Right time to grow with you

FSA Group Limited
Annual Report 2014

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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 and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.

Our business

Services

FSA Group offers a range of 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.

Consumer Lending

FSA Group offers non-conforming home loans and personal loans to assist clients wishing to consolidate their debt or to purchase a motor vehicle.

Business Lending

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

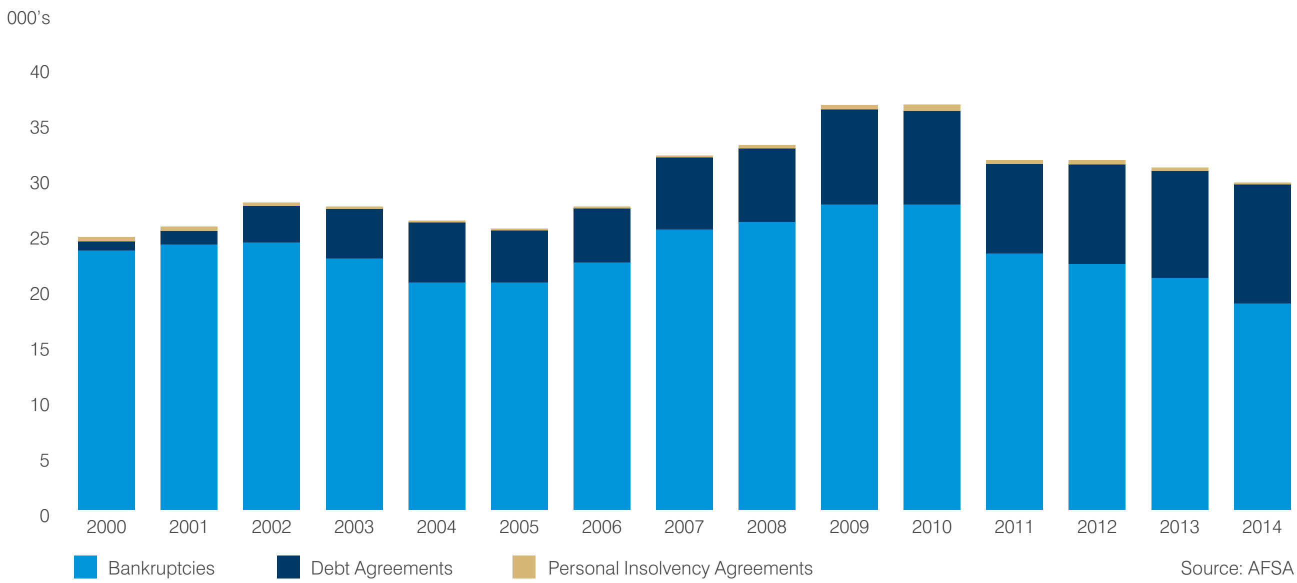
Services

The services market consists of individuals who rely upon a debt agreement or a personal insolvency agreement or bankruptcy to address their unmanageable debt. Debt agreements are an alternative to bankruptcy. They offer a simple way for an indebted individual to come to a payment arrangement with their creditors and yield superior returns to creditors when compared with bankruptcy. Competition in this market has remained steady because there are significant barriers to entry. A new debt agreement administrator requires a substantial capital base to operate and this deters many potential competitors.

2014 Achievements

- 45% market share for debt agreements
- 2% increase in clients administered under debt agreements
- $313m of unsecured debt managed under debt agreements
- Consistent low level of arrears
- $81m paid to creditors under debt agreements
- One of the largest providers of personal insolvency agreements and bankruptcy

The Services Market



Source: AFSA

Consumer Lending

The non-conforming home loan and personal loan markets consist of lenders who provide loan products to an individual who is unlikely to conform to the lending criteria of the banks. FSA Group is one of the few remaining non-conforming home loan lenders operating in the market assisting clients with property who wish to consolidate their debt. FSA Group also offers non-conforming personal loans to existing clients to assist with the purchase of a motor vehicle.

2014 Achievements

- **Home 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**
- **Personal loan pool of $1.1m**

Business Lending

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 a number of competitors operating in the market. 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.

2014 Achievements

- **Loan pool of $24m**
- **Consistent low level of arrears and capital losses**
- **Westpac facility of $35m**
- **Good platform in place for future growth**

Our people

Our people are our strength. They are committed to and share our vision for the company and they are committed to helping our customers find the best solution. Importantly, they also enjoy what they do. We embrace diversity and have created a fair, safe and inclusive workplace in which our people can learn and grow. Our people are core to our success and we would like to introduce you to two of our team, Corrie Hassan and David Camilleri.

Corrie Hassan is the Managing Director of our Business Lending division. She joined us in 2006 as the Head of Operations and was instrumental in developing, implementing and offering debtor finance as a product within our Business Lending division. She was appointed to the role of Managing Director in 2012 when the business restructure shifted its primary focus to debtor finance. Originally from the UK, which has a well-established debtor finance market, she has the knowledge and 16 years of industry experience to promote and increase awareness of the product in Australia which positions her ideally to successfully manage and grow the business.

David Camilleri joined us in 2005 and now manages debt agreements within our Services division. He has a wide range of experience in the financial services sector and, since joining us, has taken on the role of Debt Agreement Administrator. He is passionate about helping our customers and understands their situation. He has been pivotal in helping to create a customer focused work environment while continually working on ways to improve efficiency and effectiveness. He is well qualified for his role and has a Bachelor of Commerce with first class honours majoring in Banking and Finance, an Advanced Diploma in Management and he is a registered Debt Agreement Administrator.

2014 Achievements

- **Investing in customer service – all staff completed a customer service training course**
- **Commitment to learning – 30 staff graduated with a TAFE Certificate IV in Financial Services**
- **Continuous improvement – 12 staff graduated with an Advanced Diploma in Management**

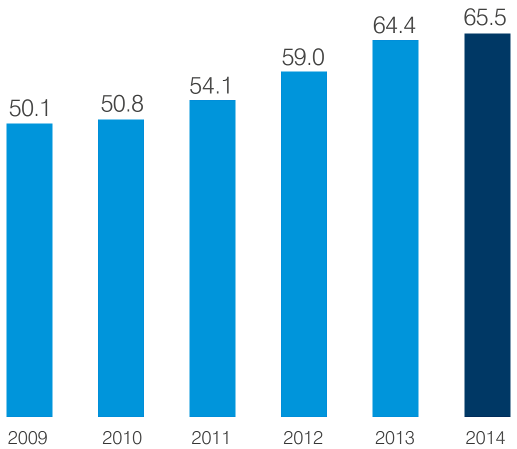
Corrie Hassan
Head of Business Lending / 8 years

David Camilleri
Debt Agreement Administrator / 9 years

Financial performance

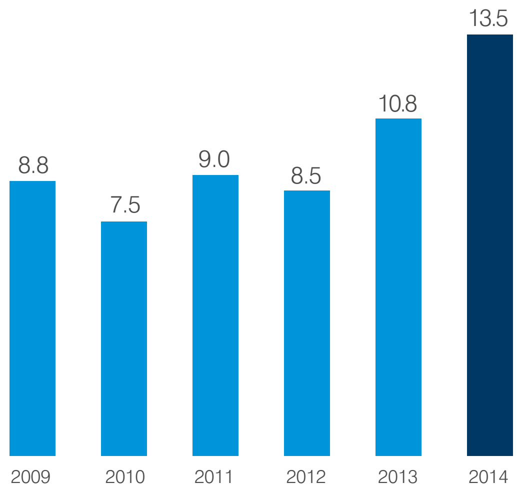
Revenue ($m)

2%



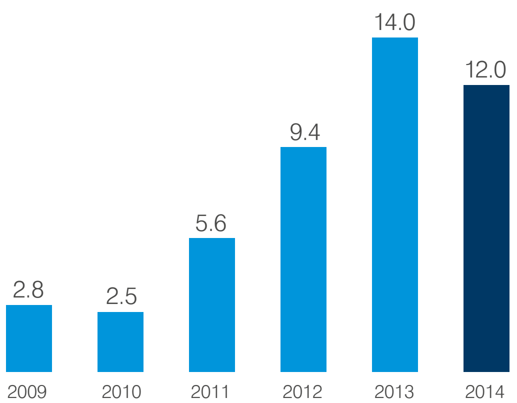
Profit after tax ($m)

25%



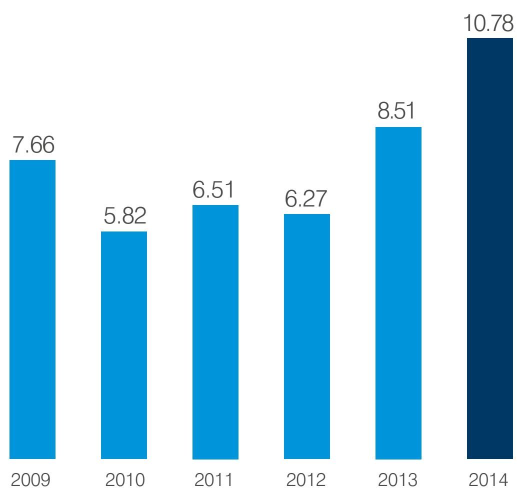
Net cash inflow from operating activities ($m)

14%



Basic earnings per share (cents)

27%



Where we are heading?

