current Assets			
Trade and other receivables	9	**30,894,720**	27,856,932
Investments in associates	29	**68,574**	63,975
Plant and equipment	14	**408,365**	405,003
Investment property	15	**–**	301,547
Other financial assets	11	**–**	600,420
Deferred tax assets	5c	**370,777**	213,760
Intangible assets	16	**3,258,280**	3,502,277
Total Non-Current Assets		**35,000,716**	32,943,914
Assets financed by non-recourse financial liabilities			
Cash and cash equivalents	8	**12,021,320**	7,394,118
Mortgage finance assets	12	**237,765,162**	228,964,764
Total assets financed by non-recourse financial liabilities		**249,786,482**	236,358,882
Total Assets		**343,117,939**	316,225,404
Current Liabilities			
Trade and other payables	17	**9,696,952**	10,519,345
Current tax liabilities		**2,204,024**	1,409,212
Borrowings	18	**4,465,234**	841,313
Provisions	19	**884,171**	812,435
Total Current Liabilities		**17,250,381**	13,582,305
Non-Current Liabilities			
Borrowings	18	**27,208,469**	16,246,220
Provisions	19	**322,681**	343,055
Deferred tax liabilities	5d	**12,820,209**	10,624,047
Total Non-Current Liabilities		**40,351,359**	27,213,322
Non-Recourse Financial Liabilities			
Borrowings	18	**227,985,880**	220,865,314
Total Non-Recourse Financial Liabilities		**227,985,880**	220,865,314
Total Liabilities		**285,587,620**	261,660,941
Net Assets		**57,530,319**	54,564,463
Equity			
Share capital	20	**9,275,913**	11,692,255
Reserves	21	**104,652**	745,831
Retained earnings		**45,542,721**	39,285,112
Non-controlling interest		**2,607,033**	2,841,265
Total Equity		**57,530,319**	54,564,463

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 2012

Consolidated Entity	Share Capital $	Share Based Payment Reserve $	Other Reserve $	Retained Earnings $	Non-Controlling Interest $	Total $
Balance at 1 July 2010	**11,692,255**	**664,374**	**–**	**30,289,397**	**2,103,464**	**44,749,490**
Profit after income tax expense for the year	–	–	–	8,995,715	2,019,876	11,015,591
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total Comprehensive Income for the year	**–**	**–**	**–**	**8,995,715**	**2,019,876**	**11,015,591**
Transactions with owners in their capacity as owners:						
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**
Profit after income tax expense for the year	**–**	**–**	**–**	**8,527,891**	**2,178,503**	**10,706,394**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Income for the year	**–**	**–**	**–**	**8,527,891**	**2,178,503**	**10,706,394**
Transactions with owners in their capacity as owners:						
Share buy-back	**(2,916,342)**	**–**	**–**	**–**	**–**	**(2,916,342)**
Share-based payment expense	**–**	**15,450**	**–**	**–**	**–**	**15,450**
Acquisition of Non-controlling interest	**500,000**	**–**	**(656,629)**	**–**	**(743,371)**	**(900,000)**
Dividend paid	**–**	**–**	**–**	**(2,270,282)**	**–**	**(2,270,282)**
Distributions to Non-controlling interests	**–**	**–**	**–**	**–**	**(1,669,364)**	**(1,669,364)**
Balance at 30 June 2012	**9,275,913**	**761,281**	**(656,629)**	**45,542,721**	**2,607,033**	**57,530,319**

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 2012

	Notes	Consolidated Entity 2012 $ Inflows/ (Outflows)	2011 $ Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers and debtors		**40,026,515**	36,971,898
Payments to suppliers and employees		**(43,063,303)**	(42,115,321)
Finance income received		**31,776,729**	29,088,744
Finance cost paid		**(17,088,259)**	(15,450,044)
Net cash payments for institutional creditor distributions		**(887,146)**	(1,653,810)
Income tax paid		**(1,373,814)**	(1,200,840)
Net cash inflow from operating activities	22	**9,390,722**	5,640,627
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	**(208,745)**	(261,248)
Acquisition of intangible assets	16	**(61,185)**	(220,862)
Acquisition of non-controlling interest in subsidiary	13	**(900,000)**	–
Proceeds from disposal of investment property	15	**301,356**	–
Net increase in mortgage finance assets		**(9,413,302)**	(27,606,481)
Net decrease in bridging finance assets		**412,062**	373,458
Net increase in factoring finance assets		**(12,837,300)**	(1,528,144)
Net increase in other loans		**(882,000)**	(476,000)
Net cash outflow from investing activities		**(23,589,114)**	(29,719,277)
Cash flows from financing activities			
Net proceeds from borrowings		**21,953,861**	27,666,107
Distributions to non-controlling interests		**(856,258)**	(779,953)
Share buy-back		**(2,916,342)**	–
Dividends paid		**(2,270,282)**	–
Net cash inflow from financing activities		**15,910,979**	26,886,154
Net increase in cash and cash equivalents		**1,712,587**	2,807,504
Cash and cash equivalents at the beginning of the financial year		**16,807,474**	13,999,970
Cash and cash equivalents at the end of the financial year	8	**18,520,061**	16,807,474

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 2012

Note 1. Summary of significant accounting policies

FSA Group Limited and its controlled entities (or "the Group") 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*, as appropriate for-profit oriented entities. The consolidated financial statements of the Group 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 24 August 2012.

