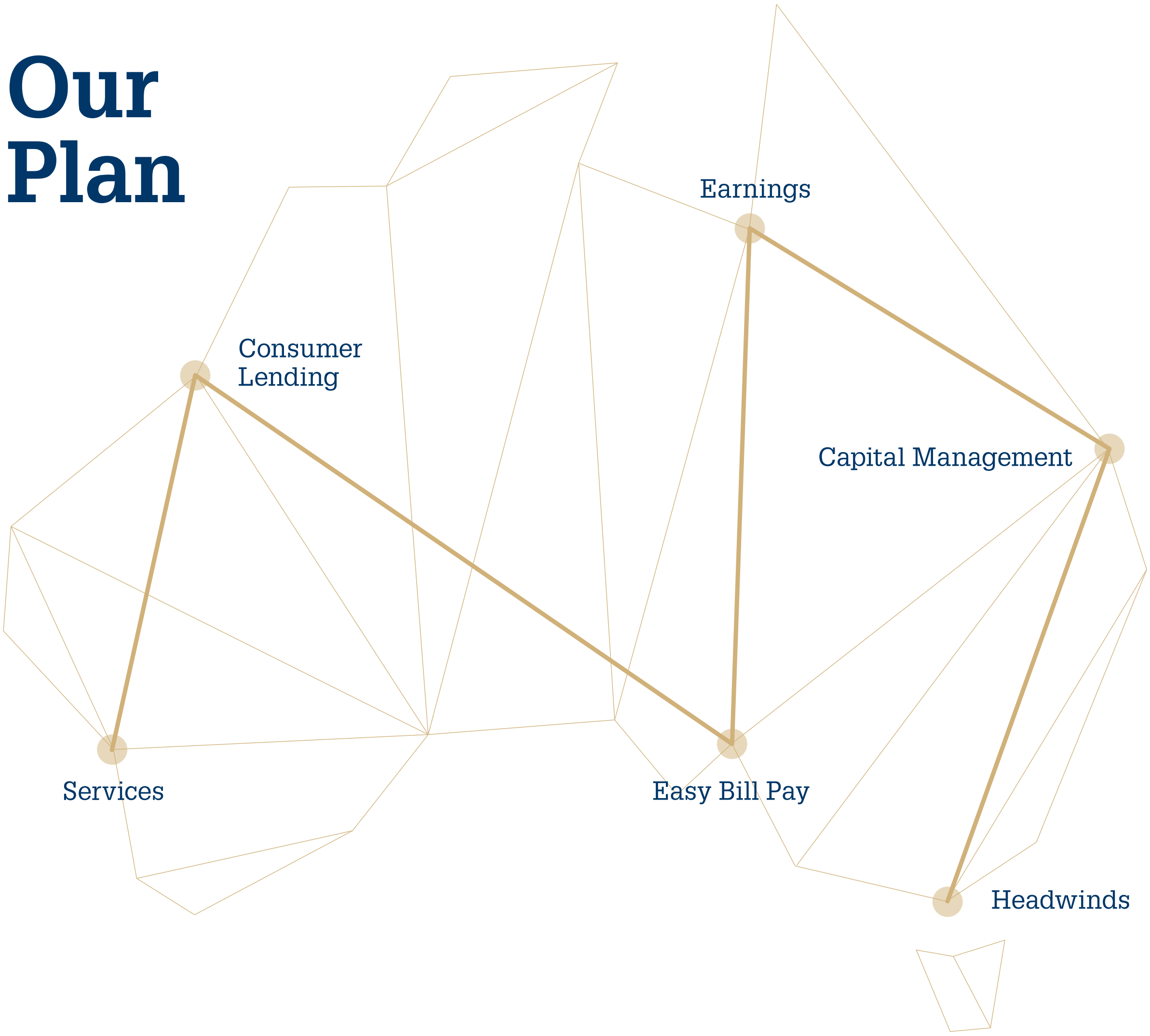
FSA Group Limited

Annual Report 2016

Our Future

The foundation year of
our 5 Year Strategic Plan

Our Plan



Cautionary Statements and Disclaimer Regarding Forward-Looking Information

This Annual Report may contain forward-looking statements, including statements about FSA Group Limited's (**Company**) financial condition, results of operations, earnings outlook and prospects. Forward-looking statements are typically identified by words such as "plan," "aim", "focus", "target", "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project" and other similar words and expressions.

The forward-looking statements contained in this Annual Report are predictive in character and not guarantees or assurances of future performance. These forward-looking statements involve and are subject to known and unknown risks and uncertainties many of which are beyond the control of the Company. Our ability to predict results or the actual effects of our plans and strategies is subject to inherent uncertainty.

Factors that may cause actual results or earnings to differ materially from these forward-looking statements include general economic conditions in Australia, interest rates, competition in the markets in which the Company does and will operate, and the inherent regulatory risks in the businesses of the Company, along with the credit, liquidity and market risks affecting the Company's financial instruments described in the Annual Report.

Forward-looking statements are based on assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate. Those assumptions may not be correct or exhaustive.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. **You are cautioned not to place undue reliance on any forward-looking statements.**

Forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. The Company disclaims any responsibility to and undertakes no obligation to update or revise any forward-looking statement to reflect any change in the Company's circumstances or the circumstances on which a statement is based, except as required by law.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement to the extent permitted by law. Unless otherwise stated, the projections or forecasts included in this Annual Report have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

This Annual Report is not an offer or invitation for subscription or purchase of, or a recommendation of securities.

For over 15 years,
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.

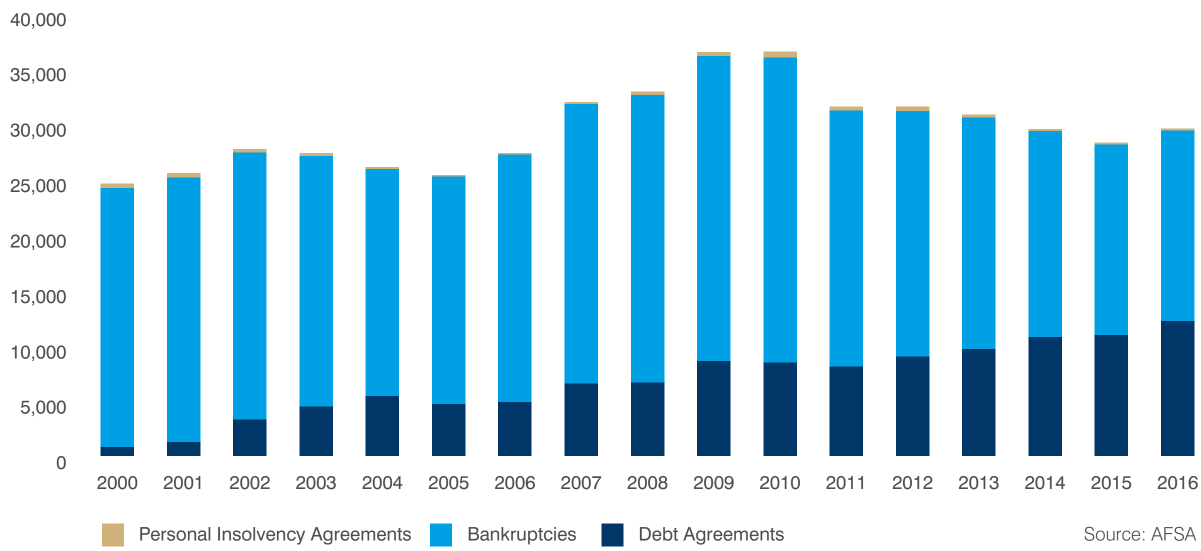
Our Business

Services

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.

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. Our new service Easy Bill Pay assists our clients with paying their bills.

The Services Market



Business Lending

FSA Group offered factoring finance to assist small businesses with cash flow management. The sale of this division was completed on 30 May 2016.

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 offers non-conforming home loans to assist clients with property who wish to consolidate their debt and non-conforming personal loans to assist clients who wish to purchase a motor vehicle.

A 5 Year Strategic Plan

	5 Year Strategic Plan 2016 to 2020
Services	Maintain our leading position in a niche market
Easy Bill Pay	Aiming to add over 500 new clients per month over the next few years
Consumer Lending	Expand our product offering Focus on growing our loan pools Aiming to grow to around $500m
Earnings	Expect average long term earnings growth of around 10% pa Growth rate in earnings may be lower in earlier years
Capital Management	Dividends around 50% to 60% of earnings Balance of earnings to be re-invested to support the capital requirements of our growing loan pools Strategy is self-funding. We do not expect to raise equity capital
Headwinds	Consumer debt levels are at a record high and demand for our products and services is strong. However, we may face a number of headwinds over the next few years, including historically low interest rates adversely affecting certain areas of our business.

2016 Progress

Services

Debt Agreements

- 41% market share
- 5% decrease in new clients
- 19,553 clients up 4%
- $346m of debt managed
- $79m paid to creditors

Personal Insolvency Agreements and Bankruptcy

- One of the largest trustees
- 10% decrease in new clients
- 1,424 clients down 12%

Easy Bill Pay

Easy Bill Pay

- Still trialling
- 2,132 clients
- 131,408 bills paid
- $14.8m paid to date

Consumer Lending

Home Loans

- Loan pool $262m up 12%
- >30 day arrears 2.17%
- Westpac facility $250m
- Institutional facility $20m

Personal Loans

- Loan pool $20m up 237%
- >30 day arrears 0.59%
- Westpac facility $20m
- Planning a $50m structured facility

Earnings and Capital Management

- Refer to Chairman's Letter

Chairman's Letter

Dear Shareholders,

In our 2015 Annual Report we announced a five year strategic plan commencing at the start of the 2016 financial year of which the key strategies and areas of focus are again tabled in this Annual Report. During the 2016 financial year we have faced some challenges, made a significant decision and we have seen some gratifying progress. It is therefore timely and relevant to provide an update on the progress of our strategic plan.

The Services division offers a range of services including informal arrangements, debt agreements, personal insolvency agreements, bankruptcy and Easy Bill Pay. During the 2016 financial year new client numbers for debt agreements decreased by 5% and for personal insolvency agreements and bankruptcy decreased by 10% compared to the previous corresponding period. The decrease was the result of staffing challenges in the first half. As a consequence, our debt agreement market share decreased from 48% to 41%. We are now appropriately staffed moving into the 2017 financial year.

Easy Bill Pay, our bill paying service which allows a client to plan for and take control of their bills, continues to grow steadily. To date we have 2,132 clients and have paid 131,408 bills totalling $14.8 million. We have not yet marketed Easy Bill Pay because over the past year we have invested in developing a new website, creating a mobile app and marketing strategy. We will launch these in 2017.

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. We are focused on growing our loan pools. During the 2016 financial year our loan pools grew from $239 million to $282 million, an 18% growth rate. In order to grow our loan pools to around $500 million over our 5 year plan we will need to achieve an annual growth rate of around 16%. Our personal loan to purchase a motor vehicle is exceeding our expectations. During the year profit was affected because we continued to increase staff numbers and marketing spend to grow our loan pools. However, as we grow our loan pools our business will benefit from higher incremental margins due to fixed cost leverage. This will result in profits growing at a faster rate than revenues.

The Business Lending division offered factoring finance to assist small businesses with cash flow management. The sale of this division was completed on 30 May 2016 delivering to FSA Group around $10.5 million in cash after tax. There are a number of capital management options available to us from the sale proceeds. These will be explored over time.

