## FSA GROUP LIMITED

## 27 August 2018

### Rectification to Note 3 (b) in 2018 Annual Report

FSA Group advises there was an error in page 37, “Note 3(b) Personal loan assets” of the 2018 Annual Report released to the market on 23 August 2018.

FSA Group advises that there is no change to reported total gross assets, total allowance and total net assets.

**Ageing analysis – personal loan assets**

| | 2018 | | | |
|---|---|---|---|---|
| | **Gross** | **Allowance** | **(Correction) Net** | **(Previous lodgement) Net** |
| | **$** | **$** | **$** | **$** |
| Not past due | 45,842,942 | (193,065) | 45,649,877 | 45,278,676 |
| Past due 0-30 Days | 1,752,731 | (7,382) | 1,745,349 | 1,660,048 |
| Past due 31-60 Days | 342,403 | (199,520) | 142,883 | 465,720 |
| Past due 61-90 Days | 134,057 | (93,865) | 40,192 | 107,838 |
| Past 90 Days | 274,911 | (238,905) | 36,006 | 102,025 |
| **Total** | **48,347,044** | **(732,737)** | **47,614,307** | **47,614,307** |

An updated version of the 2018 Annual Report is attached to this announcement. The 2018 Annual Report as amended is scheduled to be sent to the shareholders with the notice of the Annual General Meeting.

**Cellina Chen**
**Company Secretary**

FSA Group Limited
Head Office
Level 3, 70 Phillip Street
Sydney, NSW, 2000

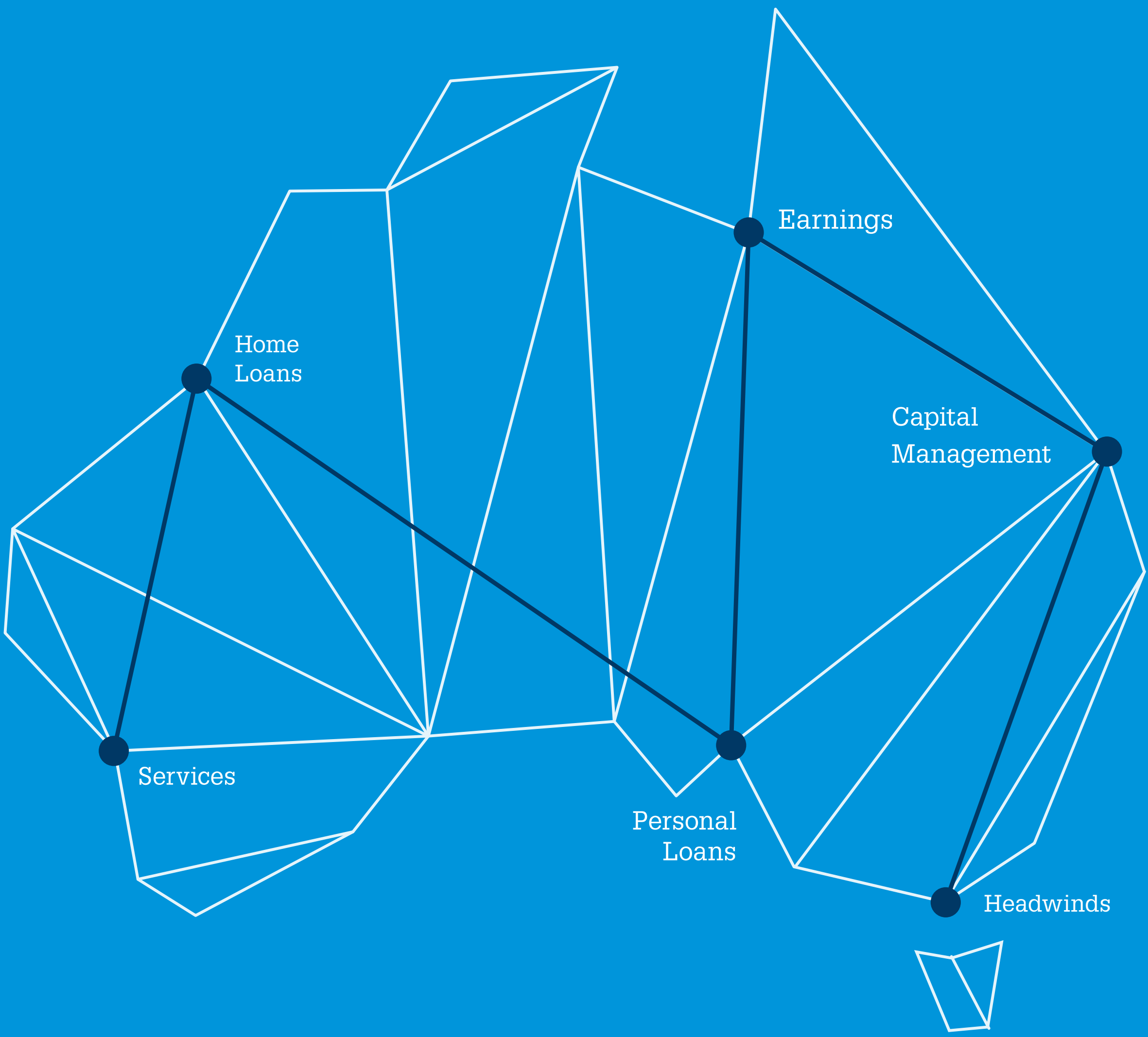
Phone: 1300 660 032
Fax: 1300 660 050

# PROGRESS AND GROWTH

Third year of our
5 year strategic plan

**FSA Group Limited**
Annual Report 2018

# Our Plan


Earnings
Home Loans
Capital Management
Services
Personal Loans
Headwinds

**For over 18 years, FSA Group has helped thousands of Australians take control of their debt. Our large and experienced team of professionals offers a range of debt solutions and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.**

## 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.

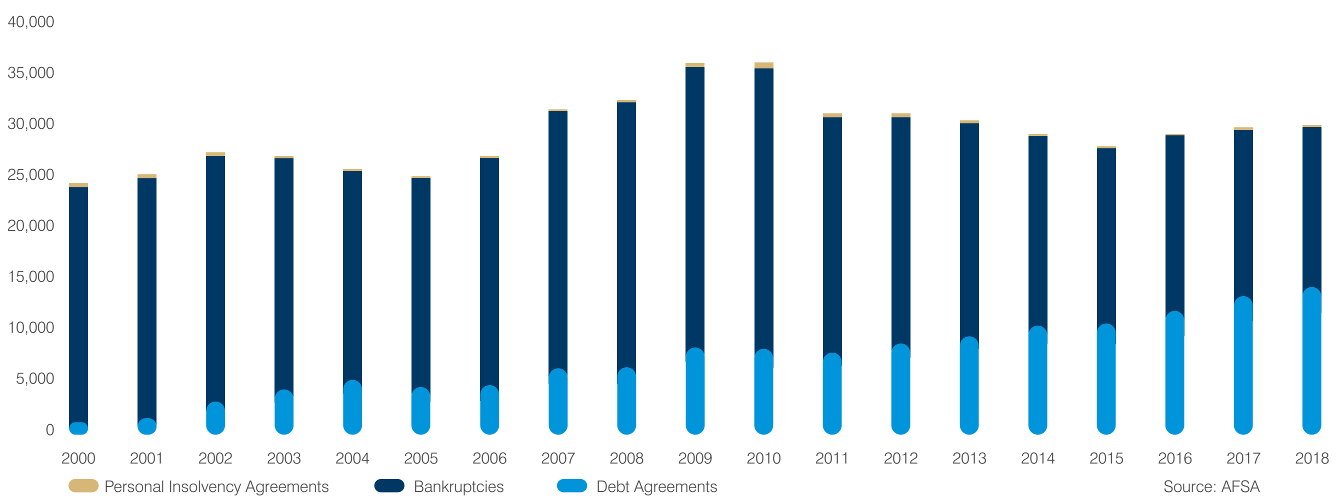
# Our Business

## Services

The services market consists of individuals who rely upon a debt agreement or a personal insolvency agreement or bankruptcy to address their unmanageable debt. Debt agreements are an alternative to bankruptcy. They offer a simple way for an indebted individual to come to a payment arrangement with their creditors and yield superior returns to creditors when compared with bankruptcy.

FSA Group offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy. Our service Easy Debt Management assists clients with paying their debts.

### The Services Market



## Consumer Lending

The non-conforming home loan and personal loan markets consist of lenders who provide loan products to an individual who is unlikely to conform to the lending criteria of the banks.

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

# Chairman's Letter

Dear Shareholders,

The 2018 financial year, the third year of our five year strategic plan, has been a year of progress and growth.

The Services division offers a range of services including informal arrangements, debt agreements, personal insolvency agreements, bankruptcy and Easy Debt Management.

FSA Group is the largest provider of debt agreements, personal insolvency agreements and bankruptcy in Australia. During the 2018 financial year new client numbers for debt agreements increased by 7% and for personal insolvency agreements and bankruptcy increased by 17% compared to the previous corresponding period. Our debt agreement market share decreased from 40% to 39% for reasons mentioned in the Executive Directors' Review. FSA Group manages $398 million of unsecured debt under debt agreements and during the 2018 financial year paid $82 million in dividends to creditors.

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

During the 2018 financial year our home loan and personal loan pools continued to grow, growing from $342 million to $408 million, a 19% increase. We are still aiming to grow our loan pool to around $500 million over our 5 year plan. We are pleased with our home loan pool growth and our personal loan pool growth continues to exceed our expectations. During the year Westpac increased and renewed our home loan and personal loan facilities.

For the 2018 financial year FSA Group generated, from continuing operations, $74.5 million in operating income, a 6% increase, and a profit after tax attributable to members of $16.4 million, a 7% increase compared to the results of 2017. Normalised profit after tax attributable to members (excluding swaps) was $16.2 million, a 13% increase. Our net cash inflow from operating activities was $14.5 million, a 30% increase.

I advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2018 financial year. This brings the full year dividend to 7.00 cents per share.

We are moving into the fourth year of our 5 year strategic plan.

Consumer debt levels are at a record high, new enquiries are increasing and demand for our products and services is growing. This is currently occurring in a historically low interest rate environment. As interest rates normalise demand for our products and services will accelerate.

Our focus for the remaining 2 years of our 5 year strategic plan is outlined in the Executive Directors' Review under "Strategy and Outlook".

In February 2018 the Government introduced the Bankruptcy Amendment (Debt Agreement Reform) Bill 2018 which proposed a comprehensive reform of Australia's debt agreement system. The Bill was referred to the Senate Legal and Constitutional Affairs Legislation Committee (the Committee) for enquiry and report. In March 2018 the Committee tabled its report. We support and endorse its recommendations.

I would like to thank my fellow Directors, all our executives and staff for their contribution to the successes of the current year.

Yours sincerely,

Sam Doumany
**Chairman**

# A 5 Year Strategic Plan

## 2018 Progress

### Services

**Debt Agreements**
- 39% market share
- 7% increase in new clients
- 21,885 clients, up 8%
- $398m of debt managed
- $82m paid to creditors

**Personal Insolvency Agreements and Bankruptcy**
- Largest Trustee
- 17% increase in new clients
- 1,253 clients, down 11%

### Consumer Lending

**Home Loans**
- Loan pool $360m, up 18%
- >30 day arrears 1.40%
- Impairments $290,680
- Westpac facility $375m
- Institutional facility $25m

**Personal Loans**
- Loan pool $48m, up 35%
- >30 day arrears 1.55%
- Impairments $854,845
- Westpac facility $45m
- Westpac facility $75m conditionally approved to replace the $45m facility

# Executive Directors' Review

Dear Shareholders,

For the 2018 financial year FSA Group generated, from continuing operations, $74.5 million in operating income, a 6% increase, and a profit after tax attributable to members of $16.4 million, a 7% increase compared to the results of 2017. Normalised profit after tax attributable to members (excluding swaps) was $16.2 million, a 13% increase. Our net cash inflow from operating activities was $14.5 million, a 30% increase.

We advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2018 financial year. This brings the full year dividend to 7.00 cents per share.

The Financial Overview below summarises our performance from continuing operations.

| Financial Overview | FY2016 | FY2017 | FY2018 | % Change |
|---|---|---|---|---|
| Operating income | $62.1m | $70.6m | $74.5m | ^ 6% |
| Profit before tax | $16.8m | $23.5m | $24.9m | ^ 6% |
| Profit after tax attributable to members | $10.7m | $15.4m | $16.4m | ^ 7% |
| EPS basic | 8.52c | 12.27c | 13.09c | ^ 7% |
| Net cash inflow from operating activities | $9.9m | $11.1m | $14.5m | ^ 30% |
| Dividend/share | 7.00c | 7.00c | 7.00c | – 0% |
| Shareholder Equity | $76.8m | $83.3m | $91.0m | ^ 9% |

During 2015, we entered into interest rate swap agreements, locking in $80 million of our funding costs at a fixed rate for 5 years.

