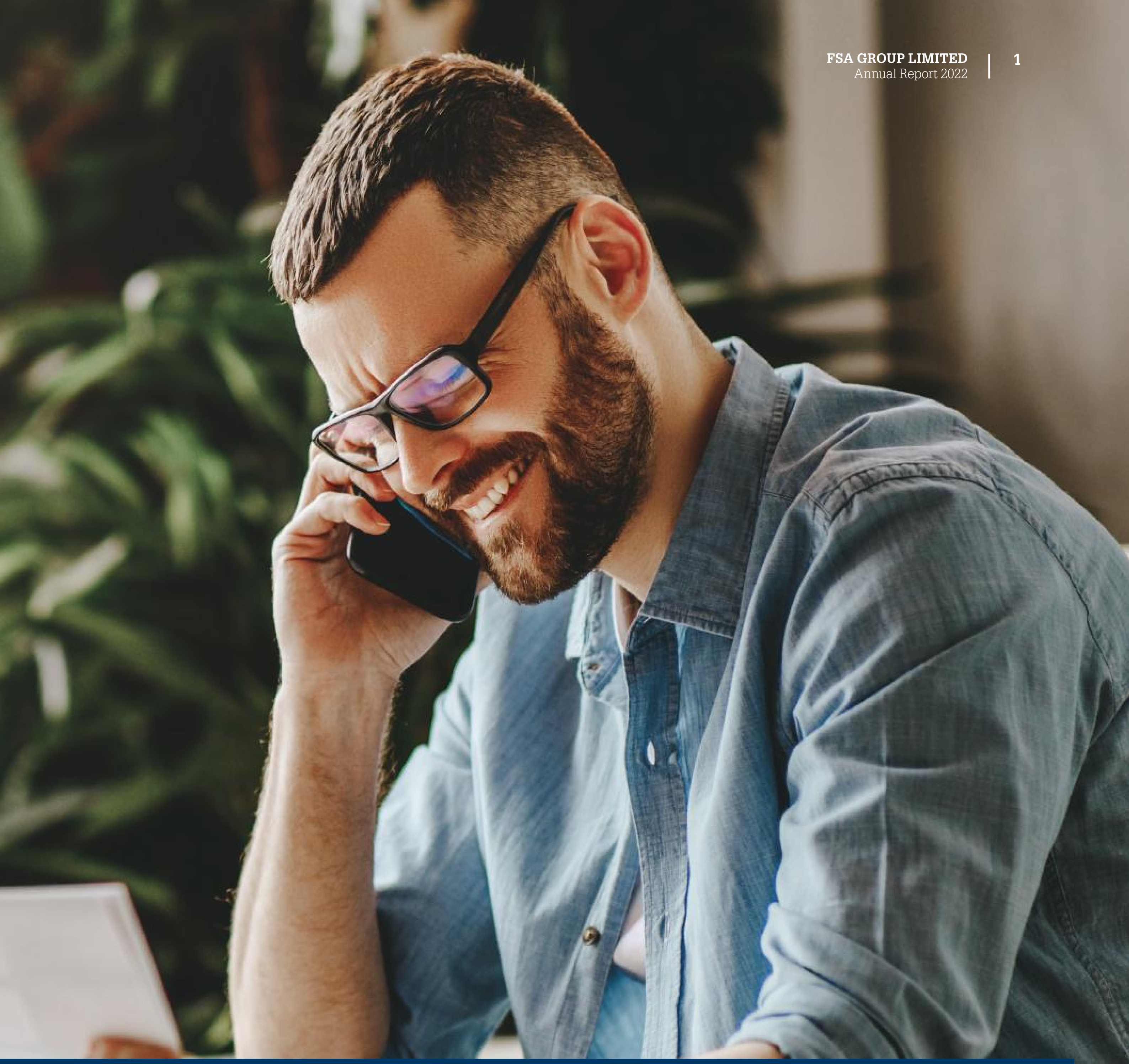
FSA Group Limited / Annual Report 2022

CHALLENGES AND PROGRESS

FSA Group has helped thousands of Australians for more than 20 years. Our large and experienced team of professionals offer a range of lending products and debt solutions, which we tailor to suit individual circumstances to achieve successful outcomes for our clients.

Contents



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.

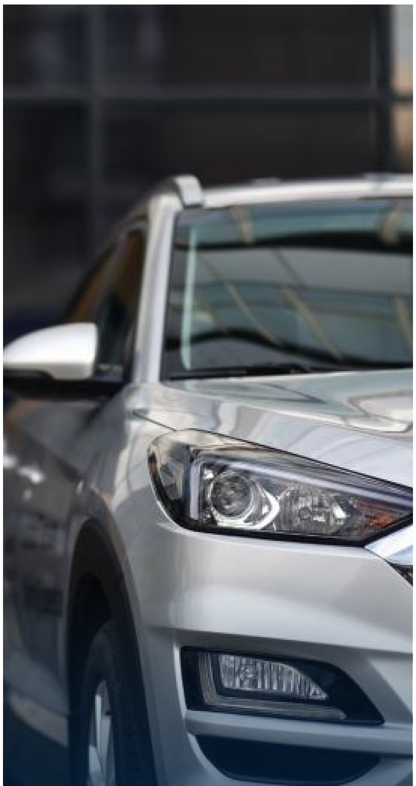
This Annual Report is not an offer or invitation for subscription or purchase of, or a recommendation of securities.

Our Business

Lending

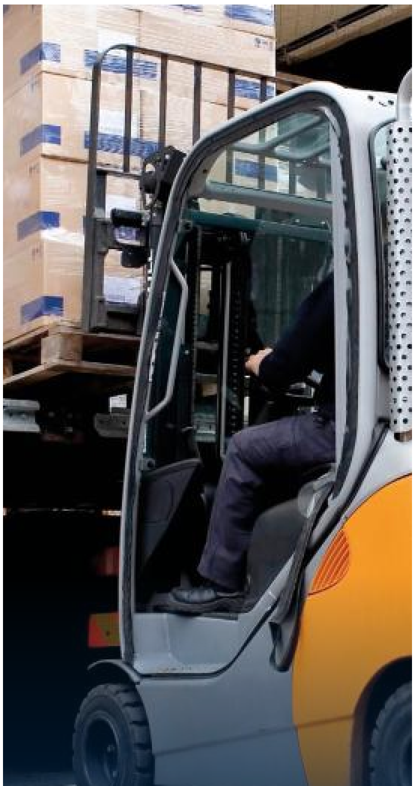
Home Loans

FSA Group offers home loans to assist clients wishing to purchase a property or consolidate their debt.



Personal Loans

FSA Group offers personal loans to assist clients wishing to purchase a motor vehicle.



Asset Finance

FSA Group offers asset finance to assist SMEs wishing to purchase a vehicle and business-critical equipment.

Services

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

Our Plan

Over the next 3 to 5 years

Our focus in on our Lending segment, developing a broker channel and growing our loan pools.

COVID-19 continues to impact the number of new callers seeking our assistance for our Services segment. We expect demand will start to return during the 2023 financial year.

Home Loans

- Develop a broker channel
- Increase new origination to around $40m per month

Grow our loan pool to around

$1.2b

Personal Loans

- Develop a broker channel
- Expand our product offering to include personal loans to consolidate debt
- Increase new origination to around $7m per month

Grow our loan pool to around

$200m

Asset Finance

- Develop a broker channel
- Increase new origination to around $12m per month

Grow our loan pool to around

$300m

Services

Regrow as demand returns

Chairman's Letter

Dear Shareholders,

The 2022 financial year has been a year of challenges and progress.

During the year, FSA Group acquired an asset finance lending business. The Lending segment offers home loans to assist clients wishing to purchase a property or consolidate their debt, personal loans to assist clients wishing to purchase a motor vehicle and asset finance to assist SMEs wishing to purchase a vehicle and business-critical equipment. During the year our loan pools increased from $447m to $541m, a 21% increase.

Historically our Lending segment operated as a direct-to-consumer business. Going forward our focus will be on developing a broker channel and growing our loan pools.

The addition of a broker channel will significantly enhance our Lending segment. Our plan for our Lending segment, over the next 3 to 5 years is outlined in the section titled "Our Plan".

The Services segment 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. FSA Group is the largest provider of these services in Australia.

COVID-19 continues to impact the number of new callers seeking our assistance for our Services segment. During the year new client numbers for informal arrangements and debt agreements decreased by 58% and for personal insolvency agreements and bankruptcy increased by 9% compared to the previous corresponding period. We expect demand will start to return during the 2023 financial year.

For the 2022 financial year, FSA Group generated $58.3m in operating income, a 5% decrease, and a profit after tax attributable to members of $17.2m, a 14% decrease compared to the results of 2021. Our net cash inflow from operating activities was $26.2m, an 11% decrease.

I advise that the Directors have declared a fully franked final dividend of 3.50 cents per share for the 2022 financial year. This brings the full year dividend to 7.00 cents per share.

Our focus for the 2023 financial year is outlined in the Executive Directors' Review under "Strategy and Outlook".

I would like to thank my fellow Directors, all our executives and staff for their contribution. I am proud of their commitment to our business and look forward to being a part of our continued growth.

Yours sincerely,

David Bower
Chairman

Profit after tax attributable to members	Net cash inflow from operating activities	Dividend per share
$17.2m	$26.2m	7.0c

Executive Directors' Review

Dear Shareholders,

The 2022 financial year has been a year of challenges and progress. Our focus is on our Lending segment, developing a broker channel and growing our loan pools. COVID-19 continues to impact the number of new callers seeking our assistance for our Services segment. We expect demand will start to return during the 2023 financial year.

For the 2022 financial year, FSA Group generated $58.3m in operating income, a 5% decrease, and a profit after tax attributable to members of $17.2m, a 14% decrease compared to the results of 2021. Our net cash inflow from operating activities was $26.2m, an 11% decrease.

We advise that the Directors have declared a fully franked final dividend of 3.50 cents per share for the 2022 financial year. This brings the full year dividend to 7.00 cents per share.

Financial Overview

Financial Overview	FY2020	FY2021	FY2022	% Change
Operating income	$68.2m	$61.4m	$58.3m	∨ 5%
Profit before tax	$24.8m	$29.7m	$26.9m	∨ 9%
Profit after tax attributable to members	$16.3m	$20.1m	$17.2m	∨ 14%
EPS basic	13.05c	16.12c	13.72c	∨ 15%
Net cash inflow from operating activities	$19.4m	$29.5m	$26.2m	∨ 11%
Dividend/share	6.00c	6.00c	7.00c	∧ 17%
Shareholder equity attributable to members	$59.4m	$72.0m	$84.4m	∧ 17%
Return on equity	30%	31%	22%	

Operational Performance

Our business operates across the following key segments, Lending and Services. The operating income and profitability of each segment is as follows:

Operating income by segment	FY2020	FY2021	FY2022	% Change
Lending				
Home loans and Asset finance	$13.7m	$16.1m	$20.5m	∧ 27%
Personal loans	$13.3m	$14.4m	$16.3m	∧ 13%
Services	$41.1m	$30.9m	$21.5m	∨ 30%
Other/unallocated	$0.1m	$0.1m	$0.1m	
Operating income	$68.2m	$61.4m	$58.3m	∨ 5%

Profit before tax by segment	FY2020	FY2021	FY2022	% Change
Lending				
Home loans and Asset finance	$7.4m	$9.7m	$10.0m	∧ 3%
Personal loans	$5.2m	$7.5m	$9.9m	∧ 32%
Services	$11.7m	$12.1m	$7.3m	∨ 39%
Other/unallocated	$0.4m	$0.4m	($0.2m)	
Profit before tax	$24.8m	$29.7m	$26.9m	∨ 9%

Executive Directors' Review

Continued

Lending

During the year, FSA Group acquired an asset finance lending business. The Lending segment offers home loans to assist clients wishing to purchase a property or consolidate their debt, personal loans to assist clients wishing to purchase a motor vehicle and asset finance to assist SMEs wishing to purchase a vehicle and business-critical equipment.