For the 2016 financial year FSA Group generated, from continuing operations, $62.1 million in operating income and a profit after tax attributable to members of $10.7 million, an 18% decrease compared to the results of 2015. Normalised profit after tax attributable to members was $12.3 million, a 5% decrease. Our net cash inflow from operating activities was $11.2 million, up 3%. Although earnings did not grow in the first year of our 5 year plan, we still expect, subject to our loan pools continuing to grow, to achieve average earnings growth of 10% per annum over the 5 year period, whilst maintaining a dividend of around 50% to 60% of earnings.

I advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2016 financial year. This brings the full year dividend to 7.00 cents per share.

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,

For the 2016 financial year FSA Group generated, from continuing operations, $62.1 million in operating income and a profit after tax attributable to members of $10.7 million, an 18% decrease compared to the results of 2015. Normalised profit after tax attributable to members was $12.3 million, a 5% decrease.

We advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2016 financial year. This brings the full year dividend to 7.00 cents per share.

The Financial Overview below, with the exception of net cash inflow from operating activities, summarises our performance from our continuing operations.

Financial Overview	FY2015	FY2016	% Change
Operating income[1]	$62.3m	$62.1m	— 0%
Profit before tax	$19.9m	$16.8m	∨ 16%
Profit after tax attributable to members	$12.9m	$10.7m	∨ 18%
EPS basic	10.34c	8.52c	∨ 18%
Net cash inflow from operating activities[2]	$10.9m	$11.2m	∧ 3%
Dividend/share	6.50c	7.00c	∧ 8%
Shareholder Equity	$71.4m	$76.8m	∧ 8%

Note 1: *In response to the ongoing change in the collection patterns associated with debt agreement application fees, from 1 July 2015 the Group has recognised the associated revenue net of amounts expected to be unrecoverable as a result of the creditors' rate of return inherent in a debt agreement. Had the change not occurred, the creditors' rate of return would have been recognised as revenue with a corresponding increase in bad debt expense. Whilst this change has had no impact on reported profit, had the previous method been used operating income would have increased 5% from the prior comparative period, with a corresponding dollar increase in the bad debt expense.* ***Note 2:*** *Net cash inflow from operating activities includes discontinued operations.*

On 2 June 2015 we entered into an interest rate swap agreement, locking in $40 million of our funding costs at a fixed rate for 5 years. On 12 November 2015 we locked in a further $40 million for 5 years. These swap agreements were put in place to enable us to protect our borrowers on a case by case basis in the event of interest rates increasing.

The Normalised Financial Overview below, summarises our performance from continuing operations, specifically excluding the before tax $2.4 million mark to market unrealised loss in the 2016 financial year on our 5 year interest rate swap agreements, which does not impact our cash earnings. Reference is to be made to "unrealised (loss) or gain on fair value movement of derivatives" in the Statement of Profit and Loss and Other Comprehensive Income.

Normalised Financial Overview	FY2015	FY2016	% Change
Normalised profit before tax	$19.9m	**$19.2m**	∨ 3%
Normalised profit after tax attributable to members	$12.9m	**$12.3m**	∨ 5%
Normalised EPS basic	10.34c	**9.85c**	∨ 5%

Operational Performance

Our business now operates across the following key segments, Services and Consumer Lending. The sale of our Business Lending division was completed on the 30 May 2016. The profitability of each segment is as follows:

Profit before tax by segment	FY2015	FY2016	% Change	
Services	$14.8m	$14.2m	∨	4%
Consumer Lending	$ 5.1m	$5.2m	∧	3%
Other/unallocated	$0.1m	($2.5m)[1]	∨	
Profit before tax	$19.9m	$16.8m	∨	16%

Note 1: *"Other/unallocated" includes the before tax $2.4 million mark to market unrealised loss in the 2016 financial year on our 5 year interest rate swap agreements, which does not impact our cash earnings. Reference is to be made to "unrealised (loss) or gain on fair value movement of derivatives" in the Statement of Profit and Loss and Other Comprehensive Income.*

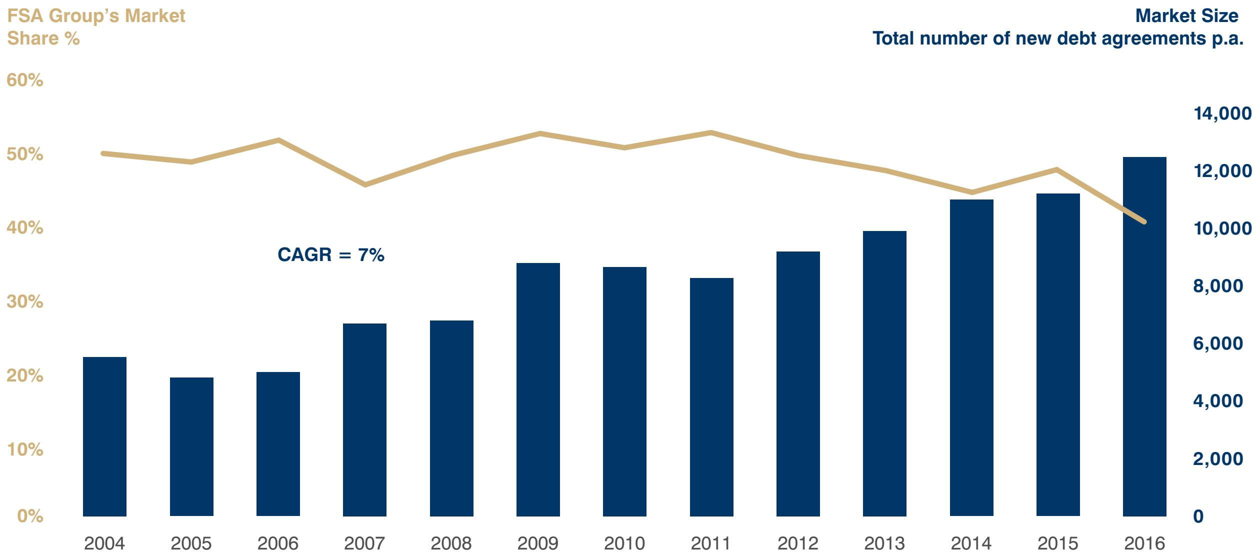
Services

The Services division offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy. Our new service Easy Bill Pay assists our clients with paying their bills.

FSA Group is the largest provider of debt agreements, personal insolvency agreements and bankruptcy in Australia. During the 2016 financial year new client numbers for debt agreements decreased by 5% and for personal insolvency agreements and bankruptcy decreased by 10% compared to the previous corresponding period. The decrease was the result of staffing challenges in the first half. As a consequence, our debt agreement market share decreased from 48% to 41%. We are now appropriately staffed moving into the 2017 financial year.

During the year debt agreement clients under administration increased to 19,553, up 4% and for personal insolvency agreements and bankruptcy decreased to 1,424, down 12%. FSA Group manages $346 million of unsecured debt under debt agreements and during the 2016 financial year paid $79 million in dividends to creditors.

Debt Agreement Market Share



Easy Bill Pay, our bill paying service which allows a client to plan for and take control of their bills, continues to grow steadily. To date we have 2,132 clients and have paid 131,408 bills totalling $14.8 million. We have not yet marketed Easy Bill Pay because over the past year we have invested in developing a new website, creating a mobile app and marketing strategy. We will launch these in 2017.

The Services division achieved a profit before tax of $14.2 million. Profitability was impacted by lower new client numbers and an increase in marketing costs. The increase marketing costs is due to an historically low interest rate driven competitive market.

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.

We are focused on growing our loan pools. During the 2016 financial year our loan pools grew from $239 million to $282 million, an 18% growth rate. In order to grow our loan pools to around $500 million over our 5 year plan we will need to achieve an annual growth rate of around 16%. Our personal loan to purchase a motor vehicle is exceeding our expectations. During the year profit was affected because we continued to increase staff numbers and marketing spend to grow our loan pools. However, as we grow our loan pools our business will benefit from higher incremental margins due to fixed cost leverage. This will result in profits growing at a faster rate than revenues.

Loan Pools	FY2015	FY2016	% Change
Home Loans	$233.0m	$262.0m	^ 12%
Personal Loans	$5.9m	$19.8m	^ 237%
Total	$238.9m	$281.8m	^ 18%

Arrears > 30 day	FY2014	FY2015	FY2016
Home Loans	3.32%	2.87%	2.17%
Personal Loans	Not applicable	Nil	0.59%

Loan Pool Data	Home Loans	Personal Loans
Average loan size	$304,832	$25,299
Security type	Residential home	Motor vehicle
Average loan to valuation ratio	67%	100%+
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

As our loan pools grow we expect to increase and renew our facilities as required. During the year, Westpac Banking Corporation increased our personal loan facility from $10 million to $20 million and renewed the facility until July 2017. We are looking at putting in place a $50 million structured personal loan facility and to increase the limit on our home loan facility to support future growth.

Funding	Facility Type	Provider	Limit	Renewal Date
Home Loans	Non-recourse senior	Westpac	$250m	October 2017
	Non-recourse mezzanine	Institutional	$20m	October 2017
Personal Loans	Recourse corporate	Westpac	$20m	July 2017

The Consumer Lending division achieved a profit before tax of $5.2 million.

Business Lending

The Business Lending division offered factoring finance to assist small businesses with cash flow management. The sale of this division was completed on 30 May 2016.

Over recent years the Board debated the long term growth, risk and return profile of factoring finance. Factoring is a commodity like product. Origination is primarily controlled by third party introducers who demand the lowest pricing for their clients.

The industry is highly competitive and has become even more so in recent years which has impacted margins. The Board did not believe, over the long term, that we could achieve an above average risk adjusted return, unless we provided our clients with a bundled offering which would require product diversification at a significant capital cost.

The Board was particularly concerned about the larger more concentrated lends and the need to continually underwrite risk on a daily basis which created an increasing dependency on skilled personnel. Another concern was an increase in small business failures.

In January 2016 the Board decided to investigate the sale the Business Lending division thus allowing us to focus solely on the consumer space which is our area of expertise. The Board felt it best if we focus on and compete in a space where we have a clear advantage, rather than in a space where we have no clear advantage, in fact arguably a disadvantage.

Proceeds from the sale of the Business Lending division are broken down as follows:

- Shares in the operating subsidiary were sold for $5.5 million. Capital gains tax payable is estimated at $213,478.
- Repayment of debt owed by the operating subsidiary to FSA Group of $5.2 million which was used to support the ongoing business. All of the profits of the operating subsidiary accruing to FSA Group were retained by FSA Group.

The sale delivered to FSA Group $10.5 million in cash after tax. The maximum liability of FSA Group in respect of any claims for breach of warranty or otherwise, other than in respect of tax, under or in connection with the sale is $1 million.

There are a number of capital management options available to us from the sale proceeds. These will be explored over time.

Net cash inflow from operating activities

During the 2016 financial year, FSA Group maintained strong net cash inflow driven by long term annuity income from its clients. Net cash inflow from operating activities was $11.2 million and includes discontinued operations.

	FY2014	FY2015	FY2016
Net cash inflow from operating activities	$12.0m	$10.9m	$11.2m

		No of clients/ loan pool size	Average client life in years
Services	Debt Agreements	19,553	4.5 to 5.5
	PIA/Bankruptcy	1,424	3
	Easy Bill Pay	2,132	Expect > 5
Consumer Lending	Home Loans	$262m	3 to 4
	Personal Loans	$20m	4 to 5

Strategy and Outlook

We are moving into the second year of our 5 year strategic plan. A key component of our plan is to ensure our Services division maintains its leading position in a niche market, to grow our Easy Bill Pay client numbers and to grow our loan pools to around $500 million.

