FSA Group Limited
Annual Report 2013

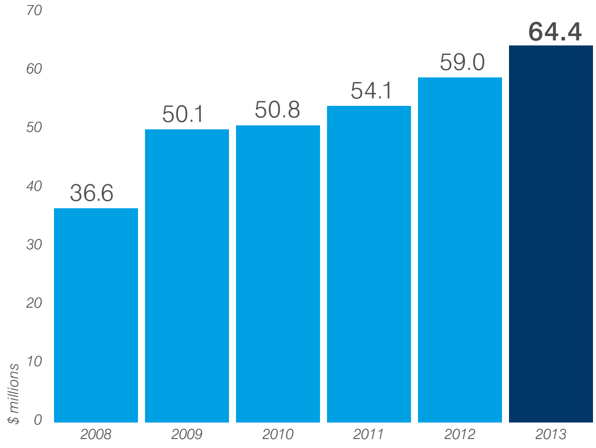
Australia's largest provider of debt solutions

For more than a decade, FSA Group has helped thousands of Australians take control of their debt. Our large and experienced team of professionals offers a range of debt solutions, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.

Financial Results

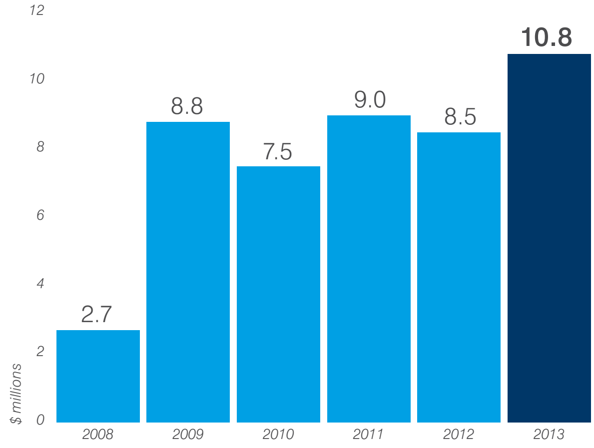
9% ^

Revenue



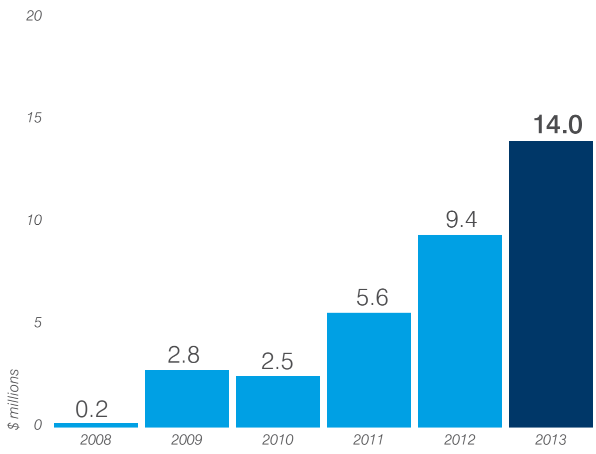
26% ^

Profit After Tax
(attributable to members)



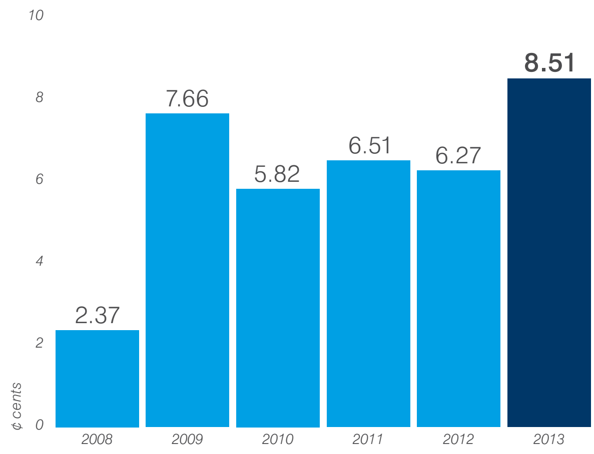
49% ^

Net Cash Inflow from Operating Activities



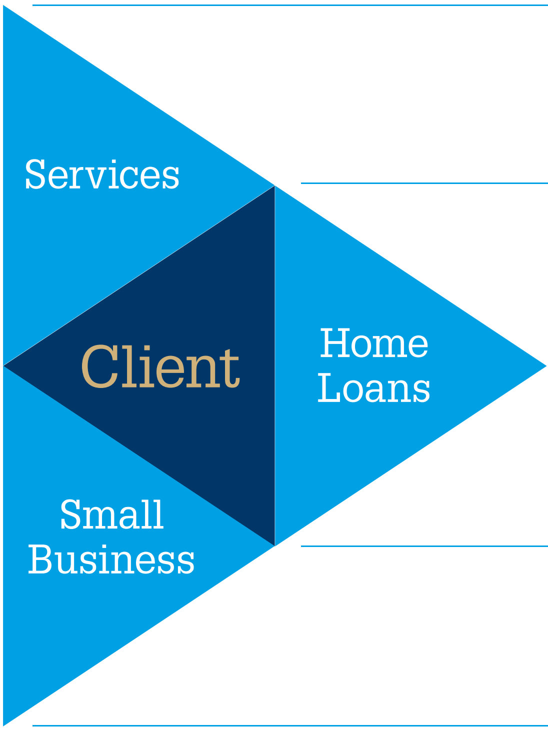
36% ^

Basic Earnings Per Share



A strong performance leveraged by 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.

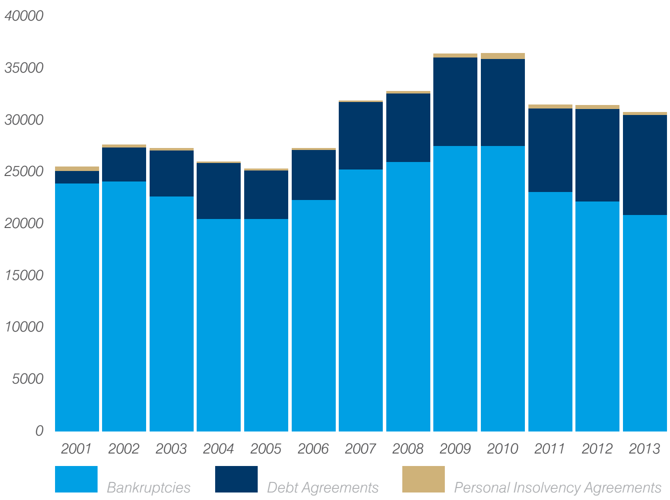
2013 Achievements

- ✓ 48% market share for debt agreements
- ✓ 5% increase in clients administered under debt agreements
- ✓ $301m of unsecured debt managed under debt agreements
- ✓ Consistent low level of arrears
- ✓ $79m paid to creditors under debt agreements
- ✓ One of the largest providers of personal insolvency agreements and bankruptcy

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

A strong performance delivered through tailored solutions that assist more clients to achieve successful outcomes

2013 Achievements

- ✓ One of the few remaining non-conforming home loan lenders
- ✓ Loan pool of $221m
- ✓ Consistent low level of arrears and capital losses
- ✓ Westpac non-recourse facility of $230m
- ✓ Institutional non-recourse mezzanine facility of $20m

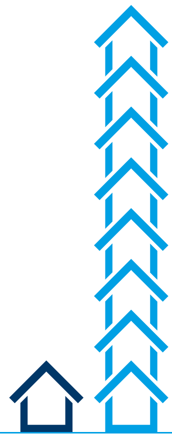
Home Loans

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.

The Market

Prime
Home Loan Market
$200b p.a. >

Non-Conforming
Home Loan Market
est $2b p.a. >



Source: Datamonitor

2013 Achievements

- ✓ Loan pool of $20m
- ✓ Consistent low level of arrears and capital losses
- ✓ Westpac facility of $35m
- ✓ Good platform in place for future growth

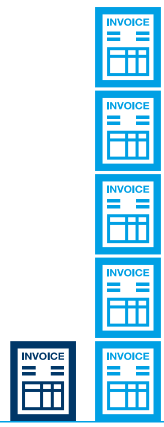
Small Business

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

Invoice Discounting
Turnover
$58b p.a. >

Factoring Finance
Turnover
$6b p.a. >



Source: Institute for Factors and Discounters

Chairman's Letter

Dear Shareholders,

The 2013 financial year has been a year of strong performance.

FSA Group generated $64.4 million in revenue and achieved a record profit after tax attributable to members of $10.8 million, a 26% increase compared to the results of 2012.

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 48% market share during 2013. 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. As a lender we have originated a high quality loan pool of $221 million. Our non-recourse home loan funding facilities consist of a $230 million senior facility provided by Westpac Banking Corporation and a $20 million mezzanine facility provided by Institutional investors. These facilities have been renewed until October 2016. The 2013 financial year was a year of consolidation in our Home Loans division. Due to recent improvements in both our funding structure and market conditions, our focus now is growing 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 of $20 million. Our factoring finance funding facility was recently increased to $35 million and renewed for a further term, until June 2015, by Westpac Banking Corporation. This recent facility increase will enable us to continue the growth of our factoring finance lending activities to our small business clients.