Services
Maintain our leading position in a niche market

Consumer Lending
Focus on growing our loan pools

Business Lending
Focus on growing our loan pools

New Products
Trial a new product to assist clients with paying their bills

Staff
Investing in professional development and growth

Chairman's Letter

Dear Shareholders,

The 2014 financial year has been another year of strong performance.

FSA Group generated $65.5 million in revenue and achieved a record profit after tax attributable to members of $13.5 million, a 25% increase compared to the results of 2013.

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 45% market share during 2014. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

Our Consumer Lending division offers non-conforming home loans and personal loans to assist clients wishing to consolidate their debt or to purchase a motor vehicle. As a home loan 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. We launched our personal loan product late in the year and have originated a loan pool of $1.1 million. Our personal loan funding facility of $10 million is provided by Westpac Banking Corporation. This facility has been renewed until December 2015. We are focussed on growing these loan pools.

Our Business Lending 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 $24 million. Our factoring finance funding facility of $35 million is provided by Westpac Banking Corporation. This facility has been renewed until June 2015. We are focussed on growing this loan pool.

I advise that the Directors have declared a fully franked final dividend of 3.50 cents per share for the 2014 financial year. This brings the full year dividend to 6.00 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 2014 financial year has been another year of strong performance.

FSA Group generated $65.5 million in revenue and achieved a record profit after tax attributable to members of $13.5 million, a 25% increase compared to the results of 2013.

The Directors have declared a fully franked final dividend of 3.50 cents per share for the 2014 financial year. This brings the full year dividend to 6.00 cents per share.

Financial overview	FY2013	FY2014	% Change
Revenue and income	$64.4m	$65.5m	2%
Profit before tax	$17.8m	$20.8m	17%
Profit after tax (attributable to members of the parent)	$10.8m	$13.5m	25%
Net assets	$58.8m	$65.0m	11%
NTA backing/share	42.3c	47.1c	11%
EPS basic	8.51c	10.78c	27%

During the 2014 financial year, FSA Group delivered strong cash flow from operations driven by long term annuity income from its clients. The reduction in cash flow from operations, when compared to 2013, was mainly attributable to an increase in income tax paid.

Cash flow from operations	FY2012	FY2013	FY2014
Net cash flow from operating activities	$9.4m	$14.0m	$12.0m

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
Westpac Banking Corporation	Personal loan facility	$10m	December 2015

Operational Performance

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

Our business now operates across the following key segments, Services, Consumer Lending and Business Lending. Services and Business Lending remain unchanged from last year. Consumer Lending consists of our home loans and personal loans.

The profitability of each segment is as follows:

Profitability	FY2013	FY2014	% Change
Services	$11.7m	$11.2m	∨ 4%
Consumer Lending	$5.1m	$6.8m	∧ 34%
Business Lending	$0.8m	$2.8m	∧ 240%
Other	$0.1m	($0.1m)	–
Profit before tax	$17.8m	$20.8m	∧ 17%
Profit after tax (attributable to members of the parent)	$10.8m	$13.5m	∧ 25%

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 45% market share during 2014. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country. During 2014 there was a 2% increase in the number of clients administered under debt agreements and a 3% increase in the number of clients administered under personal insolvency agreements and bankruptcy.

FSA Group manages $313 million of unsecured debt under debt agreements. During 2014, FSA Group paid $81 million in dividends to creditors. This was an increase of 3% compared to 2013.

FSA Group's arrears and risk management capabilities are a competitive advantage. Our disciplined operating practices produced further productivity and efficiency gains in 2014. The division achieved a profit before tax of $11.2 million supported by a continued and sustained reduction in the level of arrears and recovery of doubtful debts. Profitability was impacted by an increase in operating costs and lower than expected new client numbers.

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.

Consumer Lending

The Consumer Lending division offers non-conforming home loans and personal loans to assist clients wishing to consolidate their debt or to purchase a motor vehicle.

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 3.32% at June 2014 compared to 3.22% at June 2013. 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.

We launched our personal loan product late in the year and have originated a loan pool of $1.1 million. Our personal loan funding facility of $10 million is provided by Westpac Banking Corporation.

We are focussed on growing these loan pools.

The division achieved a profit before tax of $6.8m driven by an increase in externally brokered business, a reduction in operating and funding costs and a decrease in our doubtful debt expense due to the improvement in the property market.

Business Lending

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

FSA Group has firmly established a track record in factoring finance. Our loan pool increased to $24 million at June 2014 compared to $20 million at June 2013. Greater than 90 day arrears increased to 5.89% at June 2014 compared to 4.75% at June 2013.

Our factoring finance funding facility of $35 million is provided by Westpac Banking Corporation. We plan to increase this facility limit. This facility has been renewed until June 2015.

FSA Group is experiencing demand for factoring finance because the availability of credit for small businesses continues to remain tight. We are focussed on growing this loan pool.

The division achieved a profit before tax of $2.8m driven by an increase in our loan pool, an improvement in arrears and risk management and recovery of doubtful debts.

Strategy and Outlook

Consumer debt levels are at a record high and demand for our products and services is steady. Our strategy for our Consumer Lending and Business Lending divisions 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

(From L to R)
Tim Odillo Maher
Don Mackenzie (Secretary)
Sam Doumany
Sally Herman
Deborah Southon
Stan Kalinko

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Directors' Report

for the year ended 30 June 2014

Directors

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Consolidated Entity") consisting of FSA Group Limited (referred to hereafter as the "Company" or "Parent Entity") and the entities controlled at the end of, and during, the year ended 30 June 2014.

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

Information on Directors

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 Queensland Parliament 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

Nil

Special responsibilities

Chairman of the Audit & Risk Management Committee and Member of the Remuneration Committee.

Interest in shares and options

Ordinary shares	1,075,000

Directors' Report cont.

for the year ended 30 June 2014

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

Directors' Report cont.

for the year ended 30 June 2014

Stan Kalinko (Non-Executive Director)

Experience and Expertise

Mr Kalinko was appointed to the Board of FSA Group on 9 May 2007.

He has been a professional company director since his retirement from law on 30 June 2007.

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

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 and currently is a Board member Breville Group Limited, Members Equity Bank Ltd, Urbis Pty Ltd, Premier Investments Limited and Investec Property Limited.

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 a Chartered Accounting firm, and in 1976 commenced employment in a senior accounting role with a Queensland based listed 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, he is also the Company Secretary for several listed and unlisted public companies. Until 18 March 2014 he was a Director (appointed March 2004) and Chairman of the Audit & Risk Management Committee of Aveo Healthcare Limited (formerly Forest Place Group Limited).

He is also the Secretary to all Board committees.

Directors' Report cont.

for the year ended 30 June 2014

Principal activities

The principal activities of the Consolidated Entity during the year were the provision of 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 $13,482,241 (2013: $10,759,096).

Dividends declared and paid during the year

- On 27 September 2013, a fully franked final dividend relating to the year ended 30 June 2013 of $4,065,510 was paid at 3.25c per share;
- On 21 March 2014, a fully franked interim dividend of $3,127,317 was paid at 2.50c per share.

Dividends declared after the end of year

On 22 August 2014, the Directors declared a 3.50 cent fully franked final dividend to shareholders to be paid on 26 September 2014 with a record date of 12 September 2014. This brings the full year dividend to 6.00 cents per share.

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 share structure during or since the end of financial year, except as follows:

- On 11 July 2013, 72,533 shares were issued, for total consideration of $49,758.

Financial position

The net assets of the Consolidated Entity have increased from $58,759,180 at 30 June 2013 to $64,950,455 at 30 June 2014.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's 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 2014 except as follows:

- On 22 August 2014, the Directors declared a 3.50 cents fully franked final dividend to shareholders to be paid on 26 September 2014 with a record date of 12 September 2014.

Directors' Report cont.

for the year ended 30 June 2014

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 regulations

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 2014 there were no options on issue. (2013: 500,000).

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.

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* for the year ended 30 June 2014.

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 Nominations 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.

Directors' Report cont.

for the year ended 30 June 2014

Remuneration policy cont.

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

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 2014 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 agreed 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.

Directors' Report cont.

for the year ended 30 June 2014

Executive Directors and Senior Executive Remuneration cont.