If we are successful in the execution of our 5 year strategic plan we expect average long term earnings growth of around 10% per annum. The growth rate in earnings may be lower in the earlier years. We expect our dividend payout ratio to be around 50% to 60% of earnings with the balance of earnings to be re-invested to support the capital requirements of our growing loan pools. Our strategy is self-funding so we do not expect to raise equity capital.

Consumer debt levels are at a record high and demand for our products and services is strong. However, we may face a number of headwinds over the next few years, including historically low interest rates adversely affecting certain areas of our business.

Our People

We have a committed, experienced and highly motivated team focussed on strong and creating opportunities. We would like to acknowledge the efforts of all our team during what has been another busy year. 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, top to bottom)
Tim Odillo Maher
Stan Kalinko
David Bower
Deborah Southon
Sam Doumany
Cellina Chen (Secretary)

Financial Statements

for the year ended 30 June 2016

Directors' Report
for the year ended 30 June 2016

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 2016.

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
David Bower

Information on Directors

Sam Doumany (Non–Executive Chairman)

Experience and Expertise

Mr Doumany was appointed 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.

Since 1983 Mr Doumany has operated a consultancy practice providing services in government relations, corporate strategy and market development. Mr Doumany was retained by Ernst & Young in an executive consultancy role between 1991 and 2002. 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

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

Interest in shares and options

Ordinary shares	1,100,000

Directors' Report cont.

for the year ended 30 June 2016

Tim Odillo Maher (Executive Director)

Experience and Expertise

Mr Odillo Maher was appointed on 30 July 2002.

Mr Odillo Maher holds a Bachelor of Business Degree (majoring in Accounting and Finance) from Australian Catholic University and is a Certified Practising Accountant.

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 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 2016

Stan Kalinko (Non–Executive Director)

Experience and Expertise

Mr Kalinko was appointed on 9 May 2007.

Mr Kalinko 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. He is a fellow of the Australian Institute of Company Directors and also serves on the Boards of 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

Chairperson of the Audit & Risk Management Committee and a member of the Remuneration Committee

Interest in shares and options

Ordinary shares	100,000

David Bower (Non–Executive Director)

Experience and Expertise

Mr David Bower was appointed on 23 April 2015.

Mr Bower has over 30 years of executive experience in financial services in Australia. He spent 26 years with Westpac Banking Corporation running business units in Corporate Banking, Commercial Bank, Retail Bank and Financial Markets. He also worked with ANZ and St George Bank. He is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Economics degree.

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 Chairperson of the Remuneration Committee.

Interest in shares and options

Ordinary shares	30,000

Directors' Report cont.

for the year ended 30 June 2016

Company Secretary

Don Mackenzie

Mr Don Mackenzie was appointed Company Secretary on 19 November 2010 and retired on 30 June 2015.

Cellina Z Chen

Mrs Cellina Z Chen was appointed joint Company Secretary on 23 April 2015 and subsequently appointed as Company Secretary on 1 July 2015. Mrs Chen holds a Master of Commerce degree (major in accounting and finance) from the University of Sydney and is a Certified Practising Accountant. Mrs Chen has also completed the Australian Institute of Company Directors courses and holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Mrs Chen joined the Company in 2001 and is the Chief Financial Officer.

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. During the year, we disposed of the business lending division.

Operating results

Total profit for the year and total comprehensive income for the year for the Consolidated Entity after providing for income tax and eliminating non–controlling interests was $13,478,685 (2015: $14,688,253).

Dividends declared and paid during the year

- On 26 September 2014, a fully franked final dividend relating to the year ended 30 June 2014 of $4,378,243 was paid at 3.50c per share; and
- On 11 March 2015, a fully franked interim dividend of $3,752,778 was paid at 3.00c per share.

Dividends declared after the end of year

On 23 August 2016, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 13 September 2016 with a record date of 30 August 2016.

Operating and Financial Review

Detailed comments on operations are included separately in the Executive Directors' review, on page 7 to 11 of the Annual Report.

Review of financial condition

Capital structure

There have been no changes to the Company's share structure during or since the end of the financial year.

Financial position

The net assets of the Consolidated Entity, which includes amounts attributable to non–controlling interest, have increased from $71,370,806 at 30 June 2015 to $76,759,149 at 30 June 2016.

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.

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. Further details of the Consolidated Entities' access to facilities are included in Note 13 of the Financial Statements.

Directors' Report cont.

for the year ended 30 June 2016

Significant changes in the state of affairs

Besides the sale of business lending division, there were no significant changes in the state of affairs of the Consolidated Entity during 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 performance or position of the Consolidated Entity as at 30 June 2016 except as follows:

- On 23 August 2016, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 13 September 2016 with a record date of 30 August 2016.

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. The operations of the Consolidated Entity are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Share options

As at 30 June 2016 there were no options on issue and no shares were issued during the year following the exercise of options.

Indemnification and insurance of directors and officers

Each of the Directors and the Officers of the Company has entered into an agreement 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 Directors and the Senior Executive. The Executive Directors and the Senior Executive comprise the Key Management Personnel of the Consolidated Entity for the purposes of the Corporations Act 2001 for the year ended 30 June 2016.

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

Directors' Report cont.

for the year ended 30 June 2016

Remuneration policy

The performance of the Consolidated Entity depends upon the quality of its personnel. To prosper, the Consolidated Entity must attract, motivate and retain highly skilled people.

The Company 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 highly skilled people. 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 Executive Directors and Senior Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long–term incentives. In accordance with best practice corporate governance, the structure of Non–Executive Director, Executive Director and Senior Executive remuneration is separate and distinct.

In consultation with external remuneration consultants in prior years, the Remuneration Committee has 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 profit before income tax 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 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 Consolidated Entity 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 to be no more than $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 Non–Executive Director, the Company may remunerate that Non–Executive 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 Consolidated Entity.

The remuneration of Non–Executive Directors for the year ended 30 June 2016 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 Consolidated Entity 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 Consolidated Entity; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Executive is agreed by the Remuneration Committee. 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;
- long–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 where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

The short–term incentives program ("STI") has been set to align the targets of the operating segments 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.

The long–term incentives programme ("LTI") has been set to align the targets of the Consolidated Entity's five year plan with the targets of the responsible executives. LTI payments will be granted to the Senior Executive based on specific 5 year targets being achieved. Those targets include earnings growth rate; the services division market share, arrears and termination rates; home loan and personal loan portfolio growth, arrears and bad debts; client complaint levels and employee satisfaction levels. Subject to the Board being reasonably satisfied that the above indicators have been achieved, the Senior Executive will be eligible for a payment of up to $500,000.

The remuneration of the Executive Directors and Senior Executive for the year ended 30 June 2016 is detailed in Table 1 of this Remuneration Report.

A Securities Trading Policy has been adopted for Directors' and employees' 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 contracts entered into with the Executive Directors and Senior Executive contain the following key terms:

Event	**Company Policy**
Performance based salary increases and/or bonuses	Board assessment based on KPI achievement
Short-term incentives	Board assessment based on KPI achievement
Long-term incentives	Board assessment based on 5 years plan 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
David Bower	Non–Executive Director
Stan Kalinko	Non–Executive Director

(ii) Executive Directors

Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director

(iii) Senior Executive

Cellina Chen	Chief Financial Officer / Company Secretary

The Executive Directors and the Senior Executive comprise the Key Management Personnel of the Consolidated Entity.

Directors' Report cont.

for the year ended 30 June 2016

(b) Remuneration of Directors and Key Management Personnel

Table 1

	Short–term			Long–term	Post–Employ-ment	Total	Perform–ance based
	Salary & Fees $	Cash Bonus $	Non–cash benefits $	Non–cash benefits $	Super–annuation & other benefits $	$	%
Non–Executive Directors							
Sam Doumany							
2016	136,923	–	–	–	13,008	149,931	–
2015	130,000	–	–	–	12,350	142,350	–
Stan Kalinko							
2016	85,000	–	–	–	8,075	93,075	–
2015	79,999	–	–	–	7,600	87,599	–
David Bower							
2016	72,692	–	–	–	6,906	79,598	–
2015	10,769	–	–	–	1,023	11,792	–
Sally Herman (retired on 28 November 2014)							
2016	–	–	–	–	14,412	14,412	–
2015	35,991				3,419	39,410	–
Executive Directors							
Tim Odillo Maher							
2016	546,250	310,000*	–	–	–	856,250	36%
2015	545,937	375,000	–	–	–	920,937	41%
Deborah Southon							
2016	533,257	310,000*	20,857**	(30,858)**	36,346	869,602	36%
2015	515,700	375,000	17,352	6,432	32,307	946,791	40%
Senior Executive							
Cellina Chen							
2016	211,625	75,000^	30,296**	5,704**	20,286	342,911	22%
2015	182,845	70,000	28,901	3,982	19,378	305,106	23%
Total Remuneration							
2016	**1,585,747**	**695,000**	**51,153**	**(25,154)**	**99,033**	**2,405,779**	
2015	1,501,241	820,000	46,253	10,414	76,077	2,453,985	

* Bonus (representing 100% of the total bonus to be paid) was paid to Tim Odillo Maher and Deborah Southon in relation to the performance during financial year 2015. 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 in relation to the performance during financial year 2015. 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: $200,000– $400,000 Deborah Southon: $200,000– $400,000

Senior Executive: Cellina Chen: $50,000– $100,000

Directors' Report cont.

for the year ended 30 June 2016

Remuneration Report cont.

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

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Operating income	**$62,078,752**	$69,619,295	$65,465,843	$64,419,490	$58,965,143
Net profit before tax	**$16,842,459**	$22,443,940	$20,817,543	$17,763,474	$14,914,461
Net profit and other comprehensive income after tax attributable to members	**$13,478,685**	$14,688,253	$13,482,241	$10,759,096	$8,527,891
Share price at the start of the year	**$1.27**	$1.23	$0.70	$0.32	$0.24
Share price at the end of the year	**$1.01**	$1.27	$1.23	$0.70	$0.32
Dividends declared for the year	**6.50c**	6.50c	6.00c	5.00c	2.20c
Basic EPS (cents)	**8.52**	11.74	10.78	8.51	6.27
Diluted EPS (cents)	**8.52**	11.74	10.78	8.51	6.27

*Note: The result for year ended 30 June 2016 excluded the discontinued business lending division which was disposed during the year. All prior year results included the business lending division results.

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 Consolidated Entity in those periods.

(c) Options issued as part of remuneration for the year ended 30 June 2016

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 or Key Management Personnel.

(f) Shareholdings of Directors and Key Management Personnel

Shares held in FSA Group Ltd	Balance 1 July 2015	Purchased on market	Other Changes	Balance 30 June 2016
Directors				
Sam Doumany	1,100,000	–	–	1,100,000
Tim Odillo Maher	42,809,231	–	–	42,809,231
Deborah Southon	12,960,047	–	–	12,960,047
Stan Kalinko	100,000	–	–	100,000
David Bower	30,000	–	–	30,000
Senior Executive				
Cellina Chen	–	–	–	–
Total	**56,999,278**	**–**	**–**	**56,999,278**

(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 $26,267 for the year ended 30 June 2016 (2015: $50,782). The finance facility and factoring fees charged were provided on normal commercial terms.

Directors' Report cont.

for the year ended 30 June 2016

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 $9,290 (2015: $5,951). The supplies were purchased on normal commercial terms.