Basis of preparation

The financial statements are presented in Australian dollars and rounded to the nearest dollar.

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.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity FSA Group Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 13 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 FSA Group Limited. 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 non-deductible 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 tax 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 Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Additionally, 180 Group Pty Ltd and its wholly-owned Australian subsidiaries and Fox Symes Home Loans Pty Ltd (controlled by FSA Group Limited) and its wholly-owned Australian subsidiaries have formed a tax consolidated group and entered tax sharing and tax funding arrangements. From 27 April 2012, Fox Symes Home Loans Pty Ltd became wholly-owned Australian subsidiary of FSA Group Limited, it joined the FSA Group Limited tax consolidation group.

Note 1. Summary of significant accounting policies cont.

FSA Group Limited and 180 Group Pty Ltd as head entities of their respective tax consolidated groups and the controlled entities in each group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a 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 and 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 and buy back 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 Limited Employee Share Option Plan ("ESOP"). Information relating to the ESOP is set out in Note 21.

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:

Debt agreement application fees

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

Debt agreement administration fees

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

Trustee fees bankruptcy and personal insolvency agreements

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

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.

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:

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 16 in the financial statements).

Note 1. Summary of significant accounting policies cont.

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 9 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 a group 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 group); whose operating results are regularly reviewed by the group'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 31.

(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 2012 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 9 Financial Instruments, 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.

(ii) AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management).The Consolidated Entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 should have no or minimal impact on the accounting.

(iii) AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the Consolidated Entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

(iv) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Consolidated Entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

Note 1. Summary of significant accounting policies cont.

(v) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. The Consolidated Entity will adopt this standard from 1 January 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

(vi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Consolidated Entity.

(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 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Consolidated Entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided 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 instruments; clarified 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 provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The Consolidated Entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made 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.

	Consolidated Entity 2012 $	2011 $

Note 2. Revenue and other income net of finance expense

	2012 $	2011 $
Fees from services		
– Personal insolvency	**42,746,705**	36,054,935
– Refinance broking and mortgage management	**1,278,209**	1,224,284
– Corporate	**706,975**	2,962,017
– Other services	**197,689**	183,952
Total revenue	**44,929,578**	40,425,188
Finance Income		
– Interest income – bridging finance	**–**	133,009
– Interest income – mortgage finance assets	**22,086,232**	23,274,307
– Upfront fee income – mortgage finance assets	**3,152,577**	1,393,637
– Factoring income	**5,929,168**	4,757,959
– Other interest income	**511,126**	575,533
	31,679,103	30,134,445
Finance Expense		
– Interest expense – warehouse facilities	**(15,913,419)**	(14,948,891)
– Interest expense – other lending facilities	**(950,001)**	(1,171,274)
	(16,863,420)	(16,120,165)
Net Finance income	**14,815,683**	14,014,280
Other losses		
Loss on option valuation – fair value through profit or loss	**(600,420)**	(297,630)
Loss on disposal of plant and equipment and investment property	**(179,698)**	(2,334)
	(780,118)	(299,964)

Notes to the Financial Statements cont.

for the year ended 30 June 2012

	Consolidated Entity 2012 $	2011 $

Note 3. Profit for the year

Expenses

	2012 $	2011 $
Expenses from continuing activities excluding finance costs, classified by function:		
Marketing expenses	**6,342,263**	5,440,401
Administrative expenses	**13,327,059**	9,754,301
Operating expenses	**24,385,960**	23,640,317
	44,055,282	38,835,019
Profit for the year from continuing operations has been arrived at after charging:		
Depreciation on plant and equipment	**201,876**	303,914
Depreciation on investment properties	**7,549**	11,504
Amortisation of software	**120,738**	132,218
	330,163	447,636
Impairment in value – trade receivables	**10,332,181**	7,660,760
Reversal of impairment in value – trade receivables	**(637,659)**	(1,276,365)
Net impairment	**9,694,522**	6,384,395
Rental expense on operating lease – minimum lease payment	**1,004,499**	974,947
Employee and contractor expenses	**19,020,532**	18,242,573
Share-based payments expense	**15,450**	81,457
Legal consulting – client services	**1,009,990**	1,066,327

Note 4. Equity – Dividends

	2012 $	2011 $
Final dividend for the year ended 30 June 2011 of 1 cent per ordinary share	**1,382,538**	–
Interim dividend for the year ended 30 June 2012 of 0.65 cents per ordinary share	**887,744**	–
	2,270,282	–

On 24 August 2012, the directors declared a fully franked final dividend for the year ended 30 June 2012 of 1.55 cents per ordinary share.

