

# Appendix 4D

## Half yearly report

FSA Group Limited

ABN

Half year ended  
(‘current reporting period’)

‘Previous corresponding  
period’

98 093 855 791

31 December 2013

31 December 2012

### 2.0 Results for announcement to the market

\$A'000

|                                                                       |      |      |    |        |
|-----------------------------------------------------------------------|------|------|----|--------|
| 2.1 Revenue from ordinary activities net of finance expense           | down | 0.1% | To | 31,159 |
| 2.2 Profit from ordinary activities after tax attributable to members | up   | 36%  | To | 5,881  |
| 2.3 Net profit for the period attributable to members                 | up   | 36%  | To | 5,881  |
| 2.4 Dividends                                                         |      |      |    |        |

Interim dividend payable 21 March 2014 of 2.50 cents per share fully franked

2.5 Record date for determining entitlements to the interim dividend 5 March 2014

2.6 For an explanation of the figures in 2.1 to 2.4 above, refer to the “Executive Directors’ Review” contained in the Directors’ Report which forms part of the financial statements.

### 3.0 Net tangible assets per ordinary security

Net tangible assets per ordinary security, after adjusting for non- controlling interests

Current  
reporting  
period

43.7 cents

Previous  
corresponding  
period

39.2 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 are no dividend reinvestment plans.                                               |                |
| 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 15    |

# **FSA GROUP LIMITED**

**ABN 98 093 855 791**

## **Half Year Financial Report**

**31 December 2013**

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## DIRECTORS' REPORT

The directors submit their report for the half year ended 31 December 2013.

### 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) |
| Sally Herman     | (Non-Executive Director) |

### Principal activities

The principal activities of FSA Group are the provision of debt solutions and direct lending services to individuals and businesses. These activities have not changed during the half year.

### EXECUTIVE DIRECTORS' REVIEW

#### Financial Overview

FSA Group's profit after tax attributable to members for the half year ended 31 December 2013 was \$5.9m. This result represents a 36% increase when compared to the half year ended 31 December 2012.

| <i>Financial Overview</i>                 | <i>1H FY2014</i> | <i>% Change</i> |
|-------------------------------------------|------------------|-----------------|
| Revenue net of finance expense            | \$31.2m          | - 0.1%          |
| Profit before tax                         | \$9.2m           | + 28%           |
| Profit after tax attributable to members  | \$5.9m           | + 36%           |
| EPS basic                                 | 4.70c            | + 41%           |
| Net cash inflow from operating activities | \$6.1m           | - 18%           |
| Interim dividend/share                    | 2.50c            | + 43%           |

#### Operational Performance

FSA Group is Australia's largest provider of debt solutions and a direct lender to individuals and businesses. Our business operates across the following key segments: Services, Home Loans and Small Business. The profitability of each segment is as follows:

| <i>Profitability</i>                     | <i>1H FY2014</i> | <i>1H FY2013</i> |
|------------------------------------------|------------------|------------------|
| Services                                 | \$4.6m           | \$4.6m           |
| Home Loans                               | \$3.4m           | \$2.6m           |
| Small Business                           | \$1.2m           | (\$0.1m)         |
| Other                                    | \$0.0m           | \$0.1m           |
| Profit before tax                        | \$9.2m           | \$7.2m           |
| Profit after tax attributable to members | \$5.9m           | \$4.3m           |

#### Services

The Services division offers a range of simple and convenient solutions 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 with approximately 50% market share. We are also one of the largest providers of personal insolvency agreements and bankruptcy in the country.

During the first half, there was a 1% decrease in the number of clients administered under debt agreements and a 5% increase in the number of clients administered under personal insolvency agreements and bankruptcy.

## **DIRECTORS' REPORT Continued**

### **Operational Performance continued**

FSA Group manages over \$301m of unsecured debt under debt agreements. During the first half, FSA Group paid \$40m in dividends to creditors. This was an increase of 3% when compared to the previous corresponding period.

The division achieved a profit before tax of \$4.6m.

