

Appendix 4D

Half yearly report

FSA Group Limited

ABN	Half year ended (‘current reporting period’)	‘Previous corresponding period’
98 093 855 791	31 December 2018	31 December 2017

2.0 Results for announcement to the market

					\$A’000		\$A’000
2.1	Total Group operating income	up	9%	from	32,908	to	35,896
2.2	Profit from ordinary activities after tax attributable to members of the parent	up	40%	from	5,519	to	7,735
2.3	Net profit for the period attributable to members of the parent	up	40%	from	5,519	to	7,735
2.4	Dividends						
	Interim dividend payable 28 March 2019 of 2.00 cents per share fully franked						
2.5	Record date for determining entitlements to the interim dividend - 8 March 2019						
2.6	Commentary on above details						
	Refer to Executive Directors’ Review and Financial Statements						

3. Net tangible assets per ordinary security	Current reporting period	Previous corresponding period
Net tangible assets per ordinary security, after adjusting for non- controlling interests	36.0 cents	31.2 cents

Notes

4. Details of the entities over which control has been gained or lost during the period	Not applicable
5. Dividends	
Total dividends paid	See Note 6
6. Dividend reinvestment plans	
There is no dividend reinvestment plan	
7. Associates and joint ventures	
There are no associates and joint ventures	
8. Foreign entities	
There are no foreign entities	
9. Independent audit report or review	See Page 25

FSA GROUP LIMITED

ABN 98 093 855 791

Half Year Financial Report

31 December 2018

DIRECTORS' REPORT

The directors submit their report for the half year ended 31 December 2018.

DIRECTORS

The names of the directors of FSA Group Limited ("FSA Group") in office during the half year and until the date of this report are shown below.

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Stan Kalinko	Non-Executive Director
David Bower	Non-Executive Director

All directors were in office from the start of the half year, unless otherwise stated.

Principal activities

The principal activities of FSA Group are the provision of debt solutions and direct lending services to individuals.

EXECUTIVE DIRECTORS' REVIEW

Accounting Standards

The adoption of Accounting Standard AASB 15 '*Revenue from Contract with Customers*', had a significant impact on revenue recognition in the Debt Agreement division. Historically, there has been a material timing "mis-match" between revenue recognition and the recovery of this revenue. The new AASB 15, brings the recognition of revenue for debt agreements substantially in line with the pattern of collection of cash. A large debt agreement administration fee receivable (and impairment provided) was accumulated under the previous accounting policy over a number of years. The recognition of the large debt agreement administration fee receivable is materially reduced, as outlined in Note 3.

The new AASB 15 has impacted:

- Operating income
- Profit before tax
- Profit after tax attributable to members
- Basic EPS
- Shareholder equity
- Return on equity

The new AASB 15 has not impacted:

- Net cash inflow from operating activities

Financial overview under the new AASB 15

All previous financial periods have been restated based on the new AASB 15.

For the half year ended 31 December 2018 FSA Group generated, from continuing operations, \$35.9 million in operating income and a profit after tax attributable to members of \$7.7 million, a 40% increase compared to the half year ended 31 December 2017. Our net cash inflow from operating activities was \$7.7 million, a 56% increase.

The directors have declared an interim fully franked dividend of 2.00 cents per share, with a record date of 8 March 2019 and payable on 28 March 2019.

DIRECTORS' REPORT continued

The Financial Overview below summarises our performance from continuing operations under the new AASB 15.

<i>Financial Overview</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>	<i>% Change 1H FY2018 vs 1H FY2019</i>
Operating income	\$32.9m	\$33.2m	\$35.9m	+9%
Profit before tax	\$8.8m	\$11.2m	\$11.9m	+35%
Profit after tax attributable to members	\$5.5m	\$7.4m	\$7.7m	+40%
Basic EPS	4.41c	5.91c	6.18c	+40%
Net cash inflow from operating activities	\$4.9m	\$9.6m	\$7.7m	+56%
Dividend/share	3.00c	4.00c	2.00c	-33%
Shareholder equity attributable to members	\$41.1m	\$44.7m	\$47.4m	+16%
Return on equity	27%	35%	34%	-

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. The new AASB 15 has only impacted the Debt Agreement division. All previous financial periods for the Debt Agreement division have been restated based on the new AASB 15.

<i>Operating income by segment</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>	<i>% Change 1H FY2018 vs 1H FY2019</i>
Services				
Debt agreements	\$17.9m	\$18.7m	\$19.2m	+7%
PIAs and Bankruptcy	\$5.7m	\$5.1m	\$5.5m	-4%
Consumer Lending				
Home loans	\$5.6m	\$4.9m	\$5.5m	-3%
Personal loans	\$3.6m	\$4.6m	\$5.7m	+59%
Other/unallocated	\$0.1m	\$0.0m	\$0.0m	-
Operating income	\$32.9m	\$33.2m	\$35.9m	+9%

<i>Profit before tax by segment</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>	<i>% Change 1H FY2018 vs 1H FY2019</i>
Services				
Debt agreements	\$1.8m	\$4.2m	\$4.3m	+143%
PIAs and Bankruptcy	\$2.4m	\$1.8m	\$2.4m	-2%
Consumer Lending				
Home loans	\$2.8m	\$3.2m	\$3.0m	+7%
Personal loans	\$1.7m	\$1.9m	\$2.3m	+40%
Other/unallocated ¹	\$0.2m	\$0.0m	(\$0.1m)	-
Profit before tax	\$8.8m	\$11.2m	\$11.9m	+35%

*Note 1: "Other/unallocated" includes the before tax mark to market unrealised gain of \$179,050 in the first half of the 2018 financial year, unrealised gain of \$56,867 in the second half of the 2018 financial year and unrealised loss of \$32,398 in the first half of the 2019 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.