	2012 $	2011 $
Franking credits available at the reporting date based on a tax rate of 30%	**4,342,638**	4,996,512
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	**1,151,135**	(290,702)
Franking credits available for subsequent financial years based on a tax rate of 30%	**5,493,773**	4,705,810

	Consolidated Entity	
	2012 $	2011 $

Note 5. Income Tax

(a) Income tax expense

Current tax expense	**2,169,032**	2,035,707
Deferred tax expense	**2,039,144**	2,300,276
Over provision in a prior period	**(110)**	(23,108)
	4,208,066	4,312,875
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**599,614**	959,841
Increase in deferred tax liabilities	**1,439,530**	1,340,435
	2,039,144	2,300,276

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

Profit before income tax	**14,914,460**	15,328,466
Tax at the Australian tax rate of 30% (2011: 30%)	**4,474,338**	4,598,540
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible expenses	**10,892**	8,876
Non-assessable income	**(281,689)**	(295,897)
Non-deductible employee costs	**4,635**	24,464
	4,208,176	4,335,983
Over provision in the prior period	**(110)**	(23,108)
Income tax expense	**4,208,066**	4,312,875

(c) Deferred tax assets

Provisions	**1,034,775**	826,711
Capital legal expenses	**79,907**	32,113
Accrued expenditure	**120,050**	55,974
Tax losses carried forward	**8,380**	381,425
Other	**305,136**	197,004
	1,548,248	1,493,227
Deferred tax liability offset on tax consolidation	**(1,177,471)**	(1,279,467)
Total deferred tax assets	**370,777**	213,760

(d) Deferred tax liabilities

Temporary difference on assessable income	**13,997,680**	11,903,514
Deferred tax liability offset on tax consolidation	**(1,177,471)**	(1,279,467)
Total deferred tax liabilities	**12,820,209**	10,624,047

Note 6. Auditors' Remuneration

Amounts received or due and receivable by BDO East Coast Partnership:

Audit and review of financial statements	**207,823**	191,000
Taxation compliance services	**77,380**	59,460
Taxation advice and consulting	**152,269**	–
	437,472	250,460

	Consolidated Entity	
	2012 $	**2011 $**

Note 7. Earnings Per Share

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

	2012 $	2011 $
Total Comprehensive Income attributable to members of the parent for the year ($)	**8,527,891**	8,995,715
Basic earnings per share (cents)	**6.27**	6.51
Diluted earnings per share (cents)	**6.27**	6.51

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

	2012 $	2011 $
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	**135,937,627**	138,253,785

Note 8. Cash and Cash Equivalents

	2012 $	2011 $
Current		
Cash on hand and at bank	**6,498,741**	9,413,356
Assets financed by non-recourse financial liabilities		
Cash on hand and at bank	**12,021,320**	7,394,118
	18,520,061	16,807,474

Note 9. Trade and Other Receivables

	2012 $	2011 $
Current		
Trade receivables	**58,811,837**	42,587,174
Provision for impairment	**(8,160,533)**	(6,556,234)
	50,651,304	36,030,940
Sundry receivables	**226,559**	587,222
	50,877,863	36,618,162
Non-current		
Trade receivables	**37,066,921**	33,947,853
Provision for impairment	**(6,172,201)**	(6,090,921)
	30,894,720	27,856,932
Total	**81,772,583**	64,475,094

The movement in the provision for impairment

	2012 $	2011 $
Opening balance	**12,647,155**	13,995,020
Provision for impairment recognised	**9,119,237**	6,002,213
Unused provision reversed	**(637,659)**	(1,276,365)
Bad debts	**(6,795,999)**	(6,073,713)
Closing balance	**14,332,734**	12,647,155

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 additional provision amount in this reconciliation will therefore not agree to the Impairment in value amount disclosed in Note 3.

Note 9. Trade and Other Receivables cont.

Ageing Analysis

	Consolidated Entity					
	2012			2011		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Trade and other receivables						
Not past due	**86,022,196**	**(12,176,949)**	**73,845,247**	67,782,961	(10,341,436)	57,441,525
Past due 0-30 Days	**5,267,509**	**(110,474)**	**5,157,035**	3,276,620	(118,416)	3,158,204
Past due 31-60 Days	**1,138,900**	**(41,356)**	**1,097,544**	904,773	(52,445)	852,328
Past due 61-90 Days	**313,478**	**(29,959)**	**283,519**	74,510	(35,454)	39,056
Past 90 Days	**3,363,234**	**(1,973,996)**	**1,389,238**	5,083,385	(2,099,404)	2,983,981
Total	**96,105,317**	**(14,332,734)**	**81,772,583**	77,122,249	(12,647,155)	64,475,094

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 and loss incurred. 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 $3,363,234 of receivables which are past 90 days in arrears, $911,680 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 2012

	Consolidated Entity 2012 $	2011 $
Note 10. Other Assets		
Current		
Prepayments	**948,937**	887,138
Other	**5,200**	3,952
	954,137	891,090
Note 11. Other Financial Assets		
Investments – fair value though profit or loss	**–**	600,420
Movements during year (Investments)		
Beginning of the year	**600,420**	898,050
Additions	**–**	–
Impairment in value	**(600,420)**	(297,630)
	–	600,420
Note 12. Mortgage		
Non-securitised mortgage assets	**238,232,812**	229,428,987
Provision for impairment	**(467,650)**	(464,223)
	237,765,162	228,964,764
Maturity Analysis		
Amounts to be received in less than 1 year	**3,470,855**	2,629,888
Amounts to be received in greater than 1 year	**234,761,957**	226,799,099
	238,232,812	229,428,987

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 67.87% (2011: 67.53%). 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.

Note 12. Mortgage cont.

