



# Appendix 4E

## PRELIMINARY FINAL REPORT

**Name of Entity**  
ABN

**FSA Group Limited**  
98 093 855 791

### 1. Details of the reporting period

<b>Financial Year Ended</b>	30 June 2017
<b>Previous Corresponding Reporting Period</b>	30 June 2016

### 2. Results for Announcement to the Market

	<b>\$'000</b>	<b>% Increase / (decrease) over corresponding period</b>
<b>2.1 Total Group operating income</b>	<b>70,630</b>	<b>4%</b>
Operating income - continuing operations	70,630	14%
Operating income - discontinued operations	-	(100%)
<b>Profit from ordinary activities after tax</b>		
<b>2.2 attributable to members of the parent</b>	<b>15,117</b>	<b>12%</b>
From continuing operations	15,355	44%
From discontinued operations	(238)	(108%)
<b>2.3 Net profit for the period attributable to members</b>	<b>15,117</b>	<b>12%</b>
2.4 Dividends – see item 7 below		
2.5 Record date – see item 7 below		
2.6 Commentary on above details – refer to Executive directors' review and Financial Statements		

For an explanation of the information provided above at 2.1 to 2.4 refer to the accompanying Executive Directors' Review and Financial Statements.

### 3. Statement of Profit or Loss and Other Comprehensive Income with notes to the statement

Refer to page 25 of the Financial Statements and the accompanying notes

### 4. Statement of Financial Position with notes to the statement

Refer to page 26 of the Financial Statements and the accompanying notes

### 5. Statement of Cash Flows with notes to the statement

Refer to page 28 of the Financial Statements and the accompanying notes



## 6. Statement of Changes in Equity

Refer to page 27 of the Financial Statements and the accompanying notes

## 7. Dividends

Fully franked final dividend for the year ended 30 June 2016 of 4.00 cents per ordinary share	\$5,003,705
Fully franked interim dividend for the year ended 30 June 2017 of 3.00 cents per ordinary share	\$3,752,778
	<hr/>
	\$8,756,483

### Dividends payable subsequent to year end

Date payable	8-Sep-17
Record date to determine entitlement to the dividend	25-Aug-17
Amount per share (fully franked)	4.00 cents
Total dividend calculated on shares on issue as at the date of this report	\$5,003,705

## 8. Dividends reinvestment

There is no Dividend Reinvestment Plan in place.

## 9. NTA Backing

	Current Period	Corresponding period
Net tangible asset backing per ordinary share after adjusting for non-controlling interests	63.1 cents	58.6 cents

## 10. Entities over which control has been gained or lost during the period

Not applicable.

## 11. Associates and joint venture entities

Not applicable.

## 12. Ability to make an informed assessment of the entities financial performance and financial position.

Refer to the accompanying Executive Directors' Review and Financial Statements.

## 13. Foreign entities

Not applicable.



#### **14. Results for the period**

Refer to the accompanying Executive Directors' Review and Financial Statements and segment commentary within, and supported by financial data contained in Note 6: Segment Information commencing at page 38 of the Financial Statements.

#### **15. Status of audit**

The financial statements have been audited and a copy of the audit report is included in the Financial Statements at pages 61 to 63. The audit report does not contain any qualification nor is there any dispute.

The Annual General Meeting is scheduled for Friday 24 November 2017 at 2pm in Sydney.

Cellina Z Chen  
Company Secretary  
18 August 2017



# **FSA Group Limited**

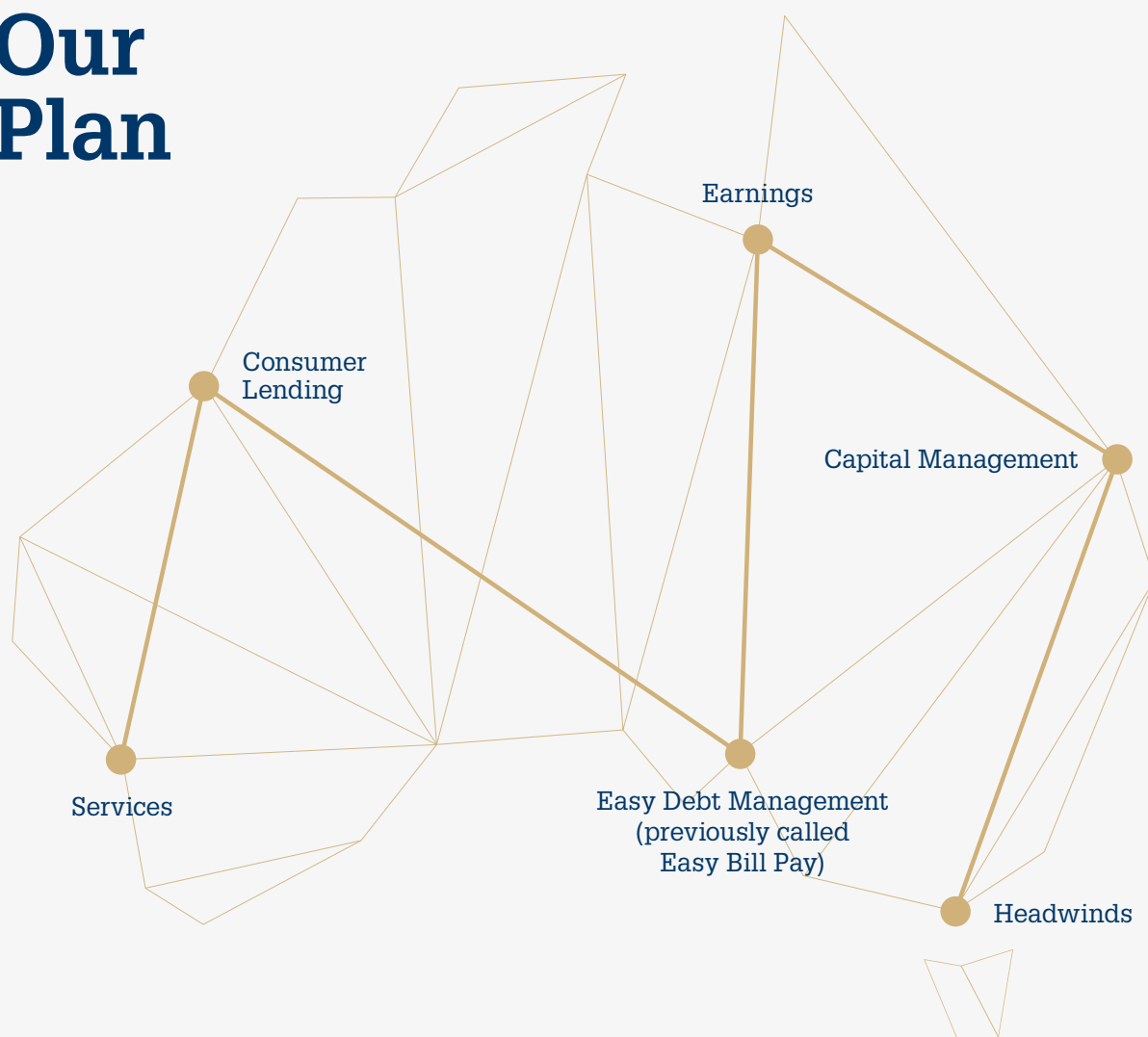
**Annual Report 2017**



## **On Track**

**Second year of our  
5 year strategic plan**

# Our Plan



## Cautionary Statements and Disclaimer Regarding Forward-Looking Information

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

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

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

Forward-looking statements are based on assumptions regarding the Company's financial position, business strategies, plans and

objectives of management for future operations and development and the environment in which the Company will operate. Those assumptions may not be correct or exhaustive.

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

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


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

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



For over 17 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.



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2	Our Business
4	A 5 year Strategic Plan
6	Chairman's Letter
7	Executive Directors' Review
12	Directors and Secretary
13	Financial Statements

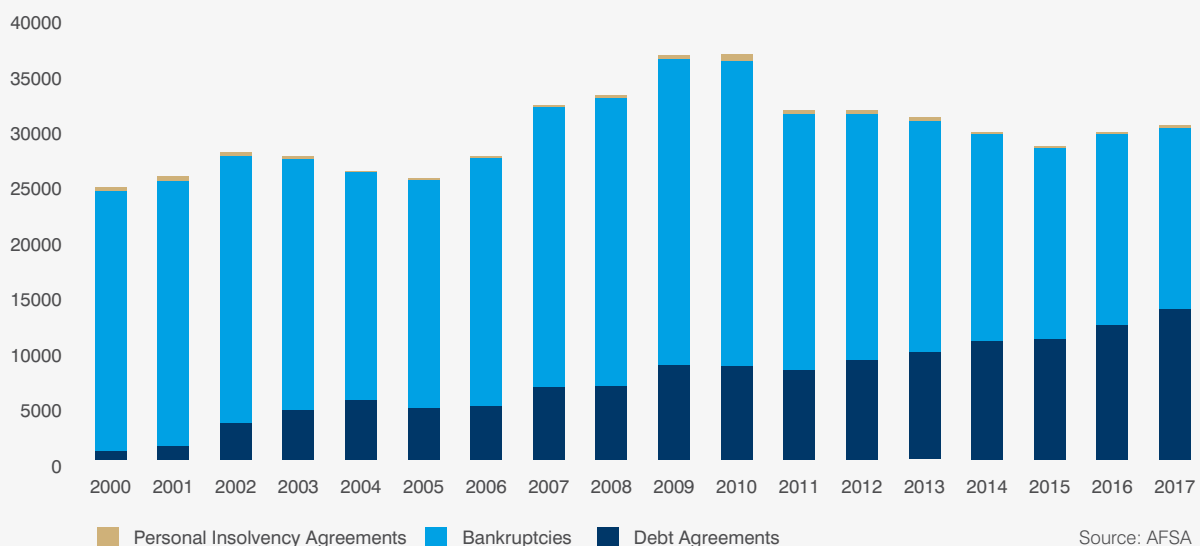
# Our Business

## Services

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

FSA Group offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy. Our new service Easy Debt Management (previously called Easy Bill Pay) assists our 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.