Loan Pool Data	Home loans	Personal loans	Asset finance
Weighted average loan size	$402,732	$22,494	$28,473
Security type	Residential home	Motor vehicle	Vehicles and equipment
Weighted average loan to valuation ratio	67%	100%+ on settlement	100%+ on settlement
Variable or fixed rate	Variable	Fixed	Fixed
Geographical spread	All states	All states	All states

Historically our Lending segment operated as a direct-to-consumer business. Going forward our focus will be on developing a broker channel and growing our loan pools. The addition of a broker channel will significantly enhance our Lending segment.

Our plan for our Lending segment, over the next 3 to 5 years is as follows:

Home loans

- Increase new origination to around $40m per month.
- Grow our loan pool to around $1.2b.

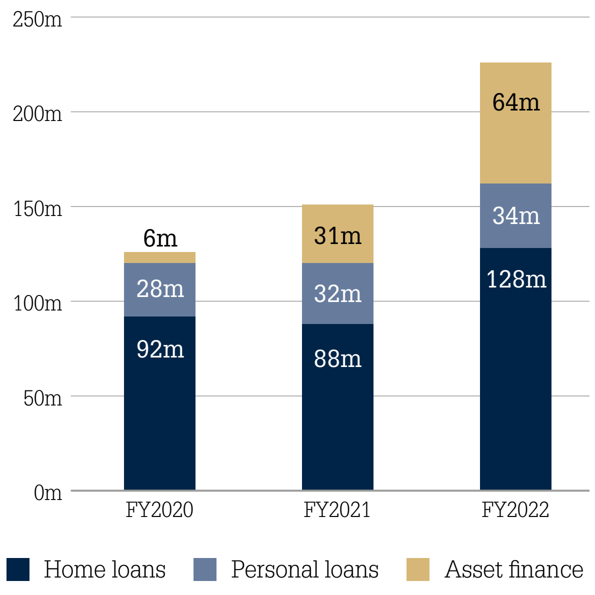
Personal loans

- Increase new origination to around $7m per month.
- Grow our loan pool to around $200m.

Asset finance

- Increase new origination to around $12m per month.
- Grow our loan pool around $300m.

New Origination



* Asset Finance was acquired on the 1 September 2021.

During the year our loan pools increased from $447m to $541m, a 21% increase.

Loan Pools	FY2020	FY2021	FY2022	% Change
Home loans	$394m	$382m	$389m	^ 2%
Personal loans	$63m	$65m	$72m	^ 11%
Asset finance			$81m	
Total	**$457m**	**$447m**	**$541m**	^ **21%**

* Asset Finance was acquired on the 1 September 2021 with a loan pool of $43m. Asset Finance's loan pool at 30 June 2021 was $37m.

Arrears > 30 day	FY2020	FY2021	FY2022
Home loans	2.55%	1.04%	1.95%
Personal loans	2.41%	1.82%	1.91%
Asset finance			2.55%

Losses	FY2020	FY2021	FY2022
Home loans	$171,265	$384,098	$198,805
Personal loans	$1,155,536	$679,495	$587,802
Asset finance			$580,009

* The loss of $1,155,536 is distorted by a loss of $371,350 from the discontinued pilot product offering which we ran during the 2018 calendar year.

* Asset Finance losses are for the entire 12 month period.

Borrowings	Facility type	Provider	Limit	Maturity date	Drawn
Home loans	Non-recourse warehouse	Westpac	$350m	Oct 2023	$272m
	Non-recourse warehouse	Institutional	$20m	Oct 2023	$20m
	Securitised	Institutional	–	Mar 2051	$90m
Personal loans	Limited recourse warehouse	Westpac	$75m	Apr 2026	$44m
	Corporate	Westpac	$15m	Mar 2024	–
Asset finance	Non-recourse warehouse	Bendigo	$68m	Jul 2022	$62.5m
	Non-recourse warehouse	Institutional	$3.5m	Jan 2023	$3.5m
	Non-recourse warehouse	Institutional	$6m	Jun 2023	$6m

* On 30 June 2022 an Australian "big four" bank approved a $100m non-recourse warehouse asset finance facility. This senior facility will replace the Bendigo facility. The senior facility is supported by a non-recourse mezzanine facilities provided by institutional fund managers.

The Lending segment achieved a profit before tax of $19.8m, a 15% increase. Profitability was positively impacted by an increase in the loan pools.

Services

The Services segment 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. FSA Group is the largest provider of these services in Australia.

COVID-19 impacted and continues to impact the number of new callers seeking our assistance for our Services segment. We expect demand will start to return during the 2023 financial year.

During the year new client numbers for informal arrangements and debt agreements decreased by 58% and for personal insolvency agreements and bankruptcy increased by 9% compared to the previous corresponding period.

During the year informal arrangement and debt agreement clients under administration decreased to 11,252, down 29% and for personal insolvency agreements and bankruptcy decreased to 844, down 18%. FSA Group manages $109m of unsecured debt under informal arrangements and debt agreements and during the 2022 financial year paid $65m in dividends to creditors.

Executive Directors' Review

Continued

Informals and Debt Agreements	FY2020	FY2021	FY2022	% Change
New clients	4,327	1,463	620	↓ 58%
Clients under administration	19,736	15,780	11,252	↓ 29%
Debt managed	$353m	$209m	$109m	↓ 48%
Dividends paid	$89m	$85m	$65m	↓ 24%

PIA's and Bankruptcy	FY2020	FY2021	FY2022	% Change
New clients	347	89	97	↑ 9%
Clients under administration	1,304	1,025	844	↓ 18%

The Services segment achieved a profit before tax of $7.3m, a 39% decrease. COVID-19 will continue to negatively impact our Services earnings during the 2023 financial year. We expect this to be offset by increasing Lending earnings.

Net cash inflow from operating activities

During the 2022 financial year, FSA Group maintained strong net cash inflow driven by long term annuity income from its clients. However, net cash inflow was negatively impacted by a decrease in the number of clients under administration in the Services segment. Net cash inflow from operating activities was $26.2m, an 11% decrease.

	FY2020	FY2021	FY2022	% Change
Net cash inflow from operating activities	$19.4m	$29.5m	$26.2m	↓ 11%

Strategy and Outlook

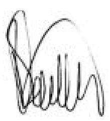
Our focus over the 2023 financial year will be as follows:

Lending	Develop a broker channel and grow our loan pools.
Services	Regrow as demand returns.
Earnings	Earning guidance will be provided during the 2023 financial year.
Capital Management	Expect our full year dividend to be 7 to 8 cents per share with the balance of earnings to be re-invested to support the growing loan pools. We plan to continue with our on market share buy-back as opportunities arise.

Our People

Our team continues to perform strongly in an uncertain and challenging environment. They are committed to working with and helping our customers in a work environment that fosters diversity, equal employment opportunities, fairness and embraces and supports personal growth, continuous learning and training opportunities. We acknowledge their efforts during the year. We also thank the Board for their guidance and support.

Tim Odillo Maher
Executive Director



Deborah Southon
Executive Director

Financial Statements

for the year ended 30 June 2022

Directors' Report

For the year ended 30 June 2022

The Directors present their report, together with the Financial Statements, on the Consolidated Entity consisting of FSA Group Limited ("Company" or "parent entity") and the entities controlled and its interests in associates at the end of, and during, the year ended 30 June 2022.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

David Bower

Tim Odillo Maher

Deborah Southon

Information on Directors

David Bower (Non-Executive Chairman)

Experience and Expertise

Mr David Bower was appointed on 23 April 2015 and was appointed Chairman on 2 September 2020.

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

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

Interest in shares and options

Ordinary shares	160,800

Directors' Report continued

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

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

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

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

Interest in shares and options

Ordinary shares	12,960,047

Company Secretary

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 (majoring in Accounting and Finance) from the University of Sydney and is a Fellow of CPA Australia. 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 Consolidated Entity provides debt solutions and direct lending services to individuals and businesses.

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 $17,219,773 (2021: $20,108,514).

Dividends declared and paid during the year

- On 31 August 2021, a fully franked final dividend relating to the year ended 30 June 2021 of $3,742,850 was paid at 3.00 cents per share; and
- On 10 March 2022, a fully franked interim dividend of $4,434,911 was paid at 3.50 cents per share.

Dividends declared after the end of year

On 11 August 2022, the Directors declared a 3.50 cent fully franked final dividend to shareholders to be paid on 30 August 2022 with a record date of 18 August 2022.

Operating and Financial Review

Detailed comments on operations are included separately in the Executive Directors' Review, on pages 5 to 8 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 except as follows:

- Buy back of 4,374,856 shares under an on market share buy-back;
- Issue of 1,950,000 shares under the Long Term Incentive Plan.

Financial position

The net assets of the Consolidated Entity, which includes amounts attributable to non-controlling interests, have increased from $75,652,996 at 30 June 2021 to $96,077,968 at 30 June 2022.

Treasury policy

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

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 continued

Significant changes in the state of affairs

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 2022 except as follows:

- On 30 June 2022 an Australian "big four" bank approved a $100m non-recourse warehouse asset finance facility. This senior facility will replace the Bendigo facility. The senior facility is supported by a non-recourse mezzanine facilities provided by institutional fund managers. These facilities settled in July 2022;
- On 11 August 2022, the Directors declared a 3.50 cent fully franked final dividend to shareholders to be paid on 30 August 2022 with a record date of 18 August 2022.

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 2022 there were no options on issue.

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.

Indemnity and insurance of auditor

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

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

Remuneration Report (Audited)

This Remuneration Report sets out the remuneration information, pertaining to the Directors and the Senior Executive. The Directors and the Senior Executive comprise the Key Management Personnel of the Company for the purposes of the *Corporations Act 2001* for the year ended 30 June 2022.

Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

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. To that end, the Consolidated Entity embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retaining high calibre executives;
- focus on creating sustained shareholder value;
- significant portion of executive remuneration at risk, and aligned with shareholder interests; and
- differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

The Company has a Remuneration Committee but does not have a Nominations Committee. The Directors consider that the Consolidated Entity 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 meetings as a Board. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors and the 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.

Non-Executive Director Remuneration

Non-Executive Director

David Bower
Non-Executive Chairman

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 25 November 2021 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 the Non-Executive Director for the year ended 30 June 2022 is detailed in Table 1 of this Remuneration Report.

Directors' Report continued

Executive Director and Senior Executive Remuneration

Executive Director

Deborah Southon
Executive Director

Senior Executive

Cellina Chen
Chief Financial Officer/Company Secretary

The Company aims to reward the Executive Director 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 Director 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 program ("LTI") has been set to attract, motivate and retain eligible participants and to provide them with an incentive to deliver growth and value to all shareholders. LTI will also be used to attract and retain Non-Executive Directors and Executives in a market place that is experiencing increased competition for talented personnel who bring value to the Board and the Company.

The LTI allows for the issue of performance rights, options or shares in the Company (each a type of Incentive Security), or potentially a combination of each of them. The Board proposes to issue Incentive Securities as determined by the Board from time to time under the LTI.

Under the LTI, the Board may offer eligible participants the opportunity to subscribe for such number of Incentive Securities in the Company as the Board may decide, on the terms and conditions set out in the rules of the Long Term Incentive Plan. The Company may make an advance to an eligible participant to assist in the acquisition of Incentive Securities.

Further details of the Long Term Incentive Plan, which was approved at the AGM on 25 November 2021, are set out in Note 20 to the Financial Statements

The remuneration of the Executive Director and Senior Executive for the year ended 30 June 2022 is detailed in Table 1 of this Remuneration Report.