Ageing Analysis

	Consolidated Entity					
	2012			2011		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**212,720,016**	**–**	**212,720,016**	200,163,987	–	200,163,987
Past due 0-30 Days	**19,307,888**	**–**	**19,307,888**	20,181,949	–	20,181,949
Past due 31-60 Days	**2,604,560**	**–**	**2,604,560**	3,083,280	–	3,083,280
Past due 61-90 Days	**933,137**	**–**	**933,137**	1,664,891	–	1,664,891
Past 90 Days	**2,667,211**	**(467,650)**	**2,199,561**	4,334,880	(464,223)	3,870,657
Total	**238,232,812**	**(467,650)**	**237,765,162**	229,428,987	(464,223)	228,964,764

The movement in the provision for impairment

	Consolidated Entity	
	2012 $	2011 $
Opening balance	**464,223**	220,205
Provision for impairment recognised	**600,522**	644,236
Bad debts	**(597,095)**	(400,218)
Closing balance	**467,650**	464,223

Note 13. Controlled Entities

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2012 %	2011 %
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	**100**	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 Limited

(3) Investment held by 180 Group Holdings Pty Ltd

* On 27 April 2012, Fox Symes Home Loans Pty Ltd became a wholly-owned subsidiary of FSA Group Limited.

Notes to the Financial Statements cont.

for the year ended 30 June 2012

Note 13. Controlled Entities cont.

The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	2012 %	2011 %
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 Corporation Pty Ltd	Australia	**100**	100

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

Name	Country of Incorporation	2012 %	2011 %
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**	100
Fox Symes Home Loans (Special Services) Pty Ltd	Australia	**100**	100
Fox Symes Home Loans Warehouse Trust No.1	Australia	**85**	85
Fox Symes Home Loans Warehouse Trust BEN	Australia	**100**	–

Ultimate Parent Entity

FSA Group Limited is the Ultimate Parent Entity.

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Note 14. Plant and Equipment		
Computer equipment at cost	**1,980,220**	1,820,410
Accumulated depreciation	**(1,755,692)**	(1,639,186)
Net carrying amount	**224,528**	181,224
Office equipment at cost	**476,126**	447,040
Accumulated depreciation	**(358,662)**	(302,684)
Net carrying amount	**117,464**	144,356
Furniture and fittings at cost	**282,385**	266,044
Accumulated depreciation	**(240,682)**	(220,284)
Net carrying amount	**41,703**	45,760
Motor vehicles at cost	**47,372**	47,372
Accumulated depreciation	**(22,702)**	(13,709)
Net carrying amount	**24,670**	33,663
Total plant and equipment at cost	**2,786,103**	2,580,866
Accumulated depreciation	**(2,377,738)**	(2,175,863)
Net carrying amount	**408,365**	**405,003**

Note 14. Plant and Equipment cont.

	Computer Equipment $	Office Equipment $	Furniture & Fittings $	Motor Vehicles $	Total $
Movements					
Balance at 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**
Additions	**161,963**	**30,440**	**16,341**	**–**	**208,745**
Disposals	**(2,153)**	**(1,354)**	**–**	**–**	**(3,507)**
Depreciation	**(116,506)**	**(55,978)**	**(20,398)**	**(8,993)**	**(201,876)**
Balance at 30 June 2012	**224,528**	**117,464**	**41,703**	**24,670**	**408,365**

Note 15. Investment Property

	Consolidated Entity 2012 $	2011 $
Investment property		
At cost	**–**	362,339
Accumulated depreciation	**–**	(60,792)
	–	301,547
Movements during year:		
Beginning of the year	**301,547**	313,051
Depreciation	**(7,549)**	(11,504)
Disposal proceeds	**(301,356)**	–
Gain on disposal	**7,358**	–
	–	301,547

	Consolidated Entity 2012 $	2011 $
Note 16. Intangible Assets		
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	**806,371**	929,630
Accumulated amortisation	**(720,964)**	(600,226)
	85,407	329,404
	3,258,280	3,502,277
Movements during year (Goodwill):		
Beginning of the year	**3,172,873**	3,172,873
Impairment	**–**	–
	3,172,873	3,172,873
Movements during year (Software):		
Beginning of the year	**329,404**	240,760
Additions	**61,185**	220,862
Disposals	**(184,444)**	–
Amortisation	**(120,738)**	(132,218)
	85,407	329,404

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.

	Consolidated Entity 2012 $	2011 $
Note 17. Trade and Other Payables		
Current		
Unsecured trade payables	**1,007,884**	1,234,243
Factoring client payables	**455,997**	359,161
Institutional creditors	**647,430**	1,558,767
Sundry payables and accruals	**7,585,641**	7,367,174
	9,696,952	10,519,345

	Consolidated Entity 2012 $	2011 $
Note 18. Borrowings		
Current		
Unsecured		
Other loans	**599,376**	837,279
Secured		
Mortgage	**–**	4,034
Bank loan – other lending facilities	**3,865,858**	–
	3,865,858	4,034
	4,465,234	841,313
Non-current		
Secured		
Mortgage	**–**	263,862
Bank loan – other lending facilities	**27,208,469**	15,982,358
	27,208,469	16,246,220
Non-Recourse Financial Liabilities		
Secured		
Warehouse facilities	**227,985,880**	220,865,314
(a) Total Current, Non-Current and Non-Recourse secured liabilities:		
Mortgage	**–**	267,896
Bank loans – other lending facilities	**31,074,327**	15,982,358
Warehouse facilities	**227,985,880**	220,865,314
	259,060,207	237,115,568
(b) The carrying amounts of Non-Current Assets pledged as security are:		
Fixed charge over assets		
Investment properties	**–**	301,547
Loan and other assets in the Fox Symes		
Home Loans Warehouse Trust	**248,956,846**	236,358,882
	248,956,846	236,660,429

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

i) A full recourse funding facility to support home loan mortgage operations, which is secured by a floating charge over the assets of Fox Symes Home Loans Pty Ltd and its controlled entities, and the other wholly-owned subsidiaries of FSA Group Limited excluding 180 Group Pty Ltd, amounting to $5,783,858. This facility expires on 31 December 2013; and

ii) A limited recourse factoring finance facility, amounting to $25,290,469 (2011: $14,357,384) 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 $2.5 million, unless there has been an event of default or breach of borrowing covenants. This facility expires on 31 July 2013. The Company has started to renegotiate an increase in the facility limit.