# A 5 Year Strategic Plan



## 5 Year Strategic Plan 2016 to 2020

### ➔ Services

Maintain our leading position in a niche market.

### ➔ Easy Debt Management (previously called Easy Bill Pay)

Aiming to add over 500 new clients per month over the next few years.

### ➔ Consumer Lending

Expand our product offering.  
Focus on growing our loan pools.  
Aiming to grow to around \$500m.

### ➔ Earnings

Expect average long term earnings growth of around 10% pa.  
Growth rate in earnings may be lower in earlier years.

### ➔ Capital Management

Dividends around 50% to 60% of earnings.  
Balance of earnings to be re-invested to support the capital requirements of our growing loan pools.  
Strategy is self-funding. We do not expect to raise equity capital.

### ➔ Headwinds

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



## 2017 Progress

### ➔ Services

#### Debt Agreements

- 40% market share
- 8% increase in new clients
- 20,194 clients, up 4%
- \$366m of debt managed
- \$81m paid to creditors

#### Personal Insolvency Agreements and Bankruptcy

- One of the largest trustees
- New clients steady
- 1,404 clients, down 1%

### ➔ Easy Debt Management (previously called Easy Bill Pay)

#### Easy Debt Management

- Still trialling
- 2,575 clients, up 21%
- 318,730 bills paid to date
- \$34.1m paid to date

### ➔ Consumer Lending

#### Home Loans

- Loan pool \$306m, up 17%
- >30 day arrears 2.21%
- Impairments \$259,895
- Westpac facility \$300m
- Westpac retention facility \$25m
- Institutional facility \$25m

#### Personal Loans

- Loan pool \$35m, up 78%
- >30 day arrears 1.56%
- Impairments \$294,911
- Westpac facility \$40m
- Planning a larger facility

### ➔ Earnings and Capital Management

- Refer to Chairman's Letter

# Chairman's Letter

Dear Shareholders,

The 2017 financial year, the second year of our five year strategic plan, has been a year of excellent progress and growth.

The Services division offers a range of services including informal arrangements, debt agreements, personal insolvency agreements, bankruptcy and Easy Debt Management (previously called Easy Bill Pay).

FSA Group is the largest provider of debt agreements, personal insolvency agreements and bankruptcy in Australia. During the 2017 financial year new client numbers for debt agreements increased by 8% and for personal insolvency agreements and bankruptcy was steady compared to the previous corresponding period. Our debt agreement market share decreased from 41% to 40% for reasons mentioned in the Executive Directors' Review. FSA Group manages \$366 million of unsecured debt under debt agreements and during the 2017 financial year paid \$81 million in dividends to creditors. Easy Debt Management (previously called Easy Bill Pay) continues to grow steadily. To date we have 2,575 clients and have paid 318,730 bills totalling \$34.1 million.

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 2017 financial year our home loan and personal loan pools continued to grow, growing from \$282 million to \$342 million, a 21% growth rate. In order to grow our loan pools to around \$500 million over our 5 year plan we will need to achieve an annual growth rate of around 14%. We are pleased with our home loan pool growth and our personal loan pool growth continues to exceed our expectations. During the year Westpac Banking Corporation increased and renewed our home loan and personal loan facilities.

For the 2017 financial year FSA Group generated, from continuing operations, \$70.6 million in operating income, a 14% increase, and a profit after tax attributable to members of \$15.4 million, a 44% increase compared to the results of 2016. Normalised profit after tax attributable to members (excluding swaps) was \$14.4 million, a 17% increase. Our net cash inflow from operating activities was \$11.1 million, a 13% increase.

I advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2017 financial year. This brings the full year dividend to 7.00 cents per share.

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

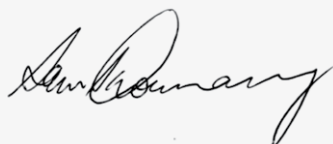
Consumer debt levels are at a record high, new enquiries are increasing and demand for our products and services is growing. This is currently occurring in a historically low interest rate environment. As interest rates normalise demand for our products and services will accelerate.

Over the 2018 financial year we expect higher new client numbers for our Services division and are targeting a June 2018 closing loan pool balance of around \$385 million, broken down as to \$340 million for home loans and \$45 million for personal loans.

For the 2018 financial year, FSA Group expects its normalised profit after tax to members (excluding swaps) to be up 5% to 15% on the 2017 financial year with EPS in the range of 12.00 cents to 13.20 cents. The full year dividend is expected to be 7.00 cents per share.

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

Yours sincerely,



Sam Doumany  
Chairman

# Executive Directors' Review

Dear Shareholders,

For the 2017 financial year FSA Group generated, from continuing operations, \$70.6 million in operating income, a 14% increase, and a profit after tax attributable to members of \$15.4 million, a 44% increase compared to the results of 2016. Normalised profit after tax attributable to members (excluding swaps) was \$14.4 million, a 17% increase. Our net cash inflow from operating activities was \$11.1 million, a 13% increase.

We advise that the Directors have declared a fully franked final dividend of 4.00 cents per share for the 2017 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	% Change
Operating income	\$62.1m	\$70.6m	▲ 14%
Profit before tax	\$16.8m	\$23.5m	▲ 39%
Profit after tax attributable to members	\$10.7m	\$15.4m	▲ 44%
EPS basic	8.52c	12.27c	▲ 44%
Net cash inflow from operating activities	\$9.9m	\$11.1m	▲ 13%
Dividend/share	7.00c	7.00c	— 0%
Shareholder Equity	\$76.8m	\$83.3m	▲ 8%

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 the 2016 financial year and unrealised gain of \$1.4 million in the 2017 financial year 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	% Change
Normalised profit before tax	\$19.2m	\$22.1m	▲ 15%
Normalised profit after tax attributable to members	\$12.3m	\$14.4m	▲ 17%
Normalised EPS basic	9.85c	11.48c	▲ 17%

## Executive Directors' Review (continued)

### 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	% Change
Services	\$49.6m	\$54.4m	▲ 10%
Consumer Lending	\$12.3m	\$15.9m	▲ 29%
Other/unallocated	\$0.1m	\$0.3m	
<b>Operating income</b>	<b>\$62.0m</b>	<b>\$70.6m</b>	<b>▲ 14%</b>

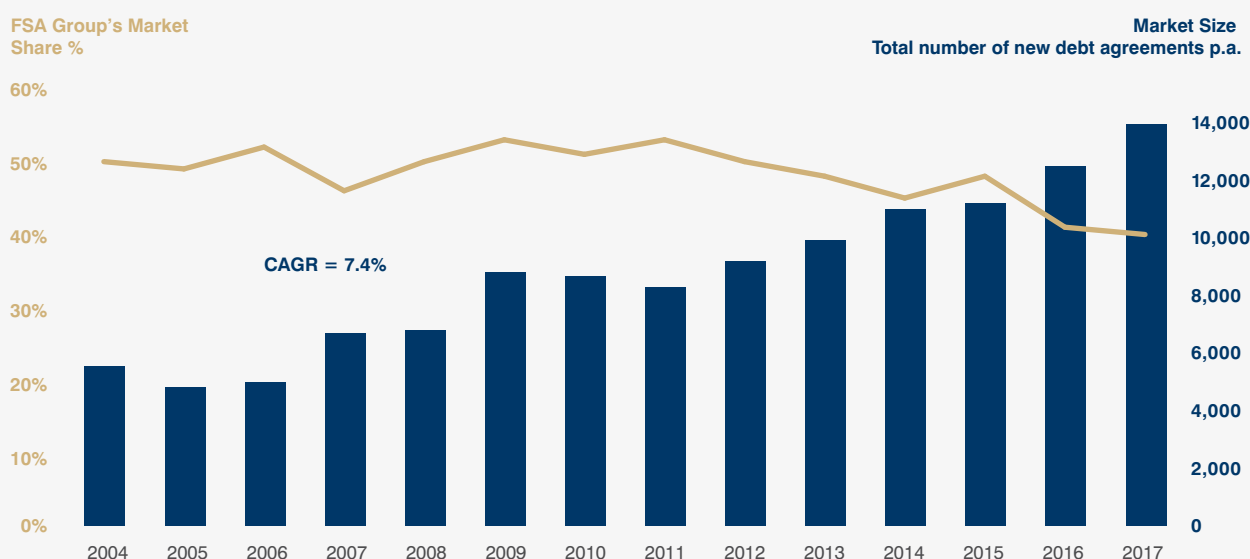
Profit before tax by segment	FY2016	FY2017	% Change
Services	\$14.2m	\$14.9m	▲ 5%
Consumer Lending	\$5.2m	\$7.0m	▲ 34%
Other/unallocated <sup>1</sup>	(\$2.5m)	\$1.6m	
<b>Profit before tax</b>	<b>\$16.8m</b>	<b>\$23.5m</b>	<b>▲ 39%</b>

**Note 1:** "Other/unallocated" includes the before tax mark to market unrealised loss of \$2.4 million in the 2016 financial year and unrealised gain of \$1.4 million in the 2017 financial year 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 new service Easy Debt Management (previously called Easy Bill Pay) assists our 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 for assistance which are affordable, viable, sustainable and deliver a benefit to the customer. Our market share for debt agreements remains under pressure. We will never sacrifice quality and customer benefit for volume and market share.

During the 2017 financial year new client numbers for debt agreements increased by 8% and for personal insolvency agreements and bankruptcy was steady compared to the previous corresponding period. Our debt agreement market share decreased from 41% to 40%.

During the year debt agreement clients under administration increased to 20,194, up 4% and for personal insolvency agreements and bankruptcy decreased to 1,404, down 1%. FSA Group manages \$366 million of unsecured debt under debt agreements and during the 2017 financial year paid \$81 million in dividends to creditors.

Easy Debt Management (previously called Easy Bill Pay) continues to grow steadily. To date we have 2,575 clients and have paid 318,730 bills totalling \$34.1 million.

The Services division achieved a profit before tax of \$14.9 million, a 5% increase. Profitability was positively impacted by higher new client numbers and a decrease in marketing costs. Profitability was also negatively impacted by an upfront investment in resources with the expectation that this will produce a positive uplift in new client numbers and profitability in future years.