(i) Voting and comments made at the Company's 2015 Annual General Meeting ("AGM")

At the 2015 AGM, 97.27% of the votes received supported the adoption of the Remuneration Report for the year ended 30 June 2015. 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' Meetings

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

	Number of meetings held while in office	Meetings attended
Sam Doumany	9	9
Tim Odillo Maher	9	8
Deborah Southon	9	9
Stan Kalinko	9	9
David Bower	9	9
Total number of meetings held during the financial year	9	

Audit & Risk Management Committee Meetings

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

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

Remuneration Committee Meetings

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

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

Directors' Report cont.

for the year ended 30 June 2016

Proceedings on behalf of the Company

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

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, BDO East Coast Partnership, during the year ended 30 June 2016:

Tax compliance services	$44,187
Taxation advice and consulting	$69,164

Auditor's Independence Declaration

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

Auditor Details

BDO East Coast Partnership 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 are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). The Company's Corporate Governance Charter and a statement of Corporate Governance are available on the Company website www.fsagroup.com.au.

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

23 August 2016

Auditor's Independence Declaration

for the year ended 30 June 2016

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

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of FSA Group Limited for the year ended 30 June 2016, 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.

Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 23 August 2016

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Notes	Consolidated Entity 2016 $	2015 $
Continuing operations			
Revenue and other income			
Fees from services	4	**50,684,812**	52,554,521
Finance income	4	**22,431,003**	20,664,010
Finance expense	4	**(11,033,475)**	(10,942,319)
Net finance income	4	**11,397,528**	9,721,691
Other losses		**(3,588)**	(1,185)
Total operating income		**62,078,752**	62,275,027
Marketing expenses		**(8,447,350)**	(7,513,964)
Administrative expenses		**(7,984,477)**	(7,796,683)
Operating expenses		**(26,436,479)**	(27,057,792)
Unrealised loss or (gains) on fair value movement of derivatives		**(2,367,987)**	39,708
Expenses from continuing activities		**(45,236,293)**	(42,328,731)
Profit before income tax from continuing operations		**16,842,459**	19,946,296
Income tax expense	9(a)	**(5,093,288)**	(5,918,275)
Net profit from continuing operations		**11,749,171**	14,028,021
Total profit for the year from continuing operations for the year attributable to:			
Non-controlling interests		**1,090,679**	1,088,119
Members of the parent		**10,658,492**	12,939,902
		11,749,171	14,028,021
Discontinued operations			
Profit from disposed and discontinued operations after tax	7	**2,820,193**	1,748,351
Net profit for the year		**14,569,364**	15,776,372
Earnings per share			
Earnings per share from continuing operations			
Basic earnings per share (cents per share)	10	**8.52**	10.34
Diluted earnings per share (cents per share)	10	**8.52**	10.34
Earnings per share from disposed and discontinued operations			
Basic earnings per share (cents per share)	10	**2.26**	1.40
Diluted earnings per share (cents per share)	10	**2.26**	1.40
Total earnings per share			
Basic earnings per share (cents per share)	10	**10.78**	11.74
Diluted earnings per share (cents per share)	10	**10.78**	11.74
Other comprehensive income	7	**–**	–
Total comprehensive income for the year		**14,569,364**	15,776,372
Total profit for the year and total comprehensive income for the year attributable to:			
Non-controlling interests		**1,090,679**	1,088,119
Members of the parent		**13,478,685**	14,688,253
		14,569,364	15,776,372

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 2016

		Consolidated Entity	
	Notes	**2016 $**	**2015 $**
Current Assets			
Cash and cash equivalents	16	**12,560,188**	8,094,387
Trade and other receivables	2	**35,501,826**	33,618,443
Other assets	18	**405,652**	483,258
Total Current Assets		**48,467,666**	42,196,088
Non–Current Assets			
Trade and other receivables	2	**46,115,040**	41,048,433
Investments		**385**	385
Plant and equipment	20	**334,684**	297,639
Deferred tax assets	9c	**13,666**	11,870
Intangible assets	21	**1,182,741**	3,596,827
Total Non–Current Assets		**47,646,516**	44,955,154
Financing Assets			
Personal loan cash and cash equivalents	16	**83,113**	46,492
Home loan cash and cash equivalents	16	**4,732,579**	8,851,591
Factoring cash and cash equivalents	16	**–**	2,822,648
Personal loan assets	3b	**19,816,669**	5,878,322
Home loan assets financed by non–recourse financing liabilities	3a	**261,978,305**	232,967,277
Factoring assets	3c	**–**	31,519,042
Total Financing Assets		**286,610,666**	282,085,372
Total Assets		**382,724,848**	369,236,614
Current Liabilities			
Trade and other payables	11	**12,086,608**	12,096,371
Current tax liabilities	8	**695,897**	853,459
Borrowings	12	**389,733**	174,408
Other payables		**–**	2,100,000
Provisions	23	**1,826,342**	1,881,412
Total Current Liabilities		**14,998,580**	17,105,650
Non–Current Liabilities			
Provisions	23	**660,701**	635,346
Deferred tax liabilities	9d	**15,706,850**	15,330,862
Derivatives	19	**2,328,279**	(39,708)
Total Non–Current Liabilities		**18,695,830**	15,926,500
Financing Liabilities			
Borrowings to finance personal loan assets	12	**16,545,520**	5,518,326
Non–recourse borrowings to finance home loan assets	12	**255,725,769**	230,861,879
Borrowings to finance factoring assets	12	**–**	28,453,453
Total Financing Liabilities		**272,271,289**	264,833,658
Total Liabilities		**305,965,699**	297,865,808
Net Assets		**76,759,149**	71,370,806
Equity			
Share capital	24	**6,707,233**	6,707,233
Reserves		**(3,278,761)**	(3,278,761)
Retained earnings		**71,081,654**	65,733,990
Total equity attributable to members of the parent		**74,510,126**	69,162,462
Non–controlling interest		**2,249,023**	2,208,344
Total Equity		**76,759,149**	71,370,806

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 2016

	Share capital $	Share option reserve $	Other reserve $	Retained earnings $	Non–controlling interest $	Total $
Balance at 30 June 2014	**6,707,233**	**769,374**	**(3,278,761)**	**58,407,384**	**2,345,225**	**64,950,455**
Profit after income tax for the year	–	–	–	14,688,253	1,088,119	15,776,372
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	**14,688,253**	**1,088,119**	**15,776,372**
Transactions with owners in their capacity as owners:						
Reclassification of share option reserve	–	(769,374)	–	769,374	–	–
Dividends paid	–	–	–	(8,131,021)	–	(8,131,021)
Distributions to non–controlling interests	–	–	–	–	(1,225,000)	(1,225,000)
Balance at 30 June 2015	**6,707,233**	**–**	**(3,278,761)**	**65,733,990**	**2,208,344**	**71,370,806**
Profit after income tax for the year	–	–	–	13,478,685	1,090,679	14,569,364
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**13,478,685**	**1,090,679**	**14,569,364**
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	–	(8,131,021)	–	(8,131,021)
Distributions to non–controlling interests	–	–	–	–	(1,050,000)	(1,050,000)
Balance at 30 June 2016	**6,707,233**	**–**	**(3,278,761)**	**71,081,654**	**2,249,023**	**76,759,149**

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 2016

	Notes	Consolidated Entity 2016 $ Inflows/ (Outflows)	2015 $ Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**41,438,183**	44,350,797
Payments to suppliers and employees		**(42,871,044)**	(45,271,491)
Finance income received		**30,013,364**	29,914,603
Finance cost paid		**(12,010,140)**	(12,236,691)
Income tax paid		**(5,347,205)**	(5,875,417)
Net cash inflow from operating activities	15	**11,223,158**	10,881,801
Cash flows from investing activities			
Acquisition of property, plant and equipment	20	**(247,011)**	(159,667)
Acquisition of intangibles	21	**(568,832)**	(223,383)
Final consideration for acquisition of non–controlling interest		**(2,100,000)**	–
Consideration received for disposal of subsidiary net of cash disposed	7	**6,260,961**	–
Net increase in home loan finance assets		**(29,848,135)**	(13,130,749)
Net increase in personal loan assets		**(13,881,678)**	(4,757,026)
Net decrease in bridging finance assets		**95,936**	128,409
Net decrease/(increase) in factoring finance assets		**5,131,116**	(7,458,847)
Net increase in other loans		**105,000**	–
Net cash outflow from investing activities		**(35,052,643)**	(25,601,263)
Cash flows from financing activities			
Net receipt of borrowings		**30,571,268**	22,703,273
Payment of distributions to non–controlling Interests		**(1,050,000)**	(1,225,000)
Dividends paid to company's shareholders		**(8,131,021)**	(8,131,021)
Net cash inflow from financing activities		**21,390,247**	13,347,252
Net decrease in cash and cash equivalents		**(2,439,238)**	(1,372,210)
Cash and cash equivalents at the beginning of the financial year		**19,815,118**	21,187,328
Cash and cash equivalents at the end of the financial year	16	**17,375,880**	19,815,118

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 2016

Note 1. Summary of significant accounting policies

FSA Group Limited and its controlled entities (the "Consolidated Entity") is a for–profit listed public company (ASX: FSA), 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 Consolidated Entity 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 23 August 2016.

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 certain financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies cont.

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 2016 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. 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.

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.

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– refer to Note 21
- Impairment of debt agreement receivables– refer to Note 2
- Impairment of loans and advances– refer to Note 3

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 2016. 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.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies cont.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely payments of principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held–for–trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12–month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted cont.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles–based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non–monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five–step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right–to–use asset and liability for all leases (excluding short–term leases with less than 12 months of tenure and leases relating to low–value assets);
- depreciation of right–to–use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non–lease components and instead account for all components as a lease; and additional disclosure requirements.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies cont.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short–term receivables are not discounted if the effect of discounting is immaterial.

Collectability of trade receivables is reviewed on an ongoing basis.

Debt agreement receivables

Debt agreement receivables are receipted on a pro rata basis, in parity with other parties to the debt agreement throughout the debt agreement administration period which is generally 2 to 5 years.

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 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. 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 2 of the Financial Statements).

Bankruptcy receivables

Bankruptcy receivables are receipted on a pro rata basis, in accordance with statutory approval of trustee remuneration, throughout the administration period which is approximately 3 years.

The recoverability of bankruptcy receivables is assessed on both collective (portfolio) basis based on historical loss incurred and also adjusted by individual matter assessment on an ongoing basis. Amounts are written off against this account, when the Consolidated Entity has no realistic possibility of recovery.

Other trade and sundry receivables

Other receivables are recognised at amortised cost, less any provision for impairment. Other trade and sundry receivables are generally on 14 to 30 day terms.

Impairment of other trade and sundry receivables is assessed on an individual basis with regard to the credit quality of the debtor, payment history and any other information available. These debtors are assessed as being in arrears where they do not pay on their invoice terms and where the terms of this payment have not been re–negotiated. This is monitored monthly by management. At reporting date there are certain other trade and sundry receivables that were past due and are not impaired. Management has reviewed these receivables, their payment history and other information available, and have considered these to be recoverable.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 2. Trade and Other Receivables cont.

	Consolidated Entity 2016 $	2015 $
Current		
Trade receivables	**40,697,052**	37,746,843
Provision for impairment	**(5,562,098)**	(4,387,108)
	35,134,954	33,359,735
Sundry receivables	**366,872**	258,708
	35,501,826	33,618,443
Non–current		
Trade receivables	**53,112,108**	48,160,815
Provision for impairment	**(6,997,068)**	(7,112,382)
	46,115,040	41,048,433
Total	**81,616,866**	74,666,876
The movement in the provision for impairment		
Opening balance	**11,499,491**	12,606,741
Provision for impairment recognised	**6,581,575**	8,270,811
Unused provision reversed	**(1,025,595)**	(2,328,524)
Bad debts	**(4,496,305)**	(7,049,537)
Closing balance	**12,559,166**	11,499,491

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 5 of the Financial Statements.