The Normalised Financial Overview below, summarises our performance from continuing operations, specifically excluding the before tax mark to market unrealised loss of $2.4 million in 2016, the unrealised gain of $1.4 million in 2017 and the unrealised gain of $0.2 million in 2018 on our 5 year interest rate swap agreements. Reference is to be made to "unrealised gain or (loss) on fair value movement of derivatives" in the Statement of Profit or Loss and Other Comprehensive Income.

| Normalised Financial Overview (excluding swaps) | FY2016 | FY2017 | FY2018 | % Change |
|---|---|---|---|---|
| Normalised profit before tax | $19.2m | $22.1m | $24.7m | ^ 12% |
| Normalised profit after tax attributable to members | $12.3m | $14.4m | $16.2m | ^ 13% |
| Normalised EPS basic | 9.85c | 11.48c | 12.96c | ^ 13% |

# Operational Performance

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

| Operating income by segment | FY2016 | FY2017 | FY2018 | % Change |
|---|---|---|---|---|
| Services | $49.6m | $54.4m | $55.7m | ^ 2% |
| Consumer Lending | $12.3m | $15.9m | $18.7m | ^ 17% |
| Other/unallocated | $0.1m | $0.3m | $0.1m | |
| **Operating income** | **$62.0m** | **$70.6m** | **$74.5m** | **^ 6%** |

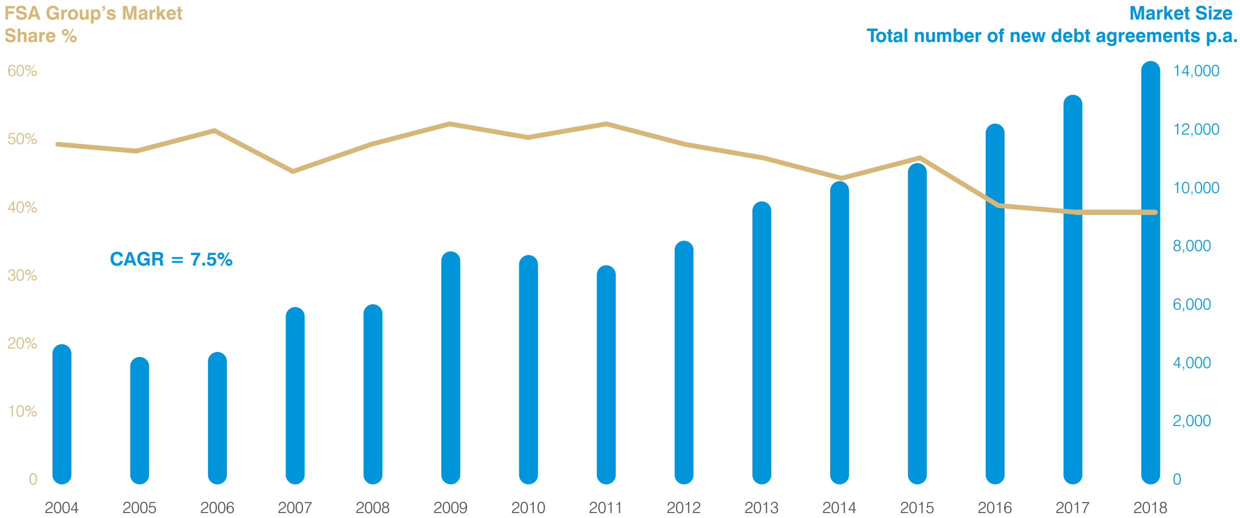
| Profit before tax by segment | FY2016 | FY2017 | FY2018 | % Change |
|---|---|---|---|---|
| Services | $14.2m | $14.9m | $15.1m | ^ 1% |
| Consumer Lending | $5.2m | $7.0m | $9.5m | ^ 36% |
| Other/unallocated[1] | ($2.5m) | $1.6m | $0.3m | |
| **Profit before tax** | **$16.8m** | **$23.5m** | **$24.9m** | **^ 6%** |

*Note 1: "Other/unallocated" includes the before tax mark to market unrealised loss of $2.4 million in 2016, the unrealised gain of $1.4 million in 2017 and the unrealised gain of $0.2 million in 2018 on our 5 year interest rate swap agreements. Reference is to be made to "unrealised gain or (loss) on fair value movement of derivatives" in the Statement of Profit or Loss and Other Comprehensive Income.*

# Services

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

## Debt Agreement Market Share




FSA Group is the largest provider of debt agreements, personal insolvency agreements and bankruptcy in Australia. Our focus is, and will continue to be, on providing a range of options to individuals who come to us which are affordable, viable, sustainable and deliver a benefit. Our market share for debt agreements remains under pressure. However, we will never sacrifice quality and customer benefit for volume and market share.

During the 2018 financial year new client numbers for debt agreements increased by 7% and for personal insolvency agreements and bankruptcy increased by 17% compared to the previous corresponding period. Our debt agreement market share decreased from 40% to 39%.

During the year debt agreement clients under administration increased to 21,885, up 8% and for personal insolvency agreements and bankruptcy decreased to 1,253, down 11%. FSA Group manages $398 million of unsecured debt under debt agreements and during the 2018 financial year paid $82 million in dividends to creditors.

The Services division achieved a profit before tax of $15.1 million, a 1% increase. Profitability was positively impacted by higher new client numbers and a decrease in marketing costs.

# Consumer Lending

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

During the 2018 financial year our home loan and personal loan pools continued to grow, growing from $342 million to $408 million, a 19% increase. We are still aiming to grow our loan pool to around $500 million over our 5 year plan.

We are pleased with our home loan pool growth and our personal loan pool growth continues to exceed our expectations.

| Loan Pools | FY2016 | FY2017 | FY2018 | % Change |
|---|---|---|---|---|
| Home Loans | $262m | $306m | $360m | ^ 18% |
| Personal Loans | $20m | $35m | $48m | ^ 35% |
| **Total** | **$282m** | **$342m** | **$408m** | **^ 19%** |

| Arrears > 30 day | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---|---|---|---|
| Home Loans | 2.87% | 2.17% | 2.21% | 1.40% |
| Personal Loans | Nil | 0.59% | 1.56% | 1.55% |

| Impairments | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---|---|---|---|
| Home Loans | $173,288 | $564,867 | $259,895 | $290,680 |
| Personal Loans | Nil | $20,222 | $294,911 | $854,845 |

| Loan Pool Data | Home Loans | Personal Loans |
|---|---|---|
| Average loan size | $349,237 | $24,978 |
| Security type | Residential home | Motor vehicle |
| Average loan to valuation ratio | 67% | 95% |
| Variable or fixed rate | Variable | Fixed |
| Geographical spread | All states | All states |

As our loan pools grow we expect to increase and renew our facilities as required. During the year, Westpac increased our non-recourse senior home loan facility from $300 million to $375 million. The senior facility is supported by a $25 million non-recourse mezzanine home loan facility provided by an institutional fund manager.

For our personal loans, on 20 August 2018 Westpac conditionally approved a recourse senior personal loan facility of $75 million to support future growth. This facility is subject to formal documentation being agreed and entered into by the parties. In the interim, Westpac has increased its recourse corporate facility from $40 million to $45 million and extended its term until 31 December 2018. The $75 million recourse senior facility will replace the $45 million recourse corporate facility.

| Funding | Facility Type | Provider | Limit | Availability End Date | Maturity Date |
|---|---|---|---|---|---|
| Home Loans | Non-recourse senior | Westpac | $350m | July 2019 | October 2019 |
| | Non-recourse senior | Westpac | $25m | June 2019 | September 2019 |
| | Non-recourse mezzanine | Institutional | $25m | July 2019 | October 2019 |
| Personal Loans | Recourse corporate | Westpac | $45m | – | December 2018 |
| | *Recourse senior* [1] | *Westpac* | *$75m* | *2 years* | *4 years* |

*Note 1 The conditionally approved $75 million recourse senior personal loan facility will replace the $45 million recourse corporate facility once formal documentation is agreed and entered into by the parties.*

The Consumer Lending division achieved a profit before tax of $9.5 million, a 36% increase. As we grow our loan pools our business will benefit from higher incremental margins due to fixed cost leverage. This will result in profits growing at a faster rate than revenues. We will continue to see this positive impact to profit growth during the 2019 financial year.

## Net cash inflow from operating activities from continuing operations

During the 2018 financial year, FSA Group maintained strong net cash inflow driven by long term annuity income from its clients. Net cash inflow from operating activities from continuing operations was $14.5 million, a 30% increase.

| | FY2016 | FY2017 | FY2018 | % change |
|---|---|---|---|---|
| Net cash inflow from operating activities | $9.9m | $11.1m | $14.5m | ^ 30% |

| | | No of clients/loan pool size | Average client life in years |
|---|---|---|---|
| Services | Debt Agreements | 21,885 | 4.5 to 5.5 |
| | PIA/Bankruptcy | 1,253 | 3 |
| Consumer Lending | Home Loans | $360m | 3 to 4 |
| | Personal Loans | $48m | 4 to 5 |

## Debt Agreement Reforms

In February 2018 the Government introduced the Bankruptcy Amendment (Debt Agreement Reform) Bill 2018 which proposed a comprehensive reform of Australia's debt agreement system. The Bill was referred to the Senate Legal and Constitutional Affairs Legislation Committee (the Committee) for enquiry and report. In March 2018 the Committee tabled its report. We support and endorse its recommendations.

# Strategy and Outlook

We are moving into the fourth year of our 5 year strategic plan.

Consumer debt levels are at a record high, new enquiries are increasing and demand for our products and services is growing. This is currently occurring in a historically low interest rate environment. As interest rates normalise demand for our products and services will accelerate.

### Remaining 2 years of our 5 Year Strategic Plan 2016 to 2020

| | |
|---|---|
| Services | Maintain our leading position in a niche market |
| Consumer Lending | Aiming to grow our loan pools to around $500 million, broken down as $400 million for home loans and $100 million for personal loans. |
| Earnings | Expect earnings growth of 5% to 15% per annum |
| Capital Management | For our personal loans, on 20 August 2018 Westpac conditionally approved a recourse senior personal loan facility of $75 million. This facility is subject to formal documentation being agreed and entered into by the parties. This facility has been structured so Westpac funds 70c in every dollar and we fund 30c. Unlike the home loan facility, this facility is a “recourse” facility. FSA Group has provided a guarantee of “last resort”, that is, only after all the personal loan assets of the trust (including the 30c participation provided by us) have been applied to the senior notes and there is a shortfall. Our equity participation of 30c has come in at the higher end of expectation. At an equity participation of 30c our personal loan division will generate an after tax return on equity of around 20% to 22%.<br>Over the next 2 years we are aiming to grow our personal loan pool to around $100 million, with Westpac funding $70 million and us funding $30 million. Once we reach $100 million we will look at securing a mezzanine facility to support the funding structure so Westpac will fund 70c in every dollar, a mezzanine provider will fund 20c and our 30c will reduce to 10c, returning $20 million to cash at bank. These are estimated numbers. This additional leverage will improve our after tax return on equity.<br>Over the next 2 years we expect our full year dividend to be between 5c to 7c per share with the balance of earnings to be re-invested to support the growing personal loan pool. |
| Preparing our business for the future | Over the past twelve months we have reviewed various business functions with the intention of identifying tasks which could be automated and others which could be more effectively and efficiently performed. As a consequence of this ongoing review we plan to off-shore a number of administrative tasks and automate others. A primary benefit of this initiative is that it allows our key staff to focus on critical roles such as their engagement with customers and other stakeholders; thus improving customer outcomes. Critically, as interest rates normalise and demand for our products and services accelerates, the combined benefits of offshoring and automation will allow us to leverage our human capital quickly and cost effectively to assist an increasing number of new clients. |

# Our People

Our work environment fosters diversity, equal employment opportunities, fairness and embraces and supports personal growth, continuous learning and training opportunities for all our team. We invest in our team to ensure that they have the skills, competencies, and knowledge they need to deliver excellent and ethical customer service and support. Our people are our greatest asset and we acknowledge and we thank them for their efforts during the year. We also thank the Board for their guidance and support.

Yours sincerely,

Tim Odillo Maher
**Executive Director**

Deborah Southon
**Executive Director**

# Directors and Secretary

(From L to R, top to bottom)
**Tim Odillo Maher**
**Stan Kalinko**
**David Bower**
**Deborah Southon**
**Sam Doumany**
**Cellina Chen (Secretary)**

# Financial Statements

for the year ended 30 June 2018

# Directors' Report

For the year ended 30 June 2018

## Directors

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the "Consolidated Entity") consisting of FSA Group Limited (referred to hereafter as the "Company" or "parent entity") and the entities controlled at the end of, and during, the year ended 30 June 2018.

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

Sam Doumany
Tim Odillo Maher
Deborah Southon
Stan Kalinko
David Bower

## Information on Directors

### Sam Doumany (Non-Executive Chairman)

**Experience and Expertise**

Mr Doumany was appointed on 18 December 2002 and was appointed Chairman on 30 June 2003.