#### **Home Loans**

The Home Loans division offers a range of simple and convenient solutions to assist clients with property wishing to consolidate their debt. The non-conforming home loan market consists of lenders who provide loan products to an individual who is unlikely to conform to the lending criteria of the banks.

Our loan pool decreased to \$214m at December 2013 compared to \$221m at June 2013. Greater than 30 day arrears increased to 3.32% at December 2013 compared to 3.22% at June 2013.

Our non-recourse home loan funding facilities consist of a \$230m senior facility provided by Westpac Banking Corporation and a \$20m mezzanine facility provided by institutional investors. These facilities have been renewed until October 2016.

Our focus is growing our loan pool, however this will be challenging in this low interest rate environment. We do not expect growth in our loan pool until such time as the interest rate environment normalises.

The division achieved a profit before tax of \$3.4m driven by an increase in externally brokered business and a reduction in our doubtful debt expense due to the improvement in the property market.

#### **Small Business**

The Small Business division offers factoring finance to assist small businesses with cash flow management. Our loan pool increased to \$25m at December 2013 compared to \$20m at June 2013.

Our factoring finance funding facility was recently increased to \$35m and renewed for a further term, until June 2015, by Westpac Banking Corporation. This recent facility increase will enable us to continue the growth of our factoring finance lending activities to our small business clients. Our focus is growing our loan pool to over \$50m over the next few years.

The division achieved a profit before tax of \$1.2m driven by an increase in our loan pool and an improvement in our arrears and risk management.

### **Cash flow from operations**

During the first half, FSA Group delivered strong cash flow from operations driven by long term annuity income from its clients. The reduction in cash flow from operations, when compared to the previous corresponding period, was mainly attributable to an increase in income tax paid.

|                                                         | <b><i>1H FY2014</i></b> | <b><i>1H FY2013</i></b> |
|---------------------------------------------------------|-------------------------|-------------------------|
| <b><i>Net cash inflow from operating activities</i></b> | \$6.1m                  | \$7.5m                  |

### **Dividends**

The directors have declared an interim fully franked dividend of 2.50 cents per share, with a record date of 5 March 2014 and payable on 21 March 2014.

## **DIRECTORS' REPORT Continued**

### **Operational Performance continued**

#### **Outlook and Guidance**

Consumer debt levels are at a record high and demand for our products and services is steady.

Our strategy for our Home Loans and Small Business divisions is to focus on growing our loan pools. For the Small Business division our focus is growing our loan pool to over \$50m over the next few years. For our Home Loans division we do not expect growth in our loan pool until such time as the interest rate environment normalises.

FSA Group has recently launched a personal loan product which we are trialling with existing clients to assist with the purchase of a motor vehicle, which will be extended to new clients to assist with debt consolidation. FSA Group has secured a \$10 million facility from Westpac Banking Corporation to fund this product. The term of the facility is for 2 years.

On 17 December 2013, FSA Group provided a revised profit after tax attributable to members guidance for the 2014 financial year of up 10% to 18% on the 2013 financial year. This guidance currently remains unchanged.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is attached to this financial report on page 4.

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  
21 February 2014

## DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF FSA GROUP LIMITED

As lead auditor for the review of FSA Group Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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.