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 and Senior Executive 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 2014 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.

Directors' Report cont.

for the year ended 30 June 2014

(b) Remuneration of Directors and Key Management Personnel cont.

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							
2014	130,000	–	–	–	12,025	142,025	–
2013	130,000	–	–	–	–	130,000	–
Stan Kalinko							
2014	79,999	–	–	–	7,400	87,399	–
2013	79,999	–	–	–	–	79,999	–
Sally Herman							
2014	77,982	–	–	–	7,213	85,195	–
2013	77,982	–	–	–	7,018	85,000	–
Executive Directors							
Tim Odillo Maher							
2014	545,000	*368,500	–	–	–	913,500	40%
2013	526,833	85,000	–	–	–	611,833	14%
Deborah Southon							
2014	491,677	*368,500	**31,839	**13,549	39,157	944,722	39%
2013	489,199	85,000	(4,586)	29,015	43,165	641,793	14%
Senior Executive							
Cellina Chen							
2014	177,287	^60,650	**19,589	**(2,522)	17,589	272,593	22%
2013	169,313	36,697	20,384	3,571	19,147	249,112	15%
Total Remuneration							
2014	**1,501,945**	**797,650**	**51,428**	**11,027**	**83,384**	**2,445,434**	
2013	1,473,326	206,697	15,798	32,586	69,330	1,797,737	

* Bonus (representing 100% of the total bonus to be paid) was paid to Tim Odillo Maher and Deborah Southon on 30 September 2013 and 9 October 2013 respectively in relation to the performance during financial year 2013. 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 22 October 2013 in relation to the performance during financial year 2013. The bonus was approved by the Board as part of discretionary performance based remuneration.

** Annual leave and long service leave accrual movement has been included in the non-cash benefits above.

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 – $100,000	

Directors' Report cont.

for the year ended 30 June 2014

(b) Remuneration of Directors and Key Management Personnel cont.

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

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue and Income (Net)	**$65,465,843**	$64,419,491	$58,965,143	$54,139,504	$50,780,366
Net profit before tax	**$20,817,543**	$17,763,474	$14,914,461	$15,328,466	$12,868,122
Net profit after tax	**$14,505,323**	$12,239,748	$10,706,395	$11,015,591	$9,177,212
Share price at the start of the year	**$0.70**	$0.32	$0.24	$0.36	$0.38
Share price at the end of the year	**$1.23**	$0.70	$0.32	$0.24	$0.36
Basic EPS (cents)	**10.78**	8.51	6.27	6.51	5.82
Diluted EPS (cents)	**10.78**	8.51	6.27	6.51	5.82

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 2014

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 30 June 2013	Purchased on market	Options Exercised	Other Changes	Balance 30 June 2014
Directors					
Sam Doumany	1,075,000	–	–	–	1,075,000
Tim Odillo Maher	42,809,231	–	–	–	42,809,231
Deborah Southon	12,960,047	–	–	–	12,960,047
Stan Kalinko	58,263	–	–	–	58,263
Sally Herman	40,000	–	–	–	40,000
Senior Executive					
Cellina Chen	–	–	–	–	–
Total	**56,942,541**	**–**	**–**	**–**	**56,942,541**

(g) Loans to Directors and Key Management Personnel

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

(h) 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 $59,789 for the year ended 30 June 2014 (2013: $44,895). 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 $11,193 (2013: $15,430). The supplies were purchased on normal commercial terms.

(i) Voting and comments made at the Company's 2013 Annual General Meeting ("AGM")

At the 2013 AGM, 97.69% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the remuneration report which has been audited.

Directors’ Report cont.

for the year ended 30 June 2014

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	9	9
Tim Odillo Maher	9	9
Deborah Southon	9	9
Stan Kalinko	9	9
Sally Herman	9	9
Total number of meetings held during the financial year	9	

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

Remuneration Committee Meetings

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

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

Proceedings on behalf of the Company

No proceedings have been brought, or intervened in, on behalf of FSA Group, nor has any application for leave been made in respect of FSA Group under section 237 of the *Corporations Act 2001*.

Directors' Report cont.

for the year ended 30 June 2014

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 2014:

Tax compliance services	$70,160
Taxation advice and consulting	$21,160

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.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Tim Odillo Maher
Executive Director

Sydney

22 August 2014

Auditor's Independence Declaration

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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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 22 August 2014

Corporate Governance Statement

for the year ended 30 June 2014

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 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). 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 33
3.5	Provide the information in the Guide to reporting on Principle 3.	Yes	–
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	Yes	–
4.2	The audit committee should be structured so that it:		
	• consists only of Non-Executive Directors;	Yes	–
	• consists of a majority of independent Directors;	Yes	–
	• is not chaired by the Chair of the Board; and	No	Page 30
	• has at least three members.	Yes	–

Corporate Governance Statement cont.

for the year ended 30 June 2014

Principle Number	Best Practice Recommendation	Compliance (Yes/No)	Comments
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	–
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 5.	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 that 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 Executives.	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 Senior Executive and disclosure of those functions are included in the Corporate Governance Charter which can be found on the Company's website.

Corporate Governance Statement cont.

for the year ended 30 June 2014

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 the Company 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 the Company 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 2014

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.

Nominations Committee

The Company has not established a Nominations Committee as 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 he 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 2014 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.

Corporate Governance Statement cont.

for the year ended 30 June 2014

Principle 2: Structure the Board to add value **cont.**

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.

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 33 of the annual report.

Corporate Governance Statement cont.

for the year ended 30 June 2014

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

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 an Executive Director, an Executive 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 an Executive 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.

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. It is currently proposed to appoint a replacement for Mr Doumany in the second half of the year ending 30 June 2015.

Details of members' qualifications and their attendance at Audit & Risk Management Committee meetings are set out in the Directors' Report on pages 13, 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.

Corporate Governance Statement cont.

for the year ended 30 June 2014

Principle 4: Safeguard integrity in financial reporting **cont.**

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 required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosures

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

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

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

The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

A copy of the disclosure policy is incorporated in the Company's corporate website.

Principle 6: Respect the rights of shareholders

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

Information is communicated to shareholders through:

- financial reports (including the full year financial report, 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.

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.

Corporate Governance Statement cont.

for the year ended 30 June 2014

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 identifying 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 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 2014 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.

Corporate Governance Statement cont.

for the year ended 30 June 2014

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;
- 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 2014.

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. The Board has established a policy regarding gender, age, ethnic and cultural diversity.

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

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

	30 June 2014		30 June 2013	
	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	**50**	**50**	52	48

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Notes	Consolidated Entity 2014 $	2013 $
Revenue and other income			
Fees from services	2	**47,770,794**	47,042,679
Finance income	2	**29,544,621**	31,637,246
Finance expense	2	**(11,849,572)**	(14,260,434)
Net finance income	2	**17,695,049**	17,376,812
Total revenue and other income net of finance expense		**65,465,843**	64,419,491
Marketing expenses		**(6,808,767)**	(6,729,010)
Administrative expenses		**(8,776,168)**	(12,677,972)
Operating expenses		**(29,063,365)**	(27,250,389)
Expenses from continuing activities	3	**(44,648,300)**	(46,657,371)
Share of profits of associate using the equity accounting method		**–**	1,354
Profit before income tax		**20,817,543**	17,763,474
Income tax expense	5(a)	**(6,312,220)**	(5,523,726)
Profit after income tax		**14,505,323**	12,239,748
Other comprehensive income, net of tax		**–**	–
Share of other comprehensive income of associates		**–**	–
Total comprehensive income for the year		**14,505,323**	12,239,748
Total profit for the year and total comprehensive income for the year attributable to:			
Non-controlling interests		**1,023,082**	1,480,652
Members of the parent		**13,482,241**	10,759,096
		14,505,323	12,239,748
Earnings per share			
Basic earnings per share (cents per share)	7	**10.78**	8.51
Diluted earnings per share (cents per share)	7	**10.78**	8.51