As part of our ongoing capital management strategy, in October 2011 we commenced an on market share buyback which we continued throughout 2013. During the year we purchased a total of 7.7 million shares.

I advise that the Directors have declared a fully franked final dividend of 3.25 cents per share for the 2013 financial year. This brings the full year dividend to 5.00 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 2013 financial year has been a year of strong performance.

During the year demand for our solutions underpinned revenues of $64.4 million (2012: $59.0 million) and helped to deliver a record profit after tax attributable to members of $10.8 million (2012: $8.5 million).

The Directors have declared a fully franked final dividend of 3.25 cents per share for the 2013 financial year. This brings the full year dividend to 5.00 cents per share.

Financial overview	FY2012	FY2013	% Change
Revenue and income	$59.0m	$64.4m	^ 9%
Profit before tax	$14.9m	$17.8m	^ 19%
Profit after tax (attributable to members of the parent)	$8.5m	$10.8m	^ 26%
Net assets	$57.5m	$58.8m	^ 2%
NTA backing/share	37.8c	42.3c	^ 12%
EPS basic	6.27c	8.51c	^ 36%

During the 2013 financial year, FSA Group achieved a significant uplift in cash flow from operations to $14.0 million driven by the long term annuity income from an increased number of clients. FSA Group expects client numbers will continue to grow during the 2014 financial year.

Cash flow from operations	FY2011	FY2012	FY2013
Net cash flow from operating activities	$5.6m	$9.4m	$14.0m

Funding	Facility Type	Amount	Renewal Date
Westpac Banking Corporation	Non-recourse senior home loan facility	$230m	October 2016
Institutional Investors	Non-recourse mezzanine home loan facility	$20m	October 2016
Westpac Banking Corporation	Factoring finance facility	$35m	June 2015

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.

Operational Performance

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

Profitability	FY2012	FY2013	% Change
Services	$11.6m	$11.7m	↑ 1%
Home Loans	$4.1m	$5.1m	↑ 24%
Small Business	($0.7m)	$0.8m	↑ 211%
Other	($0.1m)	$0.1m	–
Profit before tax	$14.9m	$17.8m	↑ 19%
Profit after tax (attributable to members of the parent)	$8.5m	$10.8m	↑ 26%

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 48% market share during 2013. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

During 2013 there was a 5% increase in the number of clients administered under debt agreements and a 15% increase in the number of clients administered under personal insolvency agreements and bankruptcy.

FSA Group manages $301 million of unsecured debt under debt agreements. During 2013, FSA Group paid $79 million in dividends to creditors. This was an increase of 8% compared to 2012.

Home Loans

The Home Loans division offers a range of simple and convenient solutions to assist clients with property wishing to consolidate their debt. The non-conforming home loan market consists of lenders who provide loan products to an individual who is unlikely to conform to the lending criteria of the banks.

FSA Group has firmly established a track record in non-conforming home loan lending. We have originated a high quality loan pool of $221 million. Greater than 30 day arrears increased to 3.22% at June 2013 compared to 2.66% at June 2012.

Our non-recourse home loan funding facilities consist of a $230 million senior facility provided by Westpac Banking Corporation and a $20 million mezzanine facility provided by Institutional investors. These facilities have been renewed until October 2016. The 2013 financial year was a year of consolidation in our Home Loans division. Due to recent improvements in both our funding structure and market conditions, our focus now is growing our loan pool.

Executive Directors' Review continued

Small Business

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

FSA Group has firmly established a track record in factoring finance. We have originated a high quality loan pool of $20 million. Our factoring finance funding facility was recently increased to $35 million and renewed for a further term, until June 2015, by Westpac Banking Corporation.

FSA Group is experiencing demand for factoring finance because the availability of credit for small businesses continues to remain tight. This recent facility increase will enable us to continue the growth of our factoring finance lending activities to our small business clients.

Strategy and Outlook

Consumer debt levels are at a record high and demand for our products and services is steady. Our previous strategy for our Home Loans and Small Business divisions was to hold the growth in our loan pools until conditions improved. Our strategy moving forward is to focus on growing our loan pools.

Our People

We would like to acknowledge the efforts of all our team during what has been another busy year. Investing in their professional development, particularly in the area of customer service, has been a focus and priority and this will continue.

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

Standing (L to R)

Don Mackenzie (Secretary)

Sally Herman

Stan Kalinko

Seated (L to R)

Tim Odillo Maher

Sam Doumany

Deborah Southon

Financial Statements

Directors' Report

for the year ended 30 June 2013

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

Chairman of the Audit & Risk Management Committee.

Interest in shares and options

Ordinary shares	1,075,000

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 to the Board of FSA on 9 May 2007.

He has been a director of companies for many years, and, since his retirement from law on 30 June 2007, his main occupation has been as a director.

Mr Kalinko practised law for more than 30 years and was a merchant banker for 6 years.

Mr Kalinko is a fellow of the Australian Institute of Company Directors and also serves on the Boards of Hydro Tasmania, Indigenous Community Volunteers Limited, Seisia Enterprises Pty Ltd and the Central Synagogue.

He has a B.Com, LLB, a Higher Diploma in Tax and is 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	58,263

Directors' Report cont.

for the year ended 30 June 2013

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, Breville Group Limited, ME Bank Pty Ltd, Urbis Pty Ltd 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)

Breville Group Limited (appointed 1 March 2013)

Former (listed company) directorships in last 3 years

Nil

Special responsibilities

Member of the Audit & Risk Management Committee and Chairperson of the Remuneration Committee

Interest in shares and options

Ordinary shares	40,000

Company Secretary

Mr Don Mackenzie was appointed Company Secretary on 19 November 2010. He commenced his professional career with Chartered Accounting firms, and in 1976 he commenced employment in a senior accounting role with a Queensland based listed public company. In 1993 he commenced practice as a Chartered Accountant providing corporate services predominantly to public companies until 2008 after which he acted in a personal capacity. In addition to his part time role at FSA Group Limited, he is currently a Director (appointed March 2004) and Chairman of the Audit & Risk Management Committee of Aveo Healthcare Limited (formerly Forest Place Group Limited) and Company Secretary of several other public companies.

He is also the Secretary to all Board committees.

Principal activities

The principal activities of the Consolidated Entity during the year were providing debt solutions and direct lending services to individuals and businesses. These activities have not changed since the prior year.

Operating results

The consolidated profit from ordinary activities for the Consolidated Entity after providing for income tax and eliminating non-controlling interests was $10,759,096 (2012: $8,527,891).

Dividends declared and paid during the year

- On 28 September 2012, a fully franked final dividend of $1,982,615 was paid at 1.55c per share;
- On 20 March 2013, a fully franked interim dividend of $2,201,232 was paid at 1.75c per share.

Dividends declared after the end of year

On 30 August 2013, the Directors declared a 3.25 cent fully franked final dividend to shareholders to be paid on 27 September 2013 with a record date of 13 September 2013.

Review of operations

Detailed comments on operations are included separately 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:

- During financial year 2013, FSA Group Limited bought back 7,694,510 shares under an on market share buy-back.
- Issue of 1,600,000 shares as part consideration for acquiring the non-controlling interest in 180 Group Pty Ltd.

Financial position

The net assets of the Consolidated Entity have increased from $57,530,319 at 30 June 2012 to $58,759,180 at 30 June 2013.

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.

Matters subsequent to the end of the financial year

There have been no events since the end of the financial year that impact upon the financial statements as at 30 June 2013 except as follows:

- On 29 August 2013, Westpac renewed the non-recourse senior home loan facility limit of $230 million to 15 October 2016.
- On 29 August 2013, a $20 million non-recourse mezzanine home loan facility was secured.
- On 30 August 2013, the Directors declared a 3.25 cents fully franked final dividend to shareholders to be paid on 27 September 2013 with a record date of 13 September 2013.

Likely developments and expected results of operations

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 2013 there were 500,000 (2012: 500,000) 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.

Directors' Report cont.

for the year ended 30 June 2013

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Remuneration Report (Audited)

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 ended 30 June 2013.

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

Remuneration policy

The performance of the Group depends upon the quality of its Directors and Senior Executive. To prosper, the Group 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 Board's policy is to align Directors 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.

In consultation with external remuneration consultants in prior year, the Remuneration Committee structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Consolidated Entity.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Group 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.

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 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 Group.

The remuneration of Non-Executive Directors for the year ended 30 June 2013 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 Group 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 Executive 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:

- base pay and non-monetary benefits;
- short-term performance incentives; and
- other remuneration such as superannuation and long service leave.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

The short-term incentives program ("STI") has been set to align the targets of the business units with the targets of the responsible executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and portfolio management.

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 2013 is detailed in Table 1 of this Remuneration Report.