**Grant Saxon**

Partner

**BDO East Coast Partnership**

Sydney, 21 February 2014

**FSA Group Limited****Consolidated statement of profit or loss and other comprehensive income**

For the six months ended 31 December 2013

|                                                                     | Note | Consolidated Entity |                   |
|---------------------------------------------------------------------|------|---------------------|-------------------|
|                                                                     |      | 31-Dec-13<br>\$     | 31-Dec-12<br>\$   |
| Revenue and income                                                  |      |                     |                   |
| <b>Fees from services</b>                                           |      | <b>22,752,625</b>   | <b>22,699,110</b> |
| Finance income                                                      |      | 14,472,854          | 15,966,539        |
| Finance expenses                                                    |      | (6,066,240)         | (7,461,164)       |
| <b>Net finance income</b>                                           |      | <b>8,406,614</b>    | <b>8,505,375</b>  |
| Other losses                                                        |      | (41)                | (400)             |
| <b>Total revenue net of finance expense</b>                         |      | <b>31,159,198</b>   | <b>31,204,085</b> |
| Share of profits of an associate using the equity accounting method |      | -                   | 1,354             |
| Marketing expenses                                                  |      | (3,729,083)         | (3,199,887)       |
| Administrative expenses                                             |      | (3,782,251)         | (6,740,268)       |
| Operating expenses                                                  |      | (14,489,025)        | (14,109,724)      |
| <b>Profit before income tax expense</b>                             |      | <b>9,158,839</b>    | <b>7,155,560</b>  |
| Income tax expense                                                  |      | (2,799,696)         | (2,101,532)       |
| <b>Profit after income tax expense</b>                              |      | <b>6,359,143</b>    | <b>5,054,028</b>  |
| <b>Other comprehensive income, net of tax</b>                       |      | <b>-</b>            | <b>-</b>          |
| <b>Total comprehensive income for the period</b>                    |      | <b>6,359,143</b>    | <b>5,054,028</b>  |
| <b>Total comprehensive income for the period attributable to:</b>   |      |                     |                   |
| Non-controlling interest                                            |      | 477,881             | 735,143           |
| Members of the parent                                               |      | 5,881,262           | 4,318,885         |
|                                                                     |      | <b>6,359,143</b>    | <b>5,054,028</b>  |
| Basic earnings per share (cents per share)                          | 5    | 4.70                | 3.33              |
| Diluted earnings per share (cents per share)                        | 5    | 4.70                | 3.33              |

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

**FSA Group Limited**  
**Consolidated statement of financial position**

As at 31 December 2013

|                                                                | Consolidated Entity |                    |
|----------------------------------------------------------------|---------------------|--------------------|
|                                                                | 31-Dec-13           | 30-Jun-13          |
|                                                                | \$                  | \$                 |
| <b>CURRENT ASSETS</b>                                          |                     |                    |
| Cash and cash equivalents                                      | 10,899,121          | 11,017,074         |
| Receivables                                                    | 30,136,273          | 28,953,886         |
| Prepayments and other current assets                           | 794,684             | 537,302            |
| <b>TOTAL CURRENT ASSETS</b>                                    | <b>41,830,078</b>   | <b>40,508,262</b>  |
| <b>NON-CURRENT ASSETS</b>                                      |                     |                    |
| Receivables                                                    | 34,012,907          | 33,060,421         |
| Plant and equipment                                            | 478,027             | 448,171            |
| Investment                                                     | 315                 | 60                 |
| Deferred tax assets                                            | 1,487               | 523,987            |
| Intangibles                                                    | 3,524,104           | 3,418,219          |
| <b>TOTAL NON-CURRENT ASSETS</b>                                | <b>38,016,840</b>   | <b>37,450,858</b>  |
| <b>FINANCING ASSETS</b>                                        |                     |                    |
| Factoring cash and cash equivalents                            | 2,343,191           | 2,921,272          |
| Mortgage cash and cash equivalents                             | 10,398,473          | 9,154,366          |
| Factoring assets                                               | 24,684,289          | 19,612,162         |
| Mortgage assets financed by non-recourse financing liabilities | 215,446,127         | 224,509,977        |
| <b>TOTAL FINANCING ASSETS</b>                                  | <b>252,872,080</b>  | <b>256,197,777</b> |
| <b>TOTAL ASSETS</b>                                            | <b>332,718,998</b>  | <b>334,156,897</b> |
| <b>CURRENT LIABILITIES</b>                                     |                     |                    |
| Payables                                                       | 10,576,147          | 11,510,609         |
| Borrowings                                                     | 136,572             | 3,660,909          |
| Provisions                                                     | 1,208,538           | 1,052,019          |
| Tax liability                                                  | 4,648,449           | 3,041,916          |
| <b>TOTAL CURRENT LIABILITIES</b>                               | <b>16,569,706</b>   | <b>19,265,453</b>  |
| <b>NON-CURRENT LIABILITIES</b>                                 |                     |                    |
| Deferred tax liabilities                                       | 12,879,292          | 13,291,583         |
| Provisions                                                     | 459,953             | 460,212            |
| Other financial liabilities                                    | 2,425,000           | 2,425,000          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                           | <b>15,764,245</b>   | <b>16,176,795</b>  |
| <b>FINANCING LIABILITIES</b>                                   |                     |                    |
| Borrowings to finance factoring assets                         | 24,614,420          | 22,265,899         |
| Non-recourse borrowings to finance mortgage assets             | 214,668,056         | 217,689,570        |
| <b>TOTAL FINANCING LIABILITIES</b>                             | <b>239,282,476</b>  | <b>239,955,469</b> |
| <b>TOTAL LIABILITIES</b>                                       | <b>271,616,427</b>  | <b>275,397,717</b> |
| <b>NET ASSETS</b>                                              | <b>61,102,571</b>   | <b>58,759,180</b>  |
| <b>EQUITY</b>                                                  |                     |                    |
| Share capital                                                  | 6,707,233           | 6,657,475          |
| Retained earnings                                              | 53,933,722          | 52,117,970         |
| Reserves                                                       | (2,509,387)         | (2,509,387)        |
| Non-controlling interest                                       | 2,971,003           | 2,493,122          |
| <b>TOTAL EQUITY</b>                                            | <b>61,102,571</b>   | <b>58,759,180</b>  |