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 2014

	Notes	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Current Assets			
Cash and cash equivalents	8	**7,772,612**	11,017,074
Trade and other receivables	9	**30,478,709**	28,953,886
Other assets	10	**725,254**	537,302
Total Current Assets		**38,976,575**	40,508,262
Non-Current Assets			
Trade and other receivables	9	**35,883,582**	33,060,421
Investments	11	**385**	60
Plant and equipment	14	**413,608**	448,171
Deferred tax assets	5c	**1,800**	523,987
Intangible assets	15	**3,631,108**	3,418,219
Total Non-Current Assets		**39,930,483**	37,450,858
Financing Assets			
Factoring cash and cash equivalents	8	**5,167,815**	2,921,272
Mortgage cash and cash equivalents	8	**8,246,901**	9,154,366
Factoring assets	12b	**24,278,727**	19,612,162
Personal loan assets	12c	**1,087,807**	–
Mortgage assets financed by non-recourse financing liabilities	12a	**221,131,945**	224,509,977
Total Financing Assets		**259,913,195**	256,197,777
Total Assets		**338,820,253**	334,156,897
Current Liabilities			
Trade and other payables	16	**11,623,089**	11,510,609
Current tax liabilities		**1,648,607**	3,041,916
Borrowings	17	**730,257**	3,660,909
Provisions	18	**1,489,589**	1,052,019
Total Current Liabilities		**15,491,542**	19,265,453
Non-Current Liabilities			
Provisions	18	**543,193**	460,212
Deferred tax liabilities	5d	**13,731,551**	13,291,583
Other payables		**2,425,000**	2,425,000
Total Non-Current Liabilities		**16,699,744**	16,176,795
Financing Liabilities			
Borrowings to finance factoring assets	17	**22,960,277**	22,265,899
Borrowings to finance personal loan assets	17	**1,000,434**	–
Non-recourse borrowings to finance mortgage assets	17	**217,717,801**	217,689,570
Total Financing Liabilities		**241,678,512**	239,955,469
Total Liabilities		**273,869,798**	275,397,717
Net Assets		**64,950,455**	58,759,180
Equity			
Share capital	19	**6,707,233**	6,657,475
Reserves	20	**(2,509,387)**	(2,509,387)
Retained earnings		**58,407,384**	52,117,970
Total equity attributable to members of the parent		**62,605,230**	56,266,058
Non-controlling Interest		**2,345,225**	2,493,122
Total Equity		**64,950,455**	58,759,180

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 2014

	Share Capital $	Share Option Reserve $	Other Reserve $	Retained Earnings $	Non-Controlling Interest $	Total $
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**
Total comprehensive income for the year						
Profit after income tax for the year	**–**	**–**	**–**	**13,482,241**	**1,023,082**	**14,505,323**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**13,482,241**	**1,023,082**	**14,505,323**
Transactions with owners in their capacity as owners:						
Shares issued	**49,758**	**–**	**–**	**–**	**–**	**49,758**
Dividends paid	**–**	**–**	**–**	**(7,192,827)**	**–**	**(7,192,827)**
Distributions to non-controlling Interests	**–**	**–**	**–**	**–**	**(1,170,979)**	**(1,170,979)**
Balance at 30 June 2014	**6,707,233**	**769,374**	**(3,278,761)**	**58,407,384**	**2,345,225**	**64,950,455**

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 2014

	Notes	Consolidated Entity 2014 $ Inflows/ (Outflows)	Consolidated Entity 2013 $ Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers and debtors		**47,635,517**	47,027,294
Payments to suppliers and employees		**(47,038,771)**	(46,174,063)
Finance income received		**30,524,094**	32,457,095
Finance cost paid		**(12,290,011)**	(14,788,561)
Net cash payments for institutional creditor distributions		**(55,651)**	(193,817)
Income tax paid		**(6,743,374)**	(4,362,372)
Net cash inflow from operating activities	21	**12,031,804**	13,965,576
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	**(241,103)**	(271,546)
Acquisition of intangibles	15	**(450,745)**	(268,819)
Acquisition of subsidiary (net of cash acquired)		**–**	(330,750)
(Payment)/proceeds (for)/from investment		**(325)**	68,514
Net decrease in mortgage finance assets		**2,592,795**	10,559,751
Net increase in personal loan assets		**(1,087,807)**	–
Net decrease in bridging finance assets		**167,000**	139,854
Net (increase)/decrease in factoring finance assets		**(6,254,264)**	4,690,846
Net increase in other loans		**–**	(140,000)
Net cash (outflow) / inflow from investing activities		**(5,274,449)**	14,447,850
Cash flows from financing activities			
Net repayment of borrowings		**(767,170)**	(15,515,079)
Payment of distributions to non-controlling Interests		**(752,500)**	(909,161)
Share issue / (share buyback)		**49,758**	(3,232,688)
Dividends paid to company's shareholders		**(7,192,827)**	(4,183,847)
Net cash outflow from financing activities		**(8,662,739)**	(23,840,775)
Net (decrease)/increase in cash and cash equivalents		**(1,905,384)**	4,572,651
Cash and cash equivalents at the beginning of the financial year		**23,092,712**	18,520,061
Cash and cash equivalents at the end of the financial year	8	**21,187,328**	23,092,712

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 2014

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 22 August 2014.

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 2014 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 control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 taxable 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.

Notes to the Financial Statements

for the year ended 30 June 2014

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 a wholly-owned Australian subsidiary of FSA Group Limited, and therefore it joined the FSA Group Limited tax consolidation group.

As at 30 June 2014, 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 derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2014

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 and personal 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 or personal 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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 1. Summary of significant accounting policies cont.

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.

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

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. 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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Bonuses

A provision is recognised for the amount expected to be paid under short term cash bonus arrangements 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.

Notes to the Financial Statements

for the year ended 30 June 2014

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

Revenue is recognised 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, 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.

Notes to the Financial Statements

for the year ended 30 June 2014

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 is tested annually for impairment and carried at cost less accumulated impairment losses. 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, changes in fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. 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.

Notes to the Financial Statements

for the year ended 30 June 2014

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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 1. Summary of significant accounting policies cont.

New standards and interpretations issued and adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 10 Consolidated Financial Statements

The Consolidated Entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns 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 that give it the current ability to direct the activities that significantly affect the investee's returns. The Consolidated Entity not only has 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.

AASB 12 Disclosure of Interests in Other Entities

The Consolidated Entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. 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'.

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

The Consolidated Entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

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

The Consolidated Entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates 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 standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The Consolidated Entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

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

The Consolidated Entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 1. Summary of significant accounting policies cont.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2014. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (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. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Consolidated Entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the Consolidated Entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Consolidated Entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the Consolidated Entity.

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity 2014 $	2013 $
Note 2. Revenue and other income net of finance expense		
Fees from services		
– Personal insolvency	**46,246,519**	45,475,411
– Refinance broking and mortgage management	**1,383,381**	1,415,648
– Corporate	**10,556**	12,378
– Other services	**130,338**	139,242
Total revenue	**47,770,794**	47,042,679
Finance income		
– Interest income – mortgage assets	**18,454,639**	21,112,771
– Finance fee income – mortgage assets	**2,620,553**	1,873,623
– Finance fee income – factoring assets	**8,049,408**	8,062,639
– Other interest income	**420,021**	588,213
	29,544,621	31,637,246
Finance expense		
– Interest expense – warehouse facilities	**(10,648,056)**	(12,704,955)
– Interest expense – factoring facilities	**(1,095,005)**	(1,296,267)
– Interest expense – other lending facilities	**(106,511)**	(259,212)
	(11,849,572)	(14,260,434)
Net finance income	**17,695,049**	17,376,812

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity 2014 $	2013 $
Note 3. Profit for the year		
Expenses		
Expenses from continuing activities excluding finance costs, classified by function:		
Marketing expenses	**6,808,767**	6,729,010
Administrative expenses	**8,776,168**	12,677,972
Operating expenses	**29,063,365**	27,250,389
	44,648,300	46,657,371
Profit for the year from continuing operations has been arrived at after charging:		
Depreciation of plant and equipment	**275,307**	228,192
Amortisation of software	**237,856**	108,880
	513,163	337,072
Impairment in value – trade receivables and financing assets	**9,452,092**	10,747,217
Reversal of impairment in value – trade receivables and financing assets	**(3,154,679)**	(1,411,431)
Net impairment	**6,297,413**	9,335,786
Rental expense on operating lease	**1,194,844**	1,010,877
Employee and contractor expenses	**24,190,834**	22,052,335
Defined contribution superannuation expense	**1,606,978**	1,398,249
Share-based payments expense	**–**	8,093
Legal consulting – client services	**354,871**	1,180,813

Note 4. Equity – Dividends

	2014 $	2013 $
Fully franked final dividend for the year ended 30 June 2013 of 3.25 cents (2012: 1.55 cents) per ordinary share	**4,065,510**	1,982,615
Fully franked interim dividend for the year ended 30 June 2014 of 2.50 cents (2013: 1.75 cents) per ordinary share	**3,127,317**	2,201,232
	7,192,827	4,183,847
On 22 August 2014, the directors declared a fully franked final dividend for the year ended 30 June 2014 of 3.50 cents per ordinary share. This brings the full year dividend to 6.00 cents per share		
Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	**9,851,890**	7,318,729
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	**1,648,606**	2,861,179
Franking credits available for subsequent financial years based on a tax rate of 30%	**11,500,496**	10,179,908