Executive Director

Tim Odillo Maher
Executive Director

The Consolidated Entity has entered into a consultancy agreement with ATMR Ventures Pty Ltd. Tim Odillo Maher is one of the key personnel of ATMR Ventures Pty Ltd.

The remuneration paid to ATMR Ventures Pty Ltd for the year ended 30 June 2022 is detailed in Table 2 of this Remuneration Report.

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

Employment contracts and consultancy agreement

It is the Board’s policy that employment agreements are entered into with the Executive Directors (with the exception of Tim Odillo Maher), Senior Executive and employees. The Consolidated Entity has entered into a consultancy agreement with ATMR Ventures Pty Ltd. Tim Odillo Maher is one of the key personnel of ATMR Ventures Pty Ltd. Employment contracts and the consultancy agreement are for no specific fixed term unless otherwise stated.

Executive Directors and Senior Executive

The employment contracts entered into with the Executive Director 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 Long Term Incentive Plan terms and conditions
Resignation/notice period	Three months
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations	Board discretion

The consultancy agreement entered into with ATMR Ventures Pty Ltd of which Tim Odillo Maher is one of the key personnel contain the following key terms:

Event	Company Policy
Success fee	Board assessment based on outcomes
Material breaches period	Company may terminate at any time
Termination for convenience period	Three months

Directors' Report continued

(a) Details of Directors and Key Management Personnel

(i) Non-Executive Director

David Bower, Non-Executive Chairman

(ii) Executive Directors

Tim Odillo Maher, Executive Director

Deborah Southon, Executive Director

(iii) Senior Executive

Cellina Chen, Chief Financial Officer/Company Secretary

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

(b) Remuneration of Directors and Key Management Personnel

Table 1

	Short-term			Long-term		Post-Employment	Total	Performance based
	Salary & Fees $	Cash Bonus $	Non-cash benefits $	Cash Bonus $	Non-cash benefits $	Superannuation and other benefits	$	%
Non-Executive Director								
David Bower								
2022	52,675	–	–	–	–	5,268	57,943	–
2021	52,675	–	–	–	–	5,004	57,679	–
Executive Director								
Deborah Southon								
2022	406,596	–	*4,142	–	*1,612	40,000	452,350	–
2021	422,823	–	4,735	–	6,967	25,000	459,525	–
Senior Executive								
Cellina Chen								
2022	275,883	150,000	*36,600	–	*29,319	23,568	515,370	29%
2021	212,740	–	41,439	250,000	4,167	21,694	530,040	47%
Total Remuneration								
2022	**735,154**	**150,000**	**40,742**	**–**	**30,931**	**68,836**	**1,025,663**	
2021	688,238	–	46,174	250,000	11,134	51,698	1,047,244	

* Annual leave, long service leave accrual movement, together with Long Term Incentive Plan share benefit 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 Director:	Deborah Southon:	$200,000 – $350,000
Senior Executive:	Cellina Chen:	$100,000 – $140,000

Directors' Report continued

Table 2

Consultancy fees excluding GST paid to ATMR Ventures Pty Ltd of which Tim Odillo Maher is one of the key personnel.

	Fees $	Success Fees $	Total Fees $
Executive Director			
Tim Odillo Maher			
2022	438,000	–	438,000
2021	438,000	–	438,000

No success fees paid to ATMR Ventures Pty Ltd in relation to the performance during financial year 2021 and 2022.

Success fees in relation to current financial year performance will be paid in the subsequent financial year with an estimated range of: $200,000 – $350,000

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

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Operating income	58,250,636	61,434,416	$68,180,292	$69,742,110	$66,155,145
Net profit before tax	26,944,113	29,712,695	$24,750,627	$22,164,979	$19,670,917
Net profit and other comprehensive income after tax attributable to members	17,219,773	20,108,514	16,315,946	$14,411,166	$12,606,598
Share price at the start of the year	$1.04	$0.87	$1.02	$1.40	$1.36
Share price at the end of the year	$1.14	$1.04	$0.87	$1.02	$1.40
Dividends declared for the year	7.00c	6.00c	6.00c	5.00c	7.00c
Basic EPS (cents)	13.72	16.12	13.05	11.52	10.08
Diluted EPS (cents)	13.72	16.12	13.05	11.52	10.08

A review of bonuses paid to the Executive Director and Senior Executive, and the success fee paid to ATMR Ventures Pty Ltd of which Tim Odillo Maher is one of the key personnel, 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 2022

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

(d) Shares issued as part of the Long Term Incentive Plan for the year ended 30 June 2022

On 3 December 2021, 1,250,000 shares were issued under the Long Term Incentive Plan to the Senior Executive at a price of $1.04 per share with a transactional value of $1,300,000.

The shares were issued through a limited recourse loan arrangement whereby the holder has the option to repay the loan or sell the shares at agreed dates: at 3 years 50% (625,000 shares), at 4 years 25% (312,500 shares) and at 5 years 25% (312,500 shares).

If the option to sell the shares is taken at any point, the loan is only repayable to the value reimbursed through that sale. This arrangement has resulted in a share-based payment being recorded, with $16,403 expensed in the financial year. The fair value of the share-based payment was 11.3 cents.

Directors' Report continued

(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 2021	Purchased on market	Other Changes	Balance 30 June 2022
Directors				
Tim Odillo Maher	42,809,231	–	–	42,809,231
Deborah Southon	12,960,047	–	–	12,960,047
David Bower	160,800	–	–	160,800
Senior Executive				
Cellina Chen	–	–	1,250,000	1,250,000
Total	**55,930,078**	**–**	**1,250,000**	**57,180,078**

(g) Loans to Directors and Key Management Personnel

	LTI shares acquired during the year number	Opening loan balance $	Loans made $	Loans repaid $	Closing loan balance $
Senior Executive					
Cellina Chen					
2022	1,250,000	110,000	1,300,000	(110,000)	1,300,000
2021	–	–	110,000	–	110,000

(h) Other transactions with Directors and Key Management Personnel and related parties

There were no transactions with Directors and Key Management Personnel and related parties.

(i) Voting and comments made at the Company's 2021 Annual General Meeting ("AGM")

At the 2021 AGM, 98.18% of the votes received supported the adoption of the Remuneration Report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the Remuneration Report which has been audited.

Directors' Report continued

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
David Bower	7	7
Tim Odillo Maher	7	7
Deborah Southon	7	7
Total number of meetings held during the financial year	7	

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
David Bower	3	3
Tim Odillo Maher	3	3
Deborah Southon	3	3
Total number of meetings held during the financial year	3	

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
David Bower	2	2
Tim Odillo Maher	2	2
Deborah Southon	2	2
Total number of meetings held during the financial year	2	

Directors' Report continued

Proceedings on behalf of the Company

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

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 22.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 4th 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
11 August 2022

Auditor's Independence Declaration

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 RYAN POLLETT TO THE DIRECTORS OF FSA GROUP LIMITED

As lead auditor of FSA Group Limited for the year ended 30 June 2022, 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.

Ryan Pollett

Ryan Pollett
Director

BDO Audit Pty Ltd

Sydney, 11 August 2022

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

		Consolidated Entity	
	Notes	2022 $	2021 $
Revenue and other income			
Fees from services	2	**22,195,338**	31,677,359
Finance income	2	**48,056,917**	39,941,645
Finance expense	2	**(12,001,619)**	(10,184,588)
Net finance income	2	**36,055,298**	29,757,057
Total operating income		**58,250,636**	61,434,416
Employee benefit expense		**(18,752,840)**	(16,401,277)
Marketing expense		**(3,419,977)**	(5,819,002)
Operating expenses		**(5,325,005)**	(4,776,001)
Impairment expenses		**(903,609)**	(2,318,376)
Office facility expenses		**(1,651,781)**	(1,821,808)
Depreciation and amortisation expense		**(1,253,311)**	(943,783)
Unrealised gains on fair value movement of derivatives		**–**	358,526
Total expenses		**(31,306,523)**	(31,721,721)
Profit before income tax		**26,944,113**	29,712,695
Income tax expense	18	**(8,220,582)**	(8,941,373)
Profit after income tax		**18,723,531**	20,771,322
Other comprehensive income, net of tax		**–**	–
Total comprehensive income for the year		**18,723,531**	20,771,322
Total profit and comprehensive income for the year attributable to:			
Non-controlling interests		**1,503,758**	662,808
Members of the parent		**17,219,773**	20,108,514
Net profit for the year		**18,723,531**	20,771,322
Earnings per share			
Basic earnings per share (cents per share)	3	**13.72**	16.12
Diluted earnings per share (cents per share)	3	**13.72**	16.12

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 2022

	Notes	Consolidated Entity 2022 $	2021 $
Current Assets			
Cash and cash equivalents		**16,587,684**	18,930,111
Trade and other receivables	4	**15,727,586**	18,361,210
Other assets		**621,349**	988,573
Total Current Assets		**32,936,619**	38,279,894
Non-Current Assets			
Trade and other receivables	4	**1,668,786**	4,313,128
Right of use assets	8	**9,241,234**	10,317,800
Plant and equipment		**1,917,121**	2,101,974
Intangible assets	6	**14,279,844**	2,169,178
Deferred tax assets	18	**1,576,521**	1,187,557
Total Non-Current Assets		**28,683,506**	20,089,637
Financing Assets			
Personal loan cash and cash equivalents		**6,720,693**	3,837,569
Home loan cash and cash equivalents		**10,112,665**	12,332,930
Asset finance cash and cash equivalents		**2,503,571**	–
Personal loan assets	5	**71,826,827**	64,930,182
Home loan assets	5	**388,872,159**	382,471,633
Asset finance assets	5	**80,787,180**	–
Total Financing Assets		**560,823,095**	463,572,314
Total Assets		**622,443,220**	521,941,845
Current Liabilities			
Trade and other payables	7	**3,519,804**	4,745,599
Contract liabilities	2	**466,700**	458,909
Lease liability	8	**948,179**	813,489
Provisions	9	**2,531,627**	2,229,326
Current tax liabilities		**4,153,626**	3,588,265
Borrowings	13	**300,247**	306,647
Total Current Liabilities		**11,920,183**	12,142,235
Non-Current Liabilities			
Contract liabilities	2	**206,607**	496,315
Lease liability	8	**8,923,238**	9,789,398
Provisions	9	**422,997**	357,167
Deferred tax liabilities	18	**3,454,183**	3,155,508
Total Non-Current Liabilities		**13,007,025**	13,798,388

Statement of Financial Position continued

	Notes	Consolidated Entity 2022 $	2021 $
Financing Liabilities			
Other borrowings	13	**3,219,860**	–
Limited-recourse borrowings to finance personal loan assets	13	**43,804,531**	42,384,982
Non-recourse borrowings to finance home loan assets	13	**382,388,979**	377,963,244
Non-recourse borrowings to finance asset finance assets	13	**72,024,674**	–
Total Financing Liabilities		**501,438,044**	420,348,226
Total Liabilities		**526,365,252**	446,288,849
Net Assets		**96,077,968**	75,652,996
Equity			
Share capital	10	**3,502,630**	6,360,492
Reserves	11	**8,477,064**	–
Retained earnings		**72,384,411**	65,682,158
Total equity attributable to members of the parent		**84,364,105**	72,042,650
Non-controlling interests		**11,713,863**	3,610,346
Total Equity		**96,077,968**	75,652,996