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

**FSA Group Limited**  
**Consolidated statement of cash flows**

For the six months ended 31 December 2013

|                                                                          | Consolidated Entity           |                               |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------|
|                                                                          | Six months ended<br>31-Dec-13 | Six months ended<br>31-Dec-12 |
|                                                                          | \$                            | \$                            |
|                                                                          | Inflows/<br>(Outflows)        | Inflows/<br>(Outflows)        |
| <b>Cash flows from operating activities</b>                              |                               |                               |
| Receipts from customers and debtors                                      | 23,952,010                    | 26,436,018                    |
| Payments to suppliers and employees                                      | (25,242,323)                  | (23,353,714)                  |
| Finance income received                                                  | 15,508,517                    | 13,111,467                    |
| Finance cost paid                                                        | (6,674,897)                   | (7,324,541)                   |
| Net cash payments for institutional creditor distributions               | (34,921)                      | (887,146)                     |
| Income tax paid                                                          | (1,416,742)                   | (524,869)                     |
| <b>Net cash inflow from operating activities</b>                         | <b>6,091,644</b>              | <b>7,457,215</b>              |
| <b>Cash flows from investing activities</b>                              |                               |                               |
| Acquisition of property, plant and equipment                             | (170,624)                     | (80,408)                      |
| Acquisition of intangibles                                               | (182,082)                     | (55,551)                      |
| Acquisition of subsidiary (net of cash acquired)                         | -                             | (330,750)                     |
| Proceeds from disposal of property, plant and equipment                  | -                             | 400                           |
| Net decrease in mortgage finance assets                                  | 8,261,754                     | 2,522,154                     |
| Net decrease in bridging finance assets                                  | 18,500                        | 125,851                       |
| Net (increase) decrease in factoring finance assets                      | (5,429,174)                   | 2,937,598                     |
| Net increase in other loans                                              | (437,500)                     | (525,000)                     |
| <b>Net cash inflow from investing activities</b>                         | <b>2,060,874</b>              | <b>4,594,294</b>              |
| <b>Cash flows from financing activities</b>                              |                               |                               |
| Net repayments to borrowings                                             | (3,588,673)                   | (2,905,883)                   |
| Payment of distributions to non-controlling interests                    | -                             | (174,163)                     |
| Share issue (buyback)                                                    | 49,738                        | (2,729,781)                   |
| Dividends paid to company's shareholders                                 | (4,065,510)                   | (1,982,614)                   |
| <b>Net cash outflow from financing activities</b>                        | <b>(7,604,445)</b>            | <b>(7,792,441)</b>            |
| Net increase in cash and cash equivalents                                | 548,073                       | 4,259,068                     |
| Cash and cash equivalents at the beginning of the financial period       | 23,092,712                    | 18,520,061                    |
| <b>Cash and cash equivalents at the end of the financial period</b>      | <b>23,640,785</b>             | <b>22,779,129</b>             |
| Cash and cash equivalents at the end of the half year is represented by: |                               |                               |
| <b>Current assets</b>                                                    |                               |                               |
| Cash and cash equivalents                                                | 10,899,121                    | 10,905,427                    |
| <b>Financing assets</b>                                                  |                               |                               |
| Cash and cash equivalents                                                | 12,741,664                    | 11,873,702                    |
| <b>Total cash and cash equivalents at the end of the half year</b>       | <b>23,640,785</b>             | <b>22,779,129</b>             |