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 and Senior Executive

The employment contract entered into with the Executive Directors and Senior Executive contains the following key terms:

Event	**Company Policy**
Performance based salary increases and/or bonuses	Board assessment based on KPI achievement
Short and long-term incentives, such as options and shares	Board assessment based on KPI achievement
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	Total	Performance based
	Salary & Fees $	Cash Bonus $	Non-cash benefits $	Non-cash benefits $	Super-annuation $	$	%
Non-Executive Directors							
Sam Doumany							
2013	130,000	–	–	–	–	130,000	–
2012	100,348	–	–	–	9,031	109,379	–
Stan Kalinko							
2013	79,999	–	–	–	–	79,999	–
2012	59,746	–	–	–	7,036	66,782	–
Sally Herman							
2013	77,982	–	–	–	7,018	85,000	–
2012	54,371	–	–	–	12,623	66,994	–
Executive Directors							
Tim Odillo Maher							
2013	526,833	*85,000	–	–	–	611,833	14%
2012	399,667	50,000	–	–	–	449,667	11%
Deborah Southon							
2013	489,199	*85,000	11,494	–	43,165	628,858	14%
2012	360,521	50,000	19,083	34,216	22,908	486,728	10%
Senior Executive							
Cellina Chen							
2013	169,313	^36,697	17,447	–	19,147	242,604	15%
2012	164,962	25,000	7,268	3,634	17,288	218,152	11%
Total Remuneration							
2013	**1,473,326**	**206,697**	**28,941**	**–**	**69,330**	**1,778,294**	
2012	1,139,615	125,000	26,351	37,850	68,886	1,397,702	

* Bonus (representing 100% of the total bonus to be paid) was paid on 5 March 2013 in relation to the performance during financial year 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 2012 in relation to the performance during financial year 2012. The bonus was approved by the Board as part of discretionary performance based remuneration.

Bonus in relation to current financial year performance will be paid in the subsequent financial year with an estimated range of:

Executive Directors: Tim Odillo Maher: $350,000 – $450,000, Deborah Southon: $350,000 – $450,000

Senior Executive: Cellina Chen: $50,000 – $75,000

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

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue and income (Net)	**$64,419,491**	$58,965,143	$54,139,504	$50,780,366	$50,073,622
Net profit before tax	**$17,763,474**	$14,914,460	$15,328,466	$12,868,122	$13,939,337
Net profit after tax	**$12,239,748**	$10,706,394	$11,015,591	$9,177,212	$10,021,632
Share price at the start of the year	**$0.32**	$0.24	$0.36	$0.38	$0.16
Share price at the end of the year	**$0.70**	$0.32	$0.24	$0.36	$0.38
Basic EPS (cents)	**8.51**	6.27	6.51	5.82	7.66
Diluted EPS (cents)	**8.51**	6.27	6.51	5.82	7.15

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 2013

There were no options issued 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

There were no options held by Directors and Key Management Personnel.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd	Balance 1 July 2012	Purchased on market	Options Exercised	Other Changes	Balance 30 June 2013
Directors					
Sam Doumany	1,040,541	34,459	–	–	1,075,000
Tim Odillo Maher	42,809,231	–	–	–	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	42,857	–	–	58,263
Sally Herman	40,000		–	–	40,000
Senior Executive					
Cellina Chen	–	–	–	–	–
Total	**56,865,225**	**77,316**	**–**	**–**	**56,942,541**

This concludes the remuneration report, which has been audited.

Directors' Report cont.

for the year ended 30 June 2013

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	7	6
Tim Odillo Maher	7	7
Deborah Southon	7	6
Stan Kalinko	7	7
Sally Herman	7	7
Total number of meetings held during the financial year	7	

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 is as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	2	1
Stan Kalinko	2	2
Sally Herman	2	2
Total number of meetings held during the financial year	2	

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 is as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	2	1
Stan Kalinko	2	2
Sally Herman	2	2
Total number of meetings held during the financial year	2	

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report cont.

for the year ended 30 June 2013

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; and
- 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 2013:

Tax compliance services	$58,432
Taxation advice and consulting	$90,550

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 24.

Auditor Details

BDO East Coast Partnership 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

Tim Odillo Maher
Executive Director

Sydney
30 August 2013

Auditor's Independence Declaration

BDO

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

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF FSA GROUP LIMITED

As lead auditor of FSA Group Limited for the year ended 30 June 2013, 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
- no contraventions of 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.

Grant Saxon

Partner

BDO East Coast Partnership

Sydney, 30 August 2013

Corporate Governance Statement

for the year ended 30 June 2013

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	Compliance (Yes/No)	Comments
1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose these functions.	Yes	–
1.2	Disclose the process for evaluating the performance of senior executives.	Yes	–
1.3	Provide the information in the Guide to reporting on Principle 1.	Yes	–
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	Yes	–
2.2	The chair should be an independent Director.	Yes	–
2.3	The roles of the Chair and Managing Director or similar roles should not be exercised by the same individual.	Yes	–
2.4	The Board should establish a nominations committee.	No	Page 28
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	–
2.6	Provide the information in the Guide to reporting on Principle 2.	Yes	–
3	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct and disclose the code or summary of the code as to:		
	• the practices necessary to maintain confidence in the Company's integrity;	Yes	–
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	Yes	–
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	–
3.2	Establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	–
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	–
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 32
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 30
	• 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	–

Principle Number	Best Practice Recommendation	Compliance (Yes/No)	Comments
5	**Make timely and balanced disclosures**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	–
5.2	Provide the information in the Guide to reporting on Principle 6.	Yes	–
6	**Respect the rights of shareholders**		
6.1	Design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	–
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	–
7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	–
7.2	The Board should require management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it 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 Managing Director (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 Executive.	Yes	–
8.4	Provide the information in the Guide to reporting on Principle 8.	Yes	–

Set out below 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 2001* and general law.

The Board has established the functions reserved for the Board and those delegated to Executive Directors and Senior Executive 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 Managing Director;
- to aim for, so far as is practicable given the size of the Company, a board comprising of members with diverse backgrounds;
- to have at least three directors; and
- 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; and
- 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 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.

Corporate Governance Statement cont.

for the year ended 30 June 2013

Principle 2: Structure the Board to add value cont.

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.

Joint Executive Directors

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 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.

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 2013 are disclosed on page 22 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 a regular 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.

Principle 2: Structure the Board to add value cont.

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 only 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; and
- 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 32 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 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 Managing Director or Chairperson, as appropriate.

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.

Principle 3: Promote ethical and responsible decision-making cont.

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 of good corporate governance which provides that the Chairman of the Company should not also be the Chairman of the Audit & Risk Management Committee. However the Board noted that the appointment was transitionary in nature and the situation will be remedied after the reporting date.

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 13, 14, 15 and 22, 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 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.

Corporate Governance Statement cont.

for the year ended 30 June 2013

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, 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 Managing Director 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 2013 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); and
- remuneration by gender.

The Committee comprises the following independent Non-Executive Directors:

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

The performance of senior management is reviewed by the Executive Directors, and in accordance with guidelines issued by the Remuneration Committee with the review having commenced in June 2013.

Details of Directors' attendance at Remuneration Committee meetings are set out in the Directors' Report on page 22.

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; and
- an annual assessment by the Board of performance against the objectives.

	30 June 2013		30 June 2012	
	Female (%)	**Male (%)**	**Female (%)**	**Male (%)**
Non-executive directors	**33**	**67**	33	67
Key Management Personnel	**67**	**33**	67	33
Senior management	**20**	**80**	20	80
Group	**52**	**48**	48	52

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013

	Notes	Consolidated Entity 2013 $	2012 $
Revenue and other income			
Fees from services	2	**47,046,226**	44,929,578
Finance income	2	**31,637,246**	31,679,103
Finance expense	2	**(14,260,434)**	(16,863,420)
Net finance income	2	**17,376,812**	14,815,683
Other losses	2	**(3,547)**	(780,118)
Total revenue and other income net of finance expense and other losses		**64,419,491**	58,965,143
Marketing expenses		**(6,729,010)**	(6,342,263)
Administrative expenses		**(12,677,972)**	(13,327,059)
Operating expenses		**(27,250,389)**	(24,385,960)
Expenses from continuing activities	3	**(46,657,371)**	(44,055,282)
Share of profits of an associate using the equity accounting method		**1,354**	4,599
Profit before income tax		**17,763,474**	14,914,460
Income tax expense	5(a)	**(5,523,726)**	(4,208,066)
Profit after income tax		**12,239,748**	10,706,394
Other comprehensive income, net of tax		**–**	–
Share of other comprehensive income of associates		**–**	–
Total comprehensive income for the year		**12,239,748**	10,706,394
Total profit for the year and total comprehensive income for the year attributable to:			
Non-controlling interests		**1,480,652**	2,178,503
Members of the parent		**10,759,096**	8,527,891
		12,239,748	10,706,394
Earnings per share			
Basic earnings per share (cents per share)	7	**8.51**	6.27
Diluted earnings per share (cents per share)	7	**8.51**	6.27