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 2022

	Notes	Share capital	Reserves	Retained earnings	Non-controlling interests	Total
		$	$	$	$	$
Balance at 30 June 2020		**6,360,492**	**–**	**53,059,345**	**3,437,538**	**62,857,375**
Profit after income tax for the year		–	–	20,108,514	662,808	**20,771,322**
Other comprehensive income for the year, net of tax		–	–	–	–	**–**
Total comprehensive income for the year		**–**	**–**	**20,108,514**	**662,808**	**20,771,322**
Transactions with owners in their capacity as owners:						
Dividends paid		–	–	(7,485,701)	–	**(7,485,701)**
Distributions to non-controlling interests		–	–	–	(490,000)	**(490,000)**
Share buy-back		–	–	–	–	**–**
Balance at 30 June 2021		**6,360,492**	**–**	**65,682,158**	**3,610,346**	**75,652,996**
Profit after income tax for the year		–	–	17,219,773	1,503,758	**18,723,531**
Other comprehensive income for the year, net of tax		–	–	–	–	**–**
Total comprehensive income for the year		**–**	**–**	**17,219,773**	**1,503,758**	**18,723,531**
Transactions with owners in their capacity as owners:						
Dividends paid		–	–	(8,177,761)	–	**(8,177,761)**
Distributions to non-controlling interests		–	–	–	(420,000)	**(420,000)**
Share buy-back	10	(4,885,862)	–	–	–	**(4,885,862)**
Long term incentive plan	10, 11	2,028,000	(2,001,920)	–	–	**26,080**
Business combination	11, 21	–	10,320,000	(2,339,759)	7,019,759	**15,000,000**
Class shares	11, 23	–	158,984	–	–	**158,984**
Balance at 30 June 2022		**3,502,630**	**8,477,064**	**72,384,411**	**11,713,863**	**96,077,968**

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 2022

	Notes	Consolidated Entity 2022 $ Inflows/(Outflows)	2021 $ Inflows/(Outflows)
Cash flows from operating activities			
Receipts from customers		**25,723,989**	34,590,161
Payments to suppliers and employees		**(27,559,864)**	(27,854,078)
Finance income received		**47,959,056**	39,987,087
Finance cost paid		**(11,740,940)**	(10,316,724)
Income tax paid		**(8,190,122)**	(6,895,302)
Net cash inflow from operating activities		**26,192,119**	29,511,144
Cash flows from investing activities			
Cash and cash equivalent from acquisition	21	**2,355,482**	–
Acquisition of property, plant and equipment		**(68,567)**	(986,534)
Acquisition of intangibles		**(356,668)**	(83,588)
Net (increase)/decrease in home loan assets		**(6,337,249)**	10,520,328
Net increase in personal loan assets		**(6,315,178)**	(3,111,442)
Net increase in asset finance assets		**(39,545,524)**	–
Net decrease in other loans		**17,500**	–
Net cash (outflow)/inflow from investing activities		**(50,250,204)**	6,338,764
Cash flows from financing activities			
Net receipt/(repayment) of borrowings		**39,199,071**	(31,890,418)
Payment of lease liability		**(833,360)**	(789,742)
Payment of distributions to non-controlling interests		**(420,000)**	(490,000)
Share buy-back	10	**(4,885,862)**	–
Dividends paid to the Company's shareholders	12	**(8,177,761)**	(7,485,701)
Net cash inflow/(outflow) from financing activities		**24,882,088**	(40,655,861)
Net increase/(decrease) in cash and cash equivalents		**824,003**	(4,805,953)
Cash and cash equivalents at the beginning of the period		**35,100,610**	39,906,563
Cash and cash equivalents at the end of the period		**35,924,613**	35,100,610

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

General information

For the year ended 30 June 2022

Consolidated entity

FSA Group Limited is a for-profit listed public company (ASX: FSA), incorporated and domiciled in Australia.

The consolidated Financial Statements incorporate the financial information of FSA Group Limited ("Company" or "parent entity') and the entities controlled and its interests in associates together referred to as the "Consolidated Entity".

Principal activities

The Consolidated Entity provides debt solutions and direct lending services to individuals and businesses.

Basis of preparation

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 ("accounting standards"), and the *Corporations Act 2001*.

The Financial Statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

The Financial Statements are presented in Australian dollars and rounded to the nearest dollar.

Judgements and estimates

In the process of applying the Consolidated Entity's accounting policies, management have made a number of judgements and applied estimates of future events.

Accounting policy – depreciation

Plant and equipment are depreciated on a straight-line basis over their useful lives. 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

Judgements and estimates that are material to the Financial Statements are disclosed in the following Notes:

Note 2	Revenue and income
Note 4	Trade and other receivables
Note 5	Financing assets
Note 6	Intangible assets
Note 14	Financial instruments
Note 15	Financial risk management
Note 21	Business combination
Note 23	Share-based compensation

General information continued

New and amending accounting standards

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

New and amending accounting standards that are not yet mandatory have not been early adopted.

The accounting policies of the Consolidated Entity have been consistently applied.

Enhanced communication

The Financial Statements have been prepared using principles of enhanced communication, including using simple descriptions and sentence structures, avoiding the use of boilerplate narratives, ranking information that highlights its importance, and presenting information in a suitable format to make it easier to understand.

Authorisation

The Financial Statements are authorised for issue by the Directors on 11 August 2022.

Notes to the Financial Statements

For the year ended 30 June 2022

The Notes to the Financial Statements are arranged in five sections:

Notes to the Financial Statements continued

PERFORMANCE

This section focuses on the Consolidated Entity's performance and returns to shareholders for the year ended 30 June 2022.

Note 1: Segment information

Reportable segments

The Consolidated Entity's operating segments are distinguished and presented based on the differences in providing services and providing finance products. From this information, the Consolidated Entity's chief operating decision makers have identified reportable segments that are subject to different regulatory environments and legislation:

Reportable segment	Description
Services	Offering a range of services to assist clients wishing to enter into a payment arrangement with their creditors, including informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.
Lending	Offering home loans and personal loans to assist clients wishing to purchase a property or consolidate their debt or to purchase a motor vehicle and asset finance to SMEs wishing to purchase a vehicle and business-critical equipment.
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.

Segment information

The results of the reportable segments are reconciled to the Consolidated Entity's financial information as follows:

Operating Segment

	Services		Lending		Other/Unallocated		Consolidated Total	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Revenue and Income:								
Fees from services	**21,845,648**	31,268,536	**324,894**	378,081	**24,796**	30,742	**22,195,338**	31,677,359
Finance income	**3,956**	1,829	**48,046,510**	39,936,122	**6,451**	3,694	**48,056,917**	39,941,645
Finance expense	**(347,116)**	(404,945)	**(11,538,199)**	(9,779,643)	**(116,304)**	–	**(12,001,619)**	(10,184,588)
Net finance income	**(343,160)**	(403,116)	**36,508,311**	30,156,479	**(109,853)**	3,694	**36,055,298**	29,757,057
Total operating income	**21,502,488**	30,865,420	**36,833,205**	30,534,560	**(85,057)**	34,436	**58,250,636**	61,434,416
Results:								
Segment profit before tax	**7,331,520**	12,088,836	**19,834,377**	17,196,011	**(221,784)**	427,848	**26,944,113**	29,712,695
Income tax (expense)/benefit	**(2,209,747)**	(3,968,278)	**(6,079,789)**	(5,162,329)	**68,954**	189,234	**(8,220,582)**	(8,941,373)
Profit for the year	**5,121,773**	8,120,558	**13,754,588**	12,033,682	**(152,830)**	617,082	**18,723,531**	20,771,322
Segment assets	**37,411,345**	44,642,125	**580,596,599**	469,847,265	**22,644,849**	26,475,871	**640,652,793**	540,965,261
Reclassification							**(18,209,573)**	(19,023,416)
Total Assets							**622,443,220**	521,941,845

Each reportable segment accounts for transactions consistently with the Consolidated Entity's accounting policies.

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

Note 2: Revenue and income

Fees from services

Fees from services comprise fees from contracts with customers for personal insolvency services.

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled ("the transaction price") in exchange for transferring distinct performance obligations to clients as follows:

Service	Fees	Performance obligations	Revenue recognition
Debt agreements and informal arrangements	Application fees and administration fees	Performance obligations comprises two distinct services: (1) Initial service to prepare debt proposal for consideration by the creditors and the Australia Financial Security Authority, and (2) Monthly or periodic activities that include setting up the debt agreement or informal arrangement, managing and collecting debtor payments and agreement variations, calculating and distributing dividends to creditors and periodic reporting to creditors and the Australian Financial Security Authority.	Revenue is recognised as follows: (1) The initial service at a point in time when the debt proposal is completed, and (2) Over time when the monthly or periodic activities are delivered. The total consideration in the contract is collected over the contract term.
Bankruptcy and personal insolvency agreements	Trustee fees	Estate administration	Recognised over time as work progresses and time is billed.

Application of accounting policy

For each contract with a customer, the Consolidated Entity identifies the contract with a customer, identifies the performance obligations in the contract, determines the transaction price including an estimate of any variable consideration, allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered, and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Judgements

When applying the revenue recognition accounting policy to debt agreements and informal arrangements, management have determined that:

- The stand-alone selling price of the initial service is based on the Consolidated Entity's set up costs using a gross-plus margin approach; and
- The monthly or periodic activities represent a series of distinct services that are substantially the same – revenue is recognised using an output method based on the numbers of time periods (e.g. months) to be provided over the term of the contract. Revenue for these services is recognised substantially in line with the pattern of collection of cash from the debtor's monthly or periodic cash payments.

Notes to the Financial Statements continued

Goods & Services Tax (GST)

The Consolidated Entity is liable for GST when the consideration for the application and administration service provided is received, and recognises the GST liability at this point.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to debt agreement and informal arrangement administration services that are unsatisfied is $19,640,318 as at 30 June 2022 ($40,780,997 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	Consolidated Entity	
	2022 $	2021 $
Within 12 months	**7,095,762**	19,844,620
12 to 24 months	**6,258,090**	13,251,252
24 to 36 months	**3,182,056**	5,640,169
36 to 60 month	**3,104,410**	2,044,956
	19,640,318	40,780,997

Unrecoverable payments

When a debtor is behind in their monthly or periodic payments, the Consolidated Entity continues to recognise the revenue that it is entitled to collect for services transferred, but that may not be recoverable. Impairment is assessed as outlined in Note 4.

Contract liability

When a debtor pays in advance of their monthly payment, the Consolidated Entity recognises a Contract Liability in the Statement of Financial Position to recognise the collection of an amount that represents the obligation to provide the future services associated with the advance collection.

	Consolidated Entity	
	2022 $	2021 $
Current contract liability	**466,700**	458,909
Non-current contract liability	**206,607**	496,315
	673,307	955,224
Reconciliation of the carrying amount:		
Opening balance	**955,224**	1,228,527
Payments received in advance	**169,957**	350,687
Transfer to revenue – included in the opening balance	**(451,874)**	(623,990)
	673,307	955,224

Net finance income

Finance income comprises interest income and finance fee income:

- Interest income is recognised using the effective interest method; and
- 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 or, where income relates to loan origination, income is deferred and amortised over the effective life of the loan using the effective interest method.

Net finance income is presented net of finance costs, which comprise interest expense on borrowings using the effective interest method.

JobKeeper income

JobKeeper income was received by two subsidiaries within the Consolidation Entity during 2021. It was netted against Employee costs in the Statement of Profit or Loss and Other Comprehensive Income. The JobKeeper received was Nil for 2022 (2021: $2,003,600).

Disaggregation of revenue

	Consolidated Entity	
	2022 $	2021 $
Fees from services		
– Personal insolvency	**21,845,648**	31,268,536
– Refinance broking	**324,894**	378,081
– Other services	**24,796**	30,742
Total revenue	**22,195,338**	31,677,359
Finance income		
– Home loan assets	**23,439,480**	24,471,194
– Personal loan assets	**17,310,191**	15,464,928
– Asset finance assets	**7,296,840**	–
– Other interest income	**10,406**	5,523
	48,056,917	39,941,645
Finance expense		
– Interest expense – home loan facilities	**(8,180,629)**	(8,648,430)
– Interest expense – personal loan facilities	**(1,056,320)**	(1,131,213)
– Interest expense – asset finance facilities	**(2,301,251)**	–
– Interest expense – other lending facilities	**(463,419)**	(404,945)
	(12,001,619)	(10,184,588)
Net finance income	**36,055,298**	29,757,057
Total operating income	**58,250,636**	61,434,416

Notes to the Financial Statements continued

Note 3. Earnings per share

The Consolidated Entity calculated basic and diluted earnings per share as follows:

	Consolidated Entity	
	2022 $	2021 $
Total profit attributable to the members of the parent for the year ($)	**17,219,773**	20,108,514

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,483,612**	124,761,680
Weighted average number of ordinary shares used in calculating diluted earnings per share	**125,483,612**	124,761,680
Basic earnings per share (cents)	**13.72**	16.12
Diluted earnings per share (cents)	**13.72**	16.12

ASSETS

This section focuses on the financial assets that the Consolidated Entity requires to operate its business.