Mr Doumany commenced his career in economic research, agribusiness and marketing before embarking on a distinguished political career as a member of Queensland Parliament in 1974. Between 1974 and 1983 Mr Doumany served on several Parliamentary committees, the Liberal Party's State and Federal Rural Policy Committees and the Queensland Liberal Party State Executive. Elevated to the Cabinet in 1978, Mr Doumany served firstly as Minister for Welfare and Corrective Services before serving as Minister for Justice, Queensland Attorney-General and the Deputy Leader of the Liberal Parliamentary Party until late 1983. Since 1983 Mr Doumany has operated a consultancy practice providing services in government relations, corporate strategy and market development. Mr Doumany was retained by Ernst & Young in an executive consultancy role between 1991 and 2002. He has also held numerous Executive and Non-Executive board positions, many as Chairman, for private and public companies, industry authorities/associations and review committees.

Mr Doumany holds a Bachelor of Science (Agriculture) from the University of Sydney and is a member of the Australian Institute of Company Directors.

**Other current (listed company) directorships**

Nil

**Former (listed company) directorships in the last 3 years**

Nil

**Special responsibilities**

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

**Interest in shares and options**

| | |
|---|---|
| Ordinary shares | 1,100,000 |

### Tim Odillo Maher (Executive Director)

**Experience and Expertise**

Mr Odillo Maher was appointed on 30 July 2002.

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

**Other current (listed company) directorships**

Nil

**Former (listed company) directorships in last 3 years**

Nil

**Special responsibilities**

Nil

**Interest in shares and options**

| | |
|---|---|
| Ordinary shares | 42,809,231 |

## Deborah Southon (Executive Director)

**Experience and Expertise**

Ms Southon was appointed on 30 July 2002.

Ms Southon has attained a wealth of experience in the government and community services sectors having worked for the Commonwealth Department of Health and Family Services, the former Department of Community Services, and the Smith Family.

Ms Southon has an Executive Certificate in Leadership & Management (University of Technology, Sydney) and a Bachelor of Arts Degree (Sydney University).

**Other current (listed company) directorships**

Nil

**Former (listed company) directorships in last 3 years**

Nil

**Special responsibilities**

Nil

**Interest in shares and options**

| | |
|---|---|
| Ordinary shares | 12,960,047 |

## Stan Kalinko (Non-Executive Director)

**Experience and Expertise**

Mr Kalinko was appointed on 9 May 2007.

Mr Kalinko has been a professional company director since his retirement from law on 30 June 2007. Mr Kalinko practised law for more than 30 years and was a merchant banker for six years. He is a fellow of the Australian Institute of Company Directors and also serves on the Board of Indigenous Community Volunteers Limited. He has a B.Com, LLB, a Higher Diploma in Tax and is an accredited mediator.

**Other current (listed company) directorships**

Nil

**Former (listed company) directorships in last 3 years**

Nil

**Special Responsibilities**

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

**Interest in shares and options**

| | |
|---|---|
| Ordinary shares | 120,000 |

# Directors' Report cont.

For the year ended 30 June 2018

## Information on Directors cont.

### David Bower (Non-Executive Director)

**Experience and Expertise**

Mr David Bower was appointed on 23 April 2015.

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

**Other current (listed company) directorships**

Nil

**Former (listed company) directorships in last 3 years**

Nil

**Special Responsibilities**

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

**Interest in shares and options**

| | |
|---|---|
| Ordinary shares | 90,800 |

## 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 (major in accounting and finance) from the University of Sydney and is a Certified Practising Accountant. Mrs Chen has also completed the Australian Institute of Company Directors courses and holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Mrs Chen joined the Company in 2001 and is the Chief Financial Officer.

## Principal activities

The principal activities of the Consolidated Entity during the year were the provision of debt solutions and direct lending services to individuals.

## 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 $16,118,737 (2017: $15,116,886).

## Dividends declared and paid during the year

- On 8 September 2017, a fully franked final dividend relating to the year ended 30 June 2017 of $5,003,705 was paid at 4.00c per share; and
- On 16 March 2018, a fully franked interim dividend of $3,752,778 was paid at 3.00c per share.

# Dividends declared after the end of year

On 23 August 2018, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 27 September 2018 with a record date of 13 September 2018.

# Operating and Financial Review

Detailed comments on operations are included separately in the Executive Directors' Review, on pages 6 to 11 of the Annual Report.

# Review of financial condition

## Capital structure

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

## Financial position

The net assets of the Consolidated Entity, which includes amounts attributable to non-controlling interest, have increased from $83,264,846 at 30 June 2017 to $90,973,742 at 30 June 2018.

## Treasury policy

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

## Liquidity and funding

The Consolidated Entity has sufficient funds to finance its operations, and also to allow the Consolidated Entity to take advantage of favourable business opportunities. Further details of the Consolidated Entity's access to facilities are included in Note 11 of the Financial Statements.

# 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 2018 except as follows:

- On 17 August 2018, Westpac extended the $45 million personal loan facility until 31 December 2018.
- On 20 August 2018, Westpac conditionally approved a recourse senior personal loan facility of $75 million. This facility is subject to formal documentation being agreed and entered into by the parties. This facility will replace the $45 million personal loan facility.
- On 23 August 2018, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 27 September 2018 with a record date of 13 September 2018.

# 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.

# Directors' Report cont.

For the year ended 30 June 2018

## 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 2018 there were no options on issue and no shares were issued during the year following the exercise of options.

## Indemnification and insurance of directors and officers

Each of the Directors and the Officers of the Company has entered into an agreement with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Officers; and indemnifies those Directors and Officers against liabilities suffered in the discharge of their duties as Directors or Officers of the Company.

The Company has also insured all of the Directors and Officers of FSA Group Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

## Indemnity and insurance of auditor

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

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

## Remuneration Report (Audited)

This Remuneration Report sets out the remuneration information, pertaining to the Directors and the Senior Executive. The Executive Directors and the Senior Executive comprise the Key Management Personnel of the Consolidated Entity for the purposes of the *Corporations Act 2001* for the year ended 30 June 2018.

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

### Remuneration policy

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

The Company has a Remuneration Committee but does not have a Nominations Committee. The Directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of a Nominations Committee. All matters which might be dealt with by that Committee are reviewed by the Directors in meeting as a Board. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors and 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. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. The Board's policy is to align Executive Directors and Senior Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives. In accordance with best practice corporate governance, the remuneration structure of Non-Executive Director, Executive Director and Senior Executive is separate and distinct.

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

- Alignment to shareholders' interests:
  - has profit before income tax as a core component of plan design;
  - focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing on key non-financial drivers of value; and
  - attracts and retains high calibre executives.
- Alignment to program participants' interests:
  - rewards capability and experience;
  - reflects competitive reward for contribution to growth in shareholder wealth; and
  - provides a clear structure for earning rewards.

## Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Consolidated Entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in General Meeting. The total aggregate annual remuneration payable to Non-Executive Directors of the Company was determined at the Annual General Meeting held on 18 November 2010 to be no more than $500,000.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Non-Executive Director, the Company may remunerate that Non-Executive Director by payment of a fixed sum determined by the Directors in addition to the remuneration referred to above. A Non-Executive Director is entitled to be paid travel and other expenses properly incurred by them in attending Directors' or General Meetings of the Company or otherwise in connection with the business of the Consolidated Entity.

The remuneration of Non-Executive Directors for the year ended 30 June 2018 is detailed in Table 1 of this Remuneration Report.

## Executive Directors and Senior Executive Remuneration

The Company aims to reward the Executive Directors and Senior Executive with a level and mix of remuneration commensurate with their position and responsibilities within the Consolidated Entity and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Consolidated Entity; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Executive is agreed by the Remuneration Committee. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the Consolidated Entity and comparable market remunerations. Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Consolidated Entity and provides additional value to the executive.

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

# Directors' Report cont.

For the year ended 30 June 2018

## Remuneration Report (Audited) cont.

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

The remuneration of the Executive Directors and Senior Executive for the year ended 30 June 2018 is detailed in Table 1 of this Remuneration Report.

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

### Employment contracts

It is the Board's policy that employment agreements are entered into with the Executive Directors, Senior Executive and employees. Employment contracts are for no specific fixed term unless otherwise stated.

### Executive Directors and Senior Executive

The employment contracts entered into with the Executive Directors and Senior Executive contain the following key terms:

| Event | Company Policy |
|---|---|
| Performance based salary increases and/or bonuses | Board assessment based on KPI achievement |
| Short-term incentives | Board assessment based on KPI achievement |
| Long-term incentives | Board assessment based on 5 year plan achievement |
| Resignation/notice period | Three months |
| Serious misconduct | Company may terminate at any time |
| Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes') | Board discretion |

**(a) Details of Directors and Key Management Personnel**

***(i) Non-Executive Directors***

| | | | |
|---|---|---|---|
| Sam Doumany | Non-Executive Chairman | David Bower | Non-Executive Director |
| Stan Kalinko | Non-Executive Director | | |

***(ii) Executive Directors***

| | | | |
|---|---|---|---|
| Tim Odillo Maher | Executive Director | Deborah Southon | Executive Director |

***(iii) Senior Executive***

Cellina Chen Chief Financial Officer/Company Secretary

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

### (b) Remuneration of Directors and Key Management Personnel

*Table 1*

| | Short-term | | | Long-term | Post-Employment | | |
|---|---|---|---|---|---|---|---|
| | Salary & Fees | Cash Bonus | Non-cash benefits | Non-cash benefits | Super-annuation and other benefits | Total | Perfor-mance based |
| | $ | $ | $ | $ | $ | $ | % |
| **Non-Executive Directors** | | | | | | | |
| *Sam Doumany* | | | | | | | |
| **2018** | **135,779** | **–** | **–** | **–** | **12,899** | **148,678** | **–** |
| 2017 | 135,000 | – | – | – | 12,825 | 147,825 | – |
| *Stan Kalinko* | | | | | | | |
| **2018** | **85,490** | | | | **8,122** | **93,612** | **–** |
| 2017 | 85,000 | – | – | – | 8,075 | 93,075 | – |
| *David Bower* | | | | | | | |
| **2018** | **70,404** | | | | **6,688** | **77,092** | **–** |
| 2017 | 70,000 | – | – | – | 6,650 | 76,650 | – |
| **Executive Directors** | | | | | | | |
| *Tim Odillo Maher* | | | | | | | |
| **2018** | **547,500** | ***325,000** | | | | **872,500** | **37%** |
| 2017 | 546,250 | 150,000 | – | – | – | 696,250 | 22% |
| *Deborah Southon* | | | | | | | |
| **2018** | **522,500** | ***325,000** | ****(12,317)** | ****10,850** | **25,000** | **871,033** | **37%** |
| 2017 | 512,500 | 150,000 | 17,633 | 8,542 | 35,000 | 723,675 | 21% |
| **Senior Executive** | | | | | | | |
| *Cellina Chen* | | | | | | | |
| **2018** | **194,180** | **^115,000** | ****45,772** | ****892** | **18,778** | **374,622** | **31%** |
| 2017 | 211,790 | 110,000 | 32,970 | (16,356) | 19,615 | 358,019 | 31% |
| **Total Remuneration** | | | | | | | |
| **2018** | **1,555,853** | **765,000** | **33,455** | **11,742** | **71,487** | **2,437,537** | |
| 2017 | 1,560,540 | 410,000 | 50,603 | (7,814) | 82,165 | 2,095,494 | |

* Bonus (representing 100% of the total bonus to be paid) was paid to Tim Odillo Maher and Deborah Southon in relation to the performance during financial year 2017. The bonus was approved by the Board as part of discretionary performance based remuneration. The Executive Directors abstained from the vote.

^ Bonus (representing 100% of the total bonus to be paid) was in relation to the performance during financial year 2017. The bonus was approved by the Board as part of discretionary performance based remuneration.

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

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

Executive Directors: Tim Odillo Maher: $250,000 – $350,000 Deborah Southon: $250,000 – $350,000

Senior Executive: Cellina Chen: $75,000 – $125,000

# Directors' Report cont.

For the year ended 30 June 2018

## Remuneration Report (Audited) cont.

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

| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|---|
| Operating income | **$74,527,441** | $70,630,226 | $62,078,752 | $69,619,295 | $65,465,843 |
| Net profit before tax | **$24,913,677** | $23,492,625 | $16,842,459 | $22,443,940 | $20,817,543 |
| Net profit and other comprehensive income after tax attributable to members | **$16,118,737** | $15,116,886 | $13,478,685 | $14,688,253 | $13,482,241 |
| Share price at the start of the year | **$1.36** | $1.01 | $1.27 | $1.23 | $0.70 |
| Share price at the end of the year | **$1.40** | $1.36 | $1.01 | $1.27 | $1.23 |
| Dividends declared for the year | **7.00c** | 7.00c | 7.00c | 6.50c | 6.00c |
| Basic EPS (cents) | **12.89** | 12.08 | 10.78 | 11.74 | 10.78 |
| Diluted EPS (cents) | **12.89** | 12.08 | 10.78 | 11.74 | 10.78 |

A review of bonuses paid to the Executive Directors and Senior Executive over the previous five years is consistent with the operational performance of the Consolidated Entity in those periods.