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 months ended 31 December 2013

|                                                       | Share<br>capital | Reserves       | Other<br>Reserve   | Retained<br>earnings | Non-<br>controlling<br>interest | Total             |
|-------------------------------------------------------|------------------|----------------|--------------------|----------------------|---------------------------------|-------------------|
|                                                       | \$               | \$             |                    | \$                   | \$                              | \$                |
| <b>At 1 July 2012</b>                                 | 9,275,913        | 761,281        | (656,629)          | 45,542,721           | 2,607,033                       | 57,530,319        |
| Profit after income tax for the period                | -                | -              | -                  | 4,318,885            | 735,143                         | 5,054,028         |
| Other comprehensive income for the period, net of tax | -                | -              | -                  | -                    | -                               | -                 |
| <b>Total Comprehensive Income for the period</b>      | -                | -              | -                  | 4,318,885            | 735,143                         | 5,054,028         |
| Transactions with owners in their capacity as owners: |                  |                |                    |                      |                                 |                   |
| Share buy-back                                        | (2,729,781)      | -              | -                  | -                    | -                               | (2,729,781)       |
| Share based payments expense                          | -                | 4,046          | -                  | -                    | -                               | 4,046             |
| Acquisition of non-controlling interest               | 614,250          | -              | (2,622,132)        | -                    | (747,869)                       | (2,755,751)       |
| Dividend paid                                         | -                | -              | -                  | (1,982,614)          | -                               | (1,982,614)       |
| Distributions to non-controlling interests            | -                | -              | -                  | -                    | (111,694)                       | (111,694)         |
| <b>At 31 December 2012</b>                            | <b>7,160,382</b> | <b>765,327</b> | <b>(3,278,761)</b> | <b>47,878,992</b>    | <b>2,482,613</b>                | <b>55,008,553</b> |
| <b>At 1 January 2013</b>                              | 7,160,382        | 765,327        | (3,278,761)        | 47,878,992           | 2,482,613                       | 55,008,553        |
| Profit after income tax for the period                | -                | -              | -                  | 6,440,211            | 745,509                         | 7,185,720         |
| Other comprehensive income for the period, net of tax | -                | -              | -                  | -                    | -                               | -                 |
| <b>Total Comprehensive Income for the period</b>      | -                | -              | -                  | 6,440,211            | 745,509                         | 7,185,720         |
| Transactions with owners in their capacity as owners: |                  |                |                    |                      |                                 |                   |
| Share buy-back                                        | (502,907)        | -              | -                  | -                    | -                               | (502,907)         |
| Share based payments expense                          | -                | 4,047          | -                  | -                    | -                               | 4,047             |
| Dividend paid                                         | -                | -              | -                  | (2,201,233)          | -                               | (2,201,233)       |
| Distributions to non-controlling interests            | -                | -              | -                  | -                    | (735,000)                       | (735,000)         |
| <b>At 30 June 2013</b>                                | <b>6,657,475</b> | <b>769,374</b> | <b>(3,278,761)</b> | <b>52,117,970</b>    | <b>2,493,122</b>                | <b>58,759,180</b> |
| <b>At 1 July 2013</b>                                 | 6,657,475        | 769,374        | (3,278,761)        | 52,117,970           | 2,493,122                       | 58,759,180        |
| Profit after income tax for the period                | -                | -              | -                  | 5,881,262            | 477,881                         | 6,359,143         |
| Other comprehensive income for the period, net of tax | -                | -              | -                  | -                    | -                               | -                 |
| <b>Total Comprehensive Income for the period</b>      | -                | -              | -                  | 5,881,262            | 477,881                         | 6,359,143         |
| Transactions with owners in their capacity as owners: |                  |                |                    |                      |                                 |                   |
| Share issue                                           | 49,758           | -              | -                  | -                    | -                               | 49,758            |
| Dividend paid                                         | -                | -              | -                  | (4,065,510)          | -                               | (4,065,510)       |
| <b>At 31 December 2013</b>                            | <b>6,707,233</b> | <b>769,374</b> | <b>(3,278,761)</b> | <b>53,933,722</b>    | <b>2,971,003</b>                | <b>61,102,571</b> |

