

# Appendix 4D

## Half yearly report

FSA Group Limited

ABN

Half year ended  
(‘current reporting period’)

‘Previous corresponding period’

98 093 855 791

31 December 2016

31 December 2015

### 2.0 Results for announcement to the market

\$A’000

2.1 **Total operating income** up 9% to 33,520

2.2 **Profit from ordinary activities after tax attributable to members of the parent** up 27% to 7,310

From continuing operations up 40% to 7,362

From discontinued operations down 110% to (52)

2.3 **Net profit for the period attributable to members** up 27% to 7,310

#### 2.4 Dividends

Interim dividend payable 16 March 2017 of 3.00 cents per share fully franked

2.5 **Record date for determining entitlements to the interim dividend - 2 March 2017**

2.6 **Commentary on above details**

Refer to Executive Directors’ Review and Financial Statements

| 3.0 Net tangible assets per ordinary security                                             | Current reporting period | Previous corresponding period |
|-------------------------------------------------------------------------------------------|--------------------------|-------------------------------|
| Net tangible assets per ordinary security, after adjusting for non- controlling interests | 60.0 cents               | 53.6 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 17

# **FSA GROUP LIMITED**

**ABN 98 093 855 791**

## **Half Year Financial Report**

**31 December 2016**

## DIRECTORS' REPORT

The directors submit their report for the half year ended 31 December 2016.

### 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

For the half year ended 31 December 2016 FSA Group generated, from continuing operations, \$33.5 million in operating income and a profit after tax attributable to members of \$7.4 million, a 40% increase compared to the half year ended 31 December 2015. Normalised profit after tax attributable to members was \$6.2 million, a 12% increase.

The directors have declared an interim fully franked dividend of 3.00 cents per share, with a record date of 2 March 2017 and payable on 16 March 2017.

The Financial Overview below summarises our performance from continuing operations.

| <i>Financial Overview</i>                 | <i>1H FY2016</i> | <i>1H FY2017</i> | <i>% Change</i> |
|-------------------------------------------|------------------|------------------|-----------------|
| Operating income                          | \$30.7m          | \$33.5m          | +9%             |
| Profit before tax                         | \$8.6m           | \$11.5m          | +34%            |
| Profit after tax attributable to members  | \$5.3m           | \$7.4m           | +40%            |
| EPS basic                                 | 4.21c            | 5.89c            | +40%            |
| Net cash inflow from operating activities | \$3.7m           | \$3.8m           | +4%             |
| Interim dividend/share                    | 3.00c            | 3.00c            | -               |

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

The Normalised Financial Overview below, summarises our performance from continuing operations, specifically excluding the before tax mark to market unrealised loss of \$448,896 in the first half of the 2016 financial year and unrealised gain of \$1,596,655 in the first half of the 2017 financial year on our 5 year interest rate swap agreements. Reference is to be made to "unrealised gain or (loss) on fair value movement of derivatives" in the Statement of Profit and Loss and Other Comprehensive Income.

| <i>Normalised Financial Overview (excluding swaps)</i> | <i>1H FY2016</i> | <i>1H FY2017</i> | <i>% Change</i> |
|--------------------------------------------------------|------------------|------------------|-----------------|
| Normalised profit before tax                           | \$9.0m           | \$9.9m           | +10%            |
| Normalised profit after tax attributable to members    | \$5.6m           | \$6.2m           | +12%            |
| Normalised EPS basic                                   | 4.46c            | 4.99c            | +12%            |

## 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:

| <b>Operating income by segment</b> | <b>1HFY2016</b> | <b>1HFY2017</b> | <b>% Change</b> |
|------------------------------------|-----------------|-----------------|-----------------|
| Services                           | \$24.9m         | \$25.8m         | +4%             |
| Consumer Lending                   | \$5.9m          | \$7.5m          | +29%            |
| Other/unallocated                  | (\$0.1m)        | \$0.2m          |                 |
| <b>Operating income</b>            | <b>\$30.7m</b>  | <b>\$33.5m</b>  | <b>+9%</b>      |