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity	
	2014	**2013**
	$	**$**
Note 5. Income Tax		
(a) Income tax expense		
Current tax expense	**5,131,366**	5,095,632
Deferred tax expense	**962,155**	318,164
Under provision in a prior period	**218,699**	109,930
	6,312,220	5,523,726
Deferred income tax expense included in income tax expense comprises:	**1,019,642**	544,169
Decrease in deferred tax assets	**(57,487)**	(226,005)
Increase in deferred tax liabilities	**962,155**	318,164
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**20,817,543**	17,763,474
Tax at the Australian tax rate of 30% (2013: 30%)	**6,245,263**	5,329,042
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible expenses	**46,469**	59,598
Non-assessable income	**(213,138)**	22,728
Non-deductible employee costs	**14,927**	2,428
	6,093,521	5,413,796
Under provision in the prior year	**218,699**	109,930
Income tax expense	**6,312,220**	5,523,726
(c) Deferred tax assets		
Provisions	**1,283,725**	1,240,186
Capital legal expenses	**16,532**	28,481
Accrued expenditure	**213,453**	72,104
Tax losses carried forward	**–**	4,489
Other	**193,759**	502,448
	1,707,469	1,847,708
Deferred tax liability offset on tax consolidation	**(1,705,669)**	(1,323,721)
Total deferred tax assets	**1,800**	523,987
(d) Deferred tax liabilities		
Temporary difference on assessable income	**15,437,220**	14,615,304
Deferred tax liability offset on tax consolidation	**(1,705,669)**	(1,323,721)
Total deferred tax liabilities	**13,731,551**	13,291,583

Note 6. Auditor's Remuneration

Amounts received or due and receivable by BDO East Coast Partnership:		
Audit and review of financial statements	**229,390**	207,700
Taxation compliance services	**70,160**	58,432
Taxation advice and consulting	**21,160**	90,550
	320,710	356,682

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity 2014 $	2013 $
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 ($)	**13,482,241**	10,759,096
Basic earnings per share (cents)	**10.78**	8.51
Diluted earnings per share (cents)	**10.78**	8.51
(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	**125,092,411**	126,407,094
Note 8. Cash and Cash Equivalents		
Current		
Cash on hand and at bank	**7,772,612**	11,017,074
Assets financed by financial liabilities		
Mortgage cash and cash equivalents	**8,246,901**	9,154,366
Factoring cash and cash equivalents	**5,167,815**	2,921,272
	21,187,328	23,092,712
Note 9. Trade and Other Receivables		
Current		
Trade receivables	**35,537,755**	34,751,449
Provision for impairment	**(5,268,834)**	(6,001,649)
	30,268,921	28,749,800
Sundry receivables	**209,788**	204,086
	30,478,709	28,953,886
Non-current		
Trade receivables	**43,221,489**	40,268,329
Provision for impairment	**(7,337,907)**	(7,207,908)
	35,883,582	33,060,421
Total	**66,362,291**	62,014,307
The movement in the provision for impairment		
Opening balance	**13,209,557**	14,032,734
Provision for impairment recognised	**8,110,332**	7,447,809
Unused provision reversed	**(2,104,100)**	(1,398,333)
Bad debts	**(6,609,048)**	(6,872,653)
Closing balance	**12,606,741**	13,209,557

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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 9. Trade and Other Receivables cont.

Ageing Analysis

	Consolidated Entity					
	2014			2013		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Trade and other Receivables						
Not past due	**76,392,106**	**(11,145,485)**	**65,246,621**	72,432,564	(12,085,420)	60,347,144
Past due 0-30 Days	**226,079**	**(117,984)**	**108,095**	160,851	(90,158)	70,693
Past due 31-60 Days	**205,979**	**(174,848)**	**31,131**	71,177	(39,525)	31,652
Past due 61-90 Days	**112,701**	**(58,158)**	**54,543**	52,832	(30,564)	22,268
Past 90 Days	**2,032,167**	**(1,110,266)**	**921,901**	2,506,440	(963,890)	1,542,550
Total	**78,969,032**	**(12,606,741)**	**66,362,291**	75,223,864	(13,209,557)	62,014,307

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 Consolidated Entity'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 Consolidated Entity has no realistic possibility of recovery.

Bridging finance receivables

The Consolidated Entity 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 $2,032,167 of receivables which are past 90 days in arrears, $647,331 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

for the year ended 30 June 2014

	Consolidated Entity 2014 $	2013 $
Note 10. Other Assets		
Current		
Prepayments	**356,905**	527,536
Other	**368,349**	9,766
	725,254	537,302
Note 11. Investments		
Investments at cost	**385**	60
Movements during year (Investments)		
Beginning of the year	**60**	–
Additions	**325**	60
Impairment in value	**–**	–
	385	60

On 16 December 2013, FSA Group Ltd, through its 100% owned subsidiary 180 Equity Partners Pty Ltd, exercised the option granted to it for 15% shareholding in Aircom Group Pty Ltd. The investment is recognised at cost of $385, which is approximate to its fair value. As at 30 June 2014 the ownership is now 45% (2013: 30%).

Note 12. Financing Assets

	2014 $	2013 $
(a) Mortgage assets		
Non-securitised mortgage assets	**221,400,485**	225,651,301
Provision for impairment	**(268,540)**	(1,141,324)
	221,131,945	224,509,977
Maturity analysis		
Amounts to be received in less than 1 year	**1,818,630**	3,794,183
Amounts to be received in greater than 1 year	**219,581,855**	221,857,118
	221,400,485	225,651,301
The movement in the provision for impairment		
Opening balance	**1,141,324**	467,650
Provision for impairment (reversed)/recognised	**(102,425)**	1,487,800
Bad debts	**(770,359)**	(814,126)
Closing balance	**268,540**	1,141,324

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).

Notes to the Financial Statements

for the year ended 30 June 2014

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 66.7% (2013: 67.0%). 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					
	2014			2013		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**189,664,777**	**–**	**189,664,777**	197,430,908	–	197,430,908
Past due 0-30 Days	**24,582,049**	**–**	**24,582,049**	20,284,057	–	20,284,057
Past due 31-60 Days	**3,791,407**	**–**	**3,791,407**	2,031,959	–	2,031,959
Past due 61-90 Days	**596,355**	**–**	**596,355**	2,281,985	–	2,281,985
Past 90 Days	**2,765,897**	**(268,540)**	**2,497,357**	3,622,392	(1,141,324)	2,481,068
Total	**221,400,485**	**(268,540)**	**221,131,945**	225,651,301	(1,141,324)	224,509,977

	Consolidated Entity	
	2014 $	2013 $
(b) Factoring assets		
Factoring finance receivables	**24,921,565**	20,937,535
Provision for impairment	**(642,838)**	(1,325,373)
	24,278,727	19,612,162
The movement in the provision for impairment		
Opening balance	**1,325,373**	300,000
Provision for impairment (reversed)/recognised	**(195,559)**	1,200,495
Bad debts	**(486,976)**	(175,122)
Closing balance	**642,838**	1,325,373

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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 12. Financing Assets cont.

Ageing analysis – factoring assets

	Consolidated Entity					
	2014			2013		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**10,637,954**	**–**	**10,637,954**	13,297,406	–	13,297,406
Past due 0-30 Days	**9,625,045**	**–**	**9,625,045**	5,236,237	–	5,236,237
Past due 31-60 Days	**3,191,748**	**–**	**3,191,748**	1,477,034	(398,515)	1,078,519
Past due 61-90 Days	**521,947**	**–**	**521,947**	283,794	(283,794)	–
Past 90 Days	**944,871**	**(642,838)**	**302,033**	643,064	(643,064)	–
Total	**24,921,565**	**(642,838)**	**24,278,727**	20,937,535	(1,325,373)	19,612,162

	Consolidated Entity	
	2014 $	2013 $
(c) Personal loan assets		
Personal loan assets	**1,087,807**	–
Provision for impairment	**–**	–
	1,087,807	–
Maturity Analysis		
Amounts to be received in less than 1 year	**153,421**	–
Amounts to be received in greater than 1 year	**934,386**	–
	1,087,807	–

Impairment

Impairment has been assessed on an individual basis with primary regard to the underlying equity in the personal loan 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.

Ageing analysis – personal loan assets

	Consolidated Entity					
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Not past due	**1,066,966**	**–**	**1,066,966**	–	–	–
Past due 0-30 Days	**20,841**	**–**	**20,841**	–	–	–
Total	**1,087,807**	**–**	**1,087,807**	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2014

Note 13. Interests in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2014 %	2013 %
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
Easy Bill Pay Pty Ltd(1)(4)	Australia	**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**	100

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by FSA Group Limited

(3) Investment held by 180 Group Holdings Pty Ltd

(4) Established new business Easy Bill Pay Pty Ltd on 03/12/2014.