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

as at 30 June 2013

	Notes	Consolidated Entity 2013 $	2012 $
Current Assets			
Cash and cash equivalents	8	**11,017,074**	4,653,570
Trade and other receivables	9	**28,953,886**	26,017,092
Other assets	10	**537,302**	954,137
Total Current Assets		**40,508,262**	31,624,799
Non-Current Assets			
Trade and other receivables	9	**33,060,421**	30,894,720
Investments in associates	28	**–**	68,574
Investment	11	**60**	–
Plant and equipment	14	**448,171**	408,365
Deferred tax assets	5c	**523,987**	370,777
Intangible assets	15	**3,418,219**	3,258,280
Total Non-Current Assets		**37,450,858**	35,000,716
Financing Assets			
Factoring cash and cash equivalents	8	**2,921,272**	1,845,171
Mortgage cash and cash equivalents	8	**9,154,366**	12,021,320
Factoring assets	12	**19,612,162**	24,860,771
Mortgage assets financed by non-recourse financing liabilities	12	**224,509,977**	237,765,162
Total Financing Assets		**256,197,777**	276,492,424
Total Assets		**334,156,897**	343,117,939
Current Liabilities			
Trade and other payables	16	**11,510,609**	9,696,952
Current tax liabilities		**3,041,916**	2,204,024
Borrowings	17	**3,660,909**	4,465,234
Provisions	18	**1,052,019**	884,171
Total Current Liabilities		**19,265,453**	17,250,381
Non-Current Liabilities			
Borrowings	17	**–**	1,918,000
Provisions	18	**460,212**	322,681
Deferred tax liabilities	5d	**13,291,583**	12,820,209
Other payables		**2,425,000**	–
Total Non-Current Liabilities		**16,176,795**	15,060,890
Financing Liabilities			
Borrowings to finance factoring assets	17	**22,265,899**	25,290,469
Non-recourse borrowings to finance mortgage assets	17	**217,689,570**	227,985,880
Total Financing Liabilities		**239,955,469**	253,276,349
Total Liabilities		**275,397,717**	285,587,620
Net Assets		**58,759,180**	57,530,319
Equity			
Share capital	19	**6,657,475**	9,275,913
Reserves	20	**(2,509,387)**	104,652
Retained earnings		**52,117,970**	45,542,721
Total equity attributable to members of the parent		**56,266,058**	54,923,286
Non-controlling interest		**2,493,122**	2,607,033
Total Equity		**58,759,180**	57,530,319

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 2013

	Share Capital $	Share Option Reserve $	Other Reserve $	Retained Earnings $	Non-Controlling Interest $	Total $
Balance at 1 July 2011	11,692,255	745,831	–	39,285,112	2,841,265	54,564,463
Profit after income tax 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**
Profit after income tax for the year	**–**	**–**	**–**	**10,759,096**	**1,480,652**	**12,239,748**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Income for the year	**–**	**–**	**–**	**10,759,096**	**1,480,652**	**12,239,748**
Transactions with owners in their capacity as owners:						
Share buy-back	**(3,232,688)**	**–**	**–**	**–**	**–**	**(3,232,688)**
Share-based payment expense	**–**	**8,093**	**–**	**–**	**–**	**8,093**
Acquisition of non-controlling interest	**614,250**	**–**	**(2,622,132)**	**–**	**(747,869)**	**(2,755,751)**
Dividend paid	**–**	**–**	**–**	**(4,183,847)**	**–**	**(4,183,847)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**(846,694)**	**(846,694)**
Balance at 30 June 2013	**6,657,475**	**769,374**	**(3,278,761)**	**52,117,970**	**2,493,122**	**58,759,180**

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 2013

	Notes	Consolidated Entity 2013 $ Inflows/(Outflows)	2012 $ Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers and debtors		**47,027,294**	40,026,515
Payments to suppliers and employees		**(46,174,063)**	(43,063,303)
Finance income received		**32,457,095**	31,776,729
Finance cost paid		**(14,788,561)**	(17,088,259)
Net cash payments for institutional creditor distributions		**(193,817)**	(887,146)
Income tax paid		**(4,362,372)**	(1,373,814)
Net cash inflow from operating activities	21	**13,965,576**	9,390,722
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	**(271,546)**	(208,745)
Acquisition of intangibles	15	**(268,819)**	(61,185)
Acquisition of subsidiary (net of cash acquired)	13	**(330,750)**	(900,000)
Proceeds from disposal of property, plant and equipment		**–**	301,356
Proceeds from disposal of investment	28	**68,514**	–
Net decrease/(increase) in mortgage finance assets		**10,559,751**	(9,413,302)
Net decrease in bridging finance assets		**139,854**	412,062
Net decrease/(increase) in factoring finance assets		**4,690,846**	(12,837,300)
Net increase in other loans		**(140,000)**	(882,000)
Net cash inflow/(outflow) from investing activities		**14,447,850**	(23,589,114)
Cash flows from financing activities			
Net (repayment)/proceeds from borrowings		**(15,515,079)**	21,953,861
Payment of distributions to non-controlling interests		**(909,161)**	(856,258)
Share buyback		**(3,232,688)**	(2,916,342)
Dividends paid to company's shareholders		**(4,183,847)**	(2,270,282)
Net cash (outflow)/inflow from financing activities		**(23,840,775)**	15,910,979
Net increase in cash and cash equivalents		**4,572,651**	1,712,587
Cash and cash equivalents at the beginning of the financial year		**18,520,061**	16,807,474
Cash and cash equivalents at the end of the financial year	8	**23,092,712**	18,520,061

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 2013

Note 1. Summary of significant accounting policies

FSA Group Limited and its controlled entities ("Group" or "Consolidated Entity") is a for-profit 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 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 30 August 2013.

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.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FSA Group Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. FSA Group Limited and its subsidiaries together are referred to in these financial statements as the "Consolidated Entity".

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the "business combinations" accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity.

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 Profit or Loss and Other 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 Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Note 1. Summary of significant accounting policies cont.

Tax consolidation

FSA Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. In prior periods, 180 Group Pty Ltd and its wholly-owned Australian subsidiaries (controlled by FSA Group Limited) formed a tax consolidated group and entered tax sharing and tax funding arrangements. From 1 December 2012, 180 Group Pty Ltd became wholly-owned Australian subsidiary of FSA Group Limited, and therefore it joined the FSA Group Limited tax consolidation group.

As at 30 June 2013, as the head entity of the consolidated group and the controlled entities, FSA Group Limited continues to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity 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 tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable of the consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and at the discretion of the Company.

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 de-recognised, the cumulative gain or loss in equity is transferred to profit or loss.

Note 1. Summary of significant accounting policies cont.

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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Loans and Receivables comprise trade and other receivables and mortgage loans. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Loans 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.

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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis 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 Profit or Loss and Other Comprehensive Income.

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 Profit or Loss and Other Comprehensive Income on a straight line basis over the period of the lease.

Note 1. Summary of significant accounting policies cont.

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 Profit or Loss and other 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.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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 20.

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 benefits 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.

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.

Note 1. Summary of significant accounting policies cont.

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

Revenue from rendering of debt agreement administration services is recognised in profit or loss in proportion to the stage of completion of the administration at the reporting date.

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 or where relevant in accordance with statutory provisions.

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.

Interest

Interest income is recognised in The Statement of Profit or Loss and Other 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. loan application fees, risk assessment fees and factoring servicing 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, where this is less than the qualifying period.

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.

Comparative figures

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

Note 1. Summary of significant accounting policies cont.

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.

Intangibles

Goodwill on consolidation has an indefinite life, and 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 on a straight-line basis over its useful life of 2 years.

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.

Investments in associates and jointly controlled entities (equity accounted investees)

Investments in associates and jointly controlled entities are accounted for under the equity method and are initially recognised at cost. The cost of investment includes transaction costs.

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 the 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. Where fair value cannot be reliably measured, investments are carried at initial cost.

Finance income and costs

Finance income is measured and recognised as per *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.

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.

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.

Note 1. Summary of significant accounting policies cont.

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.

Removal of parent entity financial statements

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

Significant accounting estimates and assumptions

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated (refer to Note 15 in the financial statements).

Impairment of receivables

Debt agreement receivables

Impairment of debt agreement receivables is assessed on a collective basis based on historical collections data. Considering the length of time it takes to collect debts in administration and the inherent uncertainty over the collection of these amounts this method represents management's best estimate of the recoverability of debtors in the debt agreement business. Impairment is provided for and recorded in a separate allowance account. Amounts are written off against this account as bad when 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, current and future 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.

For mortgage receivables, the assessment process includes reviewing of the loan to value ratio, location of the property, current and future property market condition, also the economic conditions.

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 2013 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, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 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 2015 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. 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 2015 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

Note 1. Summary of significant accounting policies cont.

(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 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 has significantly increased 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.

(v) AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability and increase disclosures of 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 has removed 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.