### (c) Options issued as part of remuneration for the year ended 30 June 2018

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

### (d) Shares issued on exercise of remuneration options

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

### (e) Option holdings of Directors and Key Management Personnel

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

### (f) Shareholdings of Directors and Key Management Personnel

| Shares held in FSA Group Ltd | Balance 1 July 2017 | Purchased on market | Other Changes | Balance 30 June 2018 |
|---|---|---|---|---|
| **Directors** | | | | |
| Sam Doumany | 1,100,000 | – | – | 1,100,000 |
| Tim Odillo Maher | 42,809,231 | – | – | 42,809,231 |
| Deborah Southon | 12,960,047 | – | – | 12,960,047 |
| Stan Kalinko | 120,000 | – | – | 120,000 |
| David Bower | 90,800 | – | – | 90,800 |
| **Senior Executive** | | | | |
| Cellina Chen | – | – | – | – |
| Total | 57,080,078 | – | – | 57,080,078 |

### (g) Loans to Directors and Key Management Personnel

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

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

During the year the Consolidated Entity purchased supplies from the Ethan Group Pty Ltd, a company which is associated with Mr Tim Odillo Maher. The total amount purchased was $23,889 (2017: $27,443). The supplies were purchased on normal commercial terms.

**(i) Voting and comments made at the Company's 2017 Annual General Meeting ("AGM")**

At the 2017 AGM, 99.06% of the votes received supported the adoption of the Remuneration Report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the Remuneration Report which has been audited.

# Directors' Meetings

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

| | Number of meetings held while in office | Meetings attended |
|---|---|---|
| Sam Doumany | 8 | 7 |
| Tim Odillo Maher | 8 | 8 |
| Deborah Southon | 8 | 8 |
| Stan Kalinko | 8 | 8 |
| David Bower | 8 | 8 |
| Total number of meetings held during the financial year | 8 | |

# Audit & Risk Management Committee Meetings

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

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

# Remuneration Committee Meetings

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

| | Number of meetings held while in office | Meetings attended |
|---|---|---|
| Sam Doumany | 2 | 2 |
| Stan Kalinko | 2 | 2 |
| David Bower | 2 | 2 |
| Total number of meetings held during the financial year | 2 | |

# Proceedings on behalf of the Company

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

# Directors' Report cont.

For the year ended 30 June 2018

## Non-Audit Services

The Board of Directors, in accordance with advice from the Audit & Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

The following fees for non-audit services were paid/payable to the external auditors, BDO East Coast Partnership, during the year ended 30 June 2018:

| | |
|---|---|
| Tax compliance services | $64,451 |
| Taxation advice and consulting | $36,226 |

## Auditor's Independence Declaration

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

## Auditor Details

BDO East Coast Partnership continues in office in accordance with section 327(4) of the *Corporations Act 2001.*

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of FSA Group Limited are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). The Company's Corporate Governance Charter and a statement of Corporate Governance are available on the Company website www.fsagroup.com.au.

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

Signed in accordance with a resolution of the Directors.

**Tim Odillo Maher**
Executive Director

Sydney
23 August 2018

# 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 ARTHUR MILNER TO THE DIRECTORS OF FSA GROUP LIMITED**

As lead auditor of FSA Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Arthur Milner
Partner

**BDO East Coast Partnership**

Sydney, 23 August 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

| | | Consolidated Entity | |
|---|---|---|---|
| | Notes | 2018 $ | 2017 $ |
| **Continuing operations** | | | |
| **Revenue and other income** | | | |
| Fees from services | 4 | **56,575,098** | 55,366,233 |
| Finance income | 4 | **33,220,328** | 27,203,193 |
| Finance expense | 4 | **(15,190,637)** | (11,922,369) |
| Net finance income | 4 | **18,029,691** | 15,280,824 |
| Other losses | | **(77,348)** | (16,831) |
| **Total operating income** | | **74,527,441** | 70,630,226 |
| Marketing expenses | | **(8,402,986)** | (8,571,916) |
| Administrative expenses | | **(9,850,208)** | (9,821,088) |
| Operating expenses | | **(31,596,486)** | (30,155,949) |
| Unrealised gains on fair value movement of derivatives | | **235,916** | 1,411,352 |
| **Expenses from continuing operations** | | **(49,613,764)** | (47,137,601) |
| **Profit before income tax from continuing operations** | | **24,913,677** | 23,492,625 |
| Income tax expense | 8(a) | **(7,493,675)** | (6,992,722) |
| **Net profit from continuing operations** | | **17,420,002** | 16,499,903 |
| **Total profit for the year from continuing operations for the year attributable to:** | | | |
| Non-controlling interests | | **1,046,642** | 1,145,294 |
| Members of the parent | | **16,373,360** | 15,354,609 |
| | | **17,420,002** | 16,499,903 |
| **Discontinued operations** | | | |
| Loss from disposed and discontinued operations after tax | | **(254,623)** | (237,723) |
| **Net profit for the year** | | **17,165,379** | 16,262,180 |
| **Earnings per share** | | | |
| **Earnings per share from continuing operations** | | | |
| Basic earnings per share (cents per share) | 9 | **13.09** | 12.27 |
| Diluted earnings per share (cents per share) | 9 | **13.09** | 12.27 |
| **Earnings per share from disposed and discontinued operations** | | | |
| Basic earnings per share (cents per share) | 9 | **(0.20)** | (0.19) |
| Diluted earnings per share (cents per share) | 9 | **(0.20)** | (0.19) |
| **Total earnings per share** | | | |
| Basic earnings per share (cents per share) | 9 | **12.89** | 12.08 |
| Diluted earnings per share (cents per share) | 9 | **12.89** | 12.08 |
| **Other comprehensive income** | | **–** | – |
| **Total comprehensive income for the year** | | **17,165,379** | 16,262,180 |
| **Total profit for the year and total comprehensive income for the year attributable to:** | | | |
| Non-controlling interests | | **1,046,642** | 1,145,294 |
| Members of the parent | | **16,118,737** | 15,116,886 |
| | | **17,165,379** | 16,262,180 |

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 2018

| | | Consolidated Entity | |
|---|---|---|---|
| | Notes | 2018 $ | 2017 $ |
| **Current Assets** | | | |
| Cash and cash equivalents | 15 | **2,567,378** | 4,193,401 |
| Trade and other receivables | 2 | **39,549,683** | 36,527,421 |
| Other assets | | **511,498** | 806,778 |
| Total Current Assets | | **42,628,559** | 41,527,600 |
| **Non-Current Assets** | | | |
| Trade and other receivables | 2 | **49,159,429** | 45,004,628 |
| Investments | | **385** | 385 |
| Plant and equipment | | **737,699** | 527,824 |
| Deferred tax assets | 8c | **2,402** | 5,890 |
| Intangible assets | 18 | **2,208,659** | 2,018,007 |
| Total Non-Current Assets | | **52,108,574** | 47,556,734 |
| **Financing Assets** | | | |
| Personal loan cash and cash equivalents | 15 | **281,803** | 129,701 |
| Home loan cash and cash equivalents | 15 | **6,950,134** | 4,745,492 |
| Personal loan assets | 3b | **47,614,307** | 35,257,582 |
| Home loan assets financed by non-recourse financing liabilities | 3a | **360,263,910** | 306,329,792 |
| Total Financing Assets | | **415,110,154** | 346,462,567 |
| Total Assets | | **509,847,287** | 435,546,901 |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | **4,957,555** | 5,092,257 |
| Current tax liabilities | | **1,618,343** | 755,720 |
| Borrowings | 11 | **954,775** | 681,389 |
| Provisions | 20 | **2,242,084** | 2,117,272 |
| Total Current Liabilities | | **9,772,757** | 8,646,638 |
| **Non-Current Liabilities** | | | |
| Provisions | 20 | **510,147** | 669,588 |
| Deferred tax liabilities | 8d | **19,503,852** | 18,078,416 |
| Derivatives | 17 | **681,011** | 916,927 |
| Total Non-Current Liabilities | | **20,695,010** | 19,664,931 |
| **Financing Liabilities** | | | |
| Borrowings to finance personal loan assets | 11 | **37,321,732** | 27,028,411 |
| Non-recourse borrowings to finance home loan assets | 11 | **351,084,046** | 296,942,075 |
| Total Financing Liabilities | | **388,405,778** | 323,970,486 |
| Total Liabilities | | **418,873,545** | 352,282,055 |
| Net Assets | | **90,973,742** | 83,264,846 |
| **Equity** | | | |
| Share capital | 21 | **6,707,233** | 6,707,233 |
| Retained earnings | | **81,525,550** | 74,163,296 |
| Total equity attributable to members of the parent | | **88,232,783** | 80,870,529 |
| Non-controlling interest | | **2,740,959** | 2,394,317 |
| Total Equity | | **90,973,742** | 83,264,846 |

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 2018

| | Share capital $ | Other reserve $ | Retained earnings $ | Non-controlling interest $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 30 June 2016** | **6,707,233** | **(3,278,761)** | **71,081,654** | **2,249,023** | **76,759,149** |
| Profit after income tax for the year | – | – | 15,116,886 | 1,145,294 | 16,262,180 |
| Other comprehensive income for the year, net of tax | – | – | – | – | – |
| **Total comprehensive income for the year** | **–** | **–** | **15,116,886** | **1,145,294** | **16,262,180** |
| Transactions with owners in their capacity as owners: | | | | | |
| Reclassification of share option reserve | – | 3,278,761 | (3,278,761) | – | – |
| Dividends paid | – | – | (8,756,483) | – | (8,756,483) |
| Distributions to non-controlling interests | – | – | – | (1,000,000) | (1,000,000) |
| Balance at 30 June 2017 | **6,707,233** | **–** | **74,163,296** | **2,394,317** | **83,264,846** |
| Profit after income tax for the year | **–** | **–** | **16,118,737** | **1,046,642** | **17,165,379** |
| Other comprehensive income for the year, net of tax | **–** | **–** | **–** | **–** | **–** |
| **Total comprehensive income for the year** | **–** | **–** | **16,118,737** | **1,046,642** | **17,165,379** |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends paid | **–** | **–** | **(8,756,483)** | **–** | **(8,756,483)** |
| Distributions to non-controlling interests | **–** | **–** | **–** | **(700,000)** | **(700,000)** |
| **Balance at 30 June 2018** | **6,707,233** | **–** | **81,525,550** | **2,740,959** | **90,973,742** |

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 2018

| | Notes | Consolidated Entity 2018 $ Inflows/ (Outflows) | 2017 $ Inflows/ (Outflows) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **45,136,635** | 46,799,541 |
| Payments to suppliers and employees | | **(44,019,241)** | (46,421,992) |
| Finance income received | | **33,032,387** | 27,264,873 |
| Finance cost paid | | **(14,545,345)** | (11,908,173) |
| Income tax paid | | **(5,093,005)** | (4,606,543) |
| **Net cash inflow from operating activities** | 14 | **14,511,431** | 11,127,706 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | **(461,126)** | (378,820) |
| Acquisition of intangibles | | **(638,783)** | (1,171,229) |
| Net increase in home loan finance assets | | **(54,135,802)** | (44,206,978) |
| Net increase in personal loan assets | | **(13,144,401)** | (15,660,940) |
| Net (increase)/ decrease in other loans | | **(7,501)** | 250,000 |
| **Net cash outflow from investing activities** | | **(68,387,613)** | (61,167,967) |
| **Cash flows from financing activities** | | | |
| Net receipt of borrowings | | **64,063,386** | 51,976,656 |
| Payment of distributions to non-controlling Interests | | **(700,000)** | (1,000,000) |
| Dividends paid to company's shareholders | | **(8,756,483)** | (8,756,483) |
| **Net cash inflow from financing activities** | | **54,606,903** | 42,220,173 |
| ***Cash flow from disposed and discontinued operations, net of cash movement with parent entities*** | | | |
| Net cash (outflow)/inflow from operating activities | | **–** | (487,198) |
| Net cash outflow from investing activities | | **–** | – |
| Net cash inflow from financing activities | | **–** | – |
| **Net cash outflow from disposal and discontinued operations** | | **–** | (487,198) |
| Net decrease in cash and cash equivalents | | **730,721** | (8,307,286) |
| Cash and cash equivalents at the beginning of the financial year | | **9,068,594** | 17,375,880 |
| **Cash and cash equivalents at the end of the financial year** | 15 | **9,799,315** | 9,068,594 |

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

# Notes to the Financial Statements

For the year ended 30 June 2018



## Note 1. Summary of significant accounting policies

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

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The following is a summary of the material accounting policies adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by the Directors on 23 August 2018.

## Basis of preparation

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

### Reporting basis and conventions

The financial statements are based on historical costs modified by the revaluation of certain financial assets and financial liabilities for which the fair value basis of accounting has been applied.

## Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FSA Group Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. FSA Group Limited and its subsidiaries together are referred to in these financial statements as the "Consolidated Entity".

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the Consolidated Entity.

## Goods & Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. Where not recoverable, GST is recognised as part of the acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST, except receivables on debt agreement administration fees are exclusive of GST. The Consolidated Entity is liable for GST when the consideration for the debt agreement administration service provided is received, and recognises the GST liability at this point.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

## Comparative figures

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

## Significant accounting estimates and assumptions

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

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 1. Summary of significant accounting policies cont.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2018. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

**AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely payments of principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. As part of its transition exercise to the standard, the Consolidated Entity continues to focus on the retrospective application of the amortised cost method and the application of their existing impairment practices against the requirements of the 'expected credit loss' model before applying AASB 9 on 1 July 2018. The Consolidated Entity will assess which transition method is most appropriate if any adjustments are required on transition.