Ageing analysis

	Consolidated Entity					
	2016			2015		
	Gross $	Allowance $	Net $	Gross $	Allowance $	Net $
Trade and other receivables						
Not past due	**90,670,561**	**(10,633,238)**	**80,037,323**	83,840,544	(10,152,889)	73,687,655
Past due 0–30 Days	**116,390**	**(36,829)**	**79,561**	86,020	(30,792)	55,228
Past due 31–60 Days	**121,581**	**(49,330)**	**72,251**	77,742	(40,386)	37,356
Past due 61–90 Days	**94,017**	**(53,812)**	**40,205**	105,524	(45,359)	60,165
Past 90 Days	**3,173,483**	**(1,785,957)**	**1,387,526**	2,056,537	(1,230,065)	826,472
Total	**94,176,032**	**(12,559,166)**	**81,616,866**	86,166,367	(11,499,491)	74,666,876

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 3. Financing Assets

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 comprise personal loan and home loan assets. Loans arise when a personal loan or home loan is originated in the Statement of Financial Position. These are accounted for at amortised cost using the effective interest method.

Impairment

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.

	Consolidated Entity	
(a) Home loan assets	**2016 $**	**2015 $**
Non–securitised home loan assets	**262,428,803**	233,281,719
Provision for impairment	**(450,498)**	(314,442)
	261,978,305	232,967,277
Maturity analysis		
Amounts to be received in less than 1 year	**3,647,040**	2,931,308
Amounts to be received in greater than 1 year	**258,781,763**	230,350,411
	262,428,803	233,281,719
The movement in the provision for impairment		
Opening balance	**314,442**	268,540
Increase in provision	**573,321**	193,318
Bad debts	**(437,265)**	(147,416)
Closing balance	**450,498**	314,442

Impairment– Home loan assets

An impairment loss is recognised if the total expected recoveries in regard to an individual loan do not exceed the home loan balance. In the event that actual or expected sales proceeds do not exceed the home 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 home loan security 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 home loan is classified as being in arrears at the reporting date on the basis of "past due" amounts. Any loan with an amount that is past due (either instalment arrears or total arrears comprising of any instalments arrears plus any other charges) is classified as being in arrears and the total amount of the loan is recorded as in arrears. Ageing of arrears is determined by dividing total arrears over instalment amount and multiplying this by the instalment frequency (i.e. weekly, fortnightly, and monthly).

At reporting date, the Consolidated Entity had registered mortgages over real property (comprising of residential land and buildings) for each of the home loan receivables. The weighted average loan to valuation ratio (at the fair values of the underlying real property securities) at reporting date was 67.4% (2015: 67.6%). 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.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 3. Financing Assets cont.

Ageing analysis – home loan assets

	Consolidated Entity					
	2016 Gross $	2016 Allowance $	2016 Net $	2015 Gross $	2015 Allowance $	2015 Net $
Not past due	241,228,814	–	241,228,814	211,680,359	–	211,680,359
Past due 0–30 Days	15,512,954	–	15,512,954	14,901,641	–	14,901,641
Past due 31–60 Days	1,930,396	–	1,930,396	2,020,472	–	2,020,472
Past due 61–90 Days	734,826	–	734,826	2,120,751	–	2,120,751
Past 90 Days	3,021,813	(450,498)	2,571,315	2,558,496	(314,442)	2,244,054
Total	**262,428,803**	**(450,498)**	**261,978,305**	**233,281,719**	**(314,442)**	**232,967,277**

	Consolidated Entity	
	2016 $	2015 $
(b) Personal loan assets		
Personal loan assets	**19,836,891**	5,878,322
Provision for impairment	**(20,222)**	–
	19,816,669	5,878,322
Maturity analysis		
Amounts to be received in less than 1 year	**2,418,633**	870,485
Amounts to be received in greater than 1 year	**17,418,258**	5,007,837
	19,836,891	5,878,322
The movement in the provision for impairment		
Opening balance	**–**	–
Provision for impairment recognised	**20,222**	–
Bad debts	**–**	–
Closing balance	**20,222**	–

Impairment

Impairment has been assessed on an individual basis with primary regard to the underlying equity in the personal loan security 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					
	2016 Gross $	2016 Allowance $	2016 Net $	2015 Gross $	2015 Allowance $	2015 Net $
Not past due	19,436,076	–	19,436,076	5,852,299	–	5,852,299
Past due 0–30 Days	283,183	–	283,183	26,023	–	26,023
Past due 31–60 Days	90,258	–	90,258	–	–	–
Past due 61–90 Days	–	–	–	–	–	–
Past 90 Days	27,374	(20,222)	7,152	–	–	–
Total	**19,836,891**	**(20,222)**	**19,816,669**	**5,878,322**	**–**	**5,878,322**

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 3. Financing Assets cont.

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
(c) Factoring assets		
Factoring finance receivables	–	31,725,431
Provision for impairment	–	(206,389)
	–	31,519,042
The movement in the provision for impairment		
Opening balance	**206,389**	642,838
Increase / (decrease) in provision	**(13,232)**	(31,076)
Bad debts	**(193,157)**	(405,373)
Closing balance	–	206,389

Ageing analysis– factoring assets

	Consolidated Entity 2016 Gross $	2016 Allowance $	2016 Net $	2015 Gross $	2015 Allowance $	2015 Net $
Not past due	–	–	–	15,647,986	–	15,647,986
Past due 0–30 Days	–	–	–	11,148,674	–	11,148,674
Past due 31–60 Days	–	–	–	3,437,762	–	3,437,762
Past due 61–90 Days	–	–	–	894,413	–	894,413.00
Past 90 Days	–	–	–	596,596	(206,389)	390,207.00
Total	**–**	**–**	**–**	**31,725,431**	**(206,389)**	**31,519,042**

Note 4. Revenue and other comprehensive income net of finance expense

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:

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 Australia Financial Security Authority.

Debt agreement administration fees

Revenue from rendering of debt agreement administration services is recognised in profit or loss in accordance with the proportion of services provided throughout the administration period.

Trustee fees – bankruptcy and personal insolvency agreements

Trustee fees are recognised as work in progress and time billed. Fee income is recognised when services are provided throughout the administration period and fees are expected to be recovered

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 4. Revenue and other comprehensive income net of finance expense cont.

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.

Easy Bill Pay fees

Revenue from rendering bill payment services is recognised when services are provided throughout the administration period and fees are expected to be recovered.

Finance income and costs

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 and risk assessment fees) or, where income relates to loan origination, income is deferred and amortised over the effective life of the loan using the effective interest method.

Finance costs

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.

	Consolidated Entity	
	2016 $	**2015 $**
Continuing operations		
Fees from services		
– Personal insolvency	**48,979,038**	51,205,314
– Refinance broking	**1,074,830**	1,195,328
– Easy Bill Pay	**476,541**	–
– Other services	**154,403**	153,879
Total revenue	**50,684,812**	52,554,521
Finance income		
– Interest income– personal loan assets	**1,766,183**	530,075
– Interest income– home loan assets	**18,101,029**	18,031,307
– Finance fee income– personal loan assets	**920,274**	330,807
– Finance fee income– home loan assets	**1,473,210**	1,446,842
– Other interest income	**170,307**	324,979
	22,431,003	20,664,010
Finance expense		
– Interest expense– personal loan facilities	**(355,578)**	(122,221)
– Interest expense– home loan facilities	**(10,675,050)**	(10,818,862)
– Interest expense– other lending facilities	**(2,847)**	(1,236)
	(11,033,475)	(10,942,319)
Net finance income	**11,397,528**	9,721,691

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 4. Revenue and other comprehensive income net of finance expense cont.

	Consolidated Entity	
	2016 $	2015 $
Discontinued operations		
– Interest income– factoring assets	**2,808,037**	2,860,318
– Finance fee income– factoring assets	**4,468,593**	5,269,931
– Interest expense– factoring loan facilities	**(1,121,363)**	(1,150,689)
	6,155,267	6,979,560

Note 5. Profit for the year

Depreciation

Property, plant and equipment are depreciated on a straight–line basis over their useful lives to the Consolidated Entity 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Leases

Leases of property plant and equipment where the Consolidated Entity, 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 Consolidated Entity 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 Consolidated Entity estimates the recoverable amount of the cash–generating unit to which the asset belongs.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 5. Profit for the year cont.

	Consolidated Entity 2016 $	2015 $
Expenses		
Profit for the year from continuing operations has been arrived at after charging:		
Depreciation on plant and equipment	**192,421**	257,848
Amortisation of software	**450,735**	257,664
	643,156	515,512
Impairment in value– trade receivables and financing assets	**6,818,783**	8,803,209
Reversal of impairment in value– trade receivables and financing assets	**(1,025,594)**	(2,480,722)
Net impairment	**5,793,189**	6,322,487
Unrealised loss or (gains) on fair value movement in derivatives	**2,367,987**	(39,708)
Rental expense on operating lease	**1,098,931**	1,071,673
Employee and contractor expenses	**22,464,506**	22,943,882
Defined contribution superannuation expense	**1,659,356**	1,654,034
Legal consulting– client services	**294,478**	40,327

Note 6. Segment Information

Operating segments

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same Consolidated Entity); whose operating results are regularly reviewed by the entity's chief operating decision makers 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.

Identification and information about reportable segments

The Consolidated Entity's chief operating decision makers have identified three reportable segments based on the differences in providing services and providing lending products. These segments are subject to different regulatory environments and legislation.

The identified reportable segments are:

- Services; including debt agreements, personal insolvency agreements, bankruptcy and Easy Bill Pay;
- Consumer lending; including home loan lending, home loan broking and personal loan lending;
- Other / unallocated; including unrealised gain or loss on fair value movement of derivatives, parent entity services and intercompany investments, balances and transactions, which are eliminated upon consolidation.

During the financial year, the Consolidated Entity disposed of the previous operating segment Business Lending which included factoring finance. Information related to the discontinued operations can be found in Note 7.

The Consolidated Entity operates in one geographic region– Australia.

Measurement

Each identified reportable segment accounts for transactions consistently with the Accounting policies mentioned above. 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 cont.

for the year ended 30 June 2016

Note 6. Segment Information cont.