  

| <b>Profit before tax by segment</b> | <b>1HFY2016</b> | <b>1HFY2017</b> | <b>% Change</b> |
|-------------------------------------|-----------------|-----------------|-----------------|
| Services                            | \$6.5m          | \$6.5m          | +0%             |
| Consumer Lending                    | \$2.5m          | \$3.3m          | +31%            |
| Other/unallocated*                  | (\$0.4m)        | \$1.7m          |                 |
| <b>Profit before tax</b>            | <b>\$8.6m</b>   | <b>\$11.5m</b>  | <b>+34%</b>     |

\*Note 1: "Other/unallocated" includes the before tax mark to market unrealised loss of \$448,896 in the first half of the 2016 financial year and unrealised gain of \$1,596,655 in the first half of the 2017 financial year on our 5 year interest rate swap agreements. Reference is to be made to "unrealised gain or (loss) on fair value movement of derivatives" in the Statement of Profit and Loss and Other Comprehensive Income.

### Services

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

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

During the first half, new client numbers for debt agreements increased by 2% and for personal insolvency agreements and bankruptcy increased by 12% compared to the previous corresponding period. Debt agreement clients under administration increased to 19,553, up 4% and for personal insolvency agreements and bankruptcy decreased to 1,492, down 3% compared to the previous corresponding period. FSA Group manages \$351 million of unsecured debt under debt agreements and during the first half paid \$39.7 million in dividends to creditors.

Easy Bill Pay continues to grow steadily. To date we have 2,569 clients and have paid 203,120 bills totaling \$22.4 million. During the past year we have invested in developing a new website, creating a mobile app and marketing strategy. We will launch these in 2017.

The Services division achieved a profit before tax of \$6.5 million.

### Consumer Lending

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

During the first half our loan pools continued to grow. In order to grow our loan pools to around \$500 million over our 5 year plan we will need to achieve an annual growth rate of around 16%.

Our personal loan to purchase a motor vehicle is exceeding our expectations. Our focus over 2017 is to maintain new monthly originations at the current level, allow the pool to age and closely monitor arrears and losses, at which point we accelerate new origination growth. We are targeting a June 2017 closing pool balance for personal loans of over \$35 million.

As outlined previously, as we grow our loan pools our business will benefit from higher incremental margins due to fixed cost leverage. This will result in profits growing at a faster rate than revenues.

| <b>Loan Pools</b> | <b>1H FY2016</b> | <b>1H FY2017</b> | <b>% Change</b> |
|-------------------|------------------|------------------|-----------------|
| Home Loans        | \$245.7m         | \$279.7m         | +14%            |
| Personal Loans    | \$10.8m          | \$29.1m          | +170%           |
| <b>Total</b>      | <b>\$256.5m</b>  | <b>\$308.9m</b>  | <b>+20%</b>     |

| <b>Arrears &gt; 30 day</b> | <b>1H FY2015</b> | <b>1H FY2016</b> | <b>1H FY2017</b> |
|----------------------------|------------------|------------------|------------------|
| Home Loans                 | 2.35%            | 2.67%            | 1.30%            |
| Personal Loans             | 0.00%            | 0.00%            | 0.69%            |

| <b>Loan Pool Data</b>           | <b>Home Loans</b> | <b>Personal Loans</b> |
|---------------------------------|-------------------|-----------------------|
| Average loan size               | 315,035           | 28,503                |
| Security type                   | Residential home  | Motor vehicle         |
| Average loan to valuation ratio | 68%               | 100%+                 |
| Variable or fixed rate          | Variable          | Fixed                 |
| Geographical spread             | All states        | All states            |

As our loan pools grow we expect to increase and renew our facilities as required. During first half, Westpac Banking Corporation increased our home loan facility from \$250 million to \$275 million and our personal loan facility from \$20 million to \$30 million. We are looking at putting in place a \$50 million structured personal loan facility to support future growth.

| <b>Funding</b> | <b>Facility Type</b>   | <b>Provider</b> | <b>Limit</b> | <b>Renewal Date</b> |
|----------------|------------------------|-----------------|--------------|---------------------|
| Home Loans     | Non-recourse senior    | Westpac         | \$275m       | October 2017        |
|                | Non-recourse mezzanine | Institutional   | \$20m        | October 2017        |
| Personal Loans | Recourse corporate     | Westpac         | \$30m        | June 2017           |

The Consumer Lending division achieved a profit before tax of \$3.3 million, a 31% increase.