DIRECTORS' REPORT continued

Services

The new AASB 15 has only impacted the Debt Agreement division. All previous financial periods for the Debt Agreement division have been restated based on the new AASB 15.

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

FSA Group is the largest provider of debt agreements, personal insolvency agreements and bankruptcy in Australia.

During the first half, new client numbers for debt agreements decreased by 10% (the market decreased 16%) and for personal insolvency agreements and bankruptcy increased by 8% compared to the previous corresponding period. Debt agreement clients under administration increased to 21,764, up 4% and for personal insolvency agreements and bankruptcy decreased to 1,259, down 0.2% compared to the previous corresponding period. FSA Group manages \$392 million of unsecured debt under debt agreements and during the first half paid \$44 million in dividends to creditors.

The Services segment achieved a profit before tax of \$6.7 million, a 59% increase.

Consumer Lending

The new AASB 15 has not impacted and AASB 9 has no material impact on the Consumer Lending segment.

The Consumer Lending segment offers non-conforming home loans and personal loans to assist clients wishing to consolidate their debt or to purchase a motor vehicle. During the first half our loan pools continued to grow.

<i>Loan Pools</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>	<i>% Change 1H FY2018 vs 1H FY2019</i>
Home loans	\$336.7m	\$359.6m	\$372.5m	+11%
Personal loans	\$40.7m	\$48.1m	\$55.0m	+35%
Total	\$377.4m	\$407.6m	\$427.5m	+13%

<i>Arrears > 30 day</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>
Home loans	1.72%	1.40%	2.47%
Personal loans	1.39%	1.55%	3.20%

<i>Losses</i>	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>
Home Loans	\$403,808	\$100,487	-
Personal Loans	\$99,822	\$163,430	\$193,261

<i>Loan Pool Data</i>	<i>Home Loans</i>	<i>Personal Loans</i>
Average loan size	\$354,900	\$23,222
Security type	Residential home	Motor vehicle
Average loan to valuation ratio	67%	93%
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

DIRECTORS' REPORT continued

As our loan pools grow we expect to increase and renew our facilities as required.

For our personal loans, on 20 August 2018 Westpac conditionally approved a recourse senior personal loan facility of \$75 million to support future growth. The \$75 million recourse senior facility will replace the \$45 million recourse corporate facility. This facility is subject to formal documentation being agreed and entered into by the parties which we expect to occur in March 2019. In the interim, the \$45 million recourse corporate facility has been extended to 31 March 2019.

<i>Funding</i>	<i>Facility Type</i>	<i>Provider</i>	<i>Limit</i>	<i>Availability End Date</i>	<i>Maturity Date</i>
Home Loans	Non-recourse senior	Westpac	\$350m	Jul-19	Oct-19
	Non-recourse senior	Westpac	\$25m	Jun-19	Sep-19
	Non-recourse mezzanine	Institutional	\$25m	Jul-19	Oct-19
Personal Loans	Recourse corporate	Westpac	\$45m	–	Mar-19
	Recourse senior ¹	Westpac	\$75m	2 years	4 years

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

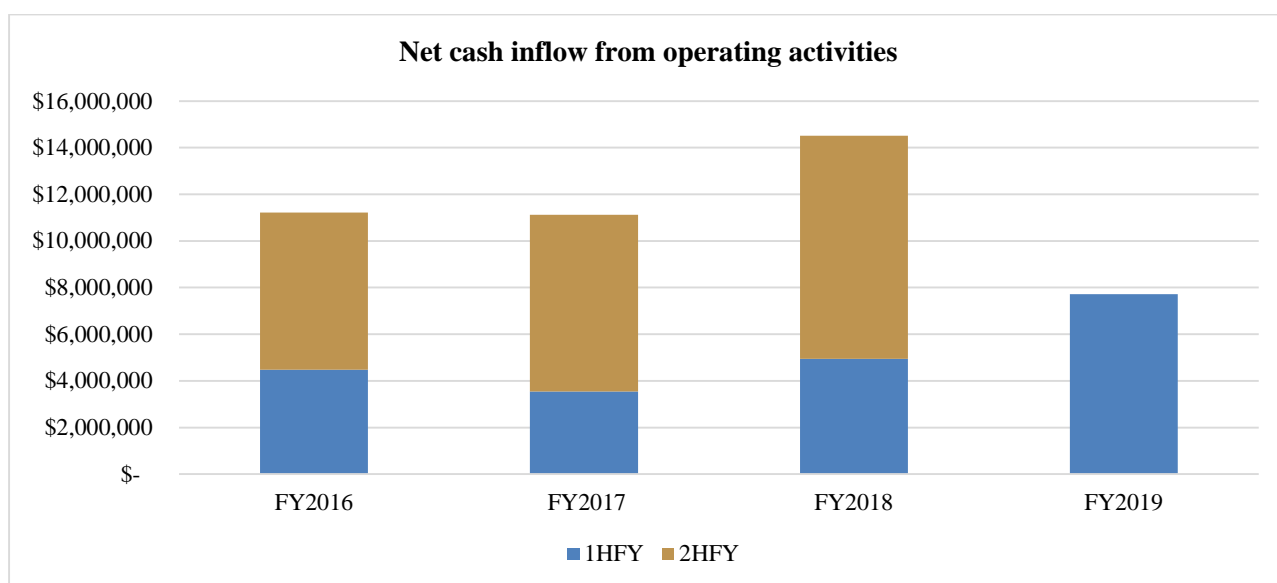
The Consumer Lending segment achieved a profit before tax of \$5.3 million, a 20% increase.