Note 4. Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment using the expected credit loss method. Trade and other receivables comprise:

Receivable type	Description	Approach to impairment
Debt agreement and Informal arrangement receivables	Receivables are receipted on a pro rata basis, in parity with other parties to the debt proposal throughout the debt proposal administration period (contract term), which is generally 2 to 5 years.	Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Impairment allowances are estimated through an assessment of the receivables on a collective (portfolio) basis based on historical collections data and losses incurred.
Bankruptcy and personal insolvency agreement receivables	Receivables are receipted on a pro rata basis, in accordance with statutory approval of trustee remuneration, throughout the administration period, which is generally 3 years.	Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Impairment allowances are estimated through an assessment of the receivables on both collective (portfolio) basis based on historical loss incurred, and also adjusted by individual matter assessment on an ongoing basis.
Sundry receivables	Other receivables	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.

Notes to the Financial Statements continued

	Consolidated Entity	
	2022 $	2021 $
Current		
Trade receivables	**16,731,674**	19,409,823
Provision for impairment	**(1,004,088)**	(1,048,613)
	15,727,586	18,361,210
Non-current		
Trade receivables	**1,815,394**	4,459,305
Provision for impairment	**(146,608)**	(146,177)
	1,668,786	4,313,128
Total	**17,396,372**	22,674,338
The movement in the provision for impairment		
Opening balance	**1,194,790**	1,657,198
Provision for impairment recognised	**803,219**	327,109
Unused provision reversed	**(438,590)**	(178,106)
Bad debts	**(408,723)**	(611,411)
Closing balance	**1,150,696**	1,194,790

Credit risk

Details of the Consolidated Entity's credit risk is included in Note 15.

The ageing profile of trade and other receivables is as follows:

	Consolidated Entity	
	2022 $	2021 $
Aging analysis – Trade and other receivables		
Not past due	**12,681,862**	16,060,095
Past due	**5,865,206**	7,809,033
Total	**18,547,068**	23,869,128

Notes to the Financial Statements continued

Note 5. Financing assets

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment using the expected credit loss method. Financing assets comprise:

Loan type	Description	Type	Term	Approach to impairment
Home loan assets	Loans secured against residential property.	Secured	3-4 years	An impairment loss on an individual basis is recognised if the total expected or actual sale proceeds, resulting from enforced sale of security, in regard to an individual loan do not exceed the loan balance. In the event that expected or actual sales proceeds do not exceed the loan balance, this difference and any realisation costs would equal the impairment loss.
Personal loan assets	Loans secured against motor vehicles.	Secured	4-5 years	An impairment allowance on a collective basis is recognised with regard to the underlying equity in the security or risk grade of the debtor for the loans receivable and also with regard to the payment history and any other information available, such as forward looking information that is available without undue cost of effort.
Asset finance assets	Loans secured against vehicles and business-critical equipment.	Secured	3-5 years	An impairment allowance on a collective basis is recognised with regard to the underlying equity in the security for the loans receivable and also with regard to the payment history and any other information available, such as forward looking information that is available without undue cost of effort. An impairment loss on an individual basis is recognised if the total expected or actual sale proceeds, resulting from enforced sale of security do not exceed the loan balance.

Notes to the Financial Statements continued

	Consolidated Entity		Consolidated Entity		Consolidated Entity	
	Home loan assets		Personal loan assets		Asset finance assets	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Non-securitised financing assets	**296,205,553**	250,920,262	**73,963,022**	68,153,032	**82,164,180**	–
Securitised financing assets	**93,465,210**	132,667,518	**–**	–	**–**	–
Total financing assets	**389,670,763**	383,587,780	**73,963,022**	68,153,032	**82,164,180**	–
Provision for impairment	**(798,604)**	(1,116,147)	**(2,136,195)**	(3,222,850)	**(1,377,000)**	–
	388,872,159	382,471,633	**71,826,827**	64,930,182	**80,787,180**	–
Security						
Weighted average loan to valuation ratio	**65%**	67%	**n/a**	n/a	**n/a**	n/a
Interest rate type	**Variable**	Variable	**Fixed**	Fixed	**Fixed**	n/a
Aging analysis						
Not past due	**355,816,411**	344,608,219	**65,496,372**	62,337,388	**75,882,787**	–
Past due 0 – 30 days	**26,270,308**	34,995,922	**7,151,429**	4,584,214	**4,060,705**	–
Past due 30 days	**7,584,044**	3,983,639	**1,315,221**	1,231,430	**2,220,688**	–
Total	**389,670,763**	383,587,780	**73,963,022**	68,153,032	**82,164,180**	–
Maturity analysis						
Amounts to be received in less than 1 year	**8,123,901**	8,178,008	**18,900,838**	17,222,100	**21,275,647**	–
Amounts to be received in greater than 1 year	**381,546,862**	375,409,772	**55,062,184**	50,930,932	**60,888,533**	–
	389,670,763	383,587,780	**73,963,022**	68,153,032	**82,164,180**	–
The movement in the provision for impairment						
Opening balance	**1,116,147**	644,007	**3,222,850**	2,514,889	**634,914**	–
Increase in provision	**(118,739)**	856,238	**(535,824)**	1,364,925	**1,314,619**	–
Bad debts	**(198,804)**	(384,098)	**(550,831)**	(656,964)	**(572,533)**	–
Closing balance	**798,604**	1,116,147	**2,136,195**	3,222,850	**1,377,000**	–

Notes to the Financial Statements continued

Note 6. Intangible assets

Goodwill

Goodwill comprises an amount of $345,124 that is the amount by which the purchase price for the business of FSA Australia Pty Ltd and its controlled entities exceeded the fair value attributed to its net assets at date of acquisition by the parent company.

Goodwill comprises an amount of $10,421,199 that is the amount by which the purchase price for the business of Azora Finance Pty Ltd and its controlled entities exceeded the fair value attributed to its net assets and separately identifiable intangible assets at date of acquisition by Azora Finance Group Pty Ltd.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill has indefinite life therefore no amortisation was recorded.

Software

Software is measured on the basis of the cost of acquisition or development of software less subsequent accumulated amortisation and accumulated impairment losses.

Software is tested for impairment only if there is an indication that the carrying amount of the software may be impaired. Software is amortised over 2 – 5 years depends on the effective life of the software.

Broker network

Broker network were recognised for the future economic benefits expected from the use of the broker network in the operation of the asset finance business. Broker network are measured by using the multi period excess earnings methodology from the loans that are expected to be referred by the broker network. Broker network are amortised over 6 years.

Customer relationships

Customer relationships were recognised for the future economic benefits expected from the use of existing customers through the operation of the wholesale rental finance business. Customer relationships are measured by using the multi period excess earnings methodology from the cash flow that can be generated by the existing customer relationships, less subsequent accumulated amortisation and accumulated impairment losses.

Customer relationships are tested for impairment annually and carried at fair value less accumulated amortisation and impairment losses. Customer relationships are amortised over 5 years in accordance with the business strategy.

	Consolidated Entity	
	2022 $	2021 $
Goodwill	**10,766,323**	345,124
Less: Impairment	**–**	–
	10,766,323	345,124
Software at cost	**5,344,027**	4,987,359
Less: Accumulated amortisation	**(3,941,256)**	(3,163,305)
	1,402,771	1,824,054
Customer relationships – at cost	**366,000**	–
Less: Accumulated amortisation	**(61,000)**	–
	305,000	–
Broker network – at cost	**2,097,000**	–
Less: Accumulated amortisation	**(291,250)**	–
	1,805,750	–
	14,279,844	2,169,178

Notes to the Financial Statements continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Software	Customer relationships	Broker network	Total
Balance at cost	345,124	4,987,359	–	–	5,332,483
Amortisation expense	–	(3,163,305)	–	–	(3,163,305)
Balance at 1 July 2021	**345,124**	**1,824,054**	**–**	**–**	**2,169,178**
Additions	–	356,668	–	–	356,668
Additions through business combination (Note 21)	10,421,199	–	366,000	2,097,000	12,884,199
Impairment of assets	–	–	–	–	–
Amortisation expense	–	(777,951)	(61,000)	(291,250)	(1,130,201)
Balance at 30 June 2022	**10,766,323**	**1,402,771**	**305,000**	**1,805,750**	**14,279,844**

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated Entity	
	2022 $	2021 $
FSA Australia Pty Ltd	**345,124**	345,124
Azora Finance Pty Ltd	**10,421,199**	–
	10,766,323	345,124

The recoverable amount of goodwill attributable to the Azora Finance CGU, is determined based on a value-in-use calculations, by estimating the future cash inflows and outflows to be derived by the CGU and applying an appropriate discount rate to those future cash flows.

The major key assumption relating to the forecast information is the continued growth of the new origination from the asset finance division and the utilisation of its funding lines. The cash flows have been projected over a three year period using average historical earnings margins and then adjusted for non-cash items. The cash flows beyond the three year period are extrapolated using a steady rate, together with a terminal value. An average after-tax discount rate of 7.1% has been applied to the net cash flows.

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

The Directors have determined that there are no reasonable changes in the key assumptions on which the recoverable amounts of goodwill are based, for either Azora Finance CGU or FSA Australia CGU, which would cause the carrying amount to exceed the recoverable amount.

No impairment was identified in either CGU.

Notes to the Financial Statements continued

LIABILITIES

This section focuses on the Consolidated Entity's financial liabilities.

Note 7. 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.

	Consolidated Entity	
	2022 $	2021 $
Current		
Unsecured trade payables	**809,414**	754,889
Employee benefits payables and accruals	**2,536,027**	3,702,625
Sundry payables and accruals	**174,363**	288,085
	3,519,804	4,745,599

Note 8. Leases

The Consolidated Entity leases its office premises. Additional office premises was acquired through the Azora Finance business combination.

The right-of-use asset is depreciated over the lease term. The lease liability is accounted for using an effective interest method.

	Consolidated Entity	
	2022 $	2021 $
Right-of-use assets		
Property	**11,574,448**	11,472,558
Accumulated amortisation	**(2,333,214)**	(1,154,758)
	9,241,234	10,317,800
Lease liabilities		
Current	**948,179**	813,489
Non-current	**8,923,238**	9,789,398
	9,871,417	10,602,887
Additions of the right-of-use assets during the year ended 30 June 2022 were $101,890.		
Amounts recognised in profit or loss		
Depreciation charge of right-of-use-assets	**1,178,457**	1,154,758
Interest expense (included in finance cost)	**350,751**	404,520
Operating rental expense	**328,506**	393,316
Rental on previous office premises (short term)	**33,198**	49,237
	1,890,912	2,001,831

Note 9. 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.

Employee benefits

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

As at 30 June 2022, the Consolidated Entity employed 104 full-time equivalent employees (2021:89) plus a further 6 independent contractors (2021: 2).

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave with no rights to defer settlements within 12 months of the reporting date are recognised in current liabilities.