The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity 2014 %	2013 %
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

Notes to the Financial Statements

for the year ended 30 June 2014

Note 13. Interests in subsidiaries 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 2014 %	2013 %
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 Personal Loans Pty Ltd**	Australia	**100**	100
Fox Symes Home Loans Warehouse Trust No.1	Australia	**100**	100
Fox Symes Home Loans Warehouse Trust BEN^^	Australia	**–**	100

** On 19 November 2013, Fox Symes Home Loans (Special Services) Pty Ltd changed its name to Fox Symes Personal Loans Pty Ltd.

^^ On 24 December 2013, Fox Symes Home Loans Warehouse Trust BEN was closed, with all assets transferred to Fox Symes Home Loans Warehouse Trust No.1.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in Note 1:

Name	Principal place of business/ Country of incorporation	Principal activities	Parent Ownership interest 2014	Parent Ownership interest 2013	Non-controlling interest Ownership interest 2014	Non-controlling interest Ownership interest 2013
Aravanis Insolvency Pty Limited	Australia	Personal insolvency agreements and Bankruptcies	65%	65%	35%	35%
Fox Symes Business Services Pty Limited	Australia	Accounting and taxation	75%	75%	25%	25%

The non-controlling interest of Fox Symes Business Services Pty Ltd was insignificant and therefore information has not been provided.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 13. Interests in subsidiaries cont.

	Aravanis Insolvency Pty Limited	
	2014 $	2013 $
Summarised Statement of Financial Position		
Current assets	**10,004,983**	9,714,677
Current liabilities	**617,826**	380,353
Current Net Assets	**9,387,157**	9,334,324
Non-current assets	**39,083**	57,102
Non-current liabilities	**2,862,093**	2,467,032
Non-current net assets	**(2,823,010)**	(2,409,930)
Net assets	**6,564,147**	6,924,394
Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue	**9,374,447**	9,165,612
Expenses	**(5,162,537)**	(3,993,171)
Profit before income tax expense	**4,211,910**	5,172,441
Income tax expense	**(1,272,156)**	(1,553,757)
Profit after income tax expense	**2,939,754**	3,618,684
Other comprehensive income	**–**	–
Total comprehensive income	**2,939,754**	3,618,684
Summarised Statement of Cash Flows		
Cash flows from operating activities	**2,828,762**	2,499,923
Cash flows from investing activities	**(10,861)**	(462,436)
Cash flows from financing activities	**(2,150,000)**	(2,100,000)
Net increase/(decrease) in cash and cash equivalents	**667,901**	(62,513)
Other financial information		
Profit attributable to non-controlling interests	**1,028,913**	1,266,539
Accumulated non-controlling interests at the end of reporting period	**2,297,451**	2,423,538

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Note 14. Plant and Equipment		
Computer equipment at cost	**2,353,868**	2,156,859
Accumulated depreciation	**(2,050,726)**	(1,870,387)
Net carrying amount	**303,142**	286,472
Office equipment at cost	**535,488**	511,150
Accumulated depreciation	**(470,595)**	(418,544)
Net carrying amount	**64,893**	92,606
Furniture and fittings at cost	**310,421**	308,035
Accumulated depreciation	**(272,021)**	(254,815)
Net carrying amount	**38,400**	53,220
Motor vehicles at cost	**47,372**	47,372
Accumulated depreciation	**(40,199)**	(31,499)
Net carrying amount	**7,173**	15,873
Total plant and equipment at cost	**3,247,149**	3,023,416
Total accumulated depreciation	**(2,833,541)**	(2,575,245)
Total net carrying amount	**413,608**	448,171

	Computer Equipment $	Office Equipment $	Furniture & Fittings $	Motor Vehicles $	Total $
Movements					
Balance at 1 July 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**
Additions	**213,399**	**25,319**	**2,385**	**–**	**241,103**
Disposals	**–**	**(359)**	**–**	**–**	**(359)**
Depreciation	**(196,729)**	**(52,673)**	**(17,205)**	**(8,700)**	**(275,307)**
Balance at 30 June 2014	**303,142**	**64,893**	**38,400**	**7,173**	**413,608**

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity	
	2014 $	2013 $
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	**1,525,933**	1,075,190
Accumulated amortisation	**(1,067,698)**	(829,844)
	458,235	245,346
	3,631,108	3,418,219
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	**245,346**	85,407
Additions	**450,745**	268,819
Disposal/write off	**–**	–
Amortisation	**(237,856)**	(108,880)
	458,235	245,346

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 three year period using average historical earnings margins and then adjusted for non-cash items. The cashflows beyond the three year period are extrapolated using a constant growth rate of 1.5%. An average pre-tax discount rate of 17.5% 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.

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity	
	2014 $	2013 $
Note 16. Trade and Other Payables		
Current		
Unsecured trade payables	**458,154**	911,958
Factoring client payables	**325,393**	923,607
Institutional creditors	**393,994**	449,640
Employee benefits payables and accruals	**3,128,534**	2,102,274
Sundry payables, GST and accruals	**7,317,014**	7,123,130
	11,623,089	11,510,609
Note 17. Borrowings		
Current		
Unsecured		
Other loans	**730,257**	627,475
Secured		
Bank loan – other lending facilities	**–**	3,033,434
	–	3,033,434
	730,257	3,660,909
Financing Liabilities		
Secured		
Borrowings to finance factoring assets	**22,960,277**	22,265,899
Borrowings to finance personal loan assets	**1,000,434**	–
Non-recourse borrowings to finance mortgage assets	**217,717,801**	217,689,570
	241,678,512	239,955,469
(a) Total Current, Non-Current and Financing liabilities:		
Other loans	**730,257**	627,475
Bank loans	**–**	3,033,434
Borrowings to finance factoring assets	**22,960,277**	22,265,899
Borrowings to finance personal loan assets	**1,000,434**	–
Non-recourse borrowings to finance mortgage assets	**217,717,801**	217,689,570
	242,408,769	243,616,378
(b) The carrying amounts of assets pledged as security are:		
Fixed charge over assets		
Factoring assets	**29,446,542**	22,533,434
Loan and other assets in the Fox Symes Home Loans Warehouse Trust No. 1	**229,378,846**	233,664,343
	258,825,388	256,197,777

Personal loan facilities

A full recourse personal loan facility, 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, with a facility limit of $10 million and balance owing of $1,000,434 (2013: $NIL). This facility expires on 31 December 2015. Interest is payable on this facility at reporting date at 3.96%.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 17. Borrowings cont.

Factoring facilities

A full recourse factoring finance facility, which is secured by a floating charge over the assets of 180 Capital Funding Pty Ltd and the other wholly-owned subsidiaries of FSA Group Limited, with a facility limit of $35 million and balance owing of $22,960,277 (2013: $22,265,899). This facility expires on 28 June 2015. Interest is payable on this facility at reporting date at 4.95%.

Warehouse facility

Warehouse facilities are used to fund mortgages and include revolving Senior and Mezzanine Note facilities. As at 30 June 2014, the drawdown limit under the Senior and Mezzanine Note facilities was $230 million (2013: $230 million) and $20 million (2013: $7.5 million) respectively. At reporting date, $200,111,990 (2013: $208,339,323) and $15,564,266 (2013: $6,791,500) respectively had been drawn down.

The Warehouse facilities are 3 years rolling facilities, due to expire on 15 October 2016. Interest is payable at the applicable BBSW rate plus a margin. The interest rate at 30 June 2014 for the Senior and Mezzanine Notes was 4.66% and 8.58% 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	
	2014 $	2013 $
Note 18. Provisions		
Current		
Employee benefits	**1,489,589**	1,052,019
Non-current		
Employee benefits	**543,193**	460,212

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.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

As at 30 June 2014, the Consolidated Entity employed 189 full-time equivalent employees (2013: 175) plus a further 7 independent contractors (2013: 5).

Notes to the Financial Statements

for the year ended 30 June 2014

	Consolidated Entity 2014 $	2013 $
Note 19. Share Capital		
125,092,610 (2013: 125,020,077) Fully paid ordinary shares	**6,707,233**	6,657,475

(a) Ordinary shares	2014 Number	2013 Number
Balance 1 July	**125,020,077**	131,114,587
Less shares bought back during year	**–**	(7,694,510)
Add shares issued	**72,533**	1,600,000
Balance 30 June	**125,092,610**	125,020,077

2014

On 11 of July 2013, 72,533 shares were issued to an employee as satisfaction of bonus.

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.

(b) Options

As at 30 June 2014, there were no options on issue (2013: 500,000 options which lapsed on 2 July 2013).