Net cash inflow from operating activities from continuing operations

The new AASB 15 has not impacted the net cash inflow from operating activities.

During the first half, FSA Group maintained strong cash inflow driven by long term annuity income from our clients. Net cash inflow from operating activities for the first half was \$7.7 million, a 56% increase. Net cash inflow is historically lower in the first half compared to the second half.

	<i>1H FY2018</i>	<i>2H FY2018</i>	<i>1H FY2019</i>
Net cash inflow from operating activities	\$4.9m	\$9.6m	\$7.7m



DIRECTORS' REPORT continued

Legislative changes

The amendments to the Bankruptcy Act 1966, which take effect from 27 June 2019, will limit the time to repay debt under a debt agreement to three years for non-home owners while allowing those who own a home up to five years.

The amendments have created two classes of debtors: those with a home and those without a home. Non-home owners may be adversely affected by this change as a three year term may not provide commercially acceptable rates of return to creditors resulting in these three year debt agreement proposals being rejected. The likely consequence of this may be an increase in non-home owners exploring other solutions to resolve their unmanageable debt.

FSA Group is a diversified debt solution provider. Unlike some of our competitors, we offer a range of solutions to assist clients with unmanageable debt.

We do not see these amendments as having a material impact on the number of clients we are able to assist or the long term financial performance of FSA Group.

Strategy and Outlook

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

Our focus over the 2019 financial year will be as follows:

- Services – preparing for the amendments to the Bankruptcy Act 1966, which take effect from 27 June 2019. We are launching a new service.
- Consumer Lending – continuing to grow our loan pools. By June 2020, we are aiming to grow our loan pools to around \$500 million, broken down as \$400 million for home loans and \$100 million for personal loans.
- Capital Management – over the next 2 years we expect our full year dividend to be between 5c to 7c per share with the balance of earnings to be re-invested to support the growing loan pools. We initially planned to secure mezzanine funding for our personal loan facility when our loan pool reached \$100 million. We now plan to secure mezzanine funding sooner.
- Preparing our business for the future – continuing with the offshoring to our Philippine and Indian offices a number of administrative tasks and automating others.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is attached to this directors' report on page 8.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act, on behalf of the board of Directors.



Tim Odillo Maher

Director

Sydney

27 February 2019

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

As lead auditor for the review of FSA Group Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Arthur Milner

Partner

BDO East Coast Partnership

Sydney, 27 February 2019

FSA Group Limited

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2018

	Notes	Consolidated Entity	
		31 December 2018	31 December 2017
		\$	\$
Continuing operations			
Revenue and other income			
Fees from services		25,032,225	23,978,362
Finance income		19,486,314	15,772,639
Finance expense		(8,622,871)	(6,842,601)
Net finance income		10,863,443	8,930,038
Total operating income		35,895,668	32,908,400
Marketing expenses		(4,984,560)	(4,287,732)
Administrative expenses		(3,166,205)	(3,746,827)
Operating expenses		(15,815,431)	(16,224,129)
Unrealised (loss) / gain on fair value movement of derivatives		(32,398)	179,050
Expenses from continuing operations		(23,998,594)	(24,079,638)
Profit before income tax from continuing operations		11,897,074	8,828,763
Income tax expense		(3,581,880)	(2,713,595)
Net profit from continuing operations		8,315,194	6,115,168
Total profit for the period from continuing operations for the period attributable to:			
Non-controlling interests		580,616	596,151
Members of the parent		7,734,578	5,519,017
		8,315,194	6,115,168
Discontinued operations			
Loss from disposed and discontinued operations after tax		-	(254,622)
Net profit for the period		8,315,194	5,860,546
Other comprehensive income		-	-
Total comprehensive income for the period		8,315,194	5,860,546
Total profit for the period and total comprehensive income for the period attributable to:			
Non-controlling interests		580,616	596,151
Members of the parent		7,734,578	5,264,395
		8,315,194	5,860,546
Earnings per share			
Earnings per share from continuing operations			
Basic earnings per share (cents per share)		6.18	4.41
Diluted earnings per share (cents per share)		6.18	4.41
Earnings per share from disposed and discontinued operations			
Basic earnings per share (cents per share)		0.00	(0.20)
Diluted earnings per share (cents per share)		0.00	(0.20)
Total earnings per share			
Basic earnings per share (cents per share)		6.18	4.21
Diluted earnings per share (cents per share)		6.18	4.21

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

The six months period ended 31 December 2017 have been restated as outlined in Note 3.