## 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 2017 financial year our home loan and personal loan pools continued to grow, growing from \$282 million to \$342 million, a 21% growth rate. In order to grow our loan pools to around \$500 million over our 5 year plan we will need to achieve an annual growth rate of around 14%.

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

Loan Pools	FY2016	FY2017	% Change
Home Loans	\$262.0m	\$306.3m	▲ 17%
Personal Loans	\$19.8m	\$35.3m	▲ 78%
Total	\$281.8m	\$341.6m	▲ 21%

Arrears > 30 day	FY2015	FY2016	FY2017
Home Loans	2.87%	2.17%	2.21%
Personal Loans	Nil	0.59%	1.56%

Impairments	FY2015	FY2016	FY2017
Home Loans	\$173,288	\$564,867	\$259,895
Personal Loans	Nil	\$20,222	\$294,911

Loan Pool Data	Home Loans	Personal Loans
Average loan size	\$325,718	\$25,483
Security type	Residential home	Motor vehicle
Average loan to valuation ratio	68%	100%+
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states



## Executive Directors' Review (continued)

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 \$250 million to \$275 million and then in July 2017 to \$300 million with a renewal date of October 2019. Our institutional investor increased its non-recourse mezzanine home loan facility from \$20 million to \$25 million with a renewal date of October 2019. To support our home loan client retention initiative Westpac approved an initial \$25 million non-recourse senior home loan facility. This facility has been approved until September 2019 and comes at a lower cost therefore allowing us to offer improved pricing to retain clients long term. Westpac's total funding commitment to our home loan division is \$325 million.

For our personal loans, Westpac increased our personal loan facility from \$20 million to \$30 million and then in June 2017 to \$40 million with a renewal date of December 2017. We continue our discussions in relation to securing a larger facility to support future growth.

Funding	Facility Type	Provider	Limit	Renewal Date
Home Loans	Non-recourse senior	Westpac	\$300m	October 2019
	Non-recourse senior	Westpac	\$25m	September 2019
	Non-recourse mezzanine	Institutional	\$25m	October 2019
Personal Loans	Recourse corporate	Westpac	\$40m	December 2017

The Consumer Lending division achieved a profit before tax of \$7.0 million, a 34% 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 2018 financial year.

## Net cash inflow from operating activities from continuing operations

During the 2017 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 \$11.1 million, a 13% increase.

For our Consumer Lending division, during the 2015 and 2016 financial years we made an upfront investment in the future growth of our loan pools, negatively impacting both profitability and net cash inflow. This has delivered growth in our loan pools, profitability and net cash inflow during the 2017 financial year.

We have also applied this strategy to our Services division. During the 2017 financial year we made an upfront investment in resources with the expectation that this will produce a positive uplift in new client numbers in future years. This upfront investment negatively impacted both profitability and net cash inflow during the 2017 financial year. However, ultimately it will deliver growth in both profitability and net cash inflow.

	FY2016	FY2017
Net cash inflow from operating activities	\$9.9m	\$11.1m

		No of clients/ loan pool size	Average client life in years
Services	Debt Agreements	20,194	4.5 to 5.5
	PIA/Bankruptcy	1,404	3
	Easy Debt Management (previously called Easy Bill Pay)	2,575	Expect > 5
Consumer Lending	Home Loans	\$306m	3 to 4
	Personal Loans	\$35m	4 to 5

## Strategy and Outlook

We are moving into the third 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.

We still expect average long term earnings growth of around 10% per annum over the course of our 5 year strategic plan. We expect our dividend payout ratio to be around 50% to 60% of earnings with the balance of earnings to be re-invested to support the capital requirements of our growing loan pools. Our strategy is self-funding so we do not expect to raise equity capital.

Over the 2018 financial year we expect higher new client numbers for our Services division and loan pool growth for both home loans and personal loans. For personal loans, our focus until December 2017 is to maintain new monthly originations at the current level, allow the pool to age and closely monitor arrears and losses, at which point we accelerate new origination growth. We are targeting a June 2018 closing loan pool balance of around \$385 million, broken down as to \$340 million for home loans and \$45 million for personal loans.

For the 2018 financial year, FSA Group expects its normalised profit after tax to members (excluding swaps) to be up 5% to 15% on the 2017 financial year with EPS in the range of 12.00 cents to 13.20 cents. The full year dividend is expected to be 7.00 cents per share.

## Our People

Our people are core to our success and they share our vision for the company. They are committed to working with and helping our customers in a work environment that fosters diversity, equal employment opportunities, fairness and embraces and supports personal growth, continuous learning and training opportunities. We acknowledge their efforts during the year. We also thank the Board for their guidance and support.

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 2017

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# Directors' Report

For the year ended 30 June 2017

## 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 2017.

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
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### 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
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**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
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**Stan Kalinko (Non-Executive Director)****Experience and Expertise**

Mr Kalinko was appointed on 9 May 2007.

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

**Other current (listed company) directorships**

Nil

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

Nil

**Special Responsibilities**

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

**Interest in shares and options**

Ordinary shares	120,000
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**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
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# Directors' Report cont.

For the year ended 30 June 2017

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## 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 \$15,116,886 (2016: \$13,478,685).

Dividends declared and paid during the year

- On 13 September 2016, a fully franked final dividend relating to the year ended 30 June 2016 of \$5,003,705 was paid at 4.00c per share; and
- On 16 March 2017, a fully franked interim dividend of \$3,752,778 was paid at 3.00c per share.

## Dividends declared after the end of year

On 18 August 2017, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 8 September 2017 with a record date of 25 August 2017.

## Operating and Financial Review

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

## Review of financial condition

### Capital structure

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

### Financial position

The net assets of the Consolidated Entity, which includes amounts attributable to non-controlling interest, have increased from \$76,759,149 at 30 June 2016 to \$83,264,846 at 30 June 2017.

### Treasury policy

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

### Liquidity and funding

The Consolidated Entity has sufficient funds to finance its operations, and also to allow the Consolidated Entity to take advantage of favourable business opportunities. Further details of the Consolidated Entities' access to facilities are included in Note 12 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

Westpac Banking Corporation has increased its non-recourse senior home loan facility from \$275 million to \$300 million. This facility has been renewed until October 2019. The Westpac senior facility is supported by a non-recourse mezzanine facility provided by an institutional fund manager. This facility has been increased from \$20 million to \$25 million and has also been renewed until October 2019.

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 2017 except as follows:

- On 18 August 2017, the Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 8 September 2017 with a record date of 25 August 2017.

## Likely developments and expected results of operations

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report in the Executive Directors' review.

There are no further developments that the Directors are aware of which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years other than the information contained in the Executive Directors' review.

## Environmental regulations

There are no matters that have arisen in relation to environmental issues up to the date of this report. The operations of the Consolidated Entity are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Share options

As at 30 June 2017 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 2017.

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

# Directors' Report cont.

For the year ended 30 June 2017

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## Remuneration Report (Audited) cont.

### Remuneration policy

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

### Non-Executive Director Remuneration

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

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

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

The remuneration of Non-Executive Directors for the year ended 30 June 2017 is detailed in Table 1 of this Remuneration Report.

### Executive Directors and Senior Executive Remuneration

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

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

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

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

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

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

The long-term incentives programme ("LTI") has been set to align the targets of the Consolidated Entity's five year plan with the targets of the responsible executives. LTI payments will be granted to the Senior Executives 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 Executives 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 2017 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
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#### (iii) Senior Executive

Cellina Chen	Chief Financial Officer/Company Secretary
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The Executive Directors and the Senior Executive comprise the Key Management Personnel of the Consolidated Entity.

# Directors' Report cont.

For the year ended 30 June 2017

## Remuneration Report (Audited) cont.

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

Table 1

	Short-term		Long-term		Post-Employment	Total	Performance based
	Salary & Fees \$	Cash Bonus \$	Non-cash benefits \$	Non-cash benefits \$	Super-annuation and other benefits \$	\$	%
<b>Non-Executive Directors</b>							
<b>Sam Doumany</b>							
2017	135,000	—	—	—	12,825	147,825	—
2016	136,923	—	—	—	13,008	149,931	—
<b>Stan Kalinko</b>							
2017	85,000	—	—	—	8,075	93,075	—
2016	85,000	—	—	—	8,075	93,075	—
<b>David Bower</b>							
2017	70,000	—	—	—	6,650	76,650	—
2016	72,692	—	—	—	6,906	79,598	—
<b>Executive Directors</b>							
<b>Tim Odillo Maher</b>							
2017	546,250	*150,000	—	—	—	696,250	22%
2016	546,250	310,000	—	—	—	856,250	36%
<b>Deborah Southon</b>							
2017	512,500	*150,000	**17,633	**8,542	35,000	723,675	21%
2016	533,257	310,000	20,857	(30,858)	36,346	869,602	36%
<b>Senior Executive</b>							
<b>Cellina Chen</b>							
2017	211,790	^110,000	**32,970	** (16,356)	19,615	358,019	31%
2016	211,625	75,000	30,296	5,704	20,286	342,911	22%
<b>Total Remuneration</b>							
2017	1,560,540	410,000	50,603	(7,814)	82,165	2,095,494	
2016	1,585,747	695,000	51,153	(25,154)	84,621	2,391,367	

\* 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 2016. 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 2016. 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.

Post-employment benefit of \$14,412 paid to ex-Non-Executive Director Sally Herman in financial year 2016 is excluded from table above.