(vii) 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 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

	Consolidated Entity 2013 $	2012 $
Note 2. Revenue and other income net of finance expense		
Fees from services		
– Personal insolvency	**45,475,411**	42,746,705
– Refinance broking and mortgage management	**1,415,648**	1,278,209
– Corporate	**12,378**	706,975
– Other services	**142,789**	197,689
Total revenue	**47,046,226**	44,929,578
Finance income		
– Interest income – mortgage assets	**21,112,771**	22,086,232
– Finance fee income – mortgage assets	**1,873,623**	3,152,577
– Finance income – factoring assets	**8,062,639**	5,929,168
– Other interest income	**588,213**	511,126
	31,637,246	31,679,103
Finance expense		
– Interest expense – warehouse facilities	**(12,704,955)**	(15,913,419)
– Interest expense – other lending facilities	**(1,555,479)**	(950,001)
	(14,260,434)	(16,863,420)
Net Finance income	**17,376,812**	14,815,683
Other losses		
Loss on option valuation – fair value through profit or loss	**–**	(600,420)
Loss on disposal of plant and equipment	**(3,547)**	(179,698)
	(3,547)	(780,118)

	Consolidated Entity 2013 $	2012 $
Note 3. Profit for the year		
Expenses		
Expenses from continuing activities excluding finance costs, classified by function:		
Marketing expenses	**6,729,010**	6,342,263
Administrative expenses	**12,677,972**	13,327,059
Operating expenses	**27,250,389**	24,385,960
	46,657,371	44,055,282
Profit for the year from continuing operations has been arrived at after charging:		
Depreciation on plant and equipment	**228,192**	201,876
Depreciation on investment properties	**–**	7,549
Amortisation of software	**108,880**	120,738
	337,072	330,163
Impairment in value – trade receivables	**10,710,973**	10,332,181
Reversal of impairment in value – trade receivables	**(1,375,187)**	(637,659)
Net impairment	**9,335,786**	9,694,522
Rental expense on operating lease – minimum lease payment	**1,010,877**	1,004,499
Employee and contractor expenses	**22,052,335**	19,020,532
Share-based payments expense	**8,093**	15,450
Legal consulting – client services	**1,180,813**	1,009,990

Note 4. Equity – Dividends

	2013 $	2012 $
Final dividend for the year ended 30 June 2012 of 1.55 cents (2011: 1.00 cents) per ordinary share	**1,982,615**	1,382,538
Interim dividend for the year ended 30 June 2013 of 1.75 cents (2012: 0.65 cents) per ordinary share	**2,201,232**	887,744
	4,183,847	2,270,282
On 30 August 2013, the directors declared a fully franked final dividend for the year ended 30 June 2013 of 3.25 cents per ordinary share.		
Franking credits available at the reporting date based on a tax rate of 30%	**7,318,729**	4,342,638
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%	**2,861,179**	1,151,135
Franking credits available for subsequent financial years based on a tax rate of 30%	**10,179,908**	5,493,773

	Consolidated Entity 2013 $	2012 $
Note 5. Income Tax		
(a) Income tax expense		
Current tax expense	**5,095,632**	2,169,032
Deferred tax expense	**318,164**	2,039,144
Over provision in a prior period	**109,930**	(110)
	5,523,726	4,208,066
Deferred income tax expense included in income tax expense comprises:	**544,169**	599,614
Decrease in deferred tax assets	**(226,005)**	1,439,530
Increase in deferred tax liabilities	**318,164**	2,039,144
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**17,763,474**	14,914,460
Tax at the Australian tax rate of 30% (2012: 30%)	**5,329,042**	4,474,338
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**59,598**	10,892
Non-assessable income	**22,728**	(281,689)
Non-deductible employee costs	**2,428**	4,635
	5,413,796	4,208,176
Under/(over) provision in the prior year	**109,930**	(110)
Income tax expense	**5,523,726**	4,208,066
(c) Deferred tax assets		
Provisions	**1,240,186**	1,034,775
Capital legal expenses	**28,481**	79,907
Accrued expenditure	**72,104**	120,050
Tax losses carried forward	**4,489**	8,380
Other	**502,448**	305,136
	1,847,708	1,548,248
Deferred tax liability offset on tax consolidation	**(1,323,721)**	(1,177,471)
Total deferred tax assets	**523,987**	370,777
(d) Deferred tax liabilities		
Temporary difference on assessable income	**14,615,304**	13,997,680
Deferred tax liability offset on tax consolidation	**(1,323,721)**	(1,177,471)
Total deferred tax liabilities	**13,291,583**	12,820,209

Note 6. Auditors' Remuneration

	2013 $	2012 $
Amounts received or due and receivable by BDO East Coast Partnership:		
Audit and review of financial statements	**207,700**	207,823
Taxation compliance services	**58,432**	77,380
Taxation advice and consulting	**90,550**	152,269
	356,682	437,472

	Consolidated Entity 2013 $	2012 $
Note 7. Earnings Per Share		
(a) Reconciliation of earnings used to calculate basic and dilutive earnings per share		
Total comprehensive income attributable to members of the parent for the year ($)	**10,759,096**	8,527,891
Basic earnings per share (cents)	**8.51**	6.27
Diluted earnings per share (cents)	**8.51**	6.27
(b) Weighted average number of ordinary shares outstanding during the year		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS (share options outstanding at the reporting date are not considered to be dilutive)	**126,407,094**	135,937,627

Note 8. Cash and Cash Equivalents

	2013 $	2012 $
Current		
Cash on hand and at bank	**11,017,074**	4,653,570
Assets financed by financing liabilities		
Mortgage cash on hand and at bank	**9,154,366**	12,021,320
Factoring cash on hand and at bank	**2,921,272**	1,845,171
	23,092,712	18,520,061

Note 9. Trade and Other Receivables

	2013 $	2012 $
Current		
Trade receivables	**34,751,449**	33,651,066
Provision for impairment	**(6,001,649)**	(7,860,533)
	28,749,800	25,790,533
Sundry receivables	**204,086**	226,559
	28,953,886	26,017,092
Non-current		
Trade receivables	**40,268,329**	37,066,921
Provision for impairment	**(7,207,908)**	(6,172,201)
	33,060,421	30,894,720
Total	**62,014,307**	56,911,812
The movement in the provision for impairment		
Opening balance	**14,032,734**	12,647,155
Provision for impairment recognised	**7,447,809**	8,819,237
Unused provision reversed	**(1,398,333)**	(637,659)
Bad debts	**(6,872,653)**	(6,795,999)
Closing balance	**13,209,557**	14,032,734

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 Profit or Loss and Other 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					
	2013			2012		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Trade and other receivables						
Not past due	**72,432,564**	**(12,085,420)**	**60,347,144**	67,704,235	(12,176,949)	55,527,286
Past due 0-30 Days	**160,851**	**(90,158)**	**70,693**	111,227	(110,475)	752
Past due 31-60 Days	**71,177**	**(39,525)**	**31,652**	61,921	(41,356)	20,565
Past due 61-90 Days	**52,832**	**(30,564)**	**22,268**	57,644	(29,959)	27,685
Past 90 Days	**2,506,440**	**(963,890)**	**1,542,550**	3,009,519	(1,673,995)	1,335,524
Total	**75,223,864**	**(13,209,557)**	**62,014,307**	70,944,546	(14,032,734)	56,911,812

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 finance receivables

The Company does not currently offer bridging finance products and is only active in pursuing recovery of this portfolio.

Impairment of bridging finance receivables is assessed primarily by the equity in the underlying mortgage security (collateral), any fixed and floating charges over the borrower's business assets.

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 $2,506,440 of receivables which are past 90 days in arrears, $674,182 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 2013

	Consolidated Entity 2013 $	2012 $
Note 10. Other Assets		
Current		
Prepayments	**527,536**	948,937
Other	**9,766**	5,200
	537,302	954,137

Note 11. Investments

	2013 $	2012 $
Investments at cost	**60**	–
Movements during year (Investments)		
Beginning of the year	**–**	–
Additions	**60**	–
Impairment in value	**–**	–
	60	–

On 9 April 2013, FSA Group Ltd, through its 100% owned subsidiary 180 Equity Partners Pty Ltd, exercised the option granted to it for 30% shareholding in Aircom Group Pty Ltd. The investment is recognised at cost of $60, which is approximate to its fair value.

Note 12. Financing Assets

	2013 $	2012 $
(a) Mortgage assets		
Non-securitised mortgage assets	**225,651,301**	238,232,812
Provision for impairment	**(1,141,324)**	(467,650)
	224,509,977	237,765,162
Maturity analysis		
Amounts to be received in less than 1 year	**3,794,183**	3,470,855
Amounts to be received in greater than 1 year	**221,857,118**	234,761,957
	225,651,301	238,232,812
The movement in the provision for impairment		
Opening balance	**467,650**	464,223
Provision for impairment recognised	**1,487,800**	600,522
Bad debts	**(814,126)**	(597,095)
Closing balance	**1,141,324**	467,650

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 the 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).

Note 12. Financing Assets cont.

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% (2012: 67.87%). The valuations of the underlying property securities have been obtained at the later of the original loan application or subsequent loan variation date and do not take into account any other realisation costs.