FSA Group Limited

Consolidated statement of financial position

As at 31 December 2018

	Notes	Consolidated Entity	
		31 December 2018	30 June 2018
		\$	\$
Current Assets			
Cash and cash equivalents		2,476,954	2,567,378
Trade and other receivables		19,710,100	18,540,392
Other assets		500,224	511,498
Total Current Assets		22,687,278	21,619,268
Non-Current Assets			
Trade and other receivables		9,313,496	9,572,305
Investments		385	385
Plant and equipment		651,494	737,699
Deferred tax assets		1,491	2,402
Intangible assets		2,436,861	2,208,659
Total Non-Current Assets		12,403,727	12,521,450
Financing Assets			
Personal loan cash and cash equivalents		730,089	281,803
Home loan cash and cash equivalents		5,096,289	6,950,134
Personal loan assets		54,112,404	47,614,307
Home loan assets financed by non-recourse financing liabilities		373,135,678	360,263,910
Total Financing Assets		433,074,460	415,110,154
Total Assets		468,165,465	449,250,872
Current Liabilities			
Trade and other payables		4,575,832	5,528,752
Current tax liabilities		656,658	1,244,903
Borrowings		887,158	954,775
Contract liabilities		440,485	304,470
Provisions		2,084,421	2,242,084
Total Current Liabilities		8,644,554	10,274,984
Non-Current Liabilities			
Provisions		485,641	510,147
Contract liabilities		780,021	1,241,011
Deferred tax liabilities		1,655,260	984,955
Derivatives		713,409	681,011
Total Non-Current Liabilities		3,634,331	3,417,124
Financing Liabilities			
Borrowings to finance personal loan assets		43,333,142	37,321,732
Non-recourse borrowings to finance home loan assets		361,784,493	351,084,046
Total Financing Liabilities		405,117,635	388,405,778
Total Liabilities		417,396,520	402,097,886
Net Assets		50,768,945	47,152,986
Equity			
Share capital		6,707,233	6,707,233
Retained earnings		40,740,137	38,009,263
Total equity attributable to members of the parent		47,447,370	44,716,496
Non-controlling interest		3,321,575	2,740,959
Total Equity		50,768,945	47,457,455

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Balances as at 30 June 2018 have been restated as outlined in Note 3.

FSA Group Limited

Consolidated statement of cash flows

For the six months ended 31 December 2018		Consolidated Entity	
	Notes	31 December 2018 \$	31 December 2017 \$
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		24,377,941	22,084,883
Payments to suppliers and employees		(23,931,434)	(24,144,802)
Finance income received		19,305,598	15,612,858
Finance cost paid		(8,544,015)	(6,578,889)
Income tax paid		(3,493,574)	(2,026,869)
Net cash inflow from operating activities		7,714,516	4,947,181
Cash flows from investing activities			
Acquisition of property, plant and equipment		(63,232)	(283,349)
Acquisition of intangibles		(283,672)	(275,558)
Net increase in home loan assets		(12,927,601)	(31,149,150)
Net increase in personal loan assets		(7,135,173)	(5,604,469)
Net increase in other loans		(362,500)	(485,000)
Net cash outflow from investing activities		(20,772,178)	(37,797,526)
Cash flows from financing activities			
Net receipt of borrowings		16,565,383	38,873,981
Dividends paid to company's shareholders		(5,003,704)	(5,003,704)
Net cash inflow from financing activities		11,561,679	33,870,277
Net (decrease) / increase in cash and cash equivalents		(1,495,983)	1,019,932
Cash and cash equivalents at the beginning of the period		9,799,315	9,068,593
Cash and cash equivalents at the end of the period		8,303,332	10,088,525

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

FSA Group Limited

Consolidated statement of changes in equity

For the six month ended 31 December 2018

	Share Capital	Retained Earnings	Non- controlling Interest	Total
	\$	\$	\$	\$
Balance at 30 June 2017	6,707,233	34,103,528	2,394,317	43,205,078
Profit after income tax for the period	-	5,264,395	596,151	5,860,546
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	5,264,395	596,151	5,860,546
Transactions with owners in their capacity as owners:				-
Share-based payment expense	-	-	-	-
Dividends paid	-	(5,003,704)	-	(5,003,704)
Distributions to non-controlling Interests	-	-	-	-
Balance at 31 December 2017	6,707,233	34,364,219	2,990,468	44,061,920
Profit after income tax for the period	-	7,397,823	450,491	7,848,314
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	7,397,823	450,491	7,848,314
Transactions with owners in their capacity as owners:				-
Dividends paid	-	(3,752,779)	-	(3,752,779)
Distributions to non-controlling Interests	-	-	(700,000)	(700,000)
Balance at 30 June 2018	6,707,233	38,009,263	2,740,959	47,457,455
Total comprehensive income for the period:				
Profit after income tax for the period	-	7,734,578	580,616	8,315,194
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	7,734,578	580,616	8,315,194
Transactions with owners in their capacity as owners:				-
Share-based payment expense	-	-	-	-
Dividends paid	-	(5,003,704)	-	(5,003,704)
Distributions to non-controlling Interests	-	-	-	-
Balance at 31 December 2018	6,707,233	40,740,137	3,321,575	50,768,945

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Balances as at the previous corresponding period have been restated as outlined in Note 3.