### **Net cash flow from operating activities from continuing operations**

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 \$3.8 million. Net cash inflow is historically lower in the first half compared to the second half.

### **Strategy, Outlook and Guidance**

Consumer debt levels are at a record high, new enquiries are increasing and demand for our products and services is growing.

We are in the second year of our 5 year strategic plan. A key component of our plan is to ensure our Services division maintains its leading position in a niche market, to grow our Easy Bill Pay client numbers and to grow our loan pools to around \$500 million.

Historically low interest rates are adversely affecting certain areas of our business. Notwithstanding this headwind, we expect average long term earnings growth of around 10% per annum over the course of our 5 year strategic plan. We expect our dividend payout ratio to be around 50% to 60% of earnings with the balance of earnings to be re-invested to support the capital requirements of our growing loan pools. Our strategy is self-funding so we do not expect to raise equity capital.

In time, this interest rate headwind will become a tailwind. As interest rates normalise demand for our products and services will accelerate.

FSA Group expects its normalised profit after tax to members (excluding swaps) for the 2017 financial year to be up 10% to 15% on the 2016 financial year with EPS in the range of 10.85 cents to 11.33 cents.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is attached to this director's report on page 7.

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.

A handwritten signature in dark ink, appearing to read 'Tim O', followed by a stylized flourish.

Tim Odillo Maher  
Director  
Sydney  
23 February 2017

## 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 2016, 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

Sydney, 23 February 2017

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

For the six months ended 31 December 2016

|                                                                                               | Notes | Consolidated Entity |                     |
|-----------------------------------------------------------------------------------------------|-------|---------------------|---------------------|
|                                                                                               |       | 31 December 2016    | 31 December 2015    |
|                                                                                               |       | \$                  | \$                  |
| <b>Continuing operations</b>                                                                  |       |                     |                     |
| <b>Revenue and other income</b>                                                               |       |                     |                     |
| Fees from services                                                                            |       | 26,388,603          | 25,375,923          |
| Finance income                                                                                |       | 12,989,469          | 10,594,308          |
| Finance expense                                                                               |       | (5,858,534)         | (5,257,412)         |
| Net finance income                                                                            |       | 7,130,935           | 5,336,896           |
| <b>Total operating income</b>                                                                 |       | <b>33,519,538</b>   | <b>30,712,819</b>   |
| Marketing expenses                                                                            |       | (4,278,827)         | (4,268,881)         |
| Administrative expenses                                                                       |       | (4,488,338)         | (3,570,359)         |
| Operating expenses                                                                            |       | (14,881,620)        | (13,859,556)        |
| Unrealised gain or (loss) on fair value movement of derivatives                               |       | 1,596,655           | (448,896)           |
| <b>Expenses from continuing activities</b>                                                    |       | <b>(22,052,130)</b> | <b>(22,147,692)</b> |
| <b>Profit before income tax</b>                                                               |       | <b>11,467,408</b>   | <b>8,565,127</b>    |
| Income tax expense                                                                            |       | (3,521,544)         | (2,611,905)         |
| <b>Net profit from continuing operations</b>                                                  |       | <b>7,945,864</b>    | <b>5,953,222</b>    |
| <b>Total profit for the year from continuing operations for the year attributable to:</b>     |       |                     |                     |
| Non-controlling interests                                                                     |       | 583,714             | 688,050             |
| Members of the parent                                                                         |       | 7,362,150           | 5,265,172           |
|                                                                                               |       | <b>7,945,864</b>    | <b>5,953,222</b>    |
| <b>Discontinued operations</b>                                                                |       |                     |                     |
| (Loss)/profit from disposed and discontinued operations after tax                             |       | (52,500)            | 504,570             |
| <b>Net profit for the year</b>                                                                |       | <b>7,893,364</b>    | <b>6,457,792</b>    |
| <b>Earnings per share</b>                                                                     |       |                     |                     |
| <b>Earnings per share from continuing operations</b>                                          |       |                     |                     |
| Basic earnings per share (cents per share)                                                    |       | 5.89                | 4.21                |
| Diluted earnings per share (cents per share)                                                  |       | 5.89                | 4.21                |
| <b>Earnings per share from disposed and discontinued operations</b>                           |       |                     |                     |
| Basic earnings per share (cents per share)                                                    |       | (0.04)              | 0.40                |
| Diluted earnings per share (cents per share)                                                  |       | (0.04)              | 0.40                |
| <b>Total earnings per share</b>                                                               |       |                     |                     |
| Basic earnings per share (cents per share)                                                    |       | 5.85                | 4.61                |
| Diluted earnings per share (cents per share)                                                  |       | 5.85                | 4.61                |
| <b>Other comprehensive income</b>                                                             |       | -                   | -                   |
| <b>Total comprehensive income for the year</b>                                                |       | <b>7,893,364</b>    | <b>6,457,792</b>    |
| <b>Total profit for the year and total comprehensive income for the year attributable to:</b> |       |                     |                     |
| Non-controlling interests                                                                     |       | 583,714             | 688,050             |
| Members of the parent                                                                         |       | 7,309,650           | 5,769,741           |
|                                                                                               |       | <b>7,893,364</b>    | <b>6,457,791</b>    |