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

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

31 December 2013

**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 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities.

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

**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 2013 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 21 February 2014.

**New, revised, or amending Accounting Standards and Interpretations adopted**

The Group 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 did not have any significant impact on the financial performance or position of the Group.

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 Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2013.

**4. SEGMENT INFORMATION**

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

- Services include debt agreement proposal, preparation and administration, trustee services and other related services.
- Home Loans includes the provision of mortgage finance, home loan broking and mortgage management.
- Small Business includes the provision of factoring finance and other related services.

The Group operates in one geographic region – Australia.

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

31 DECEMBER 2013

**4. SEGMENT INFORMATION** continued

**Business segment Revenue and Results**

Half-year ended 31 December

|                                 | Services          |                   | Home Loans       |                  | Small Business   |                  | Other/Unallocated |                | Consolidated Total |                   |
|---------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|----------------|--------------------|-------------------|
|                                 | 31/12/2013        | 31/12/2012        | 31/12/2013       | 31/12/2012       | 31/12/2013       | 31/12/2012       | 31/12/2013        | 31/12/2012     | 31/12/2013         | 31/12/2012        |
| <b>Revenue and Income</b>       | \$                | \$                | \$               | \$               | \$               | \$               | \$                | \$             | \$                 | \$                |
| External sales                  | 22,018,883        | 21,595,330        | 667,602          | 1,038,355        | 66,140           | 721,476          | -                 | -              | 22,752,625         | 22,699,110        |
| Finance Income                  | 17,347            |                   | 10,475,160       | 11,644,089       | 3,911,192        | 2,469,712        | 69,155            | 43,824         | 14,472,854         | 15,966,539        |
| Finance expense                 | -                 | 6,191             | (5,540,200)      | (6,750,082)      | (526,040)        | (553,936)        | -                 | -              | (6,066,240)        | (7,461,164)       |
| Net Finance Income              | <b>17,347</b>     | <b>6,191</b>      | <b>4,934,960</b> | <b>4,894,006</b> | <b>3,385,152</b> | <b>1,915,776</b> | <b>69,155</b>     | <b>43,824</b>  | <b>8,406,614</b>   | <b>8,505,375</b>  |
| Other Income                    | -                 | (51)              | -                | -                | (41)             | -                | -                 | -              | (41)               | (400)             |
| Internal sales and income       | 405,599           | 261,924           | -                | -                | -                | -                | **5,389,776       | 156,250        | 5,795,376          | 263,420           |
| Eliminations                    | -                 |                   | -                | -                | -                | -                | -                 | -              | (5,795,376)        | (263,420)         |
| <b>Total Revenue and Income</b> | <b>22,441,829</b> | <b>21,863,394</b> | <b>5,602,562</b> | <b>5,932,361</b> | <b>3,451,251</b> | <b>2,637,252</b> | <b>5,458,931</b>  | <b>200,074</b> | <b>31,159,198</b>  | <b>31,204,085</b> |
| <b>Results</b>                  |                   |                   |                  |                  |                  |                  |                   |                |                    |                   |
| Segment profit before tax       | 4,595,496         | 4,607,160         | 3,378,517        | 2,555,269        | 1,233,255        | (125,621)        | (48,429)          | 118,753        | 9,158,839          | 7,155,560         |
| Income tax (expense)/benefit    | (1,406,359)       | (1,387,448)       | (1,013,449)      | (681,497)        | (396,027)        | 25,920           | 16,139            | (58,508)       | (2,799,696)        | (2,101,532)       |
| <b>Profit for the year</b>      | <b>3,189,137</b>  | <b>3,219,712</b>  | <b>2,365,068</b> | <b>1,873,772</b> | <b>837,228</b>   | <b>(99,701)</b>  | <b>(32,290)</b>   | <b>60,245</b>  | <b>6,359,143</b>   | <b>5,054,028</b>  |