1. REPORTING ENTITY

FSA Group Limited (the 'Company') is a for-profit company domiciled in Australia. The consolidated half year financial report of the Company as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity') and the Consolidated Entity's interests in associates.

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

2. BASIS OF PREPARATION

Statement of compliance

This consolidated half year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the Corporations Act 2001 and does not include all of the information and notes of the type normally required for full annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These consolidated interim financial statements were approved by the board of directors on 27 February 2019.

New, revised, or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all new, revised, or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has had a significant impact on the Consolidated Entity's approach to reporting its financial performance and position, as outlined in Note 3.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Consolidated Entity in these consolidated interim financial statements are the same as those applied by the Consolidated Entity in its consolidated financial statements as at and for the year ended 30 June 2018 except as follows:

AASB 15 *Revenue from Contracts with Customers*

The Consolidated Entity adopted this Standard on 1 July 2018.

The Standard provides a single model for revenue recognition. 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.

Assessment at transition

The Consolidated Entity commenced its assessment of the implication of adopting this Standard during the past financial year and had initially expected the changes to be minor. The Consolidated Entity outlined the conclusion of its preliminary assessment in the consolidated financial statements for the year ended 30 June 2018 and identified the additional steps that would be taken before applying the Standard on 1 July 2018.

The Standard and its interpretation has developed and extended since it was originally introduced and the Consolidated Entity finalised its transition by incorporating the most recent authoritative references and interpretations into the design of its new revenue recognition policies. The Consolidated Entity has concluded that the Standard has had a significant impact on revenue recognition in the Debt Agreement division.

Debt agreement treatment in previous years

Previously, revenue from debt agreements was recognised in accordance with the proportion of services provided throughout the administration period, using a cost plus margin method.

As with all administrations, a greater percentage of the service activities are provided upfront. Therefore, a cost plus margin method results in a larger percentage of the administration fee being recognised as revenue at the start of the arrangement, with the balance recognised as revenue periodically over the administration period, which is generally 2 to 5 years.

Under the Bankruptcy Act 1966, the debt agreement administration fee is collected from the cash receipts from the debtor's monthly payments at a pro-rata agreed percentage. This has the effect of creating a large debt agreement administration fee receivable in the Statement of Financial Position because a larger proportion of revenue is recognised at the commencement of the arrangement with the customer, while cash receipts arise over the administration period on a pro-rata agreed percentage basis with distributions made to creditors.

The asset recognised in previous years was recognised and measured as a financial asset, together with a deferred tax liability arising from taxable temporary differences.

Debt agreement contract analysis under AASB 15

The Consolidated Entity has prepared a detailed analysis of the customers rights and obligations arising from debt agreements and has evaluated the commercial substance of these arrangements in order to apply the five-step process outlined in AASB 15:

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

A summary of the Consolidated Entity's findings is as follows:

- a) Under the Bankruptcy Act 1966, the administrator has the legal obligation to act on behalf of the debtor and creditors. The debt agreement meets the definition of a contract and the debtor is the Consolidated Entity's customer.
- b) The administrators obligations are owned to both the debtor and creditors. As an administrator, the service activities include setting up the debt agreement, managing and collecting debtor payments and agreement variations, calculating and distributing dividends to creditors and periodic reporting to creditors and the Australian Financial Security Authority.
- c) These service represent a series of distinct services that are substantially the same and the revenue is recognised using an output method based on the numbers of months' service to be provided over the term of the contract. This method is a better representation of the value transfer to the debtor and does not skew the recognition of revenue based on the Consolidated Entity's set up costs at the commencement of the arrangement.
- d) The treatment of the debt arrangement as a series of services that are substantially the same brings the recognition of revenue for these arrangements substantially in line with the pattern of collection of cash from the debtor's monthly payments at a pro-rata agreed percentage. The recognition of the large debt agreement administration fee receivable is materially reduced.

FSA Group Limited

Notes to the consolidated half year financial report

31 December 2018

Application of new approach under AASB 15:

In applying the new revenue recognition approach under AASB 15, the following apply:

- a) When a debtor pays in advance of their monthly payment, the Consolidated Entity recognises a Contract Liability in the Statement of Financial Position to recognise the collection of an amount that represents the obligation to provide the future monthly services associated with the advance collection.
- b) When a debtor is behind on their monthly payment, and the administrator has satisfied its performance obligations for the month and therefore is entitled to recognise its fee as revenue but is unable to recover it. The Consolidated Entity recognises a Trade Receivable in the Statement of Financial Position.

Comparative information:

The Consolidated Entity is of the opinion that the consolidated financial statements can only be comparable if adjustments arising from the first time application of AASB 15 are retrospectively presented in the financial statements.