Long-term employee benefits

The amount presented as non-current liabilities have an unconditional right to defer settlement. For amounts due more than 12 months after the reporting date; these are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

	Consolidated Entity	
	2022 $	2021 $
Current		
Employee benefits	**2,531,627**	2,229,326
Non-current		
Employee benefits	**422,997**	357,167

Notes to the Financial Statements continued

EQUITY AND BORROWINGS

This section focuses on the Consolidated Entity's capital structure and borrowing activities.

Note 10. Share capital

	Consolidated Entity	
	2022 $	2021 $
Share capital		
Balance 1 July	**6,360,492**	6,360,492
Add shares issued during year	**2,028,000**	–
Less shares bought back during year	**(4,885,862)**	–
Balance 30 June	**3,502,630**	6,360,492

	Number	Number
Ordinary shares		
Balance 1 July	**124,761,680**	124,761,680
Add shares issued during year	**1,950,000**	–
Less shares bought back during year	**(4,374,856)**	–
Balance 30 June	**122,336,824**	124,761,680

On 3 December 2021, the Company issued 1,950,000 shares under the Long Term Incentive Plan.

On 9 December 2021, the Company announced an on market buy-back in line with its capital management strategy.

Notes to the Financial Statements continued

Note 11. Reserves

	Consolidated Entity	
	2022 $	2021 $
Business combination reserve	10,320,000	-
Class share reserve	158,984	-
Long Term Incentive Plan share reserve	(2,028,000)	-
Long Term Incentive Plan share valuation reserve	26,080	-
Balance 30 June	8,477,064	-

Note 12. Dividends

Dividends are recognised when declared during the financial year and at the discretion of the Company. Dividends recognised in the current financial period by FSA Group Limited are:

Financial Year 2022	Value per share $	Total Amount	Franked	Date of Payment
Final – ordinary	0.03	$3,742,850	100%	31-Aug-21
Interim – ordinary	0.035	$4,434,911	100%	10-Mar-22

Financial Year 2021	Value per share $	Total Amount	Franked	Date of Payment
Final – ordinary	0.03	$3,742,850	100%	11-Sep-20
Interim – ordinary	0.03	$3,742,850	100%	23-Feb-21

On 11 August 2022, the Directors declared a fully franked final dividend for the year ended 30 June 2022 of 3.50 cents per ordinary share. This brings the full year dividend to 7.00 cents per ordinary share.

	Consolidated Entity	
	2022 $	2021 $
Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	**26,973,557**	24,684,000
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	**1,374,029**	3,378,857
Franking credits available for subsequent financial years based on a tax rate of 30%	**28,347,586**	28,062,857

Notes to the Financial Statements continued

Note 13. Borrowings

Borrowings comprise:

Borrowings	Facility type	Provider	Limit	Maturity date	Drawn	Security
Home loans	Non-recourse warehouse	Westpac	$350m	Oct-23	$272,109,997	This facility is secured against current and future home loan assets of Azora Home Loans Warehouse Trust 1.
		Institutional	$20m	Oct-23	$20,000,000	
	Securitised	Institutional		Mar-51	$89,790,438	This facility is secured against current and future home loan assets of the Fox Symes Home Loans 2019-1 PP Trust.
Personal loans	Limited recourse warehouse	Westpac	$75m	Apr-26	$43,750,000	This facility is secured against current and future personal loan assets of the Azora Personal Loans Warehouse Trust 1.
	Corporate	Westpac	$15m	Mar-24	$–	This facility is secured by a fixed and floating charge over the assets of FSA Group Limited and its controlled entities.
Asset Finance	Non-recourse warehouse	Bendigo	$67.5m	Jul-22	$62,485,357	This facility is secured against current and future asset finance assets of the Wholesale Rental Finance Warehouse Trust No. 1. The Bendigo facility has been refinanced with another bank subsequent to the year end, refer to Note 27 Events occurring after reporting period.
		Institutional	$3.5m	Jan-23	$3,500,000	
		Institutional	$6m	Jun-23	$6,000,000	

Notes to the Financial Statements continued

	Consolidated Entity	
	2022 $	2021 $
Current – unsecured		
Credit cards	**300,247**	306,647
Financing Liabilities – secured		
Limited recourse borrowings to finance personal loan assets	**43,804,531**	42,384,982
Non-recourse borrowings to finance home loan assets	**382,388,979**	377,963,244
Non-recourse borrowings to finance asset finance assets	**72,024,674**	–
Other loan	**3,219,860**	–
	501,438,044	420,348,226
The carrying amounts of assets pledged as security are:		
Personal loan assets	**78,547,520**	68,767,751
Home loan assets	**398,984,824**	394,804,563
Asset finance assets	**83,290,750**	–
	560,823,094	463,572,314

Note 14. Financial instruments

The Consolidated Entity undertakes transactions in a range of financial instruments, the risks associated with those financial instrument and recognition as follows:

Financial instrument	Type of instruments	Risks	Recognition
Non-derivative financial instruments	Trade and other receivables Home loan assets Asset finance assets Personal loan assets Cash and cash equivalents Other financial assets	Credit risk & Market risk	Non-derivative financial instruments (other than lease liabilities reported in Note 8) are recognised initially at fair value plus adjusted for any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method. Financial assets are reduced by the estimated of expected credit losses.
	Trade and other payables Lease liabilities Short-term loans Bank loans Warehouse facilities Securitised facilities	Liquidity risk & Market risk	

Notes to the Financial Statements continued

These financial instruments represented in the Statement of Financial Position are categorised under AASB9 *Financial Instruments* as follows:

	Consolidated Entity	
	2022 $	2021 $
Financial Assets		
Cash and cash equivalents	**16,587,684**	18,930,111
Trade and other receivables	**17,396,372**	22,674,338
Financing assets	**560,823,095**	463,572,314
Assets and receivables at amortised cost	**594,807,151**	505,176,763
Financial Liabilities		
Payables at amortised cost	**3,820,051**	5,052,246
Financing liabilities	**501,438,044**	420,348,226
Payables at amortised cost	**505,258,095**	425,400,472

The Consolidated Entity retains substantially all the risks and rewards of ownership of the securitised home loan assets.

Note 15. Financial risk management

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.

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.

Type of instruments	Security	Risk Management	Impairment Assessment
Personal insolvency receivables (debt agreements, informal arrangements, personal insolvency agreements and bankruptcy)	Unsecured	Debtors are assessed for serviceability and affordability prior to inception of each agreement.	Debts which are known to be uncollectable are written off by reducing the carrying amount directly. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired.

Notes to the Financial Statements continued

Type of instruments	Security	Risk Management	Impairment Assessment
Home loan assets	Residential property	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 security, and assessing the value of the security provided.	A 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 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. A loan is classified as being in hardship when a hardship application has been submitted and accepted.
Asset finance assets	Vehicle and business-critical equipment		
Personal loan assets	Motor vehicle		

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due.

Type of instruments	Risk Management	Assessment
Trade and other payables Lease liabilities Short term loans	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 facilities.	The Directors are satisfied that The Consolidated Entity will be able to meet its financial obligations as they fall due.
Bank loans Warehouse facilities Securitised facilities	The Consolidated Entity is reliant on the renewal of existing facilities, the negotiation of new facilities, or the issuance of residential mortgage backed securities. Each facility is structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Consolidated Entity.	The Directors are satisfied that an event of default in relation to the Consolidated Entity's home loan, personal loan or asset finance facilities will not affect the Consolidated Entity's ability to continue as a going concern.

Notes to the Financial Statements continued

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 2022	Carrying amount $	Contractual Cash flows $	12 months or less $	1 to 2 years $	2 to 5 years $	5 to 10 years $
Trade and other payables	**3,519,804**	**3,519,804**	**3,519,804**	**–**	**–**	**–**
Leases	**9,871,418**	**11,441,191**	**1,265,780**	**1,277,233**	**4,210,639**	**4,687,539**
Other short term loans	**3,520,106**	**3,520,106**	**3,520,106**	**–**	**–**	**–**
Warehouse facilities	**408,313,592**	**432,960,366**	**80,342,615**	**305,401,627**	**47,216,124**	**–**
Securitised facilities	**89,904,592**	**97,021,241**	**21,740,277**	**17,059,801**	**32,108,611**	**26,112,551**
Total	**515,129,512**	**548,462,708**	**110,388,582**	**323,738,661**	**83,535,375**	**30,800,090**

Consolidated Entity 30 June 2021						
Trade and other payables	4,745,599	4,745,599	4,745,599	–	–	–
Leases	10,602,887	12,506,039	1,155,775	1,212,635	4,002,272	6,135,357
Other short term loans	306,647	306,647	306,647	–	–	–
Warehouse facilities	290,178,549	306,545,814	5,132,668	6,383,897	295,029,249	–
Securitised facilities	130,169,677	138,609,121	30,699,261	24,202,916	45,936,542	37,770,402
Total	436,003,359	462,713,220	42,039,950	31,799,448	344,968,063	43,905,759

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.

Type of instruments	Risk Management	Assessment
Home loans	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 on a non-recourse basis to the Consolidated Entity.	The Consolidated Entity performs interest rate sensitivity analysis to assess 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. The impact of the interest rate movement by 50 basis points were immaterial.
Asset finance	Asset finance assets are lent on fixed interest rates and are financed by variable rate borrowings. Asset finance terms average around 3 to 5 years which mitigate the Consolidated Entity's exposure to interest rate risk on there borrowings. These borrowings are on a non-recourse basis to the Consolidated Entity	
Personal loans	Personal loan assets are lent on fixed interest rates and are financed by variable rate borrowings. Personal loan terms average around 4 to 5 years which mitigate the Consolidated Entity's exposure to interest rate risk on these borrowings. These borrowings are on a limited-recourse basis to the Consolidated Entity.	

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.

Note 16. Fair value measurements

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. 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-22	Jun-22
	Book value $	Fair value $
Financial assets		
Current receivables net of deferred tax	3,841,055	3,841,055
Non-current receivables net of deferred tax	1,602,904	1,591,838
Financing assets		
Personal loan assets	71,826,827	83,938,317
Home loan assets	388,872,159	407,876,761
Asset finance assets	80,787,180	86,541,796

	Jun-21	Jun-21
	Book value $	Fair value $
Financial assets		
Current receivables net of deferred tax	4,924,871	4,924,871
Non-current receivables net of deferred tax	3,918,453	3,883,165
Financing assets		
Personal loan assets	64,930,182	76,064,981
Home loan assets	382,471,633	406,696,899
Asset finance assets	–	–

Notes to the Financial Statements continued

OTHER

Note 17. Cash flow information

	Consolidated Entity	
	2022 $	2021 $
Reconciliation of cash flows from operations to profit after tax		
Profit after tax	**18,723,531**	20,771,322
Non-cash flows in profit/(loss):		
Depreciation and amortisation	**2,431,767**	2,098,541
Unrealised gain on derivatives	**–**	(401,134)
Loss on write off investments	**749,635**	1,041,447
Increase/decrease in assets and liabilities:		
Trade and other receivables	**4,818,726**	5,402,771
Other current assets	**85,509**	58,401
Tax assets/liabilities	**30,461**	2,046,071
Trade and other payables	**(873,680)**	(1,233,689)
Provisions	**226,170**	(272,586)
Cash flows from operating activities	**26,192,119**	29,511,144

Note 18. Income tax

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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.

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.