Ageing analysis – mortgage assets

	Consolidated Entity					
	2013			2012		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**197,430,908**	**–**	**197,430,908**	212,720,016	–	212,720,016
Past due 0-30 Days	**20,284,057**	**–**	**20,284,057**	19,307,888	–	19,307,888
Past due 31-60 Days	**2,031,959**	**–**	**2,031,959**	2,604,560	–	2,604,560
Past due 61-90 Days	**2,281,985**	**–**	**2,281,985**	933,137	–	933,137
Past 90 Days	**3,622,392**	**(1,141,324)**	**2,481,068**	2,667,211	(467,650)	2,199,561
Total	**225,651,301**	**(1,141,324)**	**224,509,977**	238,232,812	(467,650)	237,765,162

	Consolidated Entity	
	2013 $	2012 $
(b) Factoring assets		
Factoring finance receivables	**20,937,535**	25,160,771
Provision for impairment	**(1,325,373)**	(300,000)
	19,612,162	24,860,771

The movement in the provision for impairment

Opening balance	**300,000**	–
Provision for impairment recognised	**1,200,495**	300,000
Bad debts	**(175,122)**	–
Closing balance	**1,325,373**	300,000

Impairment

Impairment of factoring receivables is assessed primarily by 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.

Ageing analysis – factoring assets

	Consolidated Entity					
	2013			2012		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**13,297,406**	**–**	**13,297,406**	18,317,961	–	18,317,961
Past due 0-30 Days	**5,236,237**	**–**	**5,236,237**	5,156,282	–	3,058,819
Past due 31-60 Days	**1,477,034**	**(398,515)**	**1,078,519**	1,076,978	–	610,425
Past due 61-90 Days	**283,794**	**(283,794)**	**–**	255,835	–	32,808
Past 90 Days	**643,064**	**(643,064)**	**–**	353,715	(300,000)	8,677
Total	**20,937,535**	**(1,325,373)**	**19,612,162**	25,160,771	(300,000)	24,860,771

Note 13. Controlled Entities

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2013 %	2012 %
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**	100
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	**100**	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 30 November 2012, FSA Group Limited, through its wholly controlled entity 180 Group Holdings Pty Limited, acquired the remaining 30% of 180 Group Pty Limited ordinary shares, so becoming the sole shareholder and owner of 180 Group Pty Limited and making 180 Group Pty Limited a fully integrated, wholly-owned subsidiary of FSA Group Limited.

The shares were transferred for an initial consideration (settled in cash and shares in FSA Group Limited), as well as a deferred consideration component due to be paid on or after 30 June 2015. As at 30 June 2013, FSA Group Limited has used relevant valuation techniques in order to recognise a deferred consideration payable. The consideration recognised by FSA Group Limited in excess of the carrying amount of the non-controlling interest in 180 Group Pty Limited is recognised in Other Reserves as at 30 June 2013. In accordance with the Accounting Standards, this excess is recognised directly in equity and attributable to the owners of the parent.

The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2013 %	2012 %
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

Note 13. Controlled Entities cont.

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

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2013 %	2012 %
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	**100**	85
Fox Symes Home Loans Warehouse Trust BEN	Australia	**100**	100

On 14 August 2012, Fox Symes Home Loans Pty Ltd acquired the remaining 15% income units of Fox Symes Home Loans Warehouse Trust No.1.

Note 14. Plant and Equipment

	Consolidated Entity 2013 $	2012 $
Computer equipment at cost	**2,156,859**	1,980,220
Accumulated depreciation	**(1,870,387)**	(1,755,692)
Net carrying amount	**286,472**	224,528
Office equipment at cost	**511,150**	476,126
Accumulated depreciation	**(418,544)**	(358,662)
Net carrying amount	**92,606**	117,464
Furniture and fittings at cost	**308,035**	282,385
Accumulated depreciation	**(254,815)**	(240,682)
Net carrying amount	**53,220**	41,703
Motor vehicles at cost	**47,372**	47,372
Accumulated depreciation	**(31,499)**	(22,702)
Net carrying amount	**15,873**	24,670
Total plant and equipment at cost	**3,023,416**	2,786,103
Total accumulated depreciation	**(2,575,245)**	(2,377,738)
Total net carrying amount	**448,171**	408,365

	Computer Equipment $	Office Equipment $	Furniture & Fittings $	Motor Vehicles $	Total $
Movements					
Balance at 1 July 2012	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**
Additions	**201,680**	**41,760**	**28,106**	**–**	**271,546**
Disposals	**(52)**	**(3,158)**	**(338)**	**–**	**(3,548)**
Depreciation	**(139,684)**	**(63,460)**	**(16,251)**	**(8,797)**	**(228,192)**
Balance at 30 June 2013	**286,472**	**92,606**	**53,220**	**15,873**	**448,171**

	Consolidated Entity	
	2013 $	2012 $
Note 15. 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	**1,075,190**	806,371
Accumulated amortisation	**(829,844)**	(720,964)
	245,346	85,407
	3,418,219	3,258,280
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	**85,407**	329,404
Additions	**268,819**	61,185
Disposal/write off	**–**	(184,444)
Amortisation	**(108,880)**	(120,738)
	245,346	85,407

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 2.5%, 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.

The directors have assessed that, the carrying value of goodwill attributable to the original investment by the parent company in FSA Australia Pty Ltd and its controlled entities does not exceed the recoverable amount of this balance at reporting date.

The directors have determined that there are no reasonable changes in the key assumptions on which the recoverable amounts of goodwill are based, for either 180 Group Holdings Pty Ltd or FSA Australia Pty Ltd, which would cause the carrying amount to exceed the recoverable amount.

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Note 16. Trade and Other Payables		
Current		
Unsecured trade payables	**911,957**	1,007,884
Factoring client payables	**923,607**	455,997
Institutional creditors	**449,640**	647,430
Sundry payables and accruals	**9,225,405**	7,585,641
	11,510,609	9,696,952
Note 17. Borrowings		
Current		
Unsecured		
Other loans	**627,475**	599,376
Secured		
Bank loan – other lending facilities	**3,033,434**	3,865,858
	3,033,434	3,865,858
	3,660,909	4,465,234
Non-current		
Secured		
Bank loan – other lending facilities	**–**	1,918,000
	–	1,918,000
Financing liabilities		
Secured		
Factoring facilities	**22,265,899**	25,290,469
Warehouse facilities	**217,689,570**	227,985,880
	239,955,469	253,276,349
(a) Total current, non-current and financing liabilities:		
Bank loans – other lending facilities	**3,033,434**	5,783,858
Factoring facilities	**22,265,899**	25,290,469
Non-recourse warehouse facilities	**217,689,570**	227,985,880
	242,988,903	259,060,207
(b) The carrying amounts of financing assets pledged as security are:		
Fixed charge over assets		
Factoring assets	**22,533,434**	26,705,942
Loan and other assets in the Fox Symes Home Loans Warehouse Trust No. 1	**233,664,343**	249,786,482
	256,197,777	276,492,424

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 $3,033,434. This facility expires on 31 December 2013. Interest is payable on this facility at reporting date at 6.36%; and

ii) A factoring finance facility, amounting to $22,265,899 (2012: $25,290,469). This facility expires on 28 June 2015. Interest is payable on this facility at reporting date at 4.66%.

Note 17. Borrowings cont.

(c) Warehouse facility

Warehouse facilities are used to fund mortgages prior to securitisation and include revolving Senior and Mezzanine Note facilities. As at 30 June 2013, the drawdown limit under the Senior and Mezzanine Note facilities was $230 million and $7.5 million respectively and $208,339,323 and $6,791,500 respectively had been drawn down at reporting date.

The Warehouse facilities are 3 years rolling facilities. As at 30 June 2013, the facility was due to expire on 15 October 2015. Interest is payable at the applicable BBSW rate plus a margin. The interest rate at 30 June 2013 for the Senior and Mezzanine Notes was 5.35% and 10.82% 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	
	2013 $	**2012 $**
Note 18. Provisions		
Current		
Employee benefits	**1,052,019**	884,171
Non-current		
Employee benefits	**460,212**	322,681

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 2013, the Consolidated Entity employed 175 full-time equivalent employees (2012: 163) plus a further five independent contractors (2012: five).

Note 19. Share Capital

125,020,077 (2012: 131,114,587) Fully paid ordinary shares	**6,657,475**	9,275,913

(a) Ordinary shares	2013 Number	2012 Number
Balance 1 July	**131,114,587**	138,253,785
Less shares bought back during year	**(7,694,510)**	(8,780,684)
Add shares issued as partial consideration for acquisition of non-controlling interest	**1,600,000**	1,641,486
Balance 30 June	**125,020,077**	131,114,587

2013

On 2 December 2012, 1,600,000 shares were issued as partial consideration to acquire the non-controlling interest in 180 Group Pty Ltd.

During financial year 2013, FSA Group Limited bought back 7,694,510 shares under an on market share buy-back.

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.

(b) Options

As at 30 June 2013, there were 500,000 options to be exercised before 2 July 2013. The options were not exercised and lapsed on 2 July 2013.

Note 20. 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 2013, $8,093 was credited to this reserve and recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Terms & Conditions of options on issue as at 30 June 2013

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

Weighted average exercise price – $0.50

Weighted average remaining contract life – 2 days

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 and 180 Group Pty Ltd. In accordance with AASB127, this is recognised directly in equity and attributable to the owners of the parent.