Note 18. 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 2012, the drawdown limit under the Senior and Mezzanine Note facilities was $250 million and $8.2 million respectively and $214,820,000 and $7,005,000 respectively had been drawn down at reporting date.

The Warehouse facilities are 2 year rolling facilities. As at 30 June 2012, the facility was due to expire on 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 2012 for the Senior and Mezzanine Notes was 6.23% and 13.23% respectively. The facilities are secured against current and future mortgage finance assets (refer Note 12). All borrowing covenants were met during the year.

	Consolidated Entity	
	2012 $	**2011 $**
Note 19. Provisions		
Current		
Employee benefits	**884,171**	812,435
Non-current		
Employee benefits	**322,681**	343,055

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 2012, the Consolidated Entity employed 163 full-time equivalent employees (2011: 171) plus a further five independent contractors (2011: five).

Note 20. Share Capital

131,114,587 (2011: 138,253,785) fully paid ordinary shares – $Nil par value	**9,275,913**	11,692,255

(a) Ordinary shares

	2012 Number	**2011 Number**
Balance 1 July	**138,253,785**	138,253,785
Less shares bought back during year	**(8,780,684)**	–
Add shares issued as partial consideration for acquisition of non-controlling interest	**1,641,486**	–
Balance 30 June	**131,114,587**	138,253,785

2012

On 27 April 2012, 1,641,486 shares were issued as partial consideration to acquire the non-controlling interest in Fox Symes Home Loans Pty Ltd;

During financial year 2012, FSA Group Limited bought back 8,780,684 shares under an on market share buy-back, including 24,970 shares which were purchased and settled prior to 30 June 2012 but not cancelled with ASIC until 3 July 2012.

2011

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

(b) Options

On 1 July 2011, 550,000 options lapsed due to the option holder resigning.

Note 21. Reserves

Share based payments reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options. For the year ended 30 June 2012, $15,450 was credited to this reserve and recognised as an expense in the Statement of Comprehensive Income.

	Balance at 1 July 2011	Granted as remun-eration	Options Exercised	Expired/ Forfeited/ Other	Balance at 30 June 2012	Vested and exercisable at 30 June 2012	Unvested at 30 June 2012
ESOP Options							
Total ESOP Options	1,050,000	–	–	(550,000)	500,000	225,000	275,000

Weighted average exercise price – $0.50

Weighted average remaining contract life – 367 Days

Terms & Conditions of options on issue as at 30 June 2012

Grant Date	Grant Number	Vest Date	Expiry Date	Fair Value per option at grant date ($)	Exercise Price
02 July 2010	100,000	30 April 2011	02 July 2013	$0.10	$0.50
02 July 2010	125,000	30 April 2012	02 July 2013	$0.10	$0.50
02 July 2010	275,000	30 April 2013	02 July 2013	$0.10	$0.50

Other Reserve

The balance recognised in Other Reserves represents the residual consideration paid in excess of the carrying amount of the non-controlling interests in Fox Symes Home Loans Pty Ltd. In accordance with AASB127, this is recognised directly in equity and attributable to the owners of the parent.

Note 22. Cash Flow Information

Reconciliation of cash flows from operations to profit after tax

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Profit after tax	**10,706,394**	11,015,591
Non-cash flows in profit/(loss):		
Depreciation	**209,425**	315,418
Amortisation – intangibles	**120,738**	132,218
Loss on financial asset at FVTPL	**600,420**	297,630
Loss on disposal of intangibles	**184,444**	2,334
Gain on disposal of plant, equipment and investment property	**(3,851)**	–
Changes in assets and liabilities:		
Increase in trade and other receivables	**(4,455,807)**	(9,027,173)
(Increase)/decrease in other current assets	**(63,047)**	(645,390)
(Decrease)/increase in trade and other payables	**(956,498)**	(984,800)
Increase in employee entitlements	**51,363**	315,943
Increase in other liabilities	**2,997,141**	4,218,856
Cash flows from operating activities	**9,390,722**	5,640,627

Notes to the Financial Statements cont.

for the year ended 30 June 2012

	Consolidated Entity 2012 $	2011 $
Note 23. Commitments		
(i) Operating leases (non-cancellable):		
Minimum lease payments		
– not later than one year	**1,017,228**	948,912
– later than one year and not later than five years	**2,135,836**	3,142,998
	3,153,064	4,091,910

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

Note 24. 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

(ii) Key Management Personnel of the Consolidated Entity

Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Cellina Chen	Chief Financial Officer

(b) Remuneration of Directors and Key Management Personnel

	Consolidated Entity 2012 $	2011 $
Short-term employee benefits	**1,290,966**	1,939,332
Long-term employee benefits	**37,850**	46,892
Post-employment benefits	**68,886**	120,609
Termination benefits	**–**	51,389
Share-based payments	**–**	81,457
	1,397,702	2,239,679

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 2012

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

(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

No options are held by Key Management Personnel as at 30 June 2012. Options issued to Mr Anthony Carius (former CFO) lapsed on 1 July 2011.