	Consolidated Entity 2014 $	2013 $
Note 20. Reserves		
Share based payment reserve	**769,374**	769,374
Other reserve	**(3,278,761)**	(3,278,761)
	(2,509,387)	(2,509,387)

Share based payments reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options. Previous share options lapsed on 2 July 2013 and no expense was recognised in the Statement of Profit or Loss and Other Comprehensive Income during the year (2013: $8,093).

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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 20. Reserves cont.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share based payment reserve $	Other reserve $	Total reserves $
Balance 1 July 2012	761,281	(517,407)	**243,874**
Acquisition of non-controlling interest	–	(2,761,354)	**(2,761,354)**
Share based payment expense	8,093	–	**8,093**
Balance 1 July 2013	769,374	(3,278,761)	**(2,509,387)**
Balance 30 June 2014	769,374	(3,278,761)	**(2,509,387)**

Note 21. Cash Flow Information

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Reconciliation of cash flows from operations to profit after tax		
Profit after tax	**14,505,323**	12,239,748
Non-cash flows in profit/(loss):		
Depreciation	**275,307**	228,190
Amortisation – intangibles	**237,856**	108,881
Gain on disposal of plant & equipment	**359**	3,547
Changes in assets and liabilities:		
Increase in trade and other receivables	**(3,142,762)**	(1,798,074)
(Increase)/decrease in other current assets	**(187,952)**	417,135
Increase in trade and other payables	**126,152**	1,423,078
Increase in employee entitlements	**520,552**	305,378
(Decrease)/increase in other liabilities	**(303,031)**	1,037,693
Cash flows from operating activities	**12,031,804**	13,965,576

Notes to the Financial Statements

for the year ended 30 June 2014

Note 22. Commitments

	Consolidated Entity	
Operating leases (non-cancellable): Minimum lease payments	**2014** **$**	**2013** **$**
– not later than one year	**1,102,889**	1,061,668
– later than one year and not later than five years	**30,576**	1,133,465
	1,133,465	2,195,133

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

Note 23. Key Management Personnel Disclosures

Remuneration of Directors and Key Management Personnel

Short-term employee benefits	**2,351,023**	1,695,821
Long-term employment benefits	**11,027**	32,586
Post-employment benefits	**83,384**	69,330
Share-based payments	**–**	–
	2,445,434	1,797,737

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 2014 except as follows:

- On 22 August 2014, Directors declared a 3.50 cent fully franked final dividend to shareholders to be paid on 26 September 2014 with a record date of 12 September 2014. This brings the full year dividend to 6.00 cents per share.

Note 25. Related Party Disclosures

(a) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in the Remuneration Report.

(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 the Remuneration Report.

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

Current factoring receivables – Skin Patrol Pty Ltd.	**145,179**	122,882

Notes to the Financial Statements

for the year ended 30 June 2014

Note 26. Segment Information

Identification of reportable segments

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

The identified reportable segments are:

- Services;
- Consumer Lending;
- Business Lending; and
- Other / Corporate.

Information about operating segments

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

Consumer lending includes the provision of mortgage finance, home loan broking, mortgage management and personal loans.

Business lending includes factoring finance and other related services. Historically it also included corporate consultancy services and the provision of bridging finance.

Other / corporate includes parent entity services and intercompany investments, balances and transactions, which are eliminated upon consolidation.

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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 26. Segment Information cont.

Operating Segments

	Services		Consumer Lending		Business Lending		Other/Corporate		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Revenue and Income:										
External sales	**46,341,520**	45,187,080	**1,281,194**	1,709,476	**132,101**	149,670	**15,979**	–	**47,770,794**	47,046,226
Finance income	**31,634**	12,218	**21,312,199**	23,238,282	**8,088,022**	8,156,424	**112,766**	230,322	**29,544,621**	31,637,246
Finance expense	**(2)**	(1,775)	**(10,754,452)**	(12,962,392)	**(1,095,005)**	(1,296,267)	**(113)**	–	**(11,849,572)**	(14,260,434)
Net finance income	**31,632**	10,443	**10,557,747**	10,275,890	**6,993,017**	6,860,157	**112,653**	230,322	**17,695,049**	17,376,812
Other gains/(losses)	**–**	(1,891)	**–**	–	**–**	(1,656)	**–**	–	**–**	(3,547)
Internal sales and income	**826,200**	617,124	**–**	–	**–**	–	**13,176,185**	8,788,538	**14,002,385**	9,405,662
Eliminations	**–**	–	**–**	–	**–**	–	**–**	–	**(14,002,385)**	(9,405,662)
Total revenue and income	**47,199,352**	45,812,756	**11,838,941**	11,985,366	**7,125,118**	7,008,171	**13,304,817**	9,018,860	**65,465,843**	64,419,491
Results:										
Segment profit before tax	**11,230,045**	11,716,727	**6,838,195**	5,090,592	**2,783,192**	819,130	**(33,889)**	137,025	**20,817,543**	17,763,474
Income tax (expense)/ benefit	**(3,407,716)**	(3,566,551)	**(2,051,752)**	(1,545,401)	**(863,507)**	(212,879)	**10,755**	(198,895)	**(6,312,220)**	(5,523,726)
Profit for the year	**7,822,329**	8,150,176	**4,786,443**	3,545,191	**1,919,685**	606,251	**(23,134)**	(61,870)	**14,505,323**	12,239,748
Items included in profit for the year										
Share of the profits of an associate using the Equity Accounting Method	**–**	–	**–**	–	**–**	–	**–**	1,354	**–**	1,354
Depreciation and amortisation	**466,307**	304,528	**35,620**	24,015	**11,236**	8,529	**–**	–	**513,163**	337,072
Impairment in value – trade receivables and financing assets	**8,148,228**	7,627,772	**554,865**	1,587,680	**748,999**	1,531,765	**–**	–	**9,452,092**	10,747,217
Reversal of impairment in value – trade receivables and financing assets	**(2,023,065)**	(1,338,803)	**(352,509)**	(36,244)	**(779,105)**	(36,384)	**–**	–	**(3,154,679)**	(1,411,431)
Employee and contractor expenses	**18,910,042**	17,386,709	**2,724,738**	2,531,692	**2,506,137**	2,133,775	**49,917**	159	**24,190,834**	22,052,335
Share based payments expense	**–**	–	**–**	–	**–**	–	**–**	8,093	**–**	8,093
Legal & consultancy	**193,050**	32,153	**(2,145)**	668,616	**156,466**	475,052	**7,500**	4,992	**354,871**	1,180,813
Rental expense on operating lease – minimum payment	**1,108,351**	952,646	**24,634**	23,689.00	**61,859**	34,542	**–**	–	**1,194,844**	1,010,877
Assets:										
Segment assets	**126,927,015**	110,298,730	**245,308,892**	248,830,094	**30,747,829**	28,231,418	**43,061,110**	37,113,622	**446,044,846**	424,473,864
Eliminations^									**(107,224,593)**	(90,316,967)
Total assets									**338,820,253**	334,156,897
Included in segment assets										
Investment in associate	**–**	–	**–**	–	**–**	–	**385**	60	**385**	60
Liabilities:										
Segment liabilities	**95,889,119**	74,325,378	**220,061,268**	226,795,493	**28,280,254**	27,683,529	**24,975,852**	25,022,366	**369,206,493**	353,826,766
Eliminations									**(95,336,695)**	(78,429,049)
Total liabilities									**273,869,798**	275,397,717

^Eliminations are related to intercompany balances.

Notes to the Financial Statements

for the year ended 30 June 2014

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
- Personal loan assets
- Factoring assets
- Mortgage finance assets
- Other financial assets
- Payables (including Institutional creditor liabilities)

Interest bearing liabilities including note facility funding, bank loans and mortgage loans.

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

	Consolidated Entity	
	2014 $	2013 $
Financial Assets		
Cash and cash equivalents	**7,772,612**	11,017,074
Trade and other receivables	**66,362,291**	62,014,307
Financing assets	**259,913,195**	256,197,777
Receivables at amortised cost	**334,048,098**	329,229,158
Financial Liabilities		
Trade payables	**12,353,346**	15,171,518
Current tax liabilities	**1,648,607**	3,041,916
Financing liabilities	**241,678,512**	239,955,469
Payables at amortised cost	**255,680,465**	258,168,903
Other payables at fair value	**2,425,000**	2,425,000

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

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

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

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

These are discussed individually below.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 27. Financial Instruments cont.

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 2014, 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 21.6% (2013: 31.2%).

It was the policy of the Consolidated Entity during the 2014 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% (2013: 50%).

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

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 through 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.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 27. Financial Instruments cont.

Liquidity Risk cont.