Operating Segments

	Services		Consumer Lending		Other / Unallocated		Consolidated Total	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Revenue and Income:								
External sales	49,601,611	51,301,794	1,002,643	1,130,256	80,558	122,471	50,684,812	52,554,521
Finance Income	15,498	17,188	22,360,357	20,533,041	55,148	113,781	22,431,003	20,664,010
Finance expense	(1,067)	(89)	(11,030,628)	(10,940,237)	(1,780)	(1,993)	(11,033,475)	(10,942,319)
Net Finance Income	14,431	17,099	11,329,729	9,592,804	53,368	111,788	11,397,528	9,721,691
Other gains/(losses)	(3,588)	(2,491)	–		–	1,306	(3,588)	(1,185)
Internal sales and income	887,512	906,550	–	–	9,431,402	9,530,029	10,318,914	10,436,579
Eliminations	–	–	–	–	–	–	(10,318,914)	(10,436,579)
Total Revenue and Income	50,499,966	52,222,952	12,332,372	10,723,060	9,565,328	9,765,594	62,078,752	62,275,027
Results:								
Segment profit before tax	14,161,714	14,753,104	5,220,111	5,086,285	^(2,539,366)	^106,907	16,842,459	19,946,296
Income tax (expense)/ benefit	(4,284,949)	(4,462,828)	(1,567,956)	(1,517,883)	^759,617	^62,436	(5,093,288)	(5,918,275)
Profit for the year	9,876,765	10,290,276	3,652,155	3,568,402	^(1,779,749)	^169,343	11,749,171	14,028,021
Items included in Profit for the year								
Depreciation and amortisation	608,728	464,146	34,428	41,299	–	–	643,156	505,445
Impairment in value– trade receivables and financing assets	6,130,241	8,359,594	611,475	382,437	77,067	46,895	6,818,783	8,788,926
Reversal of impairment in value– trade receivables and financing assets	(1,025,594)	(2,314,242)	–	(121,123)	–	–	(1,025,594)	(2,435,365)
Employee and contractor expenses	18,558,727	19,459,873	3,905,779	3,484,009	–	–	22,464,506	22,943,882
Rental expense on operating lease– minimum payment	1,079,911	1,045,682	19,020	25,991	–	–	1,098,931	1,071,673
Assets:								
Segment assets	**158,877,195**	142,823,305	**302,415,236**	262,817,637	**58,570,970**	41,275,347	**519,863,401**	446,916,289
Eliminations **							**(137,138,553)**	(114,818,556)
Total assets							**382,724,848**	332,097,733
Included in Segment assets								
Investment in associate	–	–	–	–	**385**	385	**385**	385
Liabilities:								
Segment liabilities	**121,324,072**	112,146,949	**269,552,534**	234,277,780	**40,339,745**	24,732,483	**431,216,351**	371,157,212
Eliminations							(125,250,652)	(102,930,658)
Total liabilities							**305,965,699**	268,226,554

^ includes unrealised gain or loss on fair value movement of derivatives. **Eliminations are related to intercompany balances.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 7. Discontinued operations

On 9 May 2016, the Consolidated Entity announced its decision to dispose of its factoring business, thereby discontinuing its operations in this business lending segment. This announcement was made subsequent to approval by the Board. The division was sold on 30 May 2016. Financial information relating to the discontinued operation to the date of sale is set out below.

The financial performance of the discontinued operation to the date of sale, which is included in profit/ (loss) from discontinued operations per the statement of comprehensive income, is as follows:

	Consolidated Entity	
	2016 $	**2015 $**
Revenue	**6,155,267**	7,304,560
Expenses	**(5,473,375)**	(4,806,916)
Profit before income tax	**681,892**	2,497,644
Income tax expense	**(208,919)**	(749,293)
Profit attributable to members of the parent entity	**472,973**	1,748,351
Profit on sale before income tax	**2,560,698**	–
Income tax expense	**(213,478)**	–
Profit on sale after income tax	**2,347,220**	–
Total profit/(loss) after tax attributable to the discontinued operation	**2,820,193**	1,748,351

Included within the expenses, the discontinued operations recorded bad/doubtful debt of $1,851,048 (2015: -$31,075).

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

Net cash inflow from operating activities	**1,549,989**	1,411,432
Net cash inflow from investing activities	**6,732,812**	(6,619,509)
Net cash (outflow)/inflow from financing activities	**(9,273,087)**	5,483,123
Net increase in cash generated by the discontinued division	**(990,286)**	275,046

Gain on disposal of the division included in gain from discontinued operations per the Statement of Profit or Loss and Other Comprehensive Income.

During the year, the controlled entity 180 Group Pty Ltd and 180 Capital Funding Pty Ltd was sold.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 7. Discontinued operations cont.

Aggregate details of this transaction are:

Disposal Price	**5,500,000**
Cash consideration	**5,500,000**
Assets and liabilities held at disposal date	
Cash	**4,456,412**
Receivables	**26,767**
Property, plant and equipment	**3,713**
Deferred tax assets	**48,150**
Factoring assets	**24,177,660**
Payables	**(431,318)**
Payable to related entity	**(5,217,373)**
Borrowings to finance factoring assets	**(23,063,010)**
Other assets	**(1,001)**
Gross profit on disposal	**5,500,000**
Capital gain tax on disposal	**(246,944)**
Goodwill reversal upon disposal of controlled entity	**(2,827,749)**
Legals expense on disposal, net of tax	**(78,087)**
Net gain on disposal	**2,347,220**

Reconciliation of net cash received:

Cash consideration received	**5,500,000**
Repayment of related entity payable	**5,217,373**
Less cash disposed	**(4,456,412)**
Net cash received	**6,260,961**

Note 8. Equity – Dividends

Dividends

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

	Consolidated Entity	
	2016 $	2015 $
Fully franked interim dividend for the year ended 30 June 2015 of 3.50 cents (2014: 3.50 cents) per ordinary share	**4,378,243**	4,378,243
Fully franked interim dividend for the year ended 30 June 2016 of 3.0 cents (2015: 3.00 cents) per ordinary share	**3,752,778**	3,752,778
	8,131,021	8,131,021
On 23 August 2016, the Directors declared a fully franked final dividend for the year ended 30 June 2016 of 4.00 cents per ordinary share. This brings the full year dividend to 7.00 cents per year.		
Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	**14,211,717**	12,900,890
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%	**695,897**	853,459
Franking credits available for subsequent financial years based on a tax rate of 30%	**14,907,614**	13,754,349

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 9. Income Tax

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.

Tax consolidation

FSA Group Limited and its wholly–owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. 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 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.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 9. Income Tax cont.

	Consolidated Entity	
	2016 $	2015 $
(a) Income tax expense		
Current tax expense	**4,576,136**	5,081,955
Deferred tax expense	**211,960**	1,589,240
(Over) / under provision in a prior period	**305,192**	(3,627)
	5,093,288	6,667,568
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**(1,076,494)**	(38,404)
Increase in deferred tax liabilities	**1,288,454**	1,627,644
	211,960	1,589,240
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**16,842,459**	22,443,940
Tax at the Australian tax rate of 30% (2014: 30%)	**5,052,738**	6,733,182
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non–deductible expenses	**43,121**	57,246
Non–assessable income	**(307,763)**	(119,233)
	4,788,096	6,671,195
(Over) / under provision in the prior year	**305,192**	(3,627)
Income tax expense	**5,093,288**	6,667,568
(c) Deferred tax assets		
Provisions	**1,178,704**	1,304,690
Capital legal expenses	**–**	4,685
Accrued expenditure	**501,999**	205,955
Tax losses carried forward	**12,220**	10,597
Other	**966,147**	219,945
	2,659,070	1,745,872
Deferred tax liability offset on tax consolidation	**(2,645,404)**	(1,734,002)
Total deferred tax assets	**13,666**	11,870
(d) Deferred tax liabilities		
Temporary difference on assessable income	**18,352,254**	17,064,864
Deferred tax liability offset on tax consolidation	**(2,645,404)**	(1,734,002)
Total deferred tax liabilities	**15,706,850**	15,330,862

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 10. Earnings per share

The Consolidated Entity 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.

	Consolidated Entity	
	2016 $	2015 $
Earnings per share for profit from continuing operations:		
Profit from continuing operations attributable to the members of the parent for the year ($)	**10,658,492**	12,939,902
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,092,610**	125,092,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	**125,092,610**	125,092,610
Basic earnings per share (cents)	**8.52**	10.34
Diluted earnings per share (cents)	**8.52**	10.34

	Consolidated Entity	
	2016 $	2015 $
Earnings per share for profit from disposed and discontinued operations:		
Profit from disposed and discontinued operations attributable to the members of the parent for the year ($)	**2,820,193**	1,748,351
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,092,610**	125,092,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	**125,092,610**	125,092,610
Basic earnings per share (cents)	**2.25**	1.40
Diluted earnings per share (cents)	**2.25**	1.40

	Consolidated Entity	
	2016 $	2015 $
Total earnings per share for profit		
Total profit attributable to the members of the parent for the year ($)	**13,478,685**	14,688,253
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,092,610**	125,092,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	**125,092,610**	125,092,610
Basic earnings per share (cents)	**10.77**	11.74
Diluted earnings per share (cents)	**10.77**	11.74

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 11. Trade and Other Payables

Trade and other payables

Trade payables and other payables 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 Consolidated Entity.

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.

	Consolidated Entity	
	2016 $	2015 $
Current		
Unsecured trade payables	**1,998,992**	1,673,998
Factoring client payables	**–**	512,235
Institutional creditors	**392,669**	95,318
Employee benefits payables and accruals	**2,084,899**	2,658,959
Sundry payables and accruals	**7,610,048**	7,155,861
	12,086,608	12,096,371

Note 12. Borrowings

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, with a facility limit of $20 million and balance owing of $16,545,520 (2015: $5,518,326). This facility expires on 1 July 2017. Interest is payable on this facility at reporting date at 4.95%.

Home loan facilities

Non–recourse home loan facilities are used to fund home loans and include revolving Senior and Mezzanine Note facilities. As at 30 June 2016, the drawdown limit under the Senior and Mezzanine Note facilities was $250 million (2015: $230 million) and $20 million (2015: $20 million) respectively. At reporting date, $235,301,990 (2015: $212,351,990) and $18,301,266 (2015: $16,516,266) respectively had been drawn down. Also included in the year end liability is accrued interest amounting to $2,128,874 (2015: $1,993,623).

The home loan facilities are 2 years rolling facilities, due to expire on 15 October 2017. Interest is payable at the applicable BBSW rate plus a margin. The interest rate at 30 June 2016 for the Senior and Mezzanine Notes was 3.70% and 7.29% respectively. The facilities are secured against current and future home loan assets (refer Note 3 of the Financial Statements). All borrowing covenants were met during the year.

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. This facility was fully paid out upon disposal of the factoring business.

Current		
Unsecured		
Credit cards	**389,733**	174,408
Financing Liabilities		
Secured		
Borrowings to finance personal loan assets	**16,545,520**	5,518,326
Non–recourse borrowings to finance home loan assets	**255,725,769**	230,861,879
Borrowings to finance factoring assets	**–**	28,453,453
	272,271,289	264,833,658

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 12. Borrowings cont.

	Consolidated Entity	
	2016 $	2015 $
(a) Total Current, Non–Current and Financing liabilities:		
Credit cards	**389,733**	174,408
Borrowings to finance personal loan assets	**16,545,520**	5,518,326
Non–recourse borrowings to finance home loan assets	**255,725,769**	230,861,879
Borrowings to finance factoring assets	**–**	28,453,453
	272,661,022	**265,008,066**
(b) The carrying amounts of assets pledged as security are:		
Fixed charge over assets		
Factoring assets	**–**	34,341,690
Personal loan assets	**19,899,782**	5,924,814
Home loan assets	**266,710,884**	241,818,868
	286,610,666	282,085,372

Note 13. Financial Instruments

Financial instruments

Non–derivative financial instruments

Non–derivative financial instruments comprise investments in equity 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 Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are de–recognised if the Consolidated Entity's contractual rights to cash flows from the financial assets expire or the Consolidated Entity 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 Consolidated Entity commits itself to purchase or sell an asset. Financial liabilities are de–recognised if the Consolidated Entity's obligations specified in the contract expire, are discharged or cancelled.

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
- Home loan assets
- Other financial assets
- Payables

Interest bearing liabilities include bank loans and secured note facilities.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 13. Financial Instruments cont.

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

	Consolidated Entity	
	2016 $	2015 $
Financial Assets		
Cash and cash equivalents	**12,560,188**	8,094,387
Trade and other receivables	**81,616,866**	74,666,876
Financing assets	**286,610,666**	282,085,372
Assets and receivables at amortised cost	**380,787,720**	364,846,635
Financial Liabilities		
Payables at amortised cost	**12,476,341**	12,270,779
Current tax liabilities	**695,897**	853,459
Financing liabilities	**272,271,289**	264,833,658
Payables at amortised cost	**285,443,527**	277,957,896
Assets and liabilities measured at fair value through profit and loss:		
Derivatives – Interest rate swap contracts	**(2,328,279)**	39,708
Other payables	**–**	(2,100,000)

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.