	Consolidated Entity	
	2013 $	2012 $
Note 21. Cash Flow Information		
Reconciliation of cash flows from operations to profit after tax		
Profit after tax	**12,239,748**	10,706,394
Non-cash flows in profit/(loss):		
Depreciation	**228,190**	209,425
Amortisation – intangibles	**108,881**	120,738
Loss on financial asset at FVTPL	**–**	600,420
Loss on disposal of intangibles	**–**	184,444
Gain on disposal of plant & equipment	**3,547**	(3,851)
Changes in assets and liabilities:		
Increase in trade and other receivables	**(1,798,074)**	(4,455,807)
(Increase)/decrease in other current assets	**417,135**	(63,047)
(Decrease)/increase in trade and other payables	**1,423,078**	(956,498)
Increase in employee entitlements	**305,378**	51,363
Increase in other liabilities	**1,037,693**	2,997,141
Cash flows from operating activities	**13,965,576**	9,390,722

Note 22. Commitments

(i) Operating leases (non-cancellable):

	2013 $	2012 $
Minimum lease payments		
– not later than one year	**1,061,668**	1,017,228
– later than one year and not later than five years	**1,133,465**	2,135,836
	2,195,133	3,153,064

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

Note 23. Key Management Personnel Disclosures

(a) Details of Directors and Key Management Personnel

(i) Directors

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

(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	
	2013 $	**2012 $**
Short-term employee benefits	**1,708,964**	1,290,966
Post-employment benefits	**69,330**	68,886
Share-based payments	**–**	–
	1,778,294	1,359,852

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 17 to 21.

(c) Options issued as part of remuneration for the year ended 30 June 2013

There were no options issued 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

No options are held by Key Management Personnel as at 30 June 2013.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd	Balance 1 July 2012	Purchased on market	Options Exercised	Other Changes	Balance 30 June 2013
Directors					
Sam Doumany	1,040,541	34,459	–	–	1,075,000
Tim Odillo Maher	42,809,231	–	–	–	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	15,406	42,857	–	–	58,263
Sally Herman	40,000		–	–	40,000
Senior Executive					
Cellina Chen	–	–	–	–	–
Total	**56,865,225**	**77,316**	**–**	**–**	**56,942,541**

(g) Loans to Directors and Key Management Personnel

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

Note 23. Key Management Personnel Disclosures cont.

(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 $44,895 for the year ended 30 June 2013 (2012: $52,078). 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 $15,430 (2012: $24,010). The supplies were purchased on normal commercial terms.

Note 24. Events Occurring after Reporting date

There have been no events since the end of the financial year that impact upon the financial statements as at 30 June 2013 except as follows:

- On 29 August 2013, Westpac renewed the non-recourse senior home loan facility limit of $230 million to 15 October 2016.
- On 29 August 2013, a $20 million non-recourse mezzanine home loan facility was secured.
- On 30 August 2013, Directors declared a 3.25 cent fully franked final dividend to shareholders to be paid on 27 September 2013 with a record date of 13 September 2013.

Note 25. Related Party Disclosures

(a) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 23.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 13.

(c) Transactions with related parties

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

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

	Consolidated Entity	
	2013 $	2012 $
Current factoring receivables – Skin Patrol Pty Ltd.	**122,882**	111,951

Note 26. Segment Information

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 26. Segment Information cont.

Operating Segments

	Services 2013 $	Services 2012 $	Home Loans 2013 $	Home Loans 2012 $	Small Business 2013 $	Small Business 2012 $	Other/Unallocated 2013 $	Other/Unallocated 2012 $	Consolidated Total 2013 $	Consolidated Total 2012 $
Revenue and income:										
External sales	**45,187,080**	42,932,041	**1,709,476**	1,105,026	**149,670**	892,511	**–**	–	**47,046,226**	44,929,578
Finance income	**12,218**	4,166	**23,238,282**	25,635,608	**8,156,424**	5,929,168	**230,322**	110,161	**31,637,246**	31,679,103
Finance expense	**(1,775)**	(3,180)	**(12,962,392)**	(15,689,250)	**(1,296,267)**	(1,170,990)	**–**	–	**(14,260,434)**	(16,863,420)
Net finance income	**10,443**	986	**10,275,890**	9,946,358	**6,860,157**	4,758,178	**230,322**	110,161	**17,376,812**	14,815,683
Other gains/(losses)	**(1,891)**	(186,641)	**–**	–	**(1,656)**	(593,477)	**–**	–	**(3,547)**	(780,118)
Internal sales and income	**617,124**	530,100	**–**	–	**–**	–	**8,788,538**	–	**9,405,662**	530,100
Eliminations	**–**	–	**–**	–	**–**	–	**–**	–	**(9,405,662)**	(530,100)
Total revenue and income	**45,812,756**	43,276,486	**11,985,366**	11,051,384	**7,008,171**	5,057,212	**9,018,860**	110,161	**64,419,491**	58,965,143
Results:										
Segment profit before tax	**11,716,727**	11,581,034	**5,090,592**	4,108,772	**819,130**	(737,912)	**137,025**	(37,434)	**17,763,474**	14,914,460
Income tax (expense)/benefit	**(3,566,551)**	(3,479,590)	**(1,545,401)**	(957,672)	**(212,879)**	222,602	**(198,895)**	6,594	**(5,523,726)**	(4,208,066)
Profit for the year	**8,150,176**	8,101,444	**3,545,191**	3,151,100	**606,251**	(515,310)	**(61,870)**	(30,840)	**12,239,748**	10,706,394
Items included in profit for the year										
Share of the profits of an associate using the Equity Accounting Method	**–**	–	**–**	–	**–**	–	**1,354**	4,599	**1,354**	4,599
Depreciation and amortisation	**304,528**	287,196	**24,015**	27,379	**8,529**	15,588	**–**	–	**337,072**	330,163
Impairment in value – goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Impairment in value – trade receivables	**7,627,772**	7,799,776	**1,551,436**	702,540	**1,531,765**	1,829,865	**–**	–	**10,710,973**	10,332,181
Reversal of impairment in value – trade receivables	**(1,338,803)**	(637,659)	**–**	–	**(36,384)**	–	**–**	–	**(1,375,187)**	(637,659)
Employee and contractor expenses	**17,386,709**	14,364,431	**2,531,692**	2,744,480	**2,133,775**	1,911,621	**159**	–	**22,052,335**	19,020,532
Share based payments expense	**–**	–	**–**	–	**–**	–	**8,093**	15,450	**8,093**	15,450
Legal and consultancy	**32,153**	99,412	**668,616**	612,838	**475,052**	278,578	**4,992**	19,162	**1,180,813**	1,009,990
Rental expense on operating lease – minimum lease payment	**952,646**	946,932	**23,689**	11,460.00	**34,542**	46,107	**–**	–	**1,010,877**	1,004,499
Assets:										
Segment assets	**110,298,730**	94,132,984	**248,830,094**	262,108,899	**28,231,418**	29,564,557	**37,113,622**	20,014,063	**424,473,864**	405,820,503
Eliminations									**(90,316,967)**	(62,702,564)
Total assets									**334,156,897**	343,117,939
Included in segment assets										
Investment in associate	**–**	–	**–**	–	**–**	–	**60**	68,574	**60**	68,574
Liabilities:										
Segment liabilities	**74,325,378**	59,466,987	**226,795,493**	242,968,825	**27,683,529**	26,252,920	**25,022,366**	7,713,534	**353,826,766**	336,402,266
Eliminations									**(78,429,049)**	(50,814,646)
Total liabilities									**275,397,717**	285,587,620

Note 27. 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); and
- 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	
	2013	**2012**
	$	**$**
Financial Assets		
Cash and cash equivalents	**23,092,712**	18,520,061
Loans and receivables at amortised cost	**306,136,446**	319,537,745
Financial Liabilities		
Payables at amortised cost (excluding tax liabilities)	**255,126,987**	269,356,535

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

- credit risk;
- liquidity risk; and
- market (interest) risk.

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

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

These are discussed individually below.

Capital Management

The Consolidated Entity's objectives in managing its capital is the safeguard of the Consolidated Entity's ability to continue as a going concern, maintain the support of its investors and other business partners, support the future growth initiatives of the Consolidated Entity and maintain an optimal capital structure to reduce the costs of capital. These objectives are reviewed periodically by the Board.

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

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

The gearing ratio at 30 June 2013, 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 31.2% (2012: 37.9%).

It was the policy of the Consolidated Entity during the 2013 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% (2012: 50%)

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

Notes to the Financial Statements cont.

for the year ended 30 June 2013

Note 27. Financial Instruments cont.

Fair values of financial instruments

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

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;
- 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.

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.

Note 27. Financial Instruments cont.

Liquidity Risk cont.