**AASB 15 Revenue from Contracts with Customers**

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

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

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

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

The Consolidated Entity has completed a preliminary assessment and will perform further steps to determine:

- Whether a proportion of trade receivables arising from personal insolvency services that are currently reflected as a financial asset may need to be reflected as a contract asset in accordance with AASB 15;
- Whether any changes may be needed to the method adopted to estimate the transaction price for some of the personal insolvency services.

The Consolidated Entity will adopt the standard on the 1 July 2018 and that the group will apply this standard for the first time in the half year results to 31 December 2018. If any adjustments are required, the Consolidated Entity will determine which transition method would be most appropriate.

**AASB 16: Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main impact of the adopting of the new standard is that operating leases of 12 months or longer will be brought on the balance sheet.

The Consolidated Entity is still in process of assessing the standard but anticipates changes as follows

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets). It will affect the groups significant leases (including property leases)
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components.

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

The Consolidated Entity has not yet calculated the effect of the change or determined which transitional provisions will be applied.

# Note 2. Trade and other receivables

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

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

Collectability of trade receivables is reviewed on an ongoing basis.

## Debt agreement receivables

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

These debtors are assessed as being in arrears where they do not make their periodic payments as required by their debt agreements and where the terms of payment have not been re-negotiated and approved by creditors to the debt agreement. This is monitored continuously by the Consolidated Entity's internal debt agreement administration department.

Impairment of debt agreement receivables is assessed on a collective (portfolio) basis based on historical collections data and loss incurred. Considering the length of time it takes to collect debts in administration and the inherent uncertainty over the collection of these amounts this method represents management's best estimate of the recoverability of debtors in the debt agreement business. Impairment is provided for and recorded in a separate allowance account. Amounts are written off against this account as bad when there is no practical likelihood of recovery (e.g. when debt agreements are terminated by creditors).

The evaluation process is subject to a series of estimates and judgments. The frequency of default, loss history, current and future economic conditions are considered. Changes in these estimates could have a direct impact on the level of provision determined.

## Bankruptcy receivables

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

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 2. Trade and other receivables cont.

### Other trade and sundry receivables

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

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

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **Current** | | |
| Trade receivables | **44,670,223** | 40,645,929 |
| Provision for impairment | **(5,415,172)** | (4,429,141) |
| | **39,255,051** | 36,216,788 |
| Sundry receivables | **294,632** | 310,633 |
| | **39,549,683** | 36,527,421 |
| **Non-current** | | |
| Trade receivables | **57,447,613** | 53,178,232 |
| Provision for impairment | **(8,288,184)** | (8,173,604) |
| | **49,159,429** | 45,004,628 |
| **Total** | **88,709,112** | 81,532,049 |
| **The movement in the provision for impairment** | | |
| Opening balance | **12,602,745** | 12,559,166 |
| Provision for impairment recognised | **6,538,447** | 7,313,090 |
| Unused provision reversed | **(1,389,447)** | (1,139,721) |
| Bad debts | **(4,048,389)** | (6,129,790) |
| Closing balance | **13,703,356** | 12,602,745 |

Some amounts have been written off as bad debts during the year, as incurred and were not provided for. These are included in the Statement of Profit or Loss and Other Comprehensive Income. The additional provision amount in this reconciliation will therefore not agree to the Impairment in value amount disclosed in Note 5 of the Financial Statements.

## Ageing analysis

| | Consolidated Entity | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Gross $ | Allowance $ | Net $ | Gross $ | Allowance $ | Net $ |
| **Trade and other receivables** | | | | | | |
| Not past due | **100,128,330** | **(13,183,402)** | **86,944,928** | 90,069,633 | (10,448,150) | 79,621,483 |
| Past due 0-30 Days | **158,616** | **(58,679)** | **99,937** | 266,848 | (63,544) | 203,304 |
| Past due 31-60 Days | **126,958** | **(53,113)** | **73,845** | 115,397 | (41,646) | 73,751 |
| Past due 61-90 Days | **46,302** | **(33,014)** | **13,288** | 82,804 | (48,800) | 34,004 |
| Past 90 Days | **1,952,262** | **(375,148)** | **1,577,114** | 3,600,112 | (2,000,605) | 1,599,507 |
| **Total** | **102,412,468** | **(13,703,356)** | **88,709,112** | 94,134,794 | (12,602,745) | 81,532,049 |

# Note 3. Financing assets

## Loans and receivables

Loans and receivables are held at amortised cost. Loan assets held at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market.

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

## Impairment

For other loans and advances individually assessed provisions are raised where there is objective evidence of impairment and full recovery of the principal is considered doubtful. Provisions are established after considering the estimates of the fair value of the collateral taken and recorded in a separate allowance account. Amounts are written off against the account as bad after management establishes amounts which will not be recovered from available evidence.

## (a) Home loan assets

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Non-securitised home loan assets | **360,433,372** | 306,695,328 |
| Provision for impairment | **(169,462)** | (365,536) |
| | **360,263,910** | 306,329,792 |
| **Maturity analysis** | | |
| Amounts to be received in less than 1 year | **6,580,680** | 5,428,197 |
| Amounts to be received in greater than 1 year | **353,852,692** | 301,267,131 |
| | **360,433,372** | 306,695,328 |
| **The movement in the provision for impairment** | | |
| Opening balance | **365,536** | 450,498 |
| Increase in provision | **290,680** | 283,311 |
| Bad debts | **(486,754)** | (368,273) |
| Closing balance | **169,462** | 365,536 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 3. Financing assets cont.

**Impairment – Home loan assets**

An impairment loss is recognised if the total expected recoveries in regard to an individual loan do not exceed the home loan balance. In the event that actual or expected sales proceeds do not exceed the home loan balance, this difference and any realisation costs would equal the impairment loss. Total recoveries include expected or actual net sales proceeds resulting from enforced sale of property security.

Impairment has been assessed on an individual basis with primary regard to the underlying equity in the home loan security for each of the loans receivable and also with regard to the credit quality of the debtor, payment history and any other information available.

A home loan is classified as being in arrears at the reporting date on the basis of "past due" amounts. Any loan with an amount that is past due (either instalment arrears or total arrears comprising of any instalments arrears plus any other charges) is classified as being in arrears and the total amount of the loan is recorded as in arrears. Ageing of arrears is determined by dividing total arrears over instalment amount and multiplying this by the instalment frequency (i.e. weekly, fortnightly, and monthly).

At reporting date, the Consolidated Entity had registered mortgages over real property (comprising of residential land and buildings) for each of the home loan receivables. The weighted average loan to valuation ratio (at the fair values of the underlying real property securities) at reporting date was 67.07% (2017: 67.7%). The valuations of the underlying property securities have been obtained at the later of the original loan application or subsequent loan variation date and do not take into account any other realisation costs.

**Ageing analysis – home loan assets**

| | Consolidated Entity | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Gross $ | Allowance $ | Net $ | Gross $ | Allowance $ | Net $ |
| Not past due | **331,109,893** | **–** | **331,109,893** | 279,431,268 | – | 279,431,268 |
| Past due 0-30 Days | **24,432,422** | **–** | **24,432,422** | 20,497,329 | – | 20,497,329 |
| Past due 31-60 Days | **3,116,061** | **–** | **3,116,061** | 3,476,958 | – | 3,476,958 |
| Past due 61-90 Days | **402,608** | **(38,967)** | **363,641** | 1,829,774 | (121,870) | 1,707,904 |
| Past 90 Days | **1,372,388** | **(130,495)** | **1,241,893** | 1,459,999 | (243,666) | 1,216,333 |
| **Total** | **360,433,372** | **(169,462)** | **360,263,910** | 306,695,328 | (365,536) | 306,329,792 |

## (b) Personal loan assets

| | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| Personal loan assets | **48,347,044** | 35,384,489 |
| Provision for impairment | **(732,737)** | (126,907) |
| | **47,614,307** | 35,257,582 |
| **Maturity analysis** | | |
| Amounts to be received in less than 1 year | **7,899,362** | 4,789,199 |
| Amounts to be received in greater than 1 year | **40,447,682** | 30,595,290 |
| | **48,347,044** | 35,384,489 |
| **The movement in the provision for impairment** | | |
| Opening balance | **126,907** | 20,222 |
| Increase in provision | **854,845** | 306,279 |
| Bad debts | **(249,015)** | (199,594) |
| **Closing balance** | **732,737** | 126,907 |

**Impairment**

Impairment has been assessed on an individual basis with primary regard to the underlying equity in the personal loan security for each of the loans receivable and also with regard to the credit quality of the debtor, payment history and any other information available.

**Ageing analysis – personal loan assets**

| | Consolidated Entity | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Gross $ | Allowance $ | Net $ | Gross $ | Allowance $ | Net $ |
| Not past due | **45,842,942** | **(193,065)** | **45,649,877** | 33,792,465 | – | 33,792,465 |
| Past due 0-30 Days | **1,752,731** | **(7,382)** | **1,745,349** | 1,075,928 | – | 1,075,928 |
| Past due 31-60 Days | **342,403** | **(199,520)** | **142,883** | 210,531 | – | 210,531 |
| Past due 61-90 Days | **134,057** | **(93,865)** | **40,192** | 219,846 | (46,046) | 173,800 |
| Past 90 Days | **274,911** | **(238,905)** | **36,006** | 85,719 | (80,861) | 4,858 |
| **Total** | **48,347,044** | **(732,737)** | **47,614,307** | 35,384,489 | (126,907) | 35,257,582 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

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

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

#### Personal Insolvency

When the outcome of a contract to provide services under the Bankruptcy Act can be estimated reliably, revenue is recognised by reference to the right to be compensated for services and where the stage of completion of the service can be reliably estimated, specifically:

*Debt agreement application fees*

Revenue is recognised upon the completion of preparing the debt agreement proposal for consideration by the creditors and the Australia Financial Security Authority.

*Debt agreement administration fees*

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

*Trustee fees – bankruptcy and personal insolvency agreements*

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

#### Refinance fees

When the outcome of a contract to provide services can be estimated reliably, either upon receipt of upfront fees and subsequent trail commission.

#### Easy Debt Management fees

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

#### Finance income and costs

*Interest*

Interest income is recognised using the effective interest method. The effective interest method is the method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability (which includes, where applicable, the unamortised balance of transaction costs).

*Finance fee income*

Finance fee income is recognised in either of two ways, either upfront where the fee represents a recovery of costs or a charge for services provided to customers (e.g. loan application fees and risk assessment fees) or, where income relates to loan origination, income is deferred and amortised over the effective life of the loan using the effective interest method.

*Finance costs*

Finance costs comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All finance costs are recognised using the effective interest method.

| | Consolidated Entity 2018 $ | 2017 $ |
|---|---|---|
| *Continuing operations* | | |
| **Fees from services** | | |
| – Personal insolvency | **54,896,012** | 53,492,275 |
| – Refinance broking | **774,689** | 904,110 |
| – Easy Debt Management | **744,907** | 780,746 |
| – Other services | **159,490** | 189,102 |
| **Total revenue** | **56,575,098** | 55,366,233 |
| **Finance income** | | |
| – Interest income – personal loan assets | **6,567,685** | 4,382,230 |
| – Interest income – home loan assets | **21,482,404** | 18,949,764 |
| – Finance fee income – personal loan assets | **2,626,652** | 1,360,178 |
| – Finance fee income – home loan assets | **2,446,777** | 2,374,057 |
| – Other interest income | **96,810** | 136,964 |
| | **33,220,328** | 27,203,193 |
| **Finance expense** | | |
| – Interest expense – personal loan facilities | **(1,019,211)** | (745,100) |
| – Interest expense – home loan facilities | **(14,171,180)** | (11,176,842) |
| – Interest expense – other lending facilities | **(246)** | (427) |
| | **(15,190,637)** | (11,922,369) |
| **Net finance income** | **18,029,691** | 15,280,824 |

# Note 5. Profit for the year

## Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use.

The useful lives used for each class of asset are:

| Class of Asset | Useful life |
|---|---|
| Plant and equipment | 2 to 5 years |
| Computers and office equipment | 2 to 5 years |
| Furniture and fittings | 2 to 5 years |

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

## Leases

Leases of property plant and equipment where the Consolidated Entity, as lessee, has substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor are charged on a straight line basis over the period of the lease.

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 5. Profit for the year cont.

### Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

| | Consolidated Entity | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Expenses** | | |
| Profit for the year from continuing operations has been arrived at after charging: | | |
| Depreciation on plant and equipment | **251,251** | 165,849 |
| Amortisation of software | **333,306** | 322,041 |
| | **584,557** | 487,890 |
| Impairment in value – trade receivables and financing assets | **8,466,840** | 7,830,414 |
| Reversal of impairment in value – trade receivables and financing assets | **(1,385,271)** | (1,138,128) |
| Net impairment | **7,081,569** | 6,692,286 |
| Unrealised loss or (gains) on fair value movement in derivatives | **(235,916)** | (1,411,352) |
| Rental expense on operating lease | **1,485,302** | 1,461,276 |
| Employee and contractor expenses | **25,117,658** | 23,967,646 |
| Defined contribution superannuation expense | **1,885,678** | 1,842,029 |

## Note 6. Segment information

### Operating segments

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same Consolidated Entity); whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Operating segments are distinguished and presented based on the differences in providing services and providing lending products.

### Identification and information about reportable segments

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

The identified reportable segments are:

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

The Consolidated Entity operates in one geographic region – Australia.

### Measurement

Each identified reportable segment accounts for transactions consistently with the Accounting policies mentioned above. Inter-segment transactions are highlighted as eliminated to reconcile to the profit, total assets and liabilities amounts of the Consolidated Entity. Centrally incurred costs for shared services are allocated between segments based on employee numbers as a percentage of the total head count.

| | Services | | Consumer Lending | | Other/Unallocated | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Revenue and Income: | | | | | | | | |
| External sales | 55,798,916 | 54,460,873 | 728,600 | 841,413 | 47,583 | 63,947 | 56,575,098 | 55,366,233 |
| Finance Income | 11,734 | 11,586 | 33,141,124 | 26,978,502 | 67,470 | 213,105 | 33,220,328 | 27,203,193 |
| Finance expense | (246) | – | (15,190,391) | (11,921,942) | – | (427) | (15,190,637) | (11,922,369) |
| Net Finance Income | 11,488 | 11,586 | 17,950,733 | 15,056,560 | 67,470 | 212,678 | 18,029,691 | 15,280,824 |
| Other gains/(losses) | (77,348) | (19,831) | – | – | – | 3,000 | (77,348) | (16,831) |
| Internal sales and income | 913,680 | 809,780 | – | – | 10,000,000 | 10,000,000 | 10,913,680 | 10,809,780 |
| Eliminations | – | – | – | – | – | – | (10,913,680) | (10,809,780) |
| Total Revenue and Income | 56,646,735 | 55,262,408 | 18,679,333 | 15,897,973 | 10,115,053 | 10,279,625 | 74,527,442 | 70,630,226 |
| Results: | | | | | | | | |
| Segment profit before tax | 15,126,113 | 14,923,989 | 9,528,262 | 6,992,773 | ^259,302 | ^1,575,863 | 24,913,677 | 23,492,625 |
| Income tax (expense)/benefit | (4,515,324) | (4,366,304) | (2,857,773) | (2,097,811) | ^(120,578) | ^(528,607) | (7,493,675) | (6,992,722) |
| Profit for the year | 10,610,789 | 10,557,685 | 6,670,489 | 4,894,962 | ^138,724 | ^1,047,256 | 17,420,002 | 16,499,903 |
| Items included in Profit for the year | | | | | | | | |
| Depreciation and amortisation | 564,185 | 453,466 | 20,372 | 34,424 | – | – | 584,557 | 487,890 |
| Impairment in value – trade receivables and financing assets | 7,327,315 | 7,327,605 | 1,145,525 | 559,148 | (6,000) | (56,339) | 8,466,840 | 7,830,414 |
| Reversal of impairment in value – trade receivables and financing assets | (1,385,271) | (1,138,128) | – | – | – | – | (1,385,271) | (1,138,128) |
| Employee and contractor expenses | 22,129,020 | 21,004,612 | 4,874,316 | 4,805,063 | – | – | 27,003,336 | 25,809,675 |
| Legal & consultancy | 55,471 | 38,121 | 113,343 | 215,667 | 19,929 | 97,076 | 188,743 | 350,864 |
| Rental expense on operating lease – minimum payment | 1,475,719 | 1,442,256 | 9,583 | 19,020 | – | – | 1,485,302 | 1,461,276 |
| **Assets:** | | | | | | | | |
| Segment assets | 185,944,761 | 160,023,200 | 430,400,430 | 362,996,700 | 59,795,678 | 51,815,762 | 676,140,869 | 574,835,662 |
| Eliminations** | | | | | | | (166,293,582) | (139,288,761) |
| **Total assets** | | | | | | | 509,847,287 | 435,546,901 |
| Included in Segment assets | | | | | | | | |
| Investment in associate | – | – | – | – | 385 | 385 | 385 | 385 |
| **Liabilities:** | | | | | | | | |
| Segment liabilities | 142,103,166 | 124,792,393 | 396,450,777 | 325,659,058 | 34,709,605 | 29,228,081 | 573,263,548 | 479,679,532 |
| Eliminations** | | | | | | | (154,390,003) | (127,397,477) |
| **Total liabilities** | | | | | | | 418,873,545 | 352,282,055 |

^ includes unrealised gain or loss on fair value movement of derivatives.

** Eliminations are related to intercompany balances.

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 7. Equity – Dividends

### Dividends

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

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Fully franked final dividend for the year ended 30 June 2017 of 4.00 cents (2016: 4.00 cents) per ordinary share | **5,003,705** | 5,003,705 |
| Fully franked interim dividend for the year ended 30 June 2018 of 3.00 cents (2017: 3.00 cents) per ordinary share | **3,752,778** | 3,752,778 |
| | **8,756,483** | 8,756,483 |
| On 23 August 2018, the Directors declared a fully franked final dividend for the year ended 30 June 2018 of 4.00 cents per ordinary share. This brings the full year dividend to 7.00 cents per year. | | |
| **Franking credits** | | |
| Franking credits available at the reporting date based on a tax rate of 30% | **14,411,912** | 13,775,704 |
| 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% | **1,618,343** | 755,720 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | **16,030,255** | 14,531,424 |

## Note 8. Income tax

### Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the “balance sheet” liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of tax benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### Tax consolidation

FSA Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. As the head entity of the consolidated group and the controlled entities, FSA Group Limited continues to account for their own current and deferred tax amounts. The tax consolidated group has applied the ‘separate taxpayer within group’ approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable of the consolidated group.

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

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **(a) Income tax expense** | | |
| Current tax expense | **6,021,344** | 4,712,397 |
| Deferred tax expense | **1,428,922** | 2,379,343 |
| (Over)/under provision in a prior period | **43,409** | (99,018) |
| | **7,493,675** | 6,992,722 |
| Deferred income tax expense included in income tax expense comprises: | | |
| (Decrease)/Increase in deferred tax assets | **(371,312)** | 164,194 |
| Increase in deferred tax liabilities | **1,800,234** | 2,215,149 |
| | **1,428,922** | 2,379,343 |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit before income tax | **24,913,677** | 23,492,625 |
| Tax at the Australian tax rate of 30% (2017: 30%) | **7,474,103** | 7,047,788 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income | | |
| Non-deductible expenses | **32,206** | 151,002 |
| | **7,506,309** | 7,198,790 |
| (Over)/under provision in the prior year | **43,409** | (99,018) |
| Tax Offsets | **(56,043)** | (107,050) |
| Income tax expense | **7,493,675** | 6,992,722 |
| **(c) Deferred tax assets** | | |
| Provisions | **1,617,342** | 1,402,778 |
| Capital legal expenses | **4,213** | – |
| Accrued expenditure | **912,878** | 653,823 |
| Tax losses carried forward | **1,138** | 4,691 |
| Other | **330,616** | 433,584 |
| | **2,866,187** | 2,494,876 |
| Deferred tax liability offset on tax consolidation | **(2,863,785)** | (2,488,986) |
| Total deferred tax assets | **2,402** | 5,890 |
| **(d) Deferred tax liabilities** | | |
| Temporary difference on assessable income | **22,367,637** | 20,567,403 |
| Deferred tax liability offset on tax consolidation | **(2,863,785)** | (2,488,987) |
| Total deferred tax liabilities | **19,503,852** | 18,078,416 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 9. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Earnings per share for profit from continuing operations:** | $ | $ |
| Profit from continuing operations attributable to the members of the parent for the year ($) | **16,373,360** | 15,354,609 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **125,092,610** | 125,092,610 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **125,092,610** | 125,092,610 |
| Basic earnings per share (cents) | **13.09** | 12.27 |
| Diluted earnings per share (cents) | **13.09** | 12.27 |

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Earnings per share for profit from discontinued operations:** | | |
| Loss from disposed and discontinued operations attributable to the members of the parent for the year ($) | **(254,623)** | (237,723) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **125,092,610** | 125,092,610 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **125,092,610** | 125,092,610 |
| Basic earnings per share (cents) | **(0.20)** | (0.19) |
| Diluted earnings per share (cents) | **(0.20)** | (0.19) |

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Total Earnings per share for profit** | | |
| Total profit attributable to the members of the parent for the year ($) | **16,118,737** | 15,116,886 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **125,092,610** | 125,092,610 |
| Basic earnings per share (cents) | **12.89** | 12.08 |
| Diluted earnings per share (cents) | **12.89** | 12.08 |

# Note 10. Trade and other payables

## Trade and other payables

Trade payables and other payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **Current** | | |
| Unsecured trade payables | **822,867** | 1,400,460 |
| Employee benefits payables and accruals | **3,542,686** | 2,595,467 |
| Sundry payables and accruals | **592,002** | 1,096,330 |
| | **4,957,555** | 5,092,257 |

# Note 11. Borrowings

## Personal loan facilities

A full recourse personal loan facility, which is secured by a floating charge over the assets of Fox Symes Home Loans Pty Ltd and its controlled entities, and the other wholly-owned subsidiaries of FSA Group Limited, with a facility limit of $45 million and balance owing of $37,321,732 (2017: $27,028,411). This facility expires on 31 December 2018. All borrowing covenants were met during the financial year.

## Home loan facilities

Non-recourse home loan facilities are used to fund home loans and include revolving Senior and Mezzanine Note facilities. At the reporting date, the drawdown limit under the Senior and Mezzanine Note facilities was $375 million (2017: $300 million) and $25 million (2017: $25 million) respectively. As at 30 June 2018, $323,851,990 (2017: $274,631,989) and $24,426,266 (2017: $20,156,266) respectively had been drawn down. Also included in the year end liability is accrued interest of $2,805,790 (2017: $2,161,324).

The home loan facilities are 2 year rolling facilities, due to expire on 15 October 2019. The facilities are secured against current and future home loan assets (refer Note 3 of the Financial Statements). All borrowing covenants were met during the financial year.

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 11. Borrowings cont.

| | Consolidated Entity 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| **Unsecured** | | |
| Credit cards | **954,775** | 681,389 |
| **Financing Liabilities** | | |
| **Secured** | | |
| Borrowings to finance personal loan assets | **37,321,732** | 27,028,411 |
| Non-recourse borrowings to finance home loan assets | **351,084,046** | 296,942,075 |
| | **388,405,778** | 323,970,486 |
| **(a) Total Current, Non-Current and Financing liabilities:** | | |
| Credit cards | **954,775** | 681,389 |
| Borrowings to finance personal loan assets | **37,321,732** | 27,028,411 |
| Non-recourse borrowings to finance home loan assets | **351,084,046** | 296,942,075 |
| | **389,360,553** | 324,651,875 |
| **(b) The carrying amounts of assets pledged as security are:** | | |
| Fixed charge over assets | | |
| Personal loan financing assets | **47,896,110** | 35,387,283 |
| Home loan financing assets | **367,214,044** | 311,075,284 |
| | **415,110,154** | 346,462,567 |

## Note 12. Financial instruments

### Financial instruments

#### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Consolidated Entity's contractual rights to cash flows from the financial assets expire or the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date i.e. the date the Consolidated Entity commits itself to purchase or sell an asset. Financial liabilities are de-recognised if the Consolidated Entity's obligations specified in the contract expire, are discharged or cancelled.

## Financial and capital risk management

The Consolidated Entity undertakes transactions in a range of financial instruments including:

- Cash and cash equivalents
- Trade and other receivables
- Personal loan assets
- Home loan assets
- Other financial assets
- Payables

Interest bearing liabilities include bank loans and secured note facilities.

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

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **Financial Assets** | | |
| Cash and cash equivalents | **2,567,378** | 4,193,401 |
| Trade and other receivables | **88,709,112** | 81,532,049 |
| Financing assets | **415,110,154** | 346,462,567 |
| Assets and receivables at amortised cost | **506,386,644** | 432,188,017 |
| **Financial Liabilities** | | |
| Payables and borrowings at amortised cost | **5,912,330** | 5,773,646 |
| Current tax liabilities | **1,618,343** | 755,720 |
| Financing liabilities | **388,405,778** | 323,970,486 |
| Payables at amortised cost | **395,936,451** | 330,499,852 |
| **Assets and liabilities measured at fair value through profit and loss:** | | |
| Derivatives – Interest rate swap contracts | **(681,011)** | (916,927) |

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

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

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

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

These are discussed individually below.

## Capital management

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

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 12. Financial instruments cont.

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

The gearing ratio at 30 June 2018, excluding the Consolidated Entity's special purpose entities Fox Symes Home Loans Warehouse Trust 1 and FSHL Prime Warehouse Trust 1 whose liabilities are non-recourse to the Consolidated Entity, was 25.97% (2017: 21.78%).