Note 24. Key Management Personnel Disclosures cont.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Limited	Balance 1 July 2011	Purchased on market	Options Exercised	Other Changes	Balance 30 June 2012
Directors					
Sam Doumany	1,040,541	–	–	–	1,040,541
Tim Odillo Maher	42,809,231	–	–	–	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	–	–	–	15,406
Sally Herman	–	40,000	–	–	40,000
Key Management Personnel					
Cellina Chen	–	–	–	–	–
Anthony Carius(2)	68,199	–	–	(68,199)	–
David Camilleri(1)	77,000	–	–	(77,000)	–
Total	**56,970,424**	**40,000**	**–**	**(145,199)**	**56,865,225**

(1) Due to company restructure, ceased to be a Key Management Personnel during the period

(2) Mr. Carius's equity holding of 68,199 shares has been removed from the Key Management Personnel disclosure as a result of his resignation on 1st July 2011

(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 $52,078 for the year ended 30 June 2012 (2011: $42,296). 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 $24,010 (2011: $39,079). The supplies were purchased on normal commercial terms.

Note 25. 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 2012 except as follows:

- On 13 August 2012, Westpac approved a temporary increase in the limited-recourse factoring finance facility limit from $25 million to $28 million for a period of 90 days.
- On 24 August 2012, Directors declared a 1.55 cent fully franked final dividend to shareholders to be paid on 28 September 2012 with a record date of 14 September 2012.

Note 26. Related Party Disclosures

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 13.

(c) Transactions with related parties

Transactions with related parties of Directors or Key Management Personnel are as disclosed in Note 24 (h).

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

	Consolidated Entity	
	2012 $	2011 $
Current factoring receivables – other related parties	**111,951**	31,775

Note 27. Segment Information

Operating Segments

	Services		Home Loans		Small Business		Other/ Unallocated		Consolidated Total	
	2012	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Revenue and Income										
External sales	42,932,041	36,054,936	1,105,026	1,224,284	892,511	2,962,017	–	183,951	44,929,578	40,425,188
Finance Income	4,166	89,665	25,635,608	25,023,810	5,929,168	4,974,092	110,161	46,878	31,679,103	30,134,445
Finance expense	(3,180)	(8,841)	(15,689,250)	(14,959,134)	(1,170,990)	(1,129,694)	–	(22,496)	(16,863,420)	(16,120,165)
Net Finance Income	986	80,824	9,946,358	10,064,676	4,758,178	3,844,398	110,161	24,382	14,815,683	14,014,280
Other gains/(losses)	(186,641)	(2,334)	–	–	(593,477)	(297,630)	–	–	(780,118)	(299,964)
Internal sales and income	530,100	569,664	–	–	–	–	–	–	530,100	569,664
Eliminations	–	–	–	–	–	–	–	–	(530,100)	(569,664)
Total Revenue and Income	43,276,486	36,703,090	11,051,384	11,288,960	5,057,212	6,508,785	110,161	208,333	58,965,143	54,139,504
Results										
Segment profit before tax	11,581,034	10,585,117	4,108,772	4,249,885	(737,912)	624,704	(37,434)	(131,240)	14,914,460	15,328,466
Income tax (expense)/benefit	(3,479,590)	(3,180,044)	(957,672)	(1,000,299)	222,602	(191,958)	6,594	59,426	(4,208,066)	(4,312,875)
Profit for the year	8,101,444	7,405,073	3,151,100	3,249,586	(515,310)	432,746	(30,840)	(71,814)	10,706,394	11,015,591
Items included in Profit for the year										
Share of the profits of an associate using the Equity Accounting Method	–	–	–	–	–	–	4,599	23,981	4,599	23,981
Depreciation and amortisation	287,196	394,935	27,379	33,193	15,588	7,791	–	11,717	330,163	447,636
Impairment in value – trade receivables	7,799,776	5,754,532	702,540	701,364	1,829,865	1,201,888	–	2,976	10,332,181	7,660,760
Reversal of impairment in value – trade receivables	(637,659)	(1,276,365)	–	–	–	–	–	–	(637,659)	(1,276,365)
Employee and contractor expenses	14,364,431	12,709,766	2,744,480	3,085,528	1,911,621	2,312,585	–	134,694	19,020,532	18,242,573
Share based payments expense	–	–	–	–	–	–	15,450	81,457	15,450	81,457
Legal and consultancy	99,412	25,274	612,838	662,093	278,578	369,960	19,162	9,000	1,009,990	1,066,327
Rental expense on operating lease – minimum lease payment	946,932	941,876	11,460	–	46,107	33,071	–	–	1,004,499	974,947
Segment assets	94,132,984	78,340,498	262,108,899	247,786,529	29,564,557	23,595,862	20,014,063	17,972,825	405,820,503	367,695,714
Eliminations									(62,702,564)	(51,470,310)
Total assets									343,117,939	316,225,404
Included in Segment assets										
Investment in associate	–	–	–	–	–	–	68,574	63,975	68,574	63,975
Segment liabilities	59,466,987	51,439,660	242,968,825	230,415,580	26,252,920	20,280,841	7,713,534	2,405,026	336,402,266	304,541,107
Eliminations									(50,814,646)	(42,880,166)
Total liabilities									285,587,620	261,660,941

Note 27. Segment Information cont.