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 continued

	Consolidated Entity	
	2022 $	2021 $
(a) Income tax expense		
Current tax expense	**8,716,951**	9,504,511
Deferred tax expense	**(472,654)**	(252,075)
Over provision for current tax payable in a prior period	**(23,715)**	(311,063)
	8,220,582	8,941,373
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**585,905**	28,391
Increase in deferred tax liabilities	**(1,058,560)**	(280,466)
	(472,655)	(252,075)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	**26,944,113**	29,712,695
Tax at the Australian tax rate of 30% (2021: 30%)	**8,083,234**	8,913,808
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible expenses	**162,004**	31,856
Adjustment for overseas tax rates	**(4,331)**	(3,597)
	8,240,907	8,942,067
Under provision in the prior year	**(20,325)**	15,630
Tax Offsets	**–**	(16,324)
Income tax expense	**8,220,582**	8,941,373
(c) Deferred tax assets		
Provisions	**2,525,136**	2,317,659
Capital legal expenses	**80,287**	38,644
Accrued expenditure	**567,576**	873,462
Lease liability	**2,961,425**	3,180,866
Other	**62,760**	20,008
	6,201,271	6,430,639
Deferred tax liability offset on tax consolidation	**(4,624,750)**	(5,243,082)
Total deferred tax assets	**1,576,521**	1,187,557
(d) Deferred tax liabilities		
Temporary difference on assessable income	**4,567,661**	5,303,251
Temporary difference on lease	**2,772,371**	3,095,340
Temporary difference on intangibles	**738,900**	–
Deferred tax liability offset on tax consolidation	**(4,624,749)**	(5,243,083)
Total deferred tax liabilities	**3,454,183**	3,155,508

Notes to the Financial Statements continued

Note 19. Auditor's remuneration

Auditors of the Consolidated Entity – BDO and related network firms	Consolidated Entity 2022 $	Consolidated Entity 2021 $
Audit and review of financial statements		
Consolidated Entity	**156,000**	144,000
Controlled entities and joint operations	**34,400**	25,950
Total audit and review of financial statements	**190,400**	169,950
Other statutory assurance services	**29,000**	4,500
Non-audit services		
Taxation compliance services	**57,700**	91,594
Taxation advice and consulting	**42,330**	15,662
Other training and consulting	**4,000**	3,650
Total non-audit services	**104,030**	110,906
Total services provided by BDO	**294,430**	280,856

Note 20. Key Management Personnel disclosures

On 3 December 2021, 1,250,000 shares were issued under the Long Term Incentive Plan to the Senior Executive at a price of $1.04 per share with a transactional value of $1,300,000.

The shares were issued through a limited recourse loan arrangement whereby the holder has the option to repay the loan or sell the shares at agreed dates: at 3 years 50% (625,000 shares), at 4 years 25% (312,500 shares) and at 5 years 25% (312,500 shares).

If the option to sell the shares is taken at any point, the loan is only repayable to the value reimbursed through that sale. This arrangement has resulted in a share-based payment being recorded, with $16,403 expensed in the financial year. The fair value of the share based payment was 18.9 cents.

Set out below is a summary of the shares issued and the limited recourse loan balance:

	LTI shares acquired during the year	Opening loan balance	Loans made	Loans repaid	Closing loan balance
	Number	$	$	$	$
Senior Executive					
Cellina Chen					
2022	**1,250,000**	**110,000**	**1,300,000**	**(110,000)**	**1,300,000**
2021	–	–	110,000	–	110,000

Remuneration of Directors and Key Management Personnel

	2022	2021
Short-term employee benefits	**925,896**	754,339
Long-term employee benefits	**30,931**	261,134
Post-employment benefits	**68,836**	53,591
Consultancy fees	**438,000**	438,000
	1,463,663	1,507,064

Note 21. Business combination

On 1 September 2021, Azora Finance Group Pty Limited (AFG), a subsidiary of the Company, acquired 100% of the ordinary shares from the shareholders of Azora Finance Pty Limited (AF) in exchange for the issue of new AFG ordinary shares. Following completion, the former shareholders of AF now hold 24% of the ordinary shares in AFG.

AF operates an asset finance lending business which lends to SMEs for vehicles and business-critical equipment.

The goodwill of $10,421,200 represents the expected synergies from merging AF with the AFG home loan lending division. AFG will specialise in residential home loans to self-employed borrowers and asset finance for vehicles and business-critical equipment. It will distribute products through direct, broker and other third-party intermediary channels. Its focus will be on providing tailored solutions, fast turnaround and first class customer service. The application and approval process will be simple and be driven by smart technology and proprietary loan portals.

The intangible assets of $12,145,299 represented by customer relationships from the wholesale rental finance, broker networks the business established and goodwill as referred to Note 6.

The acquired business contributed revenues of $7,296,840 and profit after tax of $277,977 to the Consolidated Entity for the period from 1 September 2021 to 30 June 2022.

Details of the acquisition are as follows:

Cash and cash equivalents	2,355,482
Trade and other receivables	49,745
Other assets	200
Plant and equipment	72,099
Deferred tax asset	352,439
Asset finance assets	41,921,339
Trade and other payables	(46,746)
Provisions	(168,041)
Current tax liabilities	(58,151)
Financing Liabilities	(41,623,666)
Net assets acquired	**2,854,700**
Customer relationships – Wholesale rental finance	366,000
Broker network	2,097,000
Deferred tax liability	(738,900)
Goodwill	10,421,200
Excess of purchase price over net assets	**12,145,300**
Acquisition-date fair value of the total consideration transferred	**15,000,000**

Representing:	
Fair value of the shares issued to the shareholders of AF	**15,000,000**

Notes to the Financial Statements continued

Note 22. 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.

		Percentage of equity interest held	
Name	Country of Incorporation	2022 %	2021 %
The following entities are subsidiaries of FSA Group Limited			
FSA Australia Pty Ltd	Australia	**100**	100
Azora Finance Group Pty Ltd	Australia	**76**	100
Azora Personal Loans Pty Ltd	Australia	**100**	100
104 880 088 Group Holdings Pty Ltd	Australia	**100**	100
The following entities are subsidiaries of FSA Australia Pty Ltd			
Fox Symes & Associates Pty Ltd	Australia	**100**	100
Fox Symes Debt Relief Services Pty Ltd	Australia	**100**	100
EBP Money Pty Ltd (formerly Easy Bill Pay Pty Ltd)	Australia	**100**	100
Aravanis Insolvency Pty Ltd	Australia	**65**	65
Fox Symes Business Services Pty Ltd	Australia	**75**	75
The following entities are subsidiaries of Azora Finance Group Pty Ltd			
Azora Finance (Services) Pty Ltd	Australia	**100**	100
Azora Finance (Management) Pty Ltd	Australia	**100**	100
Fox Symes Home Loans (Mortgage Management) Pty Ltd	Australia	**100**	100
Azora Direct Pty Ltd	Australia	**100**	100
Azora Home Loans Warehouse Trust 1	Australia	**100**	100
Fox Symes Home Loans 2019-1 PP Trust	Australia	**100**	100
Azora Finance Pty Ltd	Australia	**100**	–
Azora Asset Finance Pty Ltd	Australia	**100**	–
Wholesale Rental Finance Trust No.1	Australia	**100**	–
Azora Warehouse Trust No.1	Australia	**100**	–
The following entity is a subsidiary of Azora Personal Loans Pty Ltd			
Azora Personal Loans Warehouse Trust 1	Australia	**100**	100
The following entities are subsidiaries of 104 880 088 Group Holdings Pty Limited			
110 294 767 Capital Finance Pty Limited	Australia	**100**	100
102 333 111 Corporate Pty Limited	Australia	**100**	100
111 044 510 Equity Partners Pty Limited	Australia	**100**	100
One Financial Corporation Pty Ltd	Australia	**100**	100
The following entity is a subsidiary of Aravanis Insolvency Pty Limited			
Aravanis Advisory Limited India		**99.99**	99.99

Notes to the Financial Statements continued

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:

Name	Principal place of business/Country of incorporation	Principal activities	Parent Ownership interest 2022	Parent Ownership interest 2021	Non-controlling interests Ownership interest 2022	Non-controlling interests Ownership interest 2021
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%
Azora Finance Group Pty Limited	Australia	Lending	**76%**	100%	**24%**	0%

	Aravanis Insolvency Pty Limited 2022 $	Aravanis Insolvency Pty Limited 2021 $
Summarised Statement of Financial Position		
Current assets	**12,939,435**	14,462,535
Non-current assets	**423,963**	317,046
Total assets	**13,363,398**	14,779,581
Current liabilities	**874,233**	1,157,635
Non-current liabilities	**3,144,906**	3,503,153
Total liabilities	**4,019,139**	4,660,788
Net assets	**9,344,259**	10,118,793
Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue	**4,862,883**	6,628,712
Expenses	**(4,398,487)**	(3,900,802)
Profit before income tax expense	**464,396**	2,727,910
Income tax expense	**(123,430)**	(837,478)
Profit after income tax expense	**340,966**	1,890,432
Other comprehensive income	**–**	–
Total comprehensive income	**340,966**	1,890,432
Summarised Statement of Cash Flows		
Cash flows from operating activities	**1,272,526**	2,198,232
Cash flows from investing activities	**15,855**	(9,706)
Cash flows from financing activities	**(1,165,459)**	(1,403,120)
Net increase in cash and cash equivalents	**122,922**	785,406
Other financial information		
Profit attributable to non-controlling interests	**119,340**	661,653
Accumulated non-controlling interests at the end of reporting period	**3,300,356**	3,601,015

Notes to the Financial Statements continued

	Azora Finance Group Pty Limited	
	2022 $	2021 $
Summarised Statement of Financial Position		
Current assets	**5,059,665**	4,405,421
Non-current assets	**13,793,104**	657,913
Financing assets	**482,275,575**	394,804,563
Total assets	**501,128,344**	399,867,897
Current liabilities	**7,464,945**	8,653,586
Non-current liabilities	**844,311**	67,523
Financing liabilities	**457,633,513**	377,963,244
Total liabilities	**465,942,769**	386,684,353
Net assets	**35,185,575**	13,183,544
Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue	**30,982,624**	24,762,864
Expenses	**(21,021,395)**	(15,068,558)
Profit before income tax expense	**9,961,229**	9,694,306
Income tax expense	**(3,118,180)**	(2,911,884)
Profit after income tax expense	**6,843,049**	6,782,422
Other comprehensive income	**–**	–
Total comprehensive income	**6,843,049**	6,782,422
Summarised Statement of Cash Flows		
Cash flows from operating activities	**11,176,562**	7,485,093
Cash flows from investing activities	**(46,144,140)**	10,520,328
Cash flows from financing activities	**33,685,168**	(31,372,151)
Net decrease in cash and cash equivalents	**(1,282,410)**	(13,366,730)
Other financial information		
Profit attributable to non-controlling interests	**1,386,623**	–
Accumulated non-controlling interests at the end of reporting period	**5,456,425**	6,782,422

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

Note 23. Share-based compensation

Issue of Class Shares

On 31 August 2021, Azora Finance Group Pty Limited (AFG), a subsidiary of the Company, issued 12,000,000 Class B shares and 12,000,000 Class C shares (Class Shares) to the shareholders of Azora Finance Pty Ltd ("AF") and its controlled entities. The maximum conversion of Class Shares into ordinary shares is 12,000,000.

On 1 September 2021, AFG acquired 100% of the ordinary shares from the shareholders of AF in exchange for the issue of new AFG ordinary shares. Following completion, the former shareholders of AF now hold 24% of the ordinary shares in AFG.

If all Class Shares convert into ordinary shares, the former shareholders of AF will own 32% of the ordinary shares of AFG.

The former shareholders of AF are not classified as Key Management Personnel of the Company.

Conversion of Class Shares

Details of the terms and conditions of the conversion of the Class Shares are set out below:

FY2024 PBT Outcome	Class B Share Conversion
PBT >= $30m	12m Class B shares convert, 12m Class C shares are forfeited
$15m <= PBT < $30m	Proportionate number of Class B shares convert, balance are forfeited
PBT < $15m	Nil Class B shares convert, 12m Class B shares are forfeited.

FY2026 PBT Outcome	Class C Share Conversion
PBT >= $30m	12m Class C shares (less any Class B shares already converted) convert, balance are forfeited
$15m <= PBT < $30m	Proportionate number of Class C shares (less any Class B shares already converted) convert, balance are forfeited
PBT < $15m	Nil Class C shares convert, 12m Class C shares are forfeited

PBT means profit before tax of AFG, as determined in accordance with the Accounting Standards. The conversion will occur 10 days after the audited PBT outcome is determined.