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

Executive Directors:	Tim Odillo Maher:	\$200,000 – \$400,000	Deborah Southon:	\$200,000 – \$400,000
Senior Executive:	Cellina Chen:	\$50,000 – \$100,000		

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

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Operating income	<b>\$70,630,226</b>	\$62,078,752	\$69,619,295	\$65,465,843	\$64,419,490
Net profit before tax	<b>\$23,492,625</b>	\$16,842,459	\$22,443,940	\$20,817,543	\$17,763,474
Net profit and other comprehensive income after tax attributable to members	<b>\$15,116,886</b>	\$13,478,685	\$14,688,253	\$13,482,241	\$10,759,096
Share price at the start of the year	<b>\$1.01</b>	\$1.27	\$1.23	\$0.70	\$0.32
Share price at the end of the year	<b>\$1.36</b>	\$1.01	\$1.27	\$1.23	\$0.70
Dividends declared for the year	<b>7.00c</b>	7.00c	6.50c	6.00c	5.00c
Basic EPS (cents)	<b>12.08</b>	10.78	11.74	10.78	8.51
Diluted EPS (cents)	<b>12.08</b>	10.78	11.74	10.78	8.51

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 2017**

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 2016	Purchased on market	Other Changes	Balance 30 June 2017
<b>Directors</b>				
Sam Doumany	1,100,000	–	–	1,100,000
Tim Odillo Maher	42,809,231	–	–	42,809,231
Deborah Southon	12,960,047	–	–	12,960,047
Stan Kalinko	100,000	20,000	–	120,000
David Bower	30,000	60,800	–	90,800
<b>Senior Executive</b>				
Cellina Chen	–	–	–	–
<b>Total</b>	<b>56,999,278</b>	<b>80,800</b>	<b>–</b>	<b>57,080,078</b>

**(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 \$27,443 (2016: \$9,290). The supplies were purchased on normal commercial terms.



# Directors' Report cont.

For the year ended 30 June 2017

## Remuneration Report (Audited) cont.

### (i) Voting and comments made at the Company's 2016 Annual General Meeting ("AGM")

At the 2016 AGM, 98.82% of the votes received supported the adoption of the Remuneration Report for the year ended 30 June 2016. 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*	10	9
Tim Odillo Maher	10	10
Deborah Southon	10	10
Stan Kalinko	10	10
David Bower	10	10
Total number of meetings held during the financial year	10	

\* Mr. Sam Doumany was unable to attend the board meeting on 24 October 2016.

## Audit & Risk Management Committee Meetings

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

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

## Remuneration Committee Meetings

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

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

## Proceedings on behalf of the Company

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

## Non-Audit Services

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

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

The following fees for non-audit services were paid/payable to the external auditors, BDO East Coast Partnership, during the year ended 30 June 2017:

Tax compliance services	\$44,417
Taxation advice and consulting	\$65,973

## Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* forms part of the Directors Report and can be found on page 24.

## Auditor Details

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

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of FSA Group Limited 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](http://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  
18 August 2017

# Auditor's Independence Declaration

for the year ended 30 June 2017



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
[www.bdo.com.au](http://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 2017, 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.

A handwritten signature in black ink, appearing to read 'Arthur Milner', is written over a light blue horizontal line.

Arthur Milner  
Partner

**BDO East Coast Partnership**

Sydney, 18 August 2017

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

		Consolidated Entity	
	Notes	2017 \$	2016 \$
Continuing operations			
Revenue and other income			
Fees from services	4	55,366,233	50,684,812
Finance income	4	27,203,193	22,431,003
Finance expense	4	(11,922,369)	(11,033,475)
Net finance income	4	15,280,824	11,397,528
Other losses		(16,831)	(3,588)
Total operating income		70,630,226	62,078,752
Marketing expenses		(8,571,916)	(8,447,350)
Administrative expenses		(9,821,088)	(7,984,477)
Operating expenses		(30,155,949)	(26,436,479)
Unrealised gain or (loss) on fair value movement of derivatives	13	1,411,352	(2,367,987)
Expenses from continuing operations		(47,137,601)	(45,236,293)
Profit before income tax from continuing operations		23,492,625	16,842,459
Income tax expense	9(a)	(6,992,722)	(5,093,288)
Net profit from continuing operations		16,499,903	11,749,171
Total profit for the year from continuing operations for the year attributable to:			
Non-controlling interests		1,145,294	1,090,679
Members of the parent		15,354,609	10,658,492
		16,499,903	11,749,171
Discontinued operations			
(Loss) or profit from disposed and discontinued operations after tax		(237,723)	2,820,193
Net profit for the year		16,262,180	14,569,364
Other comprehensive income		—	—
Total comprehensive income for the year		16,262,180	14,569,364
Total profit for the year and total comprehensive income for the year attributable to:			
Non-controlling interests		1,145,294	1,090,679
Members of the parent		15,116,886	13,478,685
		16,262,180	14,569,364
Earnings per share			
Earnings per share from continuing operations			
Basic earnings per share (cents per share)	10	12.27	8.52
Diluted earnings per share (cents per share)	10	12.27	8.52
Earnings per share from disposed and discontinued operations			
Basic earnings per share (cents per share)	10	(0.19)	2.26
Diluted earnings per share (cents per share)	10	(0.19)	2.26
Total earnings per share			
Basic earnings per share (cents per share)	10	12.08	10.78
Diluted earnings per share (cents per share)	10	12.08	10.78

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 2017

		Consolidated Entity	
	Notes	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	16	4,193,401	12,560,188
Trade and other receivables	2	36,527,421	33,007,376
Other assets		806,778	405,652
Total Current Assets		41,527,600	45,973,216
Non-Current Assets			
Trade and other receivables	2	45,004,628	41,955,310
Investments		385	385
Plant and equipment		527,824	334,684
Deferred tax assets	9(c)	5,890	13,666
Intangible assets	19	2,018,007	1,182,741
Total Non-Current Assets		47,556,734	43,486,786
Financing Assets			
Personal loan cash and cash equivalents	16	129,701	83,113
Home loan cash and cash equivalents	16	4,745,492	4,732,579
Personal loan assets	3(b)	35,257,582	19,816,669
Home loan assets financed by non-recourse financing liabilities	3(a)	306,329,792	261,978,305
Total Financing Assets		346,462,567	286,610,666
Total Assets		435,546,901	376,070,668
Current Liabilities			
Trade and other payables	11	5,092,257	5,432,428
Current tax liabilities		755,720	695,897
Borrowings	12	681,389	389,733
Provisions	21	2,117,272	1,826,342
Total Current Liabilities		8,646,638	8,344,400
Non-Current Liabilities			
Provisions	21	669,588	660,701
Deferred tax liabilities	9(d)	18,078,416	15,706,850
Derivatives	18	916,927	2,328,279
Total Non-Current Liabilities		19,664,931	18,695,830
Financing Liabilities			
Borrowings to finance personal loan assets	12	27,028,411	16,545,520
Non-recourse borrowings to finance home loan assets	12	296,942,075	255,725,769
Total Financing Liabilities		323,970,486	272,271,289
Total Liabilities		352,282,055	299,311,519
Net Assets		83,264,846	76,759,149
Equity			
Share capital	22	6,707,233	6,707,233
Reserves		–	(3,278,761)
Retained earnings		74,163,296	71,081,654
Total equity attributable to members of the parent		80,870,529	74,510,126
Non-controlling interest		2,394,317	2,249,023
Total Equity		83,264,846	76,759,149

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 2017

	Share capital \$	Other reserve \$	Retained earnings \$	Non- controlling interest \$	Total \$
<b>Balance at 30 June 2015</b>	6,707,233	(3,278,761)	65,733,990	2,208,344	71,370,806
Profit after income tax for the year	–	–	13,478,685	1,090,679	14,569,364
Other comprehensive income for the year, net of tax	–	–	–	–	–
<b>Total comprehensive income for the year</b>	–	–	13,478,685	1,090,679	14,569,364
Transactions with owners in their capacity as owners:					
Dividends paid	–	–	(8,131,021)	–	(8,131,021)
Distributions to non-controlling interests	–	–	–	(1,050,000)	(1,050,000)
<b>Balance at 30 June 2016</b>	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	–	–	–	–	–
<b>Total comprehensive income for the year</b>	–	–	15,116,886	1,145,294	16,262,180
Transactions with owners in their capacity as owners:					
Reclassification of other 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)
<b>Balance at 30 June 2017</b>	6,707,233	–	74,163,296	2,394,317	83,264,846

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 2017

	Notes	Consolidated Entity	
		2017 \$	2016 \$
		Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Receipts from customers		46,799,541	41,362,425
Payments to suppliers and employees		(46,421,992)	(37,806,489)
Finance income received		27,264,873	22,669,361
Finance cost paid		(11,908,173)	(11,000,327)
Income tax paid		(4,606,543)	(5,347,205)
<b>Net cash inflow from operating activities</b>	15	<b>11,127,706</b>	<b>9,877,765</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(378,820)	(246,686)
Acquisition of intangibles	19	(1,171,229)	(568,832)
Subsequent consideration for acquisition of non-controlling interest		–	(2,100,000)
Net increase in home loan finance assets		(44,206,978)	(29,848,135)
Net increase in personal loan assets		(15,660,940)	(13,881,678)
Net decrease in bridging finance assets		5,000	95,936
Consideration received for disposal of subsidiary net of cash disposed		–	6,260,961
Net decrease in other loans		245,000	105,000
<b>Net cash outflow from investing activities</b>		<b>(61,167,967)</b>	<b>(40,183,434)</b>
<b>Cash flows from financing activities</b>			
Net receipt of borrowings		51,976,656	36,073,262
Payment of distributions to non-controlling Interests		(1,000,000)	(1,050,000)
Dividends paid to company's shareholders		(8,756,483)	(8,131,021)
<b>Net cash inflow from financing activities</b>		<b>42,220,173</b>	<b>26,892,241</b>
<b>Cash flow from disposed and discontinued operations, net of cash movement with parent entities</b>			
Net cash (outflow)/inflow from operating activities		(487,198)	1,345,393
Net cash inflow from investing activities		–	5,130,788
Net cash outflow from financing activities		–	(5,501,991)
<b>Net cash (outflow)/inflow from disposed and discontinued operations</b>		<b>(487,198)</b>	<b>974,190</b>
Net decrease in cash and cash equivalents		(8,307,286)	(2,439,238)
Cash and cash equivalents at the beginning of the financial year		17,375,880	19,815,118
<b>Cash and cash equivalents at the end of the financial year</b>	16	<b>9,068,594</b>	<b>17,375,880</b>

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 2017

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## Note 1. Summary of significant accounting policies

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

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

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

The financial statements were authorised for issue by the Directors on 18 August 2017.