It was the policy of the Consolidated Entity during the 2018 financial year to maintain a gearing ratio, excluding the Consolidated Entity's special purpose entities of less than 50% (2017: 50%).

### Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity. Credit risk is concentrated in the following categories of financial instruments:

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

Credit and lending policies have been established for all lending operations whereby each new borrower is analysed individually for creditworthiness and serviceability prior to the Consolidated Entity doing business with them. This includes where applicable credit history checks and affordability assessment and, in the case of lending activities, confirming the existence and title of the security, and assessing the value of the security provided. These are monitored by the Audit & Risk Management Committee through the management of the Consolidated Entity.

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

The Consolidated Entity retains its security until the loans are repaid. The Consolidated Entity is entitled to take possession of and enforce the sale of the secured property in the event that the borrower defaults under the terms of their loan.

Personal insolvency (debt agreements and personal insolvency agreements and bankruptcy) receivables are unsecured, though debtors are assessed for serviceability and affordability prior to inception of each agreement.

The above minimises the Consolidated Entity's credit risk exposure to acceptable levels.

The Audit & Risk Management Committee also establishes the Consolidated Entity's allowance for impairment policy which is discussed in Notes 2 and 3 of the Financial Statements

### Liquidity risk

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

The Consolidated Entity's approach in managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's liquidity risk management policies include cash flow forecasting, which is reviewed and monitored monthly by management as part of the Consolidated Entity's master budget and having access to funding through credit facilities.

FSA Group Limited has a secured non-recourse note facility comprising of Senior and Mezzanine Notes through special purpose entities, the Fox Symes Home Loans Warehouse Trust 1 and FSHL Prime Warehouse Trust 1. As at the reporting date, the facilities have a combined drawdown limit of $400,000,000 (2017: $325,000,000). The facilities are secured against the book of loan assets created by the trust. As at 30 June 2018 the Consolidated Entity had drawn $348,278,256 (2017: $294,788,255) from these facilities.

The Consolidated Entity is reliant on the renewal of existing home loan facilities, the negotiation of new home loan facilities, or the issuance of residential mortgage backed securities. Each home loan facility is structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Consolidated Entity. If a home loan facility is not renewed or otherwise defaults and its assets are liquidated, the primary impact to the Consolidated Entity would be the loss of future income streams from excess spread, being the difference between our home loan rate and the cost of funds, fee income and the write off of any unamortised balance of deferred transaction costs.

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

FSA Group Limited's subsidiary Fox Symes Home Loans Pty Ltd has a secured loan facility supporting its personal loan lending activities. The personal loan facility has drawdown limits of $45,000,000 (2017: $40,000,000). As at 30 June 2018, the Company had drawn $37,300,000 (2017: $27,000,000) from this facility.

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 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $ | Contractual Cash flows $ | 6 months or less $ | 6-12 months $ | 1 to 2 years $ | 2 to 5 years $ |
| Trade and other payables | **822,867** | **822,867** | **822,867** | **–** | **–** | **–** |
| Other payables | **4,134,688** | **4,134,688** | **4,134,688** | **–** | **–** | **–** |
| Other short term loans | **954,775** | **954,775** | **954,775** | **–** | **–** | **–** |
| Bank loans | **37,321,732** | **37,722,843** | **37,722,843** | **–** | **–** | **–** |
| Warehouse facilities | **351,084,046** | **369,777,812** | **6,935,358** | **7,216,071** | **355,626,383** | **–** |
| Total | **394,318,108** | **413,412,985** | **50,570,531** | **7,216,071** | **355,626,383** | **–** |

| | Consolidated Entity 30 June 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount $ | Contractual Cash flows $ | 6 months or less $ | 6-12 months $ | 1 to 2 years $ | 2 to 5 years $ |
| Trade and other payables | 1,400,460 | 1,400,460 | 1,400,460 | – | – | – |
| Other payables | 3,691,797 | 3,691,797 | 3,691,797 | – | – | – |
| Other short term loans | 681,389 | 681,389 | 681,389 | – | – | – |
| Bank loans | 27,028,411 | 27,640,107 | 27,640,107 | – | – | – |
| Warehouse facilities | 296,942,075 | 319,763,815 | 5,346,776 | 5,573,227 | 11,177,076 | 297,666,736 |
| Total | 329,744,132 | 353,177,568 | 38,760,529 | 5,573,227 | 11,177,076 | 297,666,736 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 12. Financial instruments cont.

### Market risk

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

Home loan assets are lent on variable interest rates and are financed by variable rate borrowings, which mitigate the Consolidated Entity's exposure to interest rate risk on these borrowings to an acceptable level. These borrowings are provided to the Consolidated Entity under a two year rolling facility and are non-recourse to the Consolidated Entity except for loss suffered from misrepresentations in relation to the origination of loans and breaches of its loan servicing or management obligations.

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

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

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

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

### Interest rate sensitivity analysis

The tables below show the effect on profit after tax if interest rates had been 50 basis points (bps) higher or lower at reporting date on the Consolidated Entity's floating rate financial instruments (2017: 50 bps) and interest rate swap agreements. A 50 bps sensitivity is considered reasonable given the current level of both short-term and long-term Australian interest rates. This would represent approximately two rate increases/decreases. In the current economic environment, where uncertainty remains, it is the Company's view that it is unlikely there will be a sharp upwards movement in the interest rate cycle over the next 12 months. The analysis is based on interest rate risk exposures at reporting date on both financial assets and liabilities.

| | Consolidated Entity Profit after tax | |
|---|---|---|
| | **2018 $** | **2017 $** |
| If interest rates increased by 50bps (2017: 50bps) | **840,178** | 1,207,621 |
| If interest rates decreased by 50bps (2017: 50bps) | **(835,456)** | (1,228,470) |

## Note 13. Commitments

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **Operating leases (non-cancellable):** | | |
| Minimum lease payments | | |
| – not later than one year | **1,560,891** | 1,560,231 |
| – later than one year and not later than five years | **2,432,040** | 2,882,672 |
| | **3,992,931** | 4,442,903 |

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

# Note 14. Cash flow information

| | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| Reconciliation of cash flows from operations to profit after tax | | |
| Profit after tax | 17,165,379 | 16,262,180 |
| *Non-cash flows in profit/(loss):* | | |
| Depreciation and amortisation | 584,557 | 487,890 |
| Unrealised (gain)/loss on derivatives | (235,916) | (1,411,352) |
| Loss on disposal of intangibles | 114,825 | 13,922 |
| Loss on disposal of plant & equipment | – | 19,831 |
| Loss on write off financing assets | 1,131,294 | 324,223 |
| *Changes in assets and liabilities:* | | |
| Increase in trade and other receivables | (7,123,555) | (7,580,120) |
| Decrease in other current assets | 295,279 | 34,865 |
| Decrease in trade and other payables | (57,515) | (184,874) |
| (Decrease)/Increase in employee entitlements | (34,628) | 299,816 |
| Increase in other liabilities | 2,671,711 | 2,374,127 |
| **Cash flows from operating activities** | 14,511,431 | 10,640,508 |
| **Cash flows from operating activities – discontinued operations** | – | (487,198) |
| **Cash flows from operating activities – continuing operations** | 14,511,431 | 11,127,706 |

# Note 15. Cash and cash equivalents

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

| | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| **Current** | | |
| Cash on hand and at bank | 2,567,378 | 4,193,401 |
| **Assets financed by financial liabilities** | | |
| Personal loan cash and cash equivalents | 281,803 | 129,701 |
| Home loan cash and cash equivalents | 6,950,134 | 4,745,492 |
| | 9,799,315 | 9,068,594 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 16. Auditor's remuneration

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| Amounts received or due and receivable by BDO East Coast Partnership: | | |
| Audit and review of financial statements | **200,625** | 242,225 |
| Taxation compliance services | **64,451** | 44,417 |
| Taxation advice and consulting | **36,226** | 65,973 |
| | **301,302** | 352,615 |

## Note 17. Derivatives

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

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

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

It is the Consolidated Entity's policy to keep approximately $80 million of its borrowings at fixed rates of interest by entering into interest rate swap contracts under which the Consolidated Entity is obliged to receive interest at variable rates and to pay interest at fixed rates. On the 12 June 2015 the Consolidated Entity entered into an interest rate swap agreement, locking in $40 million of its funding cost at a fixed rate for 5 years. On the 12 November 2015, the Consolidated Entity entered into another interest rate swap agreement, locking in further $40 million of its funding cost at a fixed rate for 5 years. At the end of the reporting period, the fixed rate was 2.56% and 2.30% respectively and variable rates were 1.96%.

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

At the end of the reporting period for the Consolidated Entity, these contracts were liabilities with a fair value of $681,011.

| | Consolidated Entity | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **Non-current liabilities** | | |
| Interest rate swap contracts | **681,011** | 916,927 |
| Total derivative financial liabilities | **681,011** | 916,927 |

## Note 18. Intangible assets

### Intangibles

Goodwill on consolidation has an indefinite life, and is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill of $345,124 relates to the original investment by the parent company in FSA Australia Pty Ltd and its controlled entities.

Software is measured on the cost basis less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its useful life of 3 to 4 years.

| | Consolidated Entity 2018 $ | 2017 $ |
|---|---|---|
| Goodwill | | |
| Recognised on consolidation | **345,124** | 345,124 |
| Accumulated impairment | **–** | – |
| | **345,124** | 345,124 |
| Software at cost | **4,063,121** | 3,588,643 |
| Accumulated amortisation | **(2,199,586)** | (1,915,760) |
| | **1,863,535** | 1,672,883 |
| | **2,208,659** | 2,018,007 |
| **Movements during year (Goodwill):** | | |
| Beginning of the year | **345,124** | 345,124 |
| Disposal | **–** | – |
| | **345,124** | 345,124 |
| **Movements during year (Software):** | | |
| Beginning of the year | **1,672,883** | 837,617 |
| Additions | **638,783** | 1,171,229 |
| Disposal/write off | **(114,825)** | (13,922) |
| Amortisation | **(333,306)** | (322,041) |
| | **1,863,535** | 1,672,883 |

### Impairment

The Directors have assessed that, the carrying value of $345,124 of goodwill attributable to the original investment by the parent company in FSA Australia Pty Ltd and its controlled entities does not exceed the recoverable amount of this balance at reporting date.

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

## Note 19. Fair value measurement

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

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

| Description | Fair Value at 30 June 2018 ($) | Valuation Technique(s) | Inputs Used |
|---|---|---|---|
| *Financial liability:* | | | |
| Interest rate swap | 681,011 | Income approach using discounted cash flow methodology and the funding valuation adjustment framework | Overnight Index Swap rate |

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 19. Fair value measurement cont.

| | Jun-18 Book value $ | Jun-18 Fair value $ |
|---|---|---|
| **Financial assets** | | |
| Current receivables net of deferred tax* | 21,266,115 | 21,266,115 |
| Non-current receivables net of deferred tax* | 36,826,995 | 36,090,080 |
| Personal loan assets | 47,614,307 | 52,652,182 |
| Home loan assets financed by non-recourse financing liabilities | 360,263,910 | 368,613,269 |

* Included in current and non-current receivables is an amount of $65,607,021 (2017: $58,839,655) relating to debt agreement receivables. These assets are taxed on a cash basis, and consequently to present the book value on a consistent basis with the computation of fair value, current and non-current receivables have been presented net of associated deferred tax liabilities amounting to $19,326,816 (2017: $17,651,403).

## Note 20. Provisions

### Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### Defined contribution superannuation expense

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

#### Bonuses

A provision is recognised for the amount expected to be paid under short term and long term cash bonus arrangements if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Employee benefits

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

As at 30 June 2018, the Consolidated Entity employed 192 full-time equivalent employees (2017: 194) plus a further 4 independent contractors (2017: 4).

#### Short-term employee benefits

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

#### Long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality Australian corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

| | Consolidated Entity 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| Employee benefits | **2,242,084** | 2,117,272 |
| **Non-current** | | |
| Employee benefits | **510,147** | 669,588 |

# Note 21. Share capital

## Ordinary share capital

Ordinary shares are classified as equity.

| | 2018 Number | 2017 Number |
|---|---|---|
| 125,092,610 (2017: 125,092,610) Fully paid ordinary shares | **6,707,233** | 6,707,233 |
| **Ordinary shares** | | |
| Balance 1 July | **125,092,610** | 125,092,610 |
| Movement | **–** | – |
| Balance 30 June | **125,092,610** | 125,092,610 |

# 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 by the Consolidated Entity | |
|---|---|---|---|
| **Name** | **Country of Incorporation** | **2018 %** | **2017 %** |
| FSA Australia Pty Ltd (2) | Australia | **100** | 100 |
| Fox Symes Financial Pty Ltd (1) | Australia | **100** | 100 |
| Fox Symes & Associates Pty Ltd (1) | Australia | **100** | 100 |
| Fox Symes Debt Relief Services Pty Ltd (1) | Australia | **100** | 100 |
| Fox Symes Home Loans Pty Ltd (2) | Australia | **100** | 100 |
| Easy Bill Pay Pty Ltd (1) | Australia | **100** | 100 |
| 104 880 088 Group Holdings Pty Ltd (2) | Australia | **100** | 100 |
| Aravanis Insolvency Pty Ltd (1) | Australia | **65** | 65 |
| Fox Symes Business Services Pty Ltd (1) | Australia | **75** | 75 |

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by FSA Group Limited

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 22. Interests in subsidiaries cont.