  

|                       | Services    |            | Home Loans  |             | Small Business |            | Other/Unallocated |            | Consolidated Total |                    |
|-----------------------|-------------|------------|-------------|-------------|----------------|------------|-------------------|------------|--------------------|--------------------|
|                       | 31/12/2013  | 30/06/2013 | 31/12/2013  | 30/06/2013  | 31/12/2013     | 30/06/2013 | 31/12/2013        | 30/06/2013 | 31/12/2013         | 30/06/2013         |
| <b>Segment assets</b> | 117,458,192 | 94,132,984 | 240,296,953 | 262,108,899 | 30,998,329     | 29,564,557 | 36,178,694        | 20,014,063 | 424,932,168        | 424,473,864        |
| Eliminations          |             |            |             |             |                |            |                   |            | (92,213,170)       | (90,316,967)       |
| <b>Total assets</b>   |             |            |             |             |                |            |                   |            | <b>332,718,998</b> | <b>334,156,897</b> |

\*\* Elimination on consolidation in total revenue and income relate to intercompany dividends declared during the half year period.

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

31 DECEMBER 2013

**5. EARNINGS PER SHARE**

|                                                                                                         | <b>31-Dec-13</b> | <b>31-Dec-12</b> |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                         | <b>Value</b>     | <b>Value</b>     |
|                                                                                                         | <b>\$</b>        | <b>\$</b>        |
| (a) Reconciliation of earnings used to calculate basic and dilutive earnings per share                  |                  |                  |
| Comprehensive income for the period - members (\$)                                                      | 5,881,262        | 4,318,885        |
| Basic earnings per share (cents)                                                                        | 4.70             | 3.33             |
| Diluted earnings per share (cents)                                                                      | 4.70             | 3.33             |
|                                                                                                         | <b>Number</b>    | <b>Number</b>    |
| (b) Weighted average number of ordinary shares outstanding during the year                              | 125,021,675      | 129,566,729      |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 125,021,675      | 129,566,729      |

**6. DIVIDENDS**

Dividends recognised in the current financial period by FSA Group Limited are:

|                  | <b>Value per share</b> | <b>Total Amount</b> | <b>Franked</b> | <b>Date of Payment</b> |
|------------------|------------------------|---------------------|----------------|------------------------|
|                  | <b>\$</b>              | <b>\$</b>           |                |                        |
| Final - ordinary | 0.0325                 | \$4,065,510         | 100%           | 27-Sep-13              |

Franked dividends declared or paid during the financial year were franked at a tax rate of 30%.

Dividends paid during financial year 2013 are:

|                    | <b>Value per share</b> | <b>Total Amount</b> | <b>Franked</b> | <b>Date of Payment</b> |
|--------------------|------------------------|---------------------|----------------|------------------------|
|                    | <b>\$</b>              | <b>\$</b>           |                |                        |
| Final - ordinary   | 0.0155                 | \$1,982,614         | 100%           | 28-Sep-12              |
| Interim - ordinary | 0.0175                 | \$2,201,233         | 100%           | 20-Mar-13              |

On 21 February 2014, the directors declared a fully franked dividend of 2.50 cents to be paid on 20 March 2014, a total estimated distribution of \$3,127,315 based on ordinary shares on issue as at 21 February 2014.