Therefore, the Consolidated Entity has adjusted comparative information in these financial statements and has reconciled the amounts with those presented previously below:

31 December 2018

Adjustments made to consolidated statement of financial position

	Under previous accounting policies 1 July 2017	Adjustment on adoption of AASB 15	Restated 1 July 2017
CURRENT ASSETS			
Cash assets	4,193,401	-	4,193,401
Receivables	36,527,421	(19,749,524)	16,777,897
Other	806,778	-	806,778
TOTAL CURRENT ASSETS	41,527,600	(19,749,524)	21,778,076
NON-CURRENT ASSETS			
Receivables	45,004,628	(36,445,384)	8,559,244
Plant and equipment	527,824	-	527,824
Investment in associate	385	-	385
Deferred tax asset	5,889	-	5,889
Intangibles	2,018,008	-	2,018,008
TOTAL NON-CURRENT ASSETS	47,556,734	(36,445,384)	11,111,350
FINANCING ASSETS			
Personal loan cash and cash equivalents	129,701	-	129,701
Home loan cash and cash equivalents	4,745,492	-	4,745,492
Personal loan assets	35,257,582	-	35,257,582
Home loan assets financed by non-recourse financing liabilities	306,329,792	-	306,329,792
TOTAL FINANCING ASSETS	346,462,567	-	346,462,567
TOTAL ASSETS	435,546,901	(56,194,908)	379,351,993
CURRENT LIABILITIES			
Payables	5,092,257	(24,860)	5,067,397
Borrowings	681,389	-	681,389
Provisions	2,117,272	-	2,117,272
Tax Liability	755,720	(325,846)	429,874
Contract liabilities	-	307,306	307,306
TOTAL CURRENT LIABILITIES	8,646,638	(43,400)	8,603,238
NON-CURRENT LIABILITIES			
Provisions	669,588	-	669,588
Derivatives	916,927	-	916,927
Contract liabilities	-	1,052,258	1,052,258
Deferred tax liabilities	18,078,416	(17,143,998)	934,418
TOTAL NON-CURRENT LIABILITIES	19,664,931	(16,091,740)	3,573,191
FINANCING LIABILITIES			
Borrowings to finance personal loan assets	27,028,411	-	27,028,411
Non-recourse borrowings to finance home loan assets	296,942,075	-	296,942,075
TOTAL FINANCING LIABILITIES	323,970,486	-	323,970,486
TOTAL LIABILITIES	352,282,055	(16,135,140)	336,146,915
NET ASSETS	83,264,846	(40,059,768)	43,205,078
EQUITY			
Share Capital	6,707,233	-	6,707,233
Retained earnings	74,163,296	(40,059,768)	34,103,528
Non-controlling interest	2,394,317	-	2,394,317
TOTAL EQUITY	83,264,846	(40,059,768)	43,205,078

FSA Group Limited
Notes to the consolidated half-year financial report

31 December 2018

	Under previous accounting policies 31 December 2017	Adjustment on adoption of AASB 15	Restated 31 December 2017
CURRENT ASSETS			
Cash assets	2,731,645	-	2,731,645
Receivables	37,649,444	(19,541,747)	18,107,697
Other	443,353	-	443,353
TOTAL CURRENT ASSETS	40,824,442	(19,541,747)	21,282,695
NON-CURRENT ASSETS			
Receivables	47,669,475	(38,552,742)	9,116,733
Plant and equipment	688,209	-	688,209
Investment in associate	385	-	385
Deferred tax asset	4,481	-	4,481
Intangibles	2,046,165	-	2,046,165
TOTAL NON-CURRENT ASSETS	50,408,715	(38,552,742)	11,855,973
FINANCING ASSETS			
Personal loan cash and cash equivalents	89,620	-	89,620
Home loan cash and cash equivalents	7,267,260	-	7,267,260
Personal loan assets	40,594,641	-	40,594,641
Home loan assets financed by non-recourse financing liabilities	337,360,141	-	337,360,141
TOTAL FINANCING ASSETS	385,311,662	-	385,311,662
TOTAL ASSETS	476,544,819	(58,094,489)	418,450,330
CURRENT LIABILITIES			
Payables	4,048,777	(86,278)	3,962,499
Borrowings	844,420	-	844,420
Provisions	2,047,586	-	2,047,586
Tax Liability	459,220	(401,661)	57,559
Contract liabilities	-	292,153	292,153
TOTAL CURRENT LIABILITIES	7,400,003	(195,786)	7,204,217
NON-CURRENT LIABILITIES			
Provisions	495,279	-	495,279
Derivatives	737,877	-	737,877
Contract liabilities	-	1,586,625	1,586,625
Deferred tax liabilities	18,993,010	(17,752,797)	1,240,213
TOTAL NON-CURRENT LIABILITIES	20,226,166	(16,166,172)	4,059,994
FINANCING LIABILITIES			
Borrowings to finance personal loan assets	33,840,172	-	33,840,172
Non-recourse borrowings to finance home loan assets	329,284,027	-	329,284,027
TOTAL FINANCING LIABILITIES	363,124,199	-	363,124,199
TOTAL LIABILITIES	390,750,367	(16,361,958)	374,388,410
NET ASSETS	85,794,451	(41,732,531)	44,061,920
EQUITY			
Share Capital	6,707,233	-	6,707,233
Retained earnings	76,096,748	(41,732,531)	34,364,217
Non-controlling interest	2,990,470	-	2,990,470
TOTAL EQUITY	85,794,451	(41,732,531)	44,061,920