### Basis of preparation

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

### Reporting basis and conventions

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



# Notes to the Financial Statements cont.

For the year ended 30 June 2017

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

### Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of FSA Group Limited ("Company" or "parent entity") as at 30 June 2017 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

### 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 2017. 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 simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018. The Consolidated Entity has assessed that the impact of adopting this standard and expect changes to be minor.

### **AASB 15: Revenue from Contracts with Customers**

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

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

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

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

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

The Consolidated Entity has commenced its assessment of the implication of adopting this standard and expects changes to be minor.

### **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 balance sheet.

The main changes introduced by the new Standard include:

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

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

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

The Consolidated Entity has commenced its assessment of the implication of adopting this standard and expects changes to be minor.

## 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.

### 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	
	2017 \$	2016 (Restated) \$
<b>Current</b>		
Trade receivables	40,645,929	^38,202,602
Provision for impairment	(4,429,141)	(5,562,098)
	36,216,788	^32,640,504
Sundry receivables	310,633	366,872
	36,527,421	^33,007,376
<b>Non-current</b>		
Trade receivables	53,178,232	^48,952,378
Provision for impairment	(8,173,604)	(6,997,068)
	45,004,628	^41,955,310
<b>Total</b>	<b>81,532,049</b>	<b>^74,962,686</b>
<b>The movement in the provision for impairment</b>		
Opening balance	12,559,166	11,499,491
Provision for impairment recognised	7,313,090	6,581,575
Unused provision reversed	(1,139,721)	(1,025,595)
Bad debts	(6,129,790)	(4,496,305)
<b>Closing balance</b>	<b>12,602,745</b>	<b>12,559,166</b>

^ 2016 comparatives have been restated, refer to note 7.

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					
	2017			2016 (Restated)		
	Gross \$	Allowance \$	Net \$	Gross \$	Allowance \$	Net \$
<b>Trade and other receivables</b>						
Not past due	90,069,633	(10,448,150)	79,621,483	84,016,381	(10,633,238)	73,383,143
Past due 0-30 Days	266,848	(63,544)	203,304	116,390	(36,829)	79,561
Past due 31-60 Days	115,397	(41,646)	73,751	121,581	(49,330)	72,251
Past due 61-90 Days	82,804	(48,800)	34,004	94,017	(53,812)	40,205
Past 90 Days	3,600,112	(2,000,605)	1,599,507	3,173,483	(1,785,957)	1,387,526
<b>Total</b>	<b>94,134,794</b>	<b>(12,602,745)</b>	<b>81,532,049</b>	<b>87,521,852</b>	<b>(12,559,166)</b>	<b>74,962,686</b>

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 3. Financing assets

### Loans and receivables

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

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

### Impairment

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

	Consolidated Entity	
	2017 \$	2016 \$
<b>(a) Home loan assets</b>		
Non-securitised home loan assets	306,695,328	262,428,803
Provision for impairment	(365,536)	(450,498)
	<b>306,329,792</b>	<b>261,978,305</b>
<b>Maturity analysis</b>		
Amounts to be received in less than 1 year	5,428,197	3,647,040
Amounts to be received in greater than 1 year	301,267,131	258,781,763
	<b>306,695,328</b>	<b>262,428,803</b>
<b>The movement in the provision for impairment</b>		
Opening balance	450,498	314,442
Increase in provision	283,311	573,321
Bad debts	(368,273)	(437,265)
<b>Closing balance</b>	<b>365,536</b>	<b>450,498</b>

### 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 67.7% (2016: 67.4%). 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					
	2017			2016		
	Gross \$	Allowance \$	Net \$	Gross \$	Allowance \$	Net \$
Not past due	279,431,268	–	279,431,268	241,228,814	–	241,228,814
Past due 0-30 Days	20,497,329	–	20,497,329	15,512,954	–	15,512,954
Past due 31-60 Days	3,476,958	–	3,476,958	1,930,396	–	1,930,396
Past due 61-90 Days	1,829,774	(121,870)	1,707,904	734,826	–	734,826
Past 90 Days	1,459,999	(243,666)	1,216,333	3,021,813	(450,498)	2,571,315
<b>Total</b>	<b>306,695,328</b>	<b>(365,536)</b>	<b>306,329,792</b>	<b>262,428,803</b>	<b>(450,498)</b>	<b>261,978,305</b>

	Consolidated Entity	
	2017 \$	2016 \$
<b>(b) Personal loan assets</b>		
Personal loan assets	35,384,489	19,836,891
Provision for impairment	(126,907)	(20,222)
	<b>35,257,582</b>	<b>19,816,669</b>
<b>Maturity analysis</b>		
Amounts to be received in less than 1 year	4,789,199	2,418,633
Amounts to be received in greater than 1 year	30,595,290	17,418,258
	<b>35,384,489</b>	<b>19,836,891</b>
<b>The movement in the provision for impairment</b>		
Opening balance	20,222	–
Provision for impairment recognised	306,279	20,222
Bad debts	(199,594)	–
<b>Closing balance</b>	<b>126,907</b>	<b>20,222</b>

**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					
	2017			2016		
	Gross \$	Allowance \$	Net \$	Gross \$	Allowance \$	Net \$
Not past due	33,792,465	–	33,792,465	19,436,076	–	19,436,076
Past due 0-30 Days	1,075,928	–	1,075,928	283,183	–	283,183
Past due 31-60 Days	210,531	–	210,531	90,258	–	90,258
Past due 61-90 Days	219,846	(46,046)	173,800	–	–	–
Past 90 Days	85,719	(80,861)	4,858	27,374	(20,222)	7,152
<b>Total</b>	<b>35,384,489</b>	<b>(126,907)</b>	<b>35,257,582</b>	<b>19,836,891</b>	<b>(20,222)</b>	<b>19,816,669</b>

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

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

### Revenue recognition

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

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

#### Personal Insolvency

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

##### ***Debt agreement application fees***

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

##### ***Debt agreement administration fees***

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

##### ***Trustee fees – bankruptcy and personal insolvency agreements***

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

#### 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 (previously called Easy Bill Pay) fees

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

### Finance income and costs

#### ***Interest***

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

#### ***Finance fee income***

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

#### ***Finance costs***

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

	Consolidated Entity	
	2017 \$	2016 \$
<b>Continuing operations</b>		
<b>Fees from services</b>		
– Personal insolvency	53,492,275	48,979,038
– Refinance fees	904,110	1,074,830
– Easy Debt Management (previously called Easy Bill Pay)	780,746	476,541
– Other services	189,102	154,403
<b>Total revenue</b>	<b>55,366,233</b>	<b>50,684,812</b>
<b>Finance income</b>		
– Interest income – personal loan assets	4,382,230	1,766,183
– Interest income – home loan assets	18,949,764	18,101,029
– Finance fee income – personal loan assets	1,360,178	920,274
– Finance fee income – home loan assets	2,374,057	1,473,210
– Other interest income	136,964	170,307
	<b>27,203,193</b>	<b>22,431,003</b>
<b>Finance expense</b>		
– Interest expense – personal loan facilities	(745,100)	(355,578)
– Interest expense – home loan facilities	(11,176,842)	(10,675,050)
– Interest expense – other lending facilities	(427)	(2,847)
	<b>(11,922,369)</b>	<b>(11,033,475)</b>
<b>Net finance income</b>	<b>15,280,824</b>	<b>11,397,528</b>

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

### Impairment of assets

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



# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 5. Profit for the year cont.

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	
	2017 \$	2016 \$
<b>Expenses</b>		
Profit for the year from continuing operations has been arrived at after charging:		
Depreciation on plant and equipment	165,849	192,421
Amortisation of software	322,041	450,735
	487,890	643,156
Impairment in value – trade receivables and financing assets	7,830,414	6,818,783
Reversal of impairment in value – trade receivables and financing assets	(1,138,128)	(1,025,594)
Net impairment	6,692,286	5,793,189
Unrealised loss or (gains) on fair value movement in derivatives	(1,411,352)	2,367,987
Rental expense on operating lease	1,461,276	1,098,931
Employee and contractor expenses	23,967,646	20,805,150
Defined contribution superannuation expense	1,842,029	1,659,356
Legal consulting – client services	350,864	294,478

## Note 6. Segment information

### Operating segments

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

### Identification and information about reportable segments

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

The identified reportable segments are:

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

The Consolidated Entity operates in one geographic region – Australia.

### Measurement

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

## Operating Segments

	Services		Consumer Lending		Other/Unallocated		Consolidated Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Revenue and Income:								
External sales	54,460,873	49,601,611	841,413	1,002,643	63,947	80,558	55,366,233	50,684,812
Finance Income	11,586	15,498	26,978,502	22,360,357	213,105	55,148	27,203,193	22,431,003
Finance expense	–	(1,067)	(11,921,942)	(11,030,628)	(427)	(1,780)	(11,922,369)	(11,033,475)
Net Finance Income	11,586	14,431	15,056,560	11,329,729	212,678	53,368	15,280,824	11,397,528
Other gains/(losses)	(19,831)	(3,588)	–	–	3,000	–	(16,831)	(3,588)
Internal sales and income	809,780	887,512	–	–	10,000,000	9,431,402	10,809,780	10,318,914
Eliminations	–	–	–	–	–	–	(10,809,780)	(10,318,914)
Total Revenue and Income	55,262,408	50,499,966	15,897,973	12,332,372	10,279,625	9,565,328	70,630,226	62,078,752
Results:								
Segment profit before tax	14,923,989	14,161,714	6,992,773	5,220,111	^1,575,863	^(2,539,366)	23,492,625	16,842,459
Income tax (expense)/benefit	(4,366,304)	(4,284,949)	(2,097,811)	(1,567,956)	^(528,607)	^759,617	(6,992,722)	(5,093,288)
<b>Profit/(loss) for the year</b>	<b>10,557,685</b>	<b>9,876,765</b>	<b>4,894,962</b>	<b>3,652,155</b>	<b>^1,047,256</b>	<b>^(1,779,749)</b>	<b>16,499,903</b>	<b>11,749,171</b>
Items included in Profit for the year								
Depreciation and amortisation	453,466	608,728	34,424	34,428	–	–	487,890	643,156
Impairment in value – trade receivables and financing assets	7,327,605	6,130,241	559,148	611,475	(56,339)	77,067	7,830,414	6,818,783
Reversal of impairment in value – trade receivables and financing assets	(1,138,128)	(1,025,594)	–	–	–	–	(1,138,128)	(1,025,594)
Employee and contractor expenses	21,004,612	18,558,727	4,805,063	3,905,779	–	–	25,809,675	22,464,506
Legal & consultancy	38,121	58,485	215,667	89,047	97,076	146,946	350,864	294,478
Rental expense on operating lease	1,442,256	1,079,911	19,020	19,020	–	–	1,461,276	1,098,931
<b>Assets:</b>								
Segment assets	160,023,200	158,877,195	362,996,700	302,415,236	51,815,762	58,570,970	574,835,662	513,209,221
Eliminations **							(139,288,761)	(137,138,553)
<b>Total assets</b>							<b>435,546,901</b>	<b>376,070,668</b>
Included in Segment assets								
Investment in associate	–	–	–	–	385	385	385	385
<b>Liabilities:</b>								
Segment liabilities	124,792,393	121,324,072	325,659,058	269,552,534	29,228,081	40,339,745	479,679,532	424,562,171
Eliminations**							(127,397,477)	(125,250,652)
<b>Total liabilities</b>							<b>352,282,055</b>	<b>299,311,519</b>