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 2016, 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 14.16% (2015: 25.73%).

It was the policy of the Consolidated Entity during the 2016 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% (2015: 50%).

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

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 13. Financial Instruments cont.

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 the following categories of financial instruments:

- Trade and other receivables;
- Personal loan asset; and
- Home loan assets.

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.

Personal loan assets are secured by registered security interest over a motor vehicle. Home loan assets are secured by first mortgage security over property.

The Consolidated Entity retains its security 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 loan.

Personal insolvency (debt agreements and personal insolvency agreements and bankruptcy 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 2 and 3 of the Financial Statements

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 cash flow 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.

FSA Group Limited has a secured non–recourse note facility comprising of Senior and Mezzanine Notes through a special purpose entity, the Fox Symes Home Loans Warehouse Trust No.1. As at 30 June 2016, the facility has a combined drawdown limit of $270,200,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2016 the Consolidated Entity had drawn $253,603,256 from this facility. It had unused credit at the end of the year of $16,596,744.

The Consolidated Entity is reliant on the renewal of existing home loan facilities, the negotiation of new home loan facilities, or the issuance of residential mortgage backed securities. Each home loan facility is structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Consolidated Entity. If a home loan 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 home loan 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 home loans in repayment of home loan facilities or an event of default in relation to the Consolidated Entity's home loan facilities will not affect the Consolidated Entity's ability to continue as a going concern.

FSA Group Limited's subsidiary Fox Symes Home Loans Pty Ltd has a secured loan facility supporting its personal loan lending activities. The personal loan facility has drawdown limits of $20,000,000. As at 30 June 2016, the Company had drawn $16,500,000 from this facility.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 13. Financial Instruments cont.

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 cash flows.

	Consolidated Entity 30 June 2016						
	Carrying amount $	Contractual Cash flows $	6 months or less $	6–12 months $	1 to 2 years $	2 to 5 years $	5–25 years $
Trade and other payables	**1,998,992**	**1,998,992**	**1,998,992**	–	–	–	–
Institutional creditors	**392,669**	**392,669**	**392,669**	–	–	–	–
Other payables	**9,694,947**	**9,694,947**	**9,694,947**	–	–	–	–
Other short term loans	**389,733**	**435,253**	**435,253**	–	–	–	–
Bank loans	**16,545,520**	**17,276,715**	**394,633**	**382,082**	**16,500,000**	–	–
Warehouse facilities	**255,725,769**	**267,042,752**	**5,247,041**	**5,461,637**	**256,334,074**	–	–
Total	**284,747,630**	**296,841,328**	**18,163,535**	**5,843,719**	**272,834,074**	–	–

	Consolidated Entity 30 June 2015						
	Carrying amount $	Contractual Cash flows $	6 months or less $	6–12 months $	1 to 2 years $	2 to 5 years $	5–25 years $
Trade and other payables	2,186,233	2,186,233	2,186,233	–	–	–	–
Institutional creditors	95,318	95,318	95,318	–	–	–	–
Other payables	9,814,820	9,814,820	9,814,820	–	–	–	–
Other short term loans	174,408	174,408	174,408	–	–	–	–
Bank loans	33,971,779	36,618,035	6,223,875	633,392	29,760,768	–	–
Other financial payables	2,100,000	2,100,000	1,400,000	700,000	–	–	–
Warehouse facilities	230,861,879	244,210,423	4,970,247	5,185,960	234,054,216	–	–
Total	279,204,437	295,199,237	24,864,901	6,519,352	263,814,984	–	–

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.

Home loan 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 under a two year rolling facility and are non–recourse to the Consolidated Entity except for loss suffered from misrepresentations in relation to the origination of loans and breaches of its loan servicing or management obligations.

Personal loan assets are lent on fixed interest rates and are financed by long term variable rate borrowings from Westpac.

Under current historic low interest rate, the Board and Management have adopted the policy to keep approximate $80 – $100 million of home loan borrowings at fixed rates to mitigate the risk of future interest rate movements. On 2 June 2015 the Consolidated Entity entered into an interest rate swap agreement, locking in $40 million of its funding cost at a fixed rate for 5 years. On 12 November 2015, the Consolidated Entity entered into its second interest rate swap agreement, locking in a further $40 million of its funding cost at a fixed rate for 5 years.

The Board and Management are satisfied that this policy is appropriate for the Consolidated Entity at this time.

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

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 13. Financial Instruments cont.

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 (2015: 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, 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	
	2016 $	2015 $
If interest rates increased by 50bps (2015: 50bps)	**1,231,511**	131,257
If interest rates decreased by 50bps (2015: 50bps)	**(1,028,386)**	(131,257)

Note 14. Commitments

	Consolidated Entity	
	2016 $	2015 $
Operating leases (non–cancellable):		
Minimum lease payments		
– not later than one year	**1,061,779**	1,013,335
– later than one year and not later than five years	**3,430,341**	4,487,553
	4,492,120	5,500,888

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

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 15. Cash Flow Information

	Consolidated Entity	
	2016 $	2015 $
Reconciliation of cash flows from operations to profit after tax		
Profit after tax	**14,569,364**	15,776,372
Non–cash flows in profit/(loss):		
Depreciation and amortisation	**643,156**	515,512
Reclassification– intangibles	**(373,384)**	–
Net gain on disposal of controlled entity	**(2,347,220)**	–
Unrealised loss (gain) on derivatives	**2,367,987**	(39,708)
Loss on disposal of intangibles	**77,818**	–
Loss on disposal of plant & equipment	**17,545**	17,788
Loss on write off investments	**2,356,873**	554,750
Changes in assets and liabilities:		
Increase in trade and other receivables	**(7,284,086)**	(7,268,823)
Decrease in other current assets	**73,890**	241,996
Increase in trade and other payables	**(3,508)**	95,932
Increase in employee entitlements	**121,182**	483,975
Increase in other liabilities	**1,003,541**	504,007
Cash flows from operating activities	**11,223,158**	10,881,801

Note 16. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, which include 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.

	Consolidated Entity	
	2016 $	2015 $
Current		
Cash on hand and at bank	**12,560,188**	8,094,387
Assets financed by financial liabilities		
Personal loan cash and cash equivalents	**83,113**	46,492
Home loan cash and cash equivalents	**4,732,579**	8,851,591
Factoring cash and cash equivalents	**–**	2,822,648
	17,375,880	19,815,118

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 17. Auditor's Remuneration

	Consolidated Entity 2016 $	2015 $
Amounts received or due and receivable by BDO East Coast Partnership:		
Audit and review of financial statements	**251,597**	228,150
Taxation compliance services	**44,187**	49,561
Taxation advice and consulting	**69,164**	9,330
	364,948	287,041

Note 18. Other Assets

	Consolidated Entity 2016 $	2015 $
Current		
Prepayments	**295,496**	284,553
Other	**110,156**	198,705
	405,652	483,258

Note 19. Derivatives

Derivative instruments used by the Consolidated Entity– interest rate swap contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re–measured to their fair value at each reporting date.

On 12 June 2015 and 12 November 2015, the Consolidated Entity entered into interest rate swap contract to hedge exposure to fluctuations in interest rates in accordance with the Consolidated Entity's financial risk management policies (refer Note 13 of the Financial Statements).

The Consolidated Entity's home loan facilities currently bear an average variable rate of interest of 2.26% plus facility interest margins. It is the Consolidated Entity's policy to keep approximately $80 million of its borrowings at fixed rates of interest by entering into interest rate swap contracts under which the Consolidated Entity is obliged to receive interest at variable rates and to pay interest at fixed rates. On the 2 June 2015 the Consolidated Entity entered into an interest rate swap agreement, locking in $40 million of its funding cost at a fixed rate for 5 years. On the 12 November 2015, the Consolidated Entity entered into another interest rate swap agreement, locking in further $40 million of its funding cost at a fixed rate for 5 years. At the end of the reporting period, the fixed rate was 2.56% and 2.30% respectively and variable rates were between 1.90% and 2.15%.

The contracts require settlement of net interest receivable or payable each 30 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

- At the end of the reporting period for the Consolidated Entity, these contracts were liabilities with fair value of $2,328,279.

	Consolidated Entity 2016 $	2015 $
Non–current liabilities		
Interest rate swap contracts	**2,328,279**	(39,708)
Total derivative financial liabilities	**2,328,279**	(39,708)

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 20. Plant and Equipment

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 Consolidated Entity 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 Consolidated Entity 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

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.

	Computer Equipment $	**Office Equipment $**	**Furniture & Fittings $**	**Motor Vehicles $**	**Leasehold Improvements $**	**Total $**
Movements						
Balance at 30 June 2014	303,142	64,893	38,400	7,173	–	413,608
Additions	74,102	85,003	562	–	–	159,667
Disposals	(7,613)	(7,059)	–	(3,116)	–	(17,788)
Depreciation	(187,067)	(51,284)	(15,440)	(4,057)	–	(257,848)
Balance at 30 June 2015	**182,564**	**91,553**	**23,522**	**–**	**–**	**297,639**
Additions	**91,758**	**8,156**	**64,727**	**–**	**82,370**	**247,011**
Disposals	**(10,862)**	**(5,486)**	**(460)**	**–**	**(737)**	**(17,545)**
Depreciation	**(136,897)**	**(32,133)**	**(21,625)**	**–**	**(1,766)**	**(192,421)**
Balance at 30 June 2016	**126,563**	**62,090**	**66,164**	**–**	**79,867**	**334,684**

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 20. Plant and Equipment cont.

	Consolidated Entity 2016 $	2015 $
Computer equipment at cost	**2,172,541**	2,410,442
Accumulated depreciation	**(2,045,978)**	(2,227,878)
Net carrying amount	**126,563**	182,564
Office equipment at cost	**569,935**	593,574
Accumulated depreciation	**(507,845)**	(502,021)
Net carrying amount	**62,090**	91,553
Furniture and fittings at cost	**350,828**	310,983
Accumulated depreciation	**(284,664)**	(287,461)
Net carrying amount	**66,164**	23,522
Motor vehicles at cost	**25,918**	25,918
Accumulated depreciation	**(25,918)**	(25,918)
Net carrying amount	**–**	–
Leasehold Improvements at cost	**81,570**	–
Accumulated depreciation	**(1,703)**	–
Net carrying amount	**79,867**	–
Total plant and equipment at cost	**3,200,792**	**3,342,318**
Total accumulated depreciation	**(2,866,108)**	**(3,044,679)**
Total net carrying amount	**334,684**	**297,639**

Note 21. Intangible Assets

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. Included in the opening balance 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, which was reversed upon disposal of factoring business in May 2016. Goodwill of $345,124 relates to the original investment by the parent company in FSA Australia Pty Ltd and its controlled entities.

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 to 3 years.

	Consolidated Entity 2016 $	2015 $
Goodwill		
Recognised on consolidation	**345,124**	3,222,136
Accumulated impairment	**–**	(49,263)
	345,124	3,172,873
Software at cost	**2,613,713**	1,749,316
Accumulated amortisation	**(1,776,096)**	(1,325,362)
	837,617	423,954
	1,182,741	3,596,827

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 21. Intangible Assets cont.