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.

Information about operating segments

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 service, the provision of bridging finance, factoring finance and other related services.

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.

Note 28. Financial Instruments

Financial and Capital Risk Management

The Consolidated Entity 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	
	2012	**2011**
	$	**$**
Financial Assets		
Cash and cash equivalents	**18,520,061**	16,807,474
Financial assets at fair value through profit or loss	**–**	600,420
Loans and receivables at amortised cost	**319,537,745**	293,439,858
Financial Liabilities		
Payables at amortised cost	**271,560,559**	249,881,404

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

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

Note 28. Financial Instruments cont.

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 2012, 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 37.9% (2011: 25.6%).

It was the policy of the Consolidated Entity during the 2012 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% (2011: 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 company has assessed the fair value at Nil as at 30 June 2012 (2011: $600,420).

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 receivables are secured by first or second mortgage security, and factoring finance receivables are secured by 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.

Note 28. Financial Instruments cont.

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 9 and 12.

Liquidity Risk

Liquidity risk is the risk that the 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.

	Consolidated Entity 30 June 2012						
	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	**1,463,881**	**1,463,880**	**1,463,880**	**–**	**–**	**–**	**–**
Institutional creditors	**647,430**	**647,430**	**647,430**	**–**	**–**	**–**	**–**
Other payables	**7,585,641**	**7,585,641**	**7,585,641**	**–**	**–**	**–**	**–**
Other short term loans	**347,108**	**347,108**	**347,108**	**–**	**–**	**–**	**–**
Bank loans	**31,326,595**	**33,136,288**	**3,073,218**	**2,711,380**	**27,351,690**	**–**	**–**
Mortgage loans	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Warehouse facilities	**227,985,880**	**246,794,541**	**7,231,027**	**7,189,135**	**232,374,379**	**–**	**–**

	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	–	–

Note 28. Financial Instruments cont.

FSA Group Limited 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 2012, the facility has a combined drawdown limit of $258,200,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2012 the Consolidated Entity had withdrawn $221,825,000 from this facility. It had unused credit at the end of the year of $36,375,000.

FSA Group Limited's subsidiary 180 Group Pty Ltd has a secured loan facility supporting its lending activities. The factoring finance facilities have drawdown limits of $25,000,000. As at 30 June 2012, the Company had withdrawn $25,245,458 from the factoring finance facility (with the approval from the funder), and accordingly was fully drawn. On 13 August 2012, Westpac approved a temporary increase in the limited-recourse factoring finance facility limit from $25 million to $28 million for a period of 90 days.

Warehouse facilities

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

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

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

Market risk

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

Mortgage finance assets are lent on variable interest rates and are financed by variable rate borrowings, which mitigate the Consolidated Entity's exposure to interest rate risk on these borrowings to an acceptable level. These borrowings are provided to the Consolidated Entity on a 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. Factoring finance assets are financed by variable rate borrowings. There was no borrowing against the bridging finance assets. 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 (2011: 50 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.

Note 28. Financial Instruments cont.

	Consolidated Entity Profit after tax 2012 $	2011 $
If interest rates increased by 50bps (2011: 50bps)	**74,254**	28,928
If interest rates decreased by 50bps (2011: 50bps)	**(74,254)**	(28,928)

Note 29. Investments in Associates

Equity accounted investments in associates

	2012 $	2011 $
Purchase consideration	**7,963**	7,963
Inter-entity loan	**(49,270)**	(366,322)
Share of associates retained earnings	**109,881**	422,334
	68,574	63,975

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

Information about the Associate is as follows:

Consolidated Entity's share of:

	2012 $	2011 $
Revenue	**10,104**	34,990
Profit before tax	**4,599**	23,981
Income tax expense	**(1,380)**	(7,194)
Profit for the year	**3,219**	16,787
Total Assets	**127,258**	123,768
Total Liabilities	**(1,088)**	(817)
Net assets	**126,170**	122,951

Note 30. Contingent Liabilities

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

2012

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $6,278,550.

Mortgages are usually settled within 4 weeks of acceptance.

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.

Note 31. 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

	2012 $	2011 $
Total Current Assets	**3,196,466**	3,314,319
Total Non-Current Assets	**11,826,989**	10,426,990
Total Assets	**15,023,455**	13,741,309
Total Current Liabilities	**8,272,600**	2,265,452
Total Liabilities	**8,272,600**	2,265,452
Net Assets	**6,750,855**	11,475,857
Equity		
Share capital	**9,275,912**	11,692,255
Reserves	**761,281**	745,831
Dividends to shareholders	**(2,270,282)**	–
Accumulated losses	**(1,016,056)**	(962,229)
Total Equity	**6,750,855**	11,475,857

Financial performance

	2012 $	2011 $
Profit/(loss)after income tax	**(53,827)**	(71,588)
Other Comprehensive Income	**–**	–
Total Comprehensive income/(loss)for the year	**(53,827)**	(71,588)

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 Ltd and Fox Symes Debt Relief Services Pty Ltd. Refer to Note 32 for further details.

There are no contingent liabilities or commitments in the parent entity (2011: Nil).