**7. SHARE CAPITAL**

The following movements in share capital arose during the half year period:

**Six months to 31 December 2013**

|                                     | <b>Numbers</b> | <b>Value</b> |
|-------------------------------------|----------------|--------------|
|                                     |                | <b>\$</b>    |
| Shares on issue at 1 July 2013      | 125,020,077    | 6,657,475    |
| Add shares issued                   | 72,533         | 49,758       |
| Shares on issue at 31 December 2013 | 125,092,610    | 6,707,233    |

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

31 DECEMBER 2013

**7. SHARE CAPITAL continued**

Six months to 31 December 2012

|                                                         | Numbers     | Value<br>\$ |
|---------------------------------------------------------|-------------|-------------|
| Shares on issue at 1 July 2012                          | 131,114,587 | 9,275,913   |
| Less shares bought back during year                     | (6,929,914) | (2,729,781) |
| Add shares issued as part consideration for acquisition | 1,600,000   | 614,250     |
| Shares on issue at 31 December 2012                     | 125,784,673 | 7,160,382   |

**8. FINANCIAL INSTRUMENTS**

- a) Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets / financial liabilities | Fair value as at 31/12/2013 | Fair value hierarchy | Valuation techniques | Unobservable inputs                           | Range of inputs | Relationship of unobservable inputs to fair value                                                      |
|------------------------------------------|-----------------------------|----------------------|----------------------|-----------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------|
| Other financial liabilities              | 2,425,000                   | Level 3              | Discounted cash flow | Risk-adjusted discount rate                   | 16.5% - 18.3%   | A change in the discount rate by 100 bps would increase/decrease the fair value by around \$235,000    |
|                                          |                             |                      |                      | Expected present value of future cash inflows | 17.2 m – 18.0m  | If expected future cash inflows were 5% higher or lower, the FV would increase / decrease by \$124,000 |
|                                          |                             |                      |                      | Short term loan pool growth rate              | 25% - 35%       | The higher the loan pool growth rate, the higher the fair value.                                       |
|                                          |                             |                      |                      | Long term revenue growth rate                 | 1.50%           | The higher the long term revenue growth rate, the higher the fair value.                               |

Other financial liabilities are the only financial instrument subsequently measured at fair value on Level 3 fair value measurement. No gain or loss for the half year relating to other financial liabilities has been recognised in profit or loss.

- 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:

|                                                                | Dec-13<br>Book value<br>\$ | Dec-13<br>Fair value<br>\$ |
|----------------------------------------------------------------|----------------------------|----------------------------|
| <b>Financial assets</b>                                        |                            |                            |
| Current receivables net of deferred tax*                       | 18,739,345                 | 18,739,345                 |
| Non-current receivables net of deferred tax*                   | 27,441,896                 | 25,817,347                 |
| Factoring assets                                               | 24,684,289                 | 24,684,289                 |
| Mortgage assets financed by non-recourse financing liabilities | 215,446,127                | 225,185,905                |
| <b>Financial liabilities</b>                                   |                            |                            |
| Borrowings to finance factoring assets                         | 24,614,420                 | 24,614,420                 |
| Non-recourse borrowings to finance mortgage assets             | 214,668,056                | 214,668,056                |

\*Included in current and non-current receivables is an amount of \$58,521,605 relating to Part IX 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 \$12,340,364.

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

**31 DECEMBER 2013**

**9. COMMITMENTS**

At the reporting date loan applications accepted by the Group, but not yet settled amounted to \$5,174,842 (2012: \$3,394,000).

**10. SUBSEQUENT EVENTS**

There have been no events since 31 December 2013 that may significantly affect the Group's operations, the results of those operations or the Group'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 2013

**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 *Corporate 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 2013 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.



Tim Odillo Maher  
Director  
Sydney  
21 February 2014

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FSA Group Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FSA Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, 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 ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### 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 consolidated entity's financial position as at 31 December 2013 and its 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 FSA Group Limited, 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 FSA Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### **Conclusion**

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 FSA Group Limited is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### **BDO East Coast Partnership**

The image shows two handwritten signatures. The top signature is a stylized 'BDO' with a diagonal line through it. The bottom signature is a cursive signature that appears to read 'Grant Saxon'.

**Grant Saxon**

Partner

Sydney, 21 February 2014