	Consolidated Entity 30 June 2014						
	Carrying amount $	Contractual Cashflows $	6 months or less $	6-12 months $	1 to 2 years $	2 to 5 years $	5-25 years $
Trade and other payables	**783,547**	**783,547**	**783,547**	**–**	**–**	**–**	**–**
Institutional creditors	**393,994**	**393,994**	**393,994**	**–**	**–**	**–**	**–**
Other payables	**10,445,548**	**10,445,548**	**10,445,548**	**–**	**–**	**–**	**–**
Other short term loans	**730,257**	**730,691**	**730,691**	**–**	**–**	**–**	**–**
Bank loans	**23,960,711**	**25,203,202**	**663,235**	**23,520,004**	**1,019,963**	**–**	**–**
Other financial payables	**2,425,000**	**2,425,000**	**–**	**–**	**2,425,000**	**–**	**–**
Warehouse facilities	**217,717,801**	**241,766,351**	**4,729,840**	**5,318,148**	**10,694,738**	**221,023,625**	**–**

	Consolidated Entity 30 June 2013						
	Carrying amount $	Contractual Cashflows $	6 months or less $	6-12 months $	1 to 2 years $	2 to 5 years $	5-25 years $
Trade and other payables	1,835,564	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	–

FSA Group Limited has a secured non-recourse 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 2014, the facility has a combined drawdown limit of $250,200,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2014 the Consolidated Entity had withdrawn $215,676,256 from this facility. It had unused credit at the end of the year of $34,523,744.

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 2014, the Company had withdrawn $22,960,277 from the factoring finance facility. Provided that there are sufficient factoring receivables to secure the loan, no repayment is required until the facility expiry date on 28 June 2015.

FSA Group Limited's subsidiary Fox Symes Home Loans Pty Ltd has a unsecured loan facility supporting its personal loan activities. The personal loan facilities have drawdown limits of $10,000,000. As at 30 June 2014, the Company had withdrawn $1,000,000 from the personal loan facility.

Warehouse facilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2014

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.

Personal loan assets, 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 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 (2013: 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	
	2014 $	2013 $
If interest rates increased by 50bps (2013: 50bps)	**98,172**	107,897
If interest rates decreased by 50bps (2013: 50bps)	**(98,172)**	(107,897)

Notes to the Financial Statements

for the year ended 30 June 2014

Note 28. Fair Value Measurement

a) Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used). Other financial liabilities are the only financial instrument subsequently measured at fair value on Level 3 fair value measurement. No gain or loss for the year relating to other financial liabilities has been recognised in profit or loss.

Financial assets/ financial liabilities	Fair value as at 30/06/2014	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Other financial liabilities	$2,425,000	Level 3	Discounted cash flow	Risk-adjusted discount rate	16.5% – 18.3%	A change in the discount rate by 100 bps would increase/ decrease the fair value by around $210,000
				Expected present value of future cash inflows	$16.0m – $16.8m	If expected future cash inflows were 5% higher or lower, the fair value would increase/ decrease by $123,000
				Short term loan pool growth rate	28% – 37%	The higher the loan pool growth rate, the higher the fair value.
				Long term revenue growth rate	1.50%	The higher the long term revenue growth rate, the higher the fair value.

b) Except as detailed in the following table, the directors consider that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash, current trade receivables, current payables and current borrowings, are assumed to approximate their fair values. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

	Jun-14 Book value $	Jun-14 Fair value $
Financial assets		
Current receivables net of deferred tax*	**16,635,162**	16,635,162
Non-current receivables net of deferred tax*	**27,665,717**	27,328,775
Personal loan assets	**1,087,807**	1,087,807
Mortgage assets financed by non-recourse financing liabilities	**221,131,945**	231,606,259

*Included in current and non-current receivables is an amount of $57,209,793 relating to debt agreement receivables. These assets are taxed on a cash basis, and consequently to present the book value on a consistent basis with the computation of fair value, current and non-current receivables have been presented net of associated deferred tax liabilities amounting to $12,908,914.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 29. Contingent Liabilities

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

Mortgage loans

At reporting date loan applications that had been accepted by the Group but not yet settled amount to $4,097,830 (2013: $5,461,400).

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

	2014 $	2013 $
Total current assets	**12,733,443**	17,066,071
Total non-current assets	**11,826,990**	11,826,990
Total assets	**24,560,433**	28,893,061
Total current liabilities	**9,878,304**	20,209,729
Total liabilities	**9,878,304**	20,209,729
Net assets	**14,682,129**	8,683,332
Equity		
Share capital	**6,707,233**	6,657,475
Share based payments reserve	**769,374**	769,374
Dividends to shareholders	**(7,192,827)**	(4,183,847)
Retained earnings	**14,398,349**	5,440,330
Total equity	**14,682,129**	8,683,332

Financial performance		
Profit after income tax	**13,141,866**	8,726,669
Other comprehensive income	**–**	–
Total comprehensive income for the year	**13,141,866**	8,726,669

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

Notes to the Financial Statements

for the year ended 30 June 2014

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 (2013: 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'.

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

	2014 $	2013 $
Statement of Profit or Loss and Other Comprehensive Income		
Revenue and other income		
Fees from services	**28,268,814**	27,382,986
Finance income	**116,298**	236,757
Finance expense	**–**	–
Net finance income	**116,298**	236,757
Total revenue and other income net of finance expense	**28,385,112**	27,619,743
Expenses from continuing activities	**(2,831,264)**	(3,294,290)
Profit before income tax	**25,553,848**	24,325,453
Income tax expense	**(7,665,532)**	(7,533,602)
Profit after income tax	**17,888,316**	16,791,851
Other Comprehensive Income	**–**	–
Total Comprehensive income for the year	**17,888,316**	16,791,851

Notes to the Financial Statements

for the year ended 30 June 2014

Note 31. Deed of Cross Guarantee cont.

	2014 $	2013 $
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	**6,472,216**	4,954,236
Trade and other receivables	**15,519,300**	12,096,109
Current tax assets	**2,302**	3,449
Total Current Assets	**21,993,818**	17,053,794
Non-Current Assets		
Trade and other receivables	**130,555,671**	120,938,148
Investments	**11,826,990**	11,826,990
Total Non-Current Assets	**142,382,661**	132,765,138
Total Assets	**164,376,479**	149,818,932
Current Liabilities		
Trade and other payables	**6,775,365**	6,229,156
Tax Liabilities	**1,357,974**	2,861,179
Total Current Liabilities	**8,133,339**	9,090,335
Non-Current Liabilities		
Deferred tax liabilities	**12,908,914**	12,032,046
Total Non-Current Liabilities	**12,908,914**	12,032,046
Total Liabilities	**21,042,253**	21,122,381
Net Assets	**143,334,226**	128,696,551
Equity		
Share capital	**6,707,237**	6,657,477
Reserves	**769,374**	769,374
Retained earnings	**135,857,615**	121,269,700
Total Equity	**143,334,226**	128,696,551

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 other mandatory professional reporting requirements; and

  b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 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 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

22 August 2014

Deborah Southon
Executive Director

Sydney

22 August 2014

Independent Auditor's Report

To the members of FSA Group Limited

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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 2014, 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 Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which

Independent Auditor's Report

To the members of FSA Group Limited

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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Grant Saxon
Partner

Sydney, 22 August 2014

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 19 August 2014.

(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	186	52,928
1,001 – 5,000	348	1,109,039
5,001 – 10,000	282	2,371,435
10,001 – 100,000	316	10,548,531
100,001 and over	95	111,010,677
Total	**1,227**	**125,092,610**

The number of shareholders holding less than a marketable parcel of 374 shares is 122 (holding a total of 3,732 ordinary shares).

(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	UBS Nominees Pty Ltd	3,400,000	2.72%
6	Atkone Pty Ltd	2,631,506	2.10%
7	National Nominees Limited	2,521,395	2.02%
8	Ruminator Pty Limited	2,385,174	1.91%
9	Contemplator Pty Limited	1,927,551	1.54%
10	Ms Danita Rae Lowes	1,852,953	1.48%
11	Investment Custodial Services Limited	1,793,564	1.43%
12	Bulwarra Pty Ltd	1,600,000	1.28%
13	Harness Capital Pty Ltd	1,510,000	1.21%
14	Dundas Ritchie Investments Pty Ltd	1,500,000	1.20%
15	Mr David Matthew Fite	1,312,314	1.05%
16	J P Morgan Nominees Austra Limited	1,113,567	0.89%
17	Maramindi Pty Ltd	1,075,000	0.86%
18	Sandhurst Trustees Limited	774,978	0.62%
19	Berne No 132 Nominees Pty Ltd<323731 A/C>	700,541	0.56%
20	Garrett Smythe Limited	684,710	0.55%
	Top 20	**93,552,531**	**74.79%**
	Total	**125,092,610**	**100%**

Shareholder Information cont.

(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

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Solicitors

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Brisbane QLD 4000

Share Register

Link Market Services Ltd
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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

FSA Group Limited

www.fsagroup.com.au