^ 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 2017

## Note 7. Restatement of comparatives

### Change of accounting treatment for GST liability

Debt agreement administration fees are recognised in accordance with the proportion of services provided throughout the administration period but receipted on pro-rata basis over the life of the agreement (average 4.5 – 5.5 years).

In the Consolidated Entity's prior year financials, GST liabilities were recognised when debt agreement administration fee revenue was raised upon providing debt agreement administration services. The Consolidated Entity has been advised that it is liable for GST when the debt agreement administration fees are receipted not when revenue is recognised. Therefore, both debt agreement receivables and GST liabilities were overstated by 10% of the debt agreement administration revenue recognised and yet to be received. This resulted in the debt agreement receivable being overstated and the other payables liability (being GST) being overstated by the same amount, therefore net assets and total equity remain unchanged. Extracts (being only those line items affected) are disclosed below.

	1 July 2015 Reported	Adjustment	1 July 2015 Restated	30 June 2016 Reported	Adjustment	30 June 2016 Restated
<b>Assets</b>						
<b>Current Assets</b>						
Trade and other receivables	33,618,443	(2,302,802)	31,315,641	35,501,826	(2,494,450)	33,007,376
Total Current Assets	42,235,796	(2,302,802)	39,932,994	48,467,666	(2,494,450)	45,973,216
<b>Non-Current Assets</b>						
Trade and other receivables	41,048,433	(3,817,025)	37,231,408	46,115,040	(4,159,730)	41,955,310
Total Non-Current Assets	44,955,154	(3,817,025)	41,138,129	47,646,516	(4,159,730)	43,486,786
<b>Total Assets</b>	<b>369,276,322</b>	<b>(6,119,827)</b>	<b>363,156,495</b>	<b>382,724,848</b>	<b>(6,654,180)</b>	<b>376,070,668</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade and other payables	12,096,371	(6,119,827)	5,976,544	12,086,608	(6,654,180)	5,432,428
Total Current Liabilities	17,105,650	(6,119,827)	10,985,823	14,998,580	(6,654,180)	8,344,400
<b>Total Liabilities</b>	<b>297,905,516</b>	<b>(6,119,827)</b>	<b>291,785,689</b>	<b>305,965,699</b>	<b>(6,654,180)</b>	<b>299,311,519</b>
<b>Net Assets</b>	<b>71,370,806</b>	<b>–</b>	<b>71,370,806</b>	<b>76,759,149</b>	<b>–</b>	<b>76,759,149</b>
<b>Equity</b>						
Retained earnings	65,733,990	–	65,733,990	71,081,654	–	71,081,654
<b>Total Equity</b>	<b>71,370,806</b>	<b>–</b>	<b>71,370,806</b>	<b>76,759,149</b>	<b>–</b>	<b>76,759,149</b>

## Note 8. Equity – Dividends

### Dividends

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

	Consolidated Entity	
	2017 \$	2016 \$
Fully franked final dividend for the year ended 30 June 2016 of 4.00 cents (2015: 3.50 cents) per ordinary share	5,003,705	4,378,243
Fully franked interim dividend for the year ended 30 June 2017 of 3.00 cents (2016: 3.00 cents) per ordinary share	3,752,778	3,752,778
	8,756,483	8,131,021

On 18 August 2017, the directors declared a fully franked final dividend for the year ended 30 June 2017 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%	13,775,704	14,211,717
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%	755,720	695,897
Franking credits available for subsequent financial years based on a tax rate of 30%	14,531,424	14,907,614

## Note 9. Income tax

### Income tax

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

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

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

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

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

### Tax consolidation

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

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

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 9. Income tax cont.

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	
	2017 \$	2016 \$
<b>(a) Income tax expense</b>		
Current tax expense	4,712,397	4,576,136
Deferred tax expense	2,379,343	211,960
(Over)/under provision in a prior period	(99,018)	305,192
	6,992,722	5,093,288
Deferred income tax expense included in income tax expense comprises:		
Increase/(decrease) in deferred tax assets	164,194	(1,076,494)
Increase in deferred tax liabilities	2,215,149	1,288,454
	2,379,343	211,960
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax	23,492,625	16,842,459
Tax at the Australian tax rate of 30% (2016: 30%)	7,047,788	5,052,738
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Non-deductible expenses	151,002	43,121
Non-assessable income	–	(307,763)
	7,198,790	4,788,096
(Over)/under provision in the prior year	(99,018)	305,192
Tax Offsets	(107,050)	–
Income tax expense	6,992,722	5,093,288
<b>(c) Deferred tax assets</b>		
Provisions	1,402,778	1,178,704
Accrued expenditure	653,823	501,999
Tax losses carried forward	4,691	12,220
Other	433,584	966,147
	2,494,876	2,659,070
Deferred tax liability offset on tax consolidation	(2,488,986)	(2,645,404)
Total deferred tax assets	5,890	13,666
<b>(d) Deferred tax liabilities</b>		
Temporary difference on assessable income	20,567,403	18,352,254
Deferred tax liability offset on tax consolidation	(2,488,987)	(2,645,404)
Total deferred tax liabilities	18,078,416	15,706,850

## Note 10. Earnings per share

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

	Consolidated Entity	
	2017 \$	2016 \$
<b>Earnings per share for profit from continuing operations:</b>		
Profit from continuing operations attributable to the members of the parent for the year (\$)	15,354,609	10,658,492
	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)	12.27	8.52
Diluted earnings per share (cents)	12.27	8.52
	Consolidated Entity	
	2017 \$	2016 \$
<b>Earnings per share for profit from discontinued operations:</b>		
(Loss) or profit from disposed and discontinued operations attributable to the members of the parent for the year (\$)	(237,723)	2,820,193
	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)	(0.19)	2.25
Diluted earnings per share (cents)	(0.19)	2.25
	Consolidated Entity	
	2017 \$	2016 \$
<b>Total Earnings per share for profit</b>		
Total profit attributable to the members of the parent for the year (\$)	15,116,886	13,478,685
	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)	12.08	10.77
Diluted earnings per share (cents)	12.08	10.77

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 11. Trade and other payables

### Trade and other payables

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

	Consolidated Entity	
	2017 \$	2016 (Restated) \$
<b>Current</b>		
Unsecured trade payables	1,400,460	1,998,992
Employee benefits payables and accruals	2,595,467	2,084,899
Sundry payables and accruals	1,096,330	^1,348,537
	5,092,257	^5,432,428

^ 2016 comparatives have been restated, refer to note 7.

## Note 12. Borrowings

### Personal loan facilities

A full recourse personal loan facility, which is secured by a floating charge over the assets of Fox Symes Home Loans Pty Ltd and its controlled entities, and the other wholly-owned subsidiaries of FSA Group Limited, with a facility limit of \$40 million and balance owing of \$27,028,411 (2016: \$16,545,520). This facility expires on 31 December 2017. We continue our discussions in relation to securing a larger facility to support future growth. Interest is payable on this facility at reporting date at 2.82%. All borrowing covenants were met during the 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 \$300 million (2016: \$250 million) and \$25 million (2016: \$20 million) respectively. As at 30 June 2017, \$274,631,989 (2016: \$235,301,990) and \$20,156,266 (2016: \$18,301,266) respectively had been drawn down. Also included in the year end liability is accrued interest amounting to \$2,161,324 (2016: \$2,128,874).

The home loan facilities are 2 years rolling facilities, due to expire on 15 October 2019. Interest is payable at the applicable BBSW rate plus a margin. The interest rate at 30 June 2017 for the Senior and Mezzanine Notes was 3.61% and 7.51% respectively. The facilities are secured against current and future home loan assets (refer Note 3 of the Financial Statements). All borrowing covenants were met during the year.

	Consolidated Entity	
	2017 \$	2016 \$
<b>Current</b>		
<b>Unsecured</b>		
Credit cards	681,389	389,733
<b>Financing Liabilities</b>		
<b>Secured</b>		
Borrowings to finance personal loan assets	27,028,411	16,545,520
Non-recourse borrowings to finance home loan assets	296,942,075	255,725,769
	323,970,486	272,271,289

	Consolidated Entity	
	2017 \$	2016 \$
<b>(a) Total Current, Non-Current and Financing liabilities:</b>		
Credit cards	681,389	389,733
Borrowings to finance personal loan assets	27,028,411	16,545,520
Non-recourse borrowings to finance home loan assets	296,942,075	255,725,769
	<b>324,651,875</b>	<b>272,661,022</b>
<b>(b) The carrying amounts of assets pledged as security are:</b>		
Personal loan assets	35,387,283	19,899,782
Home loan assets	311,075,284	266,710,884
	<b>346,462,567</b>	<b>286,610,666</b>

## Note 13. Financial instruments

### Financial instruments

#### Non-derivative financial instruments

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

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

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

#### Financial and capital risk management

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

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

Interest bearing liabilities include bank loans and secured note facilities.



# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 13. Financial instruments cont.

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

	Consolidated Entity	
	2017 \$	2016 (Restated) \$
<b>Financial Assets</b>		
Cash and cash equivalents	4,193,401	12,560,188
Trade and other receivables	81,532,049	^74,962,686
Financing assets	346,462,567	286,610,666
Assets and receivables at amortised cost	432,188,017	^374,133,540
<b>Financial Liabilities</b>		
Payables at amortised cost	5,773,646	^5,822,161
Current tax liabilities	755,720	695,897
Financing liabilities	323,970,486	272,271,289
Payables at amortised cost	330,499,852	^278,789,347
<b>Assets and liabilities measured at fair value through profit and loss:</b>		
Derivatives – Interest rate swap contracts	(916,927)	(2,328,279)

^ 2016 comparatives have been restated, refer to note 7.

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

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

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

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

These are discussed individually below.

### Capital management

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

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

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

The gearing ratio at 30 June 2017, excluding the Consolidated Entity's special purpose entity Fox Symes Home Loans Warehouse Trust 1 whose liabilities are non-recourse to the Consolidated Entity, was 21.78% (2016: 14.16%).

It was the policy of the Consolidated Entity during the 2017 financial year to maintain a gearing ratio, excluding the Consolidated Entity's special purpose entity Fox Symes Home Loans Warehouse Trust 1 of less than 50% (2016: 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 property security, and assessing the value of the security provided. These are monitored by the Audit & Risk Management Committee through the management of the Consolidated Entity.

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

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

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

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

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

### Liquidity risk

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

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

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

FSA Group Limited has a secured non-recourse note facility comprising of Senior and Mezzanine Notes through a special purpose entity, the Fox Symes Home Loans Warehouse Trust 1. As at the reporting date, the facility has a combined drawdown limit of \$325,000,000. This facility is secured against the book of loan assets created by the trust. As at 30 June 2017 the Consolidated Entity had drawn \$294,788,255 from this facility.

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

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

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 13. Financial instruments cont.

The contractual maturity of the Consolidated Entity's fixed and floating rate financial liabilities are as follows. The amounts represent the future undiscounted principal and interest cash flows.

	30 June 2017					
	Carrying amount \$	Contractual Cashflows \$	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

	Consolidated Entity 30 June 2016 (Restated)					
	Carrying amount \$	Contractual Cashflows \$	6 months or less \$	6-12 months \$	1 to 2 years \$	2 to 5 years \$
Trade and other payables	1,998,992	1,998,992	1,998,992	—	—	—
Other payables	^3,433,436	^3,433,436	^3,433,436	—	—	—
Other short term loans	389,733	435,253	435,253	—	—	—
Bank loans	16,545,520	17,276,715	394,633	382,082	16,500,000	—
Warehouse facilities	255,725,769	267,042,752	5,247,041	5,461,637	256,334,074	—
Total	^278,093,450	^290,187,148	^11,509,355	5,843,719	272,834,074	—

^ 2016 comparatives has been restated, refer to note 7.

### 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 approximate \$80 million of 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 (2016: 50 bps) and interest rate swap agreement. 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	
	2017 \$	2016 \$
If interest rates increased by 50bps (2016: 50bps)	1,207,621	1,231,511
If interest rates decreased by 50bps (2016: 50bps)	(1,228,470)	(1,028,386)

### Note 14. Commitments

	Consolidated Entity	
	2017 \$	2016 \$
<b>Operating leases (non-cancellable):</b>		
Minimum lease payments		
– not later than one year	1,560,231	1,061,779
– later than one year and not later than five years	2,882,672	3,430,341
	<b>4,442,903</b>	<b>4,492,120</b>

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

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 15. Cash flow information

	Consolidated Entity	
	2017 \$	2016 \$
<b>Reconciliation of cash flows from operations to profit after tax</b>		
Profit after tax	16,262,180	14,569,364
<i>Non-cash flows in profit/(loss):</i>		
Depreciation and amortisation	487,890	643,156
Reclassification – intangibles	–	(373,384)
Net gain on disposal of controlled entity	–	(2,347,220)
Unrealised (gain)/loss on derivatives	(1,411,352)	2,367,987
Loss on disposal of intangibles	13,922	77,818
Loss on disposal of plant & equipment	19,831	17,545
Loss on write off investments	324,223	2,356,873
<i>Changes in assets and liabilities:</i>		
Increase in trade and other receivables	(7,580,120)	(7,284,086)
Decrease in other current assets	34,865	73,890
Decrease in trade and other payables	(184,874)	(3,508)
Increase in employee entitlements	299,816	121,182
Increase in other liabilities	2,374,127	1,003,541
<b>Cash flows from operating activities</b>	<b>10,640,508</b>	<b>11,223,158</b>
<b>Cash flows from operating activities – discontinued operations</b>	<b>(487,198)</b>	<b>1,345,393</b>
<b>Cash flows from operating activities – continuing operations</b>	<b>11,127,706</b>	<b>9,877,765</b>

## Note 16. Cash and cash equivalents

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

	Consolidated Entity	
	2017 \$	2016 \$
<b>Current</b>		
Cash on hand and at bank	4,193,401	12,560,188
<b>Assets financed by financial liabilities</b>		
Personal loan cash and cash equivalents	129,701	83,113
Home loan cash and cash equivalents	4,745,492	4,732,579
	<b>9,068,594</b>	<b>17,375,880</b>

## Note 17. Auditor's remuneration

	Consolidated Entity	
	2017 \$	2016 \$
Amounts received or due and receivable by BDO East Coast Partnership:		
Audit and review of financial statements	242,225	251,597
Taxation compliance services	44,417	44,187
Taxation advice and consulting	65,973	69,164
	<b>352,615</b>	<b>364,948</b>

## Note 18. Derivatives

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

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

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

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 1.67%.

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 \$916,927.

	Consolidated Entity	
	2017 \$	2016 \$
<b>Non-current liabilities</b>		
Interest rate swap contracts	916,927	2,328,279
Total derivative financial liabilities	<b>916,927</b>	<b>2,328,279</b>

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 19. 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 2 to 3 years.

	Consolidated Entity	
	2017 \$	2016 \$
Goodwill		
Recognised on consolidation	345,124	345,124
Accumulated impairment	–	–
	345,124	345,124
Software at cost	3,588,643	2,613,713
Accumulated amortisation	(1,915,760)	(1,776,096)
	1,672,883	837,617
	2,018,007	1,182,741
<b>Movements during year (Goodwill):</b>		
Beginning of the year	345,124	3,172,873
Disposal	–	(2,827,749)
	345,124	345,124
<b>Movements during year (Software):</b>		
Beginning of the year	837,617	423,954
Additions	1,171,229	942,216
Disposal/write off	(13,922)	(77,818)
Amortisation	(322,041)	(450,735)
	1,672,883	837,617

### 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 20. Fair value measurement

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

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

Description	Fair Value at 30 June 2017 (\$)	Valuation Technique(s)	Inputs Used
Financial liability:			
Interest rate swap	916,927	Income approach using discounted cash flow methodology and the funding valuation adjustment framework	Overnight Index Swap rate

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

	Jun-17 Book value \$	Jun-17 Fair value \$
<b>Financial assets</b>		
Current receivables net of deferred tax*	19,081,692	19,081,692
Non-current receivables net of deferred tax*	33,813,607	32,951,104
Personal loan assets	35,257,582	37,178,995
Home loan assets financed by non-recourse financing liabilities	306,329,792	318,182,300

\* Included in current and non-current receivables is an amount of \$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 \$17,651,403.

## Note 21. Provisions

### Provisions

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

#### Defined contribution superannuation expense

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

#### Bonuses

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

#### Employee benefits

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

As at 30 June 2017, the Consolidated Entity employed 194 full-time equivalent employees (2016: 182) plus a further 4 independent contractors (2016: 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.



# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 21. Provisions cont.

	Consolidated Entity	
	2017 \$	2016 \$
<b>Current</b>		
Employee benefits	2,117,272	1,826,342
<b>Non-current</b>		
Employee benefits	669,588	660,701

## Note 22. Share capital

### Ordinary share capital

Ordinary shares are classified as equity.

	2017 Number	2016 Number
125,092,610 (2016: 125,092,610) Fully paid ordinary shares	6,707,233	6,707,233
<b>Ordinary shares</b>		
Balance 1 July	125,092,610	125,092,610
Movement	–	–
<b>Balance 30 June</b>	<b>125,092,610</b>	<b>125,092,610</b>

## Note 23. 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.

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity	
		2017 %	2016 %
Prospex Profile Pty Ltd <sup>(2)</sup> ^	Australia	N/A	100
FSA Australia Pty Ltd <sup>(2)</sup>	Australia	100	100
Fox Symes Financial Pty Ltd <sup>(1)</sup>	Australia	100	100
Fox Symes & Associates Pty Ltd <sup>(1)</sup>	Australia	100	100
Fox Symes Debt Relief Services Pty Ltd <sup>(1)</sup>	Australia	100	100
Fox Symes Home Loans Pty Ltd <sup>(2)</sup>	Australia	100	100
Easy Bill Pay Pty Ltd <sup>(1)</sup>	Australia	100	100
104 880 088 Group Holdings Pty Ltd <sup>(2)</sup>	Australia	100	100
Aravanis Insolvency Pty Ltd <sup>(1)</sup>	Australia	65	65
Fox Symes Business Services Pty Ltd <sup>(1)</sup>	Australia	75	75

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by FSA Group Limited

^ Prospex Profile Pty Ltd was deregistered on 14th December 2016

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	
		2017 %	2016 %
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 <sup>(3)</sup>	Australia	100	N/A

(3) Established on 20th April 2017

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	
		2017 %	2016 %
110 294 767 Capital Finance Pty Limited	Australia	100	100
102 333 111 Corporate Pty Limited	Australia	100	100
110 906 306 Property Holdings Pty Ltd *	Australia	N/A	100
111 044 510 Equity Partners Pty Limited	Australia	100	100
One Financial Corporation Pty Ltd	Australia	100	100

\* 110 906 306 Property Holdings Pty Ltd was deregistered on 17th August 2016.