31 December 2018

	Under previous accounting policies 30 June 2018	Adjustment on adoption of AASB 15	Restated 30 June 2018
CURRENT ASSETS			
Cash assets	2,567,378	-	2,567,378
Receivables	39,549,682	(21,009,291)	18,540,391
Other	511,499	-	511,499
TOTAL CURRENT ASSETS	42,628,559	(21,009,291)	21,619,268
NON-CURRENT ASSETS			
Receivables	49,159,429	(39,587,124)	9,572,305
Plant and equipment	737,699	-	737,699
Investment in associate	385	-	385
Deferred tax asset	2,402	-	2,402
Intangibles	2,208,659	-	2,208,659
TOTAL NON-CURRENT ASSETS	52,108,574	(39,587,124)	12,521,450
FINANCING ASSETS			
Personal loan cash and cash equivalents	281,803	-	281,803
Home loan cash and cash equivalents	6,950,134	-	6,950,134
Personal loan assets	47,614,307	-	47,614,307
Home loan assets financed by non-recourse financing liabilities	360,263,910	-	360,263,910
TOTAL FINANCING ASSETS	415,110,154	-	415,110,154
TOTAL ASSETS	509,847,287	(60,596,415)	449,250,872
CURRENT LIABILITIES			
Payables	4,957,555	(37,741)	4,919,814
Borrowings	954,775	-	954,775
Provisions	2,242,084	-	2,242,084
Tax Liability	1,618,343	(373,440)	1,244,903
Contract liabilities	-	304,470	304,470
TOTAL CURRENT LIABILITIES	9,772,758	(106,712)	9,666,046
NON-CURRENT LIABILITIES			
Provisions	510,147	-	510,147
Derivatives	681,011	-	681,011
Contract liabilities	-	1,545,480	1,545,480
Deferred tax liabilities	19,503,852	(18,518,898)	984,954
TOTAL NON-CURRENT LIABILITIES	20,695,010	(16,973,417)	3,721,592
FINANCING LIABILITIES			
Borrowings to finance personal loan assets	37,321,732	-	37,321,732
Non-recourse borrowings to finance home loan assets	351,084,046	-	351,084,046
TOTAL FINANCING LIABILITIES	388,405,778	-	388,405,778
TOTAL LIABILITIES	418,873,545	(17,080,129)	401,793,416
NET ASSETS	90,973,742	(43,516,286)	47,457,456
EQUITY			
Share Capital	6,707,233	-	6,707,233
Retained earnings	81,525,550	(43,516,286)	38,009,264
Non-controlling interest	2,740,959	-	2,740,959
TOTAL EQUITY	90,973,742	(43,516,286)	47,457,455

Adjustments made to statement of profit or loss and other comprehensive income

	Under previous accounting policies 31 December 2017	Adjustment on adoption of AASB 15	Restated 31 December 2017
<i>Continuing Operations</i>			
Services Revenue	27,893,035	(3,914,673)	23,978,363
Finance Revenue	15,772,639	-	15,772,639
Less Finance Costs	(6,842,601)	-	(6,842,601)
Net Revenue	36,823,073	(3,914,672)	32,908,400
Other gains / (losses)	-	-	-
Expenses			
Marketing expenses	4,287,732	-	4,287,732
Administrative expenses	1,874,473	-	1,874,473
Net bad and doubtful debts expense	3,429,649	(1,557,296)	1,872,353
Operating expenses	2,403,897	-	2,403,897
Employee benefits expense	13,820,232	-	13,820,232
Unrealised loss or (gains) on fair value movement of derivatives	(179,050)	-	(179,050)
Total Expenses	25,636,934	(1,557,296)	24,079,638
Profit before Income tax expense	11,186,139	(2,357,376)	8,828,763
Income tax expense	3,398,209	(684,614)	2,713,595
Profit after tax	7,787,931	(1,672,762)	6,115,168
<i>Discontinued operations</i>			
Profit of discontinued operations, net of tax	(254,623)	-	(254,623)
Gain on disposal of financial assets, net of tax	-	-	-
Total comprehensive income for the year	7,533,307	(1,672,762)	5,860,545
Profit attributable to minority Interests	596,151	-	596,151
Profit attributable to members of the parent	6,937,156	(1,672,762)	5,264,393

31 December 2018

	Under previous accounting policies 30 June 2018	Adjustment on adoption of AASB 15	Restated 30 June 2018
<i>Continuing Operations</i>			
Services Revenue	56,575,098	(8,372,295)	48,202,803
Finance Revenue	33,220,328	-	33,220,328
Less Finance Costs	(15,190,637)	245	(15,190,392)
Net Revenue	74,604,789	(8,372,050)	66,232,739
Other gains / (losses)	(77,348)	-	(77,348)
Expenses			
Marketing expenses	8,402,986	-	8,402,986
Administrative expenses	2,768,639	-	2,768,639
Net bad and doubtful debts expense	7,081,570	(3,493,038)	3,588,531
Operating expenses	4,593,150	-	4,593,150
Employee benefits expense	27,003,336	-	27,003,336
Unrealised loss or (gains) on fair value movement of derivatives	(235,916)	-	(235,916)
Total Expenses	49,613,764	(3,493,038)	46,120,725
Profit before Income tax expense	24,913,677	(4,879,012)	20,034,666
Income tax expense	7,493,675	(1,422,493)	6,071,182
Profit after tax	17,420,003	(3,456,519)	13,963,484
<i>Discontinued operations</i>			
Profit of discontinued operations, net of tax	(254,623)	-	(254,623)
Gain on disposal of financial assets, net of tax	-	-	-
Total comprehensive income for the year	17,165,379	(3,456,519)	13,708,860
Profit attributable to minority Interests	1,046,642	-	1,046,642
Profit attributable to members of the parent	16,118,737	(3,456,519)	12,662,218

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 Consolidated Entity adopted this Standard from 1 July 2018 and the impact on the financial performance or position of the Consolidated Entity is immaterial.