Each Class Share in AFG will confer the following rights and privileges and have been issued subject to the following conditions:

Repayment of capital and surplus assets and profits

Class Shares will rank equally with each ordinary share, in terms of the entitlement to:

(a) any repayment of capital, whether in a winding up, upon a reduction of capital or otherwise; and

(b) participate in any surplus assets or profits of AFG upon a winding up.

Dividends

Class Shares will not confer any right to any dividends.

Voting

Class Shares will not confer any right to cast any vote at any meeting of the members of AFG.

Transfer

Class Shares are not transferrable.

Participation in new issues

Class Shares will not confer any right to participate in new issues of securities.

Notes to the Financial Statements continued

Conversion

Class Shares will convert to an ordinary share on the earlier of the following events:

(a) on the occurrence of an Acceleration Event; or

(b) as described above.

Upon the conversion into an ordinary share that share will have the same rights as, and rank pari passu with, all other ordinary shares.

Acceleration Event means a change in control event or insolvency event occurs in relation to AFG or the Company.

Value of Class Shares

The Class Shares were valued by using the capitalisation of future maintainable earnings method. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Fair value per AFG shares	Minority interest discount	Liquidity discount	Fair value at the grant date	Probability of conversion
31/08/2021	0.53	25%	15%	$0.32	25%

The expense recognised for the Class Shares during the year was $158,984.

Additional information

The earnings of AFG for the years to 30 June 2022 are summarised below:

	AFG	
	FY2022 $	FY2021 $
Profit before tax	9,961,229	9,694,306

Issue of Ordinary Shares under the Long Term Incentive Plan

On 3 December 2021, 1,950,000 shares were issued under the Long Term Incentive Plan to the eligible participants at a price of $1.04 per share with a transactional value of $2,028,000.

Value of shares under Long Term Incentive Plan with limited recourse loans

The Company treated the shares issued under the Long Term Incentive Plan through a limited recourse loan arrangement as share-based compensation. The share-based compensation to the eligible participants was valued at $219,328 by utilising the Black-Scholes model. The valuation model inputs used to determine the value are as follows:

Grant date	Expiry date	Underlying price	Exercise price	Volatility	Risk free rate	Dividend yield	Fair value at the grant date
3/12/2021	2/12/2026	1.04	1.04	25%	1.31%	5.65%	$0.11

The expense recognised for the Long Term Incentive Plan during the year was $26,080.

Note 24. 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 Consolidated Entity.

	2022 $	2021 $
Financial position		
Total current assets	**17,877,055**	23,046,698
Total non-current assets	**8,465,084**	8,465,084
Total assets	**26,342,139**	31,511,782
Total current liabilities	**1,378,185**	3,344,977
Total liabilities	**1,378,185**	3,344,977
Net assets	**24,963,954**	28,166,805
Equity		
Share capital	**3,502,630**	6,360,492
Retained earnings	**21,461,324**	21,806,313
Total equity	**24,963,954**	28,166,805
Financial performance		
Profit after income tax	**9,834,692**	15,776,188
Other comprehensive Income	**–**	–
Total Comprehensive income/(loss)for the year	**9,834,692**	15,776,188

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 25 for further details.

There are no contingent liabilities or commitments in the parent entity (2021: $Nil).

Note 25. 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 ASIC Corporation (Wholly owned companies) Instrument 2017/785 (as amended) issued by the Australian Securities and Investments Commission ('ASIC'). The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by FSA Group Limited, they also represent the 'Extended Closed Group'.

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

Notes to the Financial Statements continued

Statement of Profit or Loss and Other Comprehensive Income	2022 $	2021 $
Revenue and other income		
Fees from services	**15,455,939**	22,256,808
Finance income	**212,997**	8,120
Finance expense	**(320,548)**	(4,851)
Net finance income	**(107,551)**	3,269
Other income	**10,780,000**	16,535,242
Total revenue and other income net of finance expense	**26,128,388**	38,795,319
Total expense	**30,895**	(336,245)
Profit before income tax	**26,159,283**	38,459,074
Income tax expense	**(4,611,366)**	(6,367,120)
Profit after income tax	**21,547,917**	32,091,954
Other Comprehensive Income	**–**	–
Total Comprehensive income for the year	**21,547,917**	32,091,954
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	**9,229,529**	12,777,758
Trade and other receivables	**11,370,956**	13,136,401
Other assets	**6,487**	6,433
Total Current Assets	**20,606,972**	25,920,592
Non-Current Assets		
Trade and other receivables	**708,301**	1,315,585
Investments	**8,465,084**	8,465,084
Total Non-Current Assets	**9,173,385**	9,780,669
Total Assets	**29,780,357**	35,701,261
Current Liabilities		
Trade and other payables	**124,923**	120,171
Contract liability	**466,700**	458,909
Tax Liabilities	**1,374,029**	3,378,857
Total Current Liabilities	**1,965,652**	3,957,937
Non-Current Liabilities		
Contract liability	**206,607**	496,315
Deferred tax liabilities	**936,172**	1,148,910
Total Non-Current Liabilities	**1,142,779**	1,645,225
Total Liabilities	**3,108,431**	5,603,162
Net Assets	**26,671,926**	30,098,099
Equity		
Share capital	**3,502,634**	6,360,496
Retained earnings	**23,169,292**	23,737,603
Total Equity	**26,671,926**	30,098,099

Note 26. Contingent liabilities

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

Home loans

At reporting date, home loan applications that had been accepted by the Consolidated Entity but not yet settled amount to $12,481,675 (2021: $11,589,250). Home loans are usually settled within 4 weeks of acceptance.

Personal loans

At reporting date, personal loan applications that had been accepted by the Consolidated Entity but not yet settled amount to $43,640 (2021:Nil). Personal loans are usually settled within one week of acceptance.

Note 27. 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 2022 except as follows:

- On 30 June 2022 an Australian "big four" bank approved a $100m non-recourse warehouse asset finance facility. This senior facility will replace the Bendigo facility. The senior facility is supported by a non-recourse mezzanine facilities provided by institutional fund managers. These facilities settled in July 2022; and
- 11 August 2022, Directors declared a 3.50 cent fully franked final dividend to shareholders to be paid on 30 August 2022 with a record date of 18 August 2022.

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 Australian 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 2022 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 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 25.

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
11 August 2022

Deborah Southon
Executive Director

Sydney
11 August 2022

Independent Auditor's Report

To the members of FSA Group Limited

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

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of FSA Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of FSA Group Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2022, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

Recoverability of receivables balances

Key audit matter	*How the matter was addressed in our audit*
As disclosed in the Statement of Profit or Loss and Other Comprehensive Income, impairment expenses of $903,609 relating to the Group's trade and other receivables and financing assets which have been recognised as at 30 June 2022. The Group summarises the trade and other receivables and financing assets balances and the provision applied in notes 4 and 5 of the financial statements. Given the quantum of the assets and the judgement exercised by the Group in determining the recoverable amount of each of the classes of asset and calculating the expected credit losses (impairment charges), we considered this area to be significant for our audit.	Our audit procedures included, among others; • Review of the provisioning methodology applied, ensuring compliance with AASB 9 *Financial Instruments* through comparison to historical cash collections data and historical loss ratios and consideration of trends into the future; • Verification of key inputs to supporting data and re-computation of the balance date doubtful debt provisions to ensure mathematical accuracy; • Ensured the impact of forecasted market movements of property valuations and interest rates have been considered in the forward-looking estimates; and • Review of the disclosures relating to the provisioning methodology to ensure appropriate and complete disclosures are presented in the financial report in accordance with Australian Accounting Standards.

Accounting for business combinations

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 21, Azora Finance Pty Ltd ('AF') was acquired on 1 September 2021 by Azora Finance Group Pty Limited ('AFG') via a share-for-share exchange. The accounting for business combinations was a key audit matter given the AF acquisition was material to the Group and involved significant judgements made by the Group, including: • Determination of the fair value of the consideration paid, being the shares in AFG, which are not traded on the open market; and • Determination of the fair value of identifiable intangible assets.	Our audit procedures included, among others; • Reviewing the purchase contract to understand the entities being acquired and the consideration payable for the acquisition; • Assessing the valuation of AFG shares issued as consideration including assessing the Group's forecasting accuracy by comparing past forecasts with actual performance and developing an understanding of the causes of differences; • Obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition; • Using an internal valuation expert to critically assess methodology applied and the key judgemental inputs used; and • Considering the adequacy of the business combination disclosures in light of the requirements of Australian Accounting Standards.

Independent Auditor's Report continued

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Independent Auditor's Report continued

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 19 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of FSA Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

BDO
Ryan Pollett

Ryan Pollett
Director

Sydney, 11 August 2022

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 3 August 2022.

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	287	93,007
1,001 – 5,000	383	1,209,683
5,001 – 10,000	219	1,867,620
10,001 – 100,000	332	10,592,334
100,001 and over	83	108,574,180
Total	**1,304**	**122,336,824**

The number of security investors holding less than a marketable parcel of 435 securities ($1.15 on 3 August 2022) is 176 and they hold 7,983 securities.

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	21.25%
2	Mazamand Group Pty Ltd	16,659,231	13.62%
3	ADST Pty Ltd	12,960,047	10.59%
4	BJR Investment Holdings Pty Ltd	11,111,111	9.08%
5	J P Morgan Nominees Australia Pty Limited	5,678,777	4.64%
6	UBS Nominees Pty Ltd	4,529,075	3.70%
7	Ruminator Pty Limited	3,491,440	2.85%
8	Contemplator Pty Limited	2,597,622	2.12%
9	Dundas Ritchie Investments Pty Ltd	1,500,000	1.23%
10	Wycl Holdings Pty Ltd	1,250,000	1.02%
11	Hsbc Custody Nominees (Australia) Limited	1,182,170	0.97%
12	Microequities Asset Management Pty Ltd	1,160,207	0.95%
13	Karia Investment Pty Ltd	966,666	0.79%
14	Garrett Smythe Ltd	942,978	0.77%
15	Maramindi Pty Ltd	900,000	0.74%
16	Fernane Pty Ltd	877,168	0.72%
17	Harold Cripps Holdings Pty Ltd	700,541	0.57%
18	Taurus Sun Trading Pty Ltd	700,000	0.57%
19	Vanward Investments Limited	632,583	0.52%
20	Gattenside Pty Ltd	590,541	0.48%
	Top 20	**94,430,157**	**77.19%**
	Total	**122,336,824**	**100%**

Shareholder Information continued

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	16,559,026
ADST Pty Ltd	11,888,514
BJR Investment Holdings Pty Ltd	11,111,111

Voting rights

All ordinary shares carry one vote per share without restriction.

Restricted securities

As at the date of this report there were 1,950,000 ordinary shares subject to restrictions under the Long Term Incentive Plan terms and conditions.

Business objectives

The Consolidated Entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Corporate Information

Directors

David Bower – Non-Executive Chairman
Tim Odillo Maher – Executive Director
Deborah Southon – Executive Director

Chief Financial Officer

Cellina Chen

Company Secretary

Cellina Chen

Registered Office and Corporate Office

Level 13
1 Oxford Street
Darlinghurst NSW 2010

Phone: +61 (02) 8985 5565
Fax: +61 (02) 8985 5358

Solicitors

Hopgood Ganim
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Share Register

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

GPO Box 5193
Sydney NSW 2001

Auditors

BDO Audit Pty Ltd
Level 11, 1 Margaret Street
Sydney New South Wales 2000

Country of Incorporation

Australia

Securities Exchange Listing

Australian Securities Exchange Ltd
ASX Code: FSA

Internet Address

www.fsagroup.com.au

Australian Business Number

ABN 98 093 855 791

www.fsagroup.com.au