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		Non-controlling interest	
			Ownership interest 2017	Ownership interest 2016	Ownership interest 2017	Ownership interest 2016
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	
		2017 \$	2016 \$
<b>Summarised Statement of Financial Position</b>			
Current assets		10,831,899	9,878,219
Current liabilities		681,167	446,448
<b>Current net assets</b>		<b>10,150,732</b>	<b>9,431,771</b>
Non-current assets		65,647	13,763
Non-current liabilities		3,475,925	3,164,387
<b>Non-current net assets</b>		<b>(3,410,278)</b>	<b>(3,150,624)</b>
<b>Net assets</b>		<b>6,740,454</b>	<b>6,281,147</b>

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 23. Interests in subsidiaries cont.

	Aravanis Insolvency Pty Limited	
	2017 \$	2016 \$
<b>Summarised Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue	10,788,021	10,034,679
Expenses	(6,115,461)	(5,582,203)
<b>Profit before income tax expense</b>	<b>4,672,560</b>	<b>4,452,476</b>
Income tax expense	(1,413,253)	(1,344,309)
<b>Profit after income tax expense</b>	<b>3,259,307</b>	<b>3,108,167</b>
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>3,259,307</b>	<b>3,108,167</b>
<b>Summarised Statement of Cash Flows</b>		
Cash flows from operating activities	2,383,197	2,762,239
Cash flows from investing activities	636,895	297,529
Cash flows from financing activities	(2,800,000)	(3,000,000)
<b>Net increase in cash and cash equivalents</b>	<b>220,092</b>	<b>59,768</b>
<b>Other financial information</b>		
<b>Profit attributable to non-controlling interests</b>	<b>1,140,757</b>	<b>1,087,858</b>
<b>Accumulated non-controlling interests at the end of reporting period</b>	<b>2,359,159</b>	<b>2,198,401</b>

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

## Note 24. Key Management Personnel disclosures

### Remuneration of Directors and Key Management Personnel

	Consolidated Entity	
	2017 \$	2016 \$
Short-term employee benefits	2,021,143	2,331,900
Long-term employee benefits	(7,814)	(25,154)
Post-employment benefits	82,165	99,033
	<b>2,095,494</b>	<b>2,405,779</b>

## Note 25. Related party disclosures

### (a) Key Management Personnel

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

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 23 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 26. Contingent liabilities

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

### Home loans

At reporting date, loan applications that had been accepted by the Consolidated Entity but not yet settled amount to \$9,679,431 (2016: \$9,873,258). 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 \$78,200 (2016: \$326,833). Personal loans are usually settled within one week of acceptance.

## Note 27. Events occurring after reporting date

Westpac Banking Corporation has increased its non-recourse senior home loan facility from \$275 million to \$300 million. This facility has been renewed until October 2019. The Westpac senior facility is supported by a non-recourse mezzanine facility provided by an institutional fund manager. This facility has been increased from \$20 million to \$25 million and has also been renewed until October 2019.

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 2017 except as follows:

- On 18 August 2017, Directors declared a 4.00 cent fully franked final dividend to shareholders to be paid on 8 September 2017 with a record date of 25 August 2017. This brings the full year dividend to 7.00 cents per share.

## Note 28. Parent entity information

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

	2017 \$	2016 \$
<b>Financial position</b>		
Total current assets	9,873,129	18,127,064
Total non-current assets	11,826,990	11,826,990
Total assets	21,700,119	29,954,054
Total current liabilities	2,847,189	12,394,940
Total liabilities	2,847,189	12,394,940
Net assets	18,852,930	17,559,114
<b>Equity</b>		
Share capital	6,707,233	6,707,233
Dividends to shareholders	(8,756,483)	(8,131,021)
Accumulated profit/(loss)	20,902,180	18,982,902
<b>Total equity</b>	<b>18,852,930</b>	<b>17,559,114</b>

# Notes to the Financial Statements cont.

For the year ended 30 June 2017

## Note 28. Parent entity information cont.

<b>Financial performance</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>Profit after income tax</b>	<b>10,050,298</b>	<b>9,419,701</b>
Other comprehensive Income	—	—
<b>Total Comprehensive income for the year</b>	<b>10,050,298</b>	<b>9,419,701</b>

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 29 for further details.

There are no contingent liabilities or commitments in the parent entity (2016: Nil).

## Note 29. 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 2016/785 (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'.

<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>Revenue and other income</b>		
Fees from services	<b>34,613,146</b>	31,935,273
Finance income	<b>213,265</b>	56,048
Finance expense	<b>(427)</b>	(2,830)
Net finance income	<b>212,838</b>	53,218
<b>Total revenue and other income net of finance expense</b>	<b>34,825,984</b>	<b>31,988,491</b>
Expenses from continuing activities	<b>(4,061,676)</b>	(3,919,204)
<b>Profit before income tax</b>	<b>30,764,308</b>	<b>28,069,287</b>
Income tax expense	<b>(9,285,140)</b>	(8,424,151)
<b>Profit after income tax</b>	<b>21,479,168</b>	<b>19,645,136</b>
Other Comprehensive Income	—	—
<b>Total Comprehensive income for the year</b>	<b>21,479,168</b>	<b>19,645,136</b>

<b>Statement of Financial Position</b>	<b>2017 \$</b>	<b>2016 (Restated) \$</b>
<b>Current Assets</b>		
Cash and cash equivalents	3,297,129	11,978,374
Trade and other receivables	13,847,865	^11,734,248
Other assets	2	2
Total Current Assets	17,144,996	^23,712,624
<b>Non-Current Assets</b>		
Trade and other receivables	185,961,370	^163,354,454
Investments	11,826,990	11,826,990
Total Non-Current Assets	197,788,360	^175,181,444
Total Assets	214,933,356	^198,894,068
<b>Current Liabilities</b>		
Trade and other payables	776,737	^963,021
Tax Liabilities	484,407	406,055
Total Current Liabilities	1,261,144	^1,369,076
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	17,651,403	16,106,867
Total Non-Current Liabilities	17,651,403	16,106,867
Total Liabilities	18,912,547	^17,475,943
Net Assets	196,020,809	181,418,125
<b>Equity</b>		
Share capital	6,707,237	6,707,237
Retained earnings	189,313,572	174,710,888
Total Equity	196,020,809	181,418,125

^ 2016 comparatives have been restated, refer to note 7.

# Directors' Declaration

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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 2017 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 29 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 29.

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  
18 August 2017



**Deborah Southon**  
Executive Director

Sydney  
18 August 2017

# Independent Auditor's Report

To the members of FSA Group Limited



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of FSA Group Limited

### Report on the 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 2017, 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 2017 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.



# Independent Auditor's Report cont.

To the members of FSA Group Limited



## 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*

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group summarises the trade receivable balances and the provision applied in note 2 of the financial statements.</p> <p>As at 30 June 2017 the Group had gross trade receivables of \$93.8m, a provision of \$12.6m and net trade receivables of \$81.2m. These balances are considered significant to the Group due to their size and the judgements involved in determining the provision for impairment and the consequent revenue recognition.</p>	<p>Our audit procedures included, among others;</p> <ul style="list-style-type: none"> <li>• Testing of controls surrounding recognition of receivable balances and their recovery;</li> <li>• Testing of the discounting of non-current receivables and assessment of whether the discount rate applied is reasonable; and</li> <li>• Analysing the data supporting the provisioning rate including historical cash collections data.</li> </ul>

## 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 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



#### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](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 17 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of FSA Group Limited, for the year ended 30 June 2017, 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**

Arthur Milner  
Partner

Sydney, 18 August 2017

# 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 28 July 2017.

## (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	294	128,741
1,001 – 5,000	446	1,379,389
5,001 – 10,000	240	2,056,367
10,001 – 100,000	278	8,946,243
100,001 and over	84	112,581,870
<b>Total</b>	<b>1,342</b>	<b>125,092,610</b>

The number of security investors holding less than a marketable parcel of 368 securities (\$1.360 on 28/07/2017) is 138 and they hold 3,532 securities.

## (b) Twenty largest holders

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

	Number of shares	Holding %
1 Capital Management Corporation Pty Ltd	26,000,000	20.78%
2 Mazamand Group Pty Ltd	16,809,231	13.44%
3 ADST Pty Ltd	12,960,047	10.36%
4 BJR Investment Holdings Pty Ltd	11,000,000	8.79%
5 UBS Nominees Pty Ltd	6,899,179	5.52%
6 J P Morgan Nominees Australia Limited	5,367,245	4.29%
7 Ruminator Pty Limited	3,262,343	2.61%
8 Contemplator Pty Limited	2,497,622	2.00%
9 Bulwarra Pty Ltd	1,600,000	1.28%
10 Investment Custodial Services Limited	1,576,273	1.26%
11 Dundas Ritchie Investments Pty Ltd	1,500,000	1.20%
12 Mr David Matthew Fite	1,332,314	1.07%
13 Aust Executor Trustees Ltd <DS Capital Growth Fund>	1,260,873	1.01%
14 Samuel Doumany	1,100,000	0.88%
15 Karia Investment Pty Ltd	966,666	0.77%
16 Ristolle Pty Ltd	877,169	0.70%
17 Fernane Pty Ltd	877,168	0.70%
18 Ms Danita Rae Lowes	739,533	0.59%
19 Harold Cripps Holdings Pty Ltd	700,541	0.56%
20 HSBC Custody Nominees (Australia) Limited	690,957	0.55%
<b>Top 20</b>	<b>98,017,161</b>	<b>78.36%</b>
<b>Total</b>	<b>125,092,610</b>	<b>100%</b>

**(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.

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# Corporate Information

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## 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 New South Wales 2000

## Country of Incorporation

Australia

## Securities Exchange Listing

### Australian Securities Exchange Ltd

## ASX Code: FSA

## Internet Address

[www.fsagroup.com.au](http://www.fsagroup.com.au)

## Australian Business Number

ABN 98 093 855 791