31 December 2018**4. SEGMENT INFORMATION**

FSA Group Limited is an Australian entity whose principal activities are:

- Services; including informal arrangements, debt agreements, personal insolvency agreements and bankruptcy;
- 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.

Business segment Revenue and Results - half-year ended 31 December 2018

	Services		Consumer Lending		Other/Unallocated		Consolidated Total	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Revenue and Income	\$	\$	\$	\$	\$	\$	\$	\$
External sales	24,679,312	23,603,640	331,513	349,875	21,400	24,850	25,032,225	23,978,365
Finance Income	6,818	6,177	19,467,632	15,712,661	11,864	53,802	19,486,314	15,772,640
Finance expense	(39)	-	(8,622,596)	(6,842,601)	(236)	-	(8,622,871)	(6,842,601)
Net Finance Income	6,779	6,177	10,845,036	8,870,060	11,628	53,802	10,863,443	8,930,039
Other Income	-	-	-	-	-	-	-	-
Internal sales and income	440,495	452,280	-	-	-	-	440,495	452,280
Eliminations	-	-	-	-	-	-	(440,495)	(452,280)
Total Revenue and Income	25,126,586	24,062,097	11,176,549	9,219,935	33,028	78,652	35,895,668	32,908,404
Results								
Segment profit before tax	6,662,352	4,197,449	5,287,776	4,419,126	(53,054)	212,189	11,897,074	8,828,764
Income tax expense	(2,019,338)	(1,288,945)	(1,578,459)	(1,325,997)	15,917	(98,654)	(3,581,880)	(2,713,596)
Profit for the year	4,643,014	2,908,504	3,709,317	3,093,129	(37,137)	113,535	8,315,194	6,115,168

Assets	Services		Consumer Lending		Other/Unallocated		Consolidated Total	
	31/12/2018	30/06/2018	31/12/2018	30/06/2018	31/12/2018	30/06/2018	31/12/2018	30/06/2018
Segment assets	131,377,777	160,023,200	446,919,692	362,996,700	59,968,341	51,815,762	638,265,810	574,835,662
Eliminations							(170,100,345)	(139,288,761)
Total assets							468,165,465	435,546,901

Earnings per share	31-Dec-18	31-Dec-17
(a) Reconciliation of earnings used to calculate basic and dilutive earnings per share	Value	Value
Earnings per share from continuing operations		
Basic earnings per share (cents per share)	6.18	4.41
Diluted earnings per share (cents per share)	6.18	4.41
Earnings per share from disposed and discontinued operations		
Basic earnings per share (cents per share)	-	(0.20)
Diluted earnings per share (cents per share)	-	(0.20)
Total earnings per share		
Basic earnings per share (cents per share)	6.18	4.21
Diluted earnings per share (cents per share)	6.18	4.21
	Number	Number
(b) Weighted average number of ordinary shares outstanding during the period	125,092,610	125,092,610
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	125,092,610	125,092,610

	Value per share	Total Amount	Franked	Date of Payment
	\$			
Final - ordinary	0.04	\$5,003,704	100%	27-Sep-18

	Value per share	Total Amount	Franked	Date of Payment
	\$			
Final - ordinary	0.04	\$5,003,704	100%	8-Sep-17
Interim – ordinary	0.03	\$3,752,778	100%	16-Mar-18

7. FINANCIAL INSTRUMENTS

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

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

	Fair Value at		
Description	31 December 2018 (\$)	Valuation Technique(s)	Inputs Used
<i>Financial liability:</i>			
Interest rate swap	713,409	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.

	Dec-18 Book value	Dec-18 Fair value
	\$	\$
Financial assets		
Current receivables - debt agreement application fee*	5,148,237	5,148,237
Current receivables - debt agreement administration fee*	1,257,073	1,257,073
Non-current receivables - debt agreement application fee*	7,757,179	7,561,344
Non-current receivables - debt agreement administration fee*	1,092,462	1,075,127
Financing assets		
Personal loan assets	54,112,404	59,619,866
Home loan assets financed by non-recourse financing liabilities	373,135,678	384,251,809

*Net of deferred tax. Included in current and non-current receivables is an amount of \$15,254,951 relating to debt agreement receivables. Part of 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 \$1,002,601.

8. COMMITMENTS

At the reporting date loan applications accepted by the Consolidated Entity, but not yet settled amounted to \$4,892,294 (1HFY2018: \$13,378,601).

9. SUBSEQUENT EVENTS

There have been no events since 31 December 2018 that may significantly affect the Consolidated Entity's operations, the results of those operations or the Consolidated Entity's state of affairs in future financial years other than the dividends declared as disclosed in Note 6.

FSA Group Limited

Notes to the consolidated half-year financial report

31 December 2018

Directors' Declaration

In the Directors' opinion:

1. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors.

A handwritten signature in dark ink, appearing to read 'Tim O', with a stylized flourish extending to the right.

Tim Odillo Maher

Director

Sydney

27 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FSA Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of FSA Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO East Coast Partnership

BDO


Arthur Milner
Partner

Sydney 27 February 2019