Note 32. 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 Ltd

Fox Symes Debt Relief Services Pty Ltd

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

	2012 $	2011 $
Revenue and other income		
Fees from services	**26,072,003**	23,696,281
Finance income	**1,509,416**	668,299
Finance expense	**–**	(26,783)
Net finance income	**1,509,416**	641,516
Total revenue and other income net of finance expense	**27,581,419**	24,337,797
Expenses from continuing activities	**(4,251,757)**	(3,533,706)
Profit/(loss) before income tax	**23,329,662**	20,804,091
Income tax (expense)/benefit	**(6,595,375)**	(6,058,509)
Profit after income tax	**16,734,287**	14,745,582
Other Comprehensive Income	**–**	–
Share of Other Comprehensive income of Associates	**–**	–
Total Comprehensive income for the year	**16,734,287**	14,745,582

Note 32. Deed of Cross Guarantee cont.

Statement of Financial Position

	2012 $	2011 $
Current Assets		
Cash and cash equivalents	**6,312,515**	4,751,906
Trade and other receivables	**13,828,432**	13,212,307
Current tax assets	**–**	290,703
Other assets	**–**	13,905
Total Current Assets	**20,140,947**	18,268,821
Non-Current Assets		
Trade and other receivables	**105,576,415**	25,793,101
Investments	**11,826,990**	77,265,279
Total Non-Current Assets	**117,403,405**	103,058,380
Total Assets	**137,544,352**	121,327,201
Current Liabilities		
Trade and other payables	**8,334,614**	6,193,781
Tax liabilities	**1,151,135**	–
Total Current Liabilities	**9,485,749**	6,193,781
Non-Current Liabilities		
Deferred tax liabilities	**11,263,681**	10,401,612
Total Non-Current Liabilities	**11,263,681**	10,401,612
Total Liabilities	**20,749,430**	16,595,393
Net Assets	**116,794,922**	104,731,808
Equity		
Share capital	**9,275,914**	11,692,256
Reserves	**761,281**	745,831
Retained earnings	**106,757,727**	92,293,721
Total Equity	**116,794,922**	104,731,808

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- 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
- 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 32 to the financial statements.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors

Tim Odillo Maher

Tim Odillo Maher
Director

Sydney

24 August 2012

Independent Auditor's Report

To the members of FSA Group Limited

Tel: 61 2 9251 4100
Fax: 61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
Sydney NSW 2000
Australia

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 2012, 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 and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 gives a true and fair view and 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 company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of FSA Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Tel: 61 2 9251 4100
Fax: 61 2 9240 9821
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Level 10, 1 Margaret St
Sydney NSW 2000
Australia

Opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 also 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 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Arthur Milner

Partner

Sydney, 24 August 2012

Shareholder Information

for the year ended 30 June 2012

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 10 August 2012.

(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	123	19,328
1,001 – 5,000	272	860,929
5,001 – 10,000	209	1,818,073
10,001 – 100,000	302	10,881,056
100,001 and over	110	115,878,534
Total	**1,016**	**129,457,920**

The number of shareholders holding less than a marketable parcel of shares (1,351) are 144 (holding a total of 44,969 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	1	500,000
Total	**1**	**500,000**

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are (ordinary shares):

1	Capital Management Corporation Pty Ltd	26,000,000	20.08%
2	Mazamand Group Pty Ltd	16,809,231	12.98%
3	ADST Pty Ltd	12,960,047	10.01%
4	BJR Investment Holdings Pty Ltd	11,000,000	8.50%
5	J P Morgan Nominees Australia Limited	2,639,899	2.04%
6	Atkone Pty Ltd	2,631,506	2.03%
7	Ms Danita Rae Lowed	2,541,953	1.96%
8	Investment Custodial Services Limited	2,521,478	1.95%
9	Ruminator Pty Ltd	2,385,174	1.84%
10	Harness Capital Pty Ltd	2,318,000	1.79%
11	Bernie No 132 Nominees Pty Ltd	2,248,651	1.74%
12	Contemplator Pty Ltd	1,684,936	1.30%
13	Goran Turner	1,641,486	1.27%
14	Mr David Matthew Fite	1,312,314	1.01%
15	Mr Costa Emil Vrisakis & Mrs Despina Vrisakis	1,256,000	0.97%
16	Dundas Ritchie Investments Pty Ltd	1,061,864	0.82%
17	Mr Peter David Carr & Mr John Richard Carr	1,058,505	0.82%
18	Maramaindi Pty Ltd	1,040,541	0.80%
19	Custodial Services Limited	965,293	0.75%
20	Wavet Fund No 2 Pty Ltd	750,000	0.58%
	Top 20	**94,826,878**	**73.25%**

Shareholder Information cont.

for the year ended 30 June 2012

Total	**129,457,920**	**100.00%**

(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 Director

Chief Financial Officer

Cellina Chen

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
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Brisbane QLD 4000

Share Register

Link Market Services Ltd
Locked Bag A14
Sydney South, NSW 1235

Phone: +61 (02) 8280 7454

Auditors

BDO East Coast Partnership
Level 10
1 Margaret Street
Sydney New South Wales 2000

Country of Incorporation

Australia

Securities Exchange Listing

Australian Securities Exchange Ltd

ASX Code: FSA

Internet Address

www.fsagroup.com.au

Australian Business Number

ABN 98 093 855 791

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