	Consolidated Entity 30 June 2013						
	Carrying amount $	Contractual Cash flows $	6 months or less $	6-12 months $	1 to 2 years $	2 to 5 years $	5-25 years $
Trade and other payables	**1,835,564**	**1,835,564**	**1,835,564**	**–**	**–**	**–**	**–**
Institutional creditors	**449,640**	**449,640**	**449,640**	**–**	**–**	**–**	**–**
Other payables	**9,225,405**	**9,225,405**	**9,225,405**	**–**	**–**	**–**	**–**
Other short term loans	**3,660,909**	**3,660,909**	**3,660,909**	**–**	**–**	**–**	**–**
Bank loans	**22,265,899**	**27,725,115**	**3,725,526**	**568,424**	**23,431,165**	**–**	**–**
Other financial payables	**2,425,000**	**2,425,000**	**–**	**–**	**–**	**2,425,000**	**–**
Warehouse facilities	**217,689,570**	**256,468,723**	**5,561,847**	**5,940,914**	**11,914,470**	**233,051,492**	**–**

	Consolidated Entity 30 June 2012						
	Carrying amount $	Contractual Cash flows $	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	–	–
Other financial payables	–	–	–	–	–	–	–
Warehouse facilities	227,985,880	246,794,541	7,231,027	7,189,135	232,374,379	–	–

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 2013, the facility has a combined drawdown limit of $237,500,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2013 the Consolidated Entity had withdrawn $215,130,823 from this facility. It had unused credit at the end of the year of $22,369,177.

FSA Group Limited's subsidiary 180 Capital Funding Pty Ltd has a secured loan facility supporting its lending activities. The factoring finance facilities have drawdown limits of $35,000,000. As at 30 June 2013, the Company had withdrawn $22,265,899 from the factoring finance facility. Provided that there is sufficient factoring receivables to secure the loan, no repayment is required until the facility expiry date on 28 June 2015.

Warehouse facilities

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

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

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

Note 27. Financial Instruments cont.

Market risk

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

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

Bridging finance assets and factoring finance assets are provided to borrowers on fixed and variable rate terms. 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 (2012: 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.

	Consolidated Entity Profit after tax	
	2013 $	**2012 $**
If interest rates increased by 50bps (2012: 50bps)	**107,897**	74,254
If interest rates decreased by 50bps (2012: 50bps)	**(107,897)**	(74,254)

Note 28. Investment in Associates

The Consolidated Entity had investment in an associate which it accounted 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 had 50% ownership and 50% of the voting power in the entity. During financial year 2013, the Consolidated Entity received full and final distribution from its investment in Hunting Smythe Lawyers Pty Ltd.

	Consolidated Entity	
	2013 $	2012 $
Equity accounted investments in associates		
Purchase consideration	–	7,963
Inter-entity loan	–	(49,270)
Share of associates retained earnings	–	109,881
Investment in associates	–	68,574
Information about the Associate is as follows:		
Consolidated Entity's share of:		
Revenue	**1,935**	10,104
Profit before tax	**1,935**	4,599
Income tax expense	**(581)**	(1,380)
Profit for the year	**1,354**	3,219
Total Assets	–	127,258
Total Liabilities	–	(1,088)
Net Assets	–	126,170

Note 29. Contingent Liabilities

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

2013

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $5,461,400.

Mortgages are usually settled within 4 weeks of acceptance.

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.

Note 30. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

Financial position

	2013 $	2012 $
Total Current Assets	**17,066,071**	3,196,466
Total Non-Current Assets	**11,826,990**	11,826,989
Total Assets	**28,893,061**	15,023,455
Total Current Liabilities	**20,209,729**	8,272,600
Total Liabilities	**20,209,729**	8,272,600
Net Assets	**8,683,332**	6,750,855
Equity		
Share capital	**6,657,475**	9,275,912
Share based payment reserve	**769,374**	761,281
Dividends to shareholders	**(4,183,847)**	(2,270,282)
Accumulated profit / (loss)	**5,440,330**	(1,016,056)
Total Equity	**8,683,332**	6,750,855

Financial performance

	2013 $	2012 $
Profit/(loss)after income tax	**8,726,669**	(53,827)
Other comprehensive income	**–**	–
Total comprehensive income/(loss)for the year	**8,726,669**	(53,827)

During the financial year, the parent entity received distribution income from its subsidiaries.

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 31 for further details.

There are no contingent liabilities or commitments in the parent entity (2012: Nil).

Note 31. Deed of Cross Guarantee

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

FSA Group Limited

FSA Australia Pty 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'.

Note 31. Deed of Cross Guarantee cont.

Set out below is a consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the 'Closed Group'.

Statement of Profit or Loss and Other Comprehensive Income

	2013 $	2012 $
Revenue and other income		
Fees from services	**27,382,986**	26,072,003
Finance income	**236,757**	1,509,416
Finance expense	**–**	–
Net finance income	**236,757**	1,509,416
Total revenue and other income net of finance expense	**27,619,743**	27,581,419
Expenses from continuing activities	**(3,294,290)**	(4,251,757)
Profit before income tax	**24,325,453**	23,329,662
Income tax expense	**(7,533,602)**	(6,595,375)
Profit after income tax	**16,791,851**	16,734,287
Other comprehensive income	**–**	–
Total comprehensive income for the year	**16,791,851**	16,734,287

Statement of Financial Position

	2013 $	2012 $
Current Assets		
Cash and cash equivalents	**4,954,236**	6,312,515
Trade and other receivables	**12,096,109**	13,828,432
Current tax assets	**3,449**	–
Total Current Assets	**104,931,521**	20,140,947
Non-Current Assets		
Trade and other receivables	**120,938,148**	105,576,415
Investments	**11,826,990**	11,826,990
Total Non-Current Assets	**44,887,411**	117,403,405
Total Assets	**149,818,932**	137,544,352
Current Liabilities		
Trade and other payables	**6,229,156**	8,334,614
Tax liabilities	**2,861,179**	1,151,135
Total Current Liabilities	**9,090,335**	9,485,749
Non-Current Liabilities		
Deferred tax liabilities	**12,032,046**	11,263,681
Total Non-Current Liabilities	**12,032,046**	11,263,681
Total Liabilities	**21,122,381**	20,749,430
Net Assets	**128,696,551**	116,794,922
Equity		
Share capital	**6,657,477**	9,275,914
Reserves	**769,374**	761,281
Retained earnings	**121,269,700**	106,757,727
Total Equity	**128,696,551**	116,794,922

Directors' Declaration

In the Directors' opinion:

- The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
  a. comply with Accounting Standards and the Corporations Regulations 2001; and
  b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.
- The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- The Directors have been given the declarations by the Executive Directors and Chief Financial Officer required by section 295A. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

FSA Group Limited, FSA Australia Pty Ltd and Fox Symes Debt Relief Services Pty Ltd identified in note 31 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a Consolidated Entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 31.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Tim Odillo Maher
Executive Director

Sydney

30 August 2013

Deborah Southon
Executive Director

Sydney

30 August 2013

Independent Auditor's Report

To the members of FSA Group Limited

BDO

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

Level 11, 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 2013, the statement of profit or loss and other 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 disclosing entity'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 disclosing entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

BDO

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.

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 2013 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 17 to 21 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Grant Saxon
Partner

Sydney, 30 August 2013

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Shareholder Information

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 13 August 2013.

(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	124	17,864
1,001 – 5,000	254	813,536
5,001 – 10,000	210	1,817,464
10,001 – 100,000	313	11,071,499
100,001 and over	102	111,372,247
Total	**1,003**	**125,092,610**

The number of shareholders holding less than a marketable parcel of shares (556) are 107 (holding a total of 3,861 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**

Shareholder Information cont.

(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	20.78%
2	Mazamand Group Pty Ltd	16,809,231	13.44%
3	ADST Pty Ltd	12,960,047	10.36%
4	BJR Investment Holdings Pty Ltd	11,000,000	8.79%
5	Atkone Pty Ltd	2,631,506	2.10%
6	Ruminator Pty Limited	2,385,174	1.91%
7	Investment Custodial Services Limited	2,133,271	1.71%
8	J P Morgan Nominees Austra Limited	2,117,229	1.69%
9	Harness Capital Pty Ltd	2,023,774	1.62%
10	Contemplator Pty Limited	1,927,551	1.54%
11	Ms Danita Rae Lowes	1,852,953	1.48%
12	Goran Turner	1,641,486	1.31%
13	Bulwarra Pty Ltd	1,600,000	1.28%
14	Mr David Matthew Fite	1,312,314	1.05%
15	Dundas Ritchie Investments Pty Ltd	1,224,429	0.98%
16	Berne No 132 Nominees Pty Ltd<323731 A/C>	940,541	0.75%
17	Wavet Fund No 2 Pty Ltd	800,000	0.64%
18	Berne No 132 Nominees Pty Ltd<323733 A/C>	790,541	0.63%
19	Karia Investment Pty Ltd	666,666	0.53%
20	Croxted Investments Pty Ltd	660,541	0.53%
	Top 20	**91,477,254**	**73.13%**
	Total	**125,092,610**	**100%**

(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
1 Eagle Street
Brisbane QLD 4000

Share Register

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

Phone: +61 (02) 8280 7454

Auditors

BDO East Coast Partnership
Level 11
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

www.colliercreative.com.au #FSA0002

www.fsagroup.com.au