	Consolidated Entity	
	2016 **$**	**2015** **$**
Movements during year (Goodwill):		
Beginning of the year	**3,172,873**	3,172,873
Disposal	**(2,827,749)**	–
	345,124	3,172,873
Movements during year (Software):		
Beginning of the year	**423,954**	458,235
Additions	**942,216**	223,383
Disposal/write off	**(77,818)**	–
Amortisation	**(450,735)**	(257,664)
	837,617	423,954

Impairment

The Directors have assessed that, the carrying value of $345,124 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 FSA Australia Pty Ltd, which would cause the carrying amount to exceed the recoverable amount.

Note 22. Fair Value Measurement

a) The Group measures and recognises the interest rate swap financial instrument at fair value on a recurring basis after initial recognition. Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Valuation Techniques and Inputs Used to Measure Level 2 Fair Values:

Description	Fair Value at 30 June 2016	Valuation Technique(s)	Inputs Used
Financial liability:			
Interest rate swap	$2,328,279	Income approach using discounted cash flow methodology and the funding valuation adjustment framework	Overnight Index Swap rate

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–16 Book value $	**Jun–16 Fair value $**
Financial assets		
Current receivables net of deferred tax*	19,338,845	19,338,845
Non–current receivables net of deferred tax*	35,881,989	34,604,780
Personal loan assets	19,816,669	21,203,601
Mortgage assets financed by non–recourse financing liabilities	261,978,305	272,371,137

*Included in current and non–current receivables is an amount of $71,327,701 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 $16,106,867.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 23. Provisions

Provisions

Provisions are recognised when the Consolidated Entity 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.

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 Consolidated Entity 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.

Employee benefits

A provision has been recognised for employee benefits relating to annual leave and long service leave.

As at 30 June 2016, the Consolidated Entity employed 192 full–time equivalent employees (2015: 206) plus a further 4 independent contractors (2015: 7).

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 high quality Australian corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	Consolidated Entity	
	2016 $	2015 $
Current		
Employee benefits	**1,826,342**	1,881,412
Non–current		
Employee benefits	**660,701**	635,346

Note 24. Share Capital

Ordinary share capital

Ordinary shares are classified as equity.

125,092,610 (2015: 125,092,610) Fully paid ordinary shares	**6,707,233**	6,707,233

Ordinary shares	2016 Number	2015 Number
Balance 1 July	**125,092,610**	125,092,610
Movement	**–**	–
Balance 30 June	**125,092,610**	125,092,610

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 25. Interests in subsidiaries

Investments in subsidiaries

Investments are brought to account on the cost basis in the parent 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.

On 30 May 2016, the Consolidated Entity disposed its wholly owned subsidiaries of 180 Group Pty Ltd and 180 Capital Funding Pty Ltd. All other subsidiaries that were formerly wholly owned by 180 Group Pty Ltd have been transferred to 104 880 088 Group Holdings Pty Ltd (formerly 180 Group Holdings Pty Ltd).

		Percentage of equity interest held by the Consolidated Entity	
Name	Country of Incorporation	2016 %	2015 %
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)	Australia	**100**	100
104 880 088 Group Holdings Pty Ltd (2)(4)	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

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by FSA Group Limited

(3) Investment previously held by 104 880 088 Group Holdings Pty Ltd (formerly 180 Group Holdings Pty Ltd)

(4) Formerly 180 Group Holdings Pty Ltd

The following entities are subsidiaries of 104 880 088 Group Holdings Pty Limited

		Percentage of equity interest held by the Consolidated Entity	
Name	Country of Incorporation	2016 %	2015 %
110 294 767 Capital Finance Pty Limited	Australia	**100**	100
102 333 111 Corporate Pty Limited	Australia	**100**	100
110 906 306 Property Holdings Pty Ltd	Australia	**100**	100
111 044 510 Equity Partners Pty Limited	Australia	**100**	100
180 Capital Funding Pty Ltd	Australia	**–**	100
One Financial Corporation Pty Ltd	Australia	**100**	100

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 25. 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 2016 %	2015 %
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

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 of the Financial Statements:

			Parent		Non–controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal place of business / Country of incorporation**	**Ownership interest 2016**	**Ownership interest 2015**	**Ownership interest 2016**	**Ownership interest 2015**
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%

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 25. Interests in subsidiaries cont.

	Aravanis insolvency Pty Limited	
	2016 $	2015 $
Summarised Statement of Financial Position		
Current assets	**9,878,219**	9,818,907
Current liabilities	**446,448**	524,114
Current net assets	**9,431,771**	9,294,793
Non–current assets	**13,763**	24,856
Non–current liabilities	**3,164,387**	3,146,668
Non–current net assets	**(3,150,624)**	(3,121,812)
Net assets	**6,281,147**	6,172,981
Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue	**10,034,679**	10,000,259
Expenses	**(5,582,203)**	(5,550,703)
Profit before income tax expense	**4,452,476**	4,449,556
Income tax expense	**(1,344,309)**	(1,340,722)
Profit after income tax expense	**3,108,167**	3,108,834
Other comprehensive income	**–**	–
Total comprehensive income	**3,108,167**	3,108,834
Summarised Statement of Cash Flows		
Cash flows from operating activities	**2,762,239**	2,758,306
Cash flows from investing activities	**297,529**	(4,093)
Cash flows from financing activities	**(3,000,000)**	(3,500,000)
Net increase/(decrease) in cash and cash equivalents	**59,768**	(745,787)
Other financial information		
Profit attributable to non–controlling interests	**1,087,858**	1,088,092
Accumulated non–controlling interests at the end of reporting period	**2,198,401**	2,160,543

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

Note 26. Key Management Personnel Disclosures

Remuneration of Directors and Key Management Personnel

	Consolidated Entity	
	2016 $	2015 $
Short–term employee benefits	**2,331,900**	2,367,494
Long–term employee benefits	**(25,154)**	10,414
Post–employment benefits	**99,033**	76,077
	2,405,779	2,453,985

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 27. 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 25 of the Financial Statements.

(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

	Consolidated Entity	
	2016 $	2015 $
Current factoring receivables– other related parties	–	88,307

Note 28. Contingent liabilities

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

Home loans

At reporting date, loan applications that had been accepted by the Consolidated Entity but not yet settled amount to $9,873,258 (2015: $8,719,757). Home loans are usually settled within 4 weeks of acceptance.

Personal loans

At reporting date, loan application that had been accepted by the Consolidated Entity but not yet settled amount to $326,833. Personal loans are usually settled within one week of acceptance.

Note 29. Events occurring after reporting date

There have been no events since the end of the financial year that impact upon the financial performance or position of the Consolidated Entity as at 30 June 2016 except as follows:

• On 23 August 2016, Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 13 September 2016 with a record date of 30 August 2016. This brings the full year dividend to 7.00 cents per share.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

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 and other relevant notes within these financial statements for a summary of the significant accounting policies relating to the Group.

	Consolidated Entity	
	2016 $	2015 $
Current factoring receivables– other related parties	–	88,307
Total non–current assets	**11,826,990**	11,826,990
Total assets	**29,954,054**	22,163,156
Total current liabilities	**12,394,940**	5,892,721
Total liabilities	**12,394,940**	5,892,721
Net assets	**17,559,114**	16,270,435
Equity		
Share capital	**6,707,233**	6,707,233
Dividends to shareholders	**(8,131,021)**	(8,131,021)
Accumulated profit / (loss)	**18,982,902**	17,694,223
Total equity	**17,559,114**	16,270,435
Financial performance		
Profit/(loss)after income tax	**9,419,701**	9,719,328
Other comprehensive Income	–	–
Total Comprehensive income/(loss)for the year	**9,419,701**	9,719,328

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

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

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

There are no contingent liabilities or commitments in the parent entity (2015: 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 and 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'.

Notes to the Financial Statements cont.

for the year ended 30 June 2016

Note 31. Deed of cross guarantee cont.

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

Statement of Financial Position	2016 $	2015 $
Current Assets		
Cash and cash equivalents	**11,978,374**	5,002,749
Trade and other receivables	**14,228,698**	14,818,782
Current tax assets	**2**	1,152
Total Current Assets	**26,207,074**	19,822,683
Non–Current Assets		
Trade and other receivables	**167,514,184**	148,679,848
Investments	**11,826,990**	11,826,990
Total Non–Current Assets	**179,341,174**	160,506,838
Total Assets	**205,548,248**	180,329,521
Current Liabilities		
Trade and other payables	**7,617,201**	6,548,085
Tax Liabilities	**406,055**	496,637
Total Current Liabilities	**8,023,256**	7,044,722
Non–Current Liabilities		
Deferred tax liabilities	**16,106,867**	14,762,191
Total Non–Current Liabilities	**16,106,867**	14,762,191
Total Liabilities	**24,130,123**	21,806,913
Net Assets	**181,418,125**	158,522,608
Equity		
Share capital	**6,707,237**	6,707,237
Retained earnings	**174,710,888**	151,815,371
Total Equity	**181,418,125**	158,522,608

Statement of Profit or Loss and Other Comprehensive Income	2016 $	2015 $
Revenue and other income		
Fees from services	**31,935,273**	31,549,728
Finance income	**56,048**	65,635
Finance expense	**(2,830)**	(1,136)
Net finance income	**53,218**	64,499
Total revenue and other income net of finance expense	**31,988,491**	31,614,227
Expenses from continuing activities	**(3,919,204)**	(1,952,229)
Profit before income tax	**28,069,287**	29,661,998
Income tax expense	**(8,424,151)**	(8,885,348)
Profit after income tax	**19,645,136**	20,776,650

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 2016 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

23 August 2016

Deborah Southon
Executive Director

Sydney

23 August 2016

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 2016, 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independent Auditor's Report

To the members of FSA Group Limited

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 23 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 23 August 2016

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 15 August 2016.

(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	227	74,139
1,001 – 5,000	357	1,151,539
5,001 – 10,000	228	1,941,734
10,001 – 100,000	275	9,212,654
100,001 and over	85	112,712,544
Total	**1,172**	**125,092,610**

The number of shareholders holding less than a marketable parcel of 421 securities is 139 (holding a total of 4,105 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	6,749,650	5.40%
6	J P Morgan Nominees Australia Limited	4,050,854	3.24%
7	Ruminator Pty Limited	3,262,343	2.61%
8	Contemplator Pty Limited	2,497,622	2.00%
9	Ms Danita Rae Lowes	1,603,039	1.28%
10	Bulwarra Pty Ltd	1,600,000	1.28%
11	Investment Custodial Services Limited	1,595,349	1.28%
12	Dundas Ritchie Investments Pty Ltd	1,500,000	1.20%
13	Mr David Matthew Fite	1,332,314	1.07%
14	HSBC Custody Nominees (Australia) Limited	1,254,835	1.00%
15	Maramindi Pty Ltd	1,100,000	0.88%
16	Karia Investment Pty Ltd	966,666	0.77%
17	Ristolle Pty Ltd	877,169	0.70%
18	Fernane Pty Ltd	877,168	0.70%
19	Berne No 132 Nominees Pty Ltd<323731 A/C>	700,541	0.56%
20	Garrett Smythe Ltd	684,710	0.55%
	Top 20	**97,421,538**	**77.88%**
	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
Perpetual Limited and subsidiaries	6,749,650

(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

David Bower – Non–Executive Director

Chief Financial Officer

Cellina Chen

Company Secretary

Cellina Chen

Registered Office and Corporate Office

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Sydney NSW 2000

Phone: +61 (02) 8985 5565

Fax: +61 (02) 8985 5358

Solicitors

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Brisbane QLD 4000

Share Register

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

Phone: +61 (02) 8280 7454

Auditors

BDO East Coast Partnership
Level 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

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