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

| Name | Country of Incorporation | Percentage of equity interest held by the Consolidated Entity 2018 % | 2017 % |
|---|---|---|---|
| Fox Symes Home Loans (Services) Pty Ltd | Australia | **100** | 100 |
| Fox Symes Home Loans (Management) Pty Ltd | Australia | **100** | 100 |
| Fox Symes Home Loans (Mortgage Management) Pty Ltd | Australia | **100** | 100 |
| Fox Symes Personal Loans Pty Ltd | Australia | **100** | 100 |
| Fox Symes Home Loans Warehouse Trust 1 | Australia | **100** | 100 |
| FSHL Prime Warehouse Trust 1 | Australia | **100** | 100 |

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

| Name | Country of Incorporation | Percentage of equity interest held by the Consolidated Entity 2018 % | 2017 % |
|---|---|---|---|
| 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 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 | | Non-controlling interest Ownership interest | |
|---|---|---|---|---|---|---|
| | | | 2018 | 2017 | 2018 | 2017 |
| 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% |

| | Aravanis Insolvency Pty Limited | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Summarised Statement of Financial Position** | | |
| Current assets | **11,834,373** | 10,831,899 |
| Current liabilities | **597,643** | 681,167 |
| **Current net assets** | **11,236,730** | 10,150,732 |
| Non-current assets | **59,699** | 65,647 |
| Non-current liabilities | **3,571,380** | 3,475,925 |
| **Non-current net assets** | **(3,511,681)** | (3,410,278) |
| **Net assets** | **7,725,049** | 6,740,454 |
| **Summarised Statement of Profit or Loss and Other Comprehensive Income** | | |
| Revenue | **10,825,766** | 10,788,021 |
| Expenses | **(6,550,027)** | (6,115,461) |
| **Profit before income tax expense** | **4,275,739** | 4,672,560 |
| Income tax expense | **(1,291,144)** | (1,413,253) |
| **Profit after income tax expense** | **2,984,595** | 3,259,307 |
| Other comprehensive income | **–** | – |
| **Total comprehensive income** | **2,984,595** | 3,259,307 |
| **Summarised Statement of Cash Flows** | | |
| Cash flows from operating activities | **2,351,323** | 2,383,197 |
| Cash flows from investing activities | **(271,401)** | 636,895 |
| Cash flows from financing activities | **(2,000,000)** | (2,800,000) |
| **Net increase/(decrease) in cash and cash equivalents** | **79,922** | 220,092 |
| **Other financial information** | | |
| **Profit attributable to non-controlling interests** | **1,044,608** | 1,140,757 |
| **Accumulated non-controlling interests at the end of reporting period** | **2,703,767** | 2,359,159 |

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

# Note 23. Key Management Personnel disclosures

| | Consolidated Entity | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Remuneration of Directors and Key Management Personnel** | | |
| Short-term employee benefits | **2,354,308** | 2,021,143 |
| Long-term employee benefits | **11,742** | (7,814) |
| Post-employment benefits | **71,487** | 82,165 |
| | **2,437,537** | 2,095,494 |

# Notes to the Financial Statements cont.

For the year ended 30 June 2018

## Note 24. Related party disclosures

### (a) Key Management Personnel

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

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 22 of the Financial Statements.

### (c) Transactions with related parties

Transactions with related parties of Directors or Key Management Personnel are as disclosed in the Remuneration Report.

## Note 25. Contingent liabilities

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

### Home loans

At reporting date, loan applications that had been accepted by the Consolidated Entity but not yet settled amount to $8,615,865 (2017: $9,679,431). Home loans are usually settled within 4 weeks of acceptance.

### Personal loans

At reporting date, loan application that had been accepted by the Consolidated Entity but not yet settled amount to $151,500 (2017: $78,200). Personal loans are usually settled within one week of acceptance.

## Note 26. 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 2018 except as follows:

- On 17 August 2018, Westpac extended the $45 million personal loan facility until 31 December 2018.
- On 20 August 2018, Westpac conditionally approved a recourse senior personal loan facility of $75 million. This facility is subject to formal documemation being agreed and entered into by the parties. This facility will replace the $45 million personal loan facility.
- On 23 August 2018, Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 27 September 2018 with a record date of 13 September 2018. This brings the full year dividend to 7.00 cents per share.

## Note 27. 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.

| | 2018 $ | 2017 $ |
|---|---|---|
| Total current assets | **8,975,710** | 9,873,129 |
| Total non-current assets | **11,826,990** | 11,826,990 |
| **Total assets** | **20,802,700** | 21,700,119 |
| Total current liabilities | **749,909** | 2,847,189 |
| **Total liabilities** | **749,909** | 2,847,189 |
| **Net assets** | **20,052,791** | 18,852,930 |
| **Equity** | | |
| Share capital | **6,707,233** | 6,707,233 |
| Dividends to shareholders | **(8,756,483)** | (8,756,483) |
| Accumulated profit/(loss) | **22,102,041** | 20,902,180 |
| **Total equity** | **20,052,791** | 18,852,930 |
| **Financial performance** | | |
| **Profit/(loss)after income tax** | **9,956,344** | 10,050,298 |
| Other comprehensive Income | **–** | – |
| **Total Comprehensive income/(loss)for the year** | **9,956,344** | 10,050,298 |

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 28 for further details.

There are no contingent liabilities or commitments in the parent entity (2017: Nil).

## Note 28. 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 cont.

For the year ended 30 June 2018

## Note 28. Deed of cross guarantee cont.

| | 2018 $ | 2017 $ |
|---|---|---|
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| **Revenue and other income** | | |
| Fees from services | **35,255,092** | 34,613,146 |
| Finance income | **67,398** | 213,265 |
| Finance expense | **(245)** | (427) |
| Net finance income | **67,153** | 212,838 |
| **Total revenue and other income net of finance expense** | **35,322,245** | 34,825,984 |
| Expenses from continuing activities | **(3,911,330)** | (4,061,676) |
| **Profit before income tax** | **31,410,915** | 30,764,308 |
| Income tax expense | **(9,466,020)** | (9,285,140) |
| **Profit after income tax** | **21,944,895** | 21,479,168 |
| Other Comprehensive Income | **–** | – |
| **Total Comprehensive income for the year** | **21,944,895** | 21,479,168 |
| **Statement of Financial Position** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **1,647,964** | 3,297,129 |
| Trade and other receivables | **15,108,658** | 13,847,865 |
| Other assets | **2** | 2 |
| **Total Current Assets** | **16,756,624** | 17,144,996 |
| **Non-Current Assets** | | |
| Trade and other receivables | **213,060,796** | 185,961,370 |
| Investments | **11,826,990** | 11,826,990 |
| **Total Non-Current Assets** | **224,887,786** | 197,788,360 |
| **Total Assets** | **241,644,410** | 214,933,356 |
| **Current Liabilities** | | |
| Trade and other payables | **496,392** | 776,737 |
| Tax Liabilities | **1,311,981** | 484,407 |
| **Total Current Liabilities** | **1,808,373** | 1,261,144 |
| **Non-Current Liabilities** | | |
| Deferred tax liabilities | **19,326,816** | 17,651,403 |
| **Total Non-Current Liabilities** | **19,326,816** | 17,651,403 |
| **Total Liabilities** | **21,135,189** | 18,912,547 |
| **Net Assets** | **220,509,221** | 196,020,809 |
| **Equity** | | |
| Share capital | **6,707,237** | 6,707,237 |
| Retained earnings | **213,801,984** | 189,313,572 |
| **Total Equity** | **220,509,221** | 196,020,809 |

# Directors' Declaration

In the Directors' opinion:

- The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
  a. comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- The Directors have been given the declarations by the Executive Directors and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

FSA Group Limited, FSA Australia Pty Ltd and Fox Symes Debt Relief Services Pty Ltd identified in Note 28 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 28.

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

**Tim Odillo Maher**
Executive Director

Sydney
23 August 2018

**Deborah Southon**
Executive Director

Sydney
23 August 2018

# Independent Auditor's Report

To the members of FSA Group Limited

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Level 11, 1 Margaret St
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 2018, 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 2018 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* (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.

***Recoverability of trade receivable balances***

| ***Key audit matter*** | ***How the matter was addressed in our audit*** |
|---|---|
| The Group summarises the trade receivable balances and the provision applied in note 2 of the financial statements.<br><br>The trade receivables balances are considered significant to the Group due to their size and the judgements involved in determining the provision for impairment. | Our audit procedures included, among others;<br><br>• Testing of controls surrounding recognition of receivable balances and their recovery;<br><br>• Testing of the discounting of non-current receivables and assessment of whether the discount rate applied is reasonable; and<br><br>• Analysing the data supporting the provisioning rate including historical cash collections data. |

**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 2018, 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.

# Independent Auditor's Report cont.

To the members of FSA Group Limited

**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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 18 to 23 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of FSA Group Limited, for the year ended 30 June 2018, 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 East Coast Partnership**

BDO

Arthur Milner
Partner

Sydney, 23 August 2018

# 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 10 August 2018.

## (a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

| | Quoted Ordinary shares | |
|---|---|---|
| | Number of holders | Number of shares |
| 1 – 1,000 | 280 | 105,544 |
| 1,001 – 5,000 | 470 | 1,468,546 |
| 5,001 – 10,000 | 257 | 2,162,330 |
| 10,001 – 100,000 | 299 | 9,061,138 |
| 100,001 and over | 75 | 112,295,052 |
| **Total** | 1,381 | 125,092,610 |

The number of security investors holding less than a marketable parcel of 351 securities ($1.425 on 9 August 2018) is 148 and they hold 4,253 securities.

## (b) Twenty largest holders

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

| | | | |
|---|---|---|---|
| 1 | Capital Management Corporation Pty Ltd | 26,000,000 | 20.78% |
| 2 | Mazamand Group Pty Ltd (investor group) | 16,809,231 | 13.44% |
| 3 | ADST Pty Ltd (investor group) | 12,960,047 | 10.36% |
| 4 | BJR Investment Holdings Pty Ltd | 11,000,000 | 8.79% |
| 5 | UBS Nominees Pty Ltd | 6,882,791 | 5.50% |
| 6 | J P Morgan Nominees Australia Limited | 6,737,009 | 5.39% |
| 7 | Ruminator Pty Limited | 3,262,343 | 2.61% |
| 8 | Contemplator Pty Limited | 2,497,622 | 2.00% |
| 9 | Aust Executor Trustees Ltd <GFFD> | 2,338,058 | 1.87% |
| 10 | Bulwarra Pty Ltd | 1,773,775 | 1.42% |
| 11 | Dundas Ritchie Investments Pty Ltd | 1,500,000 | 1.20% |
| 12 | Investment Custodial Services Limited | 1,419,267 | 1.13% |
| 13 | Samuel Doumany (investor group) | 1,100,000 | 0.88% |
| 14 | National Nominees Limited | 989,110 | 0.79% |
| 15 | Karia Investment Pty Ltd (investor group) | 966,666 | 0.77% |
| 16 | Ristolle Pty Ltd | 877,169 | 0.70% |
| 17 | Fernane Pty Ltd | 877,168 | 0.70% |
| 18 | HSBC Custody Nominees (Australia) Limited | 826,689 | 0.66% |
| 19 | Harold Cripps Holdings Pty Ltd | 700,541 | 0.56% |
| 20 | Garrett Smythe Ltd | 684,710 | 0.55% |
| | **Top 20** | 100,202,196 | 80.10% |
| | **Total** | 125,092,610 | 100% |

# Shareholder Information cont.

To the members of FSA Group Limited

## (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| | Number of shares |
|---|---|
| Mazamand Group Pty Ltd | 16,809,231 |
| ADST Pty Ltd | 12,960,047 |
| BJR Investment Holdings Pty Ltd | 11,000,000 |
| Perpetual Limited and subsidiaries | 6,749,650 |

## (d) Voting rights

All ordinary shares carry one vote per share without restriction.

## (e) Restricted securities

As at the date of this report there were no ordinary shares subject to voluntary restriction agreements.

## (f) Business objectives

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

# Corporate Information

## Directors

**Sam Doumany** – Non-Executive Chairman

**Tim Odillo Maher** – Executive Director

**Deborah Southon** – Executive Director

**Stan Kalinko** – Non-Executive Director

**David Bower** – Non-Executive Director

## Chief Financial Officer

**Cellina Chen**

## Company Secretary

**Cellina Chen**

## Registered Office and Corporate Office

Level 3
70 Phillip Street
Sydney NSW 2000

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

**Link Market Services Ltd**

Locked Bag A14
Sydney South, NSW 1235

Phone: +61 (02) 8280 7454

## Auditors

**BDO East Coast Partnership**

Level 11
1 Margaret Street
Sydney NSW 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