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 2016

|                                                                 | Notes | Consolidated Entity |              |
|-----------------------------------------------------------------|-------|---------------------|--------------|
|                                                                 |       | 31 December 2016    | 30 June 2016 |
|                                                                 |       | \$                  | \$           |
| <b>Current Assets</b>                                           |       |                     |              |
| Cash and cash equivalents                                       |       | 2,928,784           | 12,560,188   |
| Trade and other receivables                                     |       | 37,634,804          | 35,501,826   |
| Other assets                                                    |       | 346,268             | 405,652      |
| Total Current Assets                                            |       | 40,909,856          | 48,467,666   |
| <b>Non-Current Assets</b>                                       |       |                     |              |
| Trade and other receivables                                     |       | 47,248,294          | 46,115,040   |
| Investments                                                     |       | 385                 | 385          |
| Plant and equipment                                             |       | 537,116             | 334,684      |
| Deferred tax assets                                             |       | 6,230               | 13,666       |
| Intangible assets                                               |       | 1,772,096           | 1,182,741    |
| Total Non-Current Assets                                        |       | 49,564,121          | 47,646,516   |
| <b>Financing Assets</b>                                         |       |                     |              |
| Personal loan cash and cash equivalents                         |       | 268,996             | 83,113       |
| Home loan cash and cash equivalents                             |       | 9,204,517           | 4,732,579    |
| Personal loan assets                                            |       | 29,242,129          | 19,816,669   |
| Home loan assets financed by non-recourse financing liabilities |       | 280,331,948         | 261,978,305  |
| Total Financing Assets                                          |       | 319,047,590         | 286,610,666  |
| Total Assets                                                    |       | 409,521,567         | 382,724,848  |
| <b>Current Liabilities</b>                                      |       |                     |              |
| Trade and other payables                                        |       | 11,273,821          | 12,086,608   |
| Current tax liabilities                                         |       | 75,053              | 695,897      |
| Borrowings                                                      |       | 503,170             | 389,733      |
| Provisions                                                      |       | 1,974,570           | 1,826,342    |
| Total Current Liabilities                                       |       | 13,826,614          | 14,998,580   |
| <b>Non-Current Liabilities</b>                                  |       |                     |              |
| Provisions                                                      |       | 745,120             | 660,701      |
| Deferred tax liabilities                                        |       | 17,117,708          | 15,706,850   |
| Derivatives                                                     |       | 731,624             | 2,328,279    |
| Total Non-Current Liabilities                                   |       | 18,594,452          | 18,695,830   |
| <b>Financing Liabilities</b>                                    |       |                     |              |
| Borrowings to finance personal loan assets                      |       | 20,000,000          | 16,545,520   |
| Non-recourse borrowings to finance home loan assets             |       | 277,471,692         | 255,725,769  |
| Total Financing Liabilities                                     |       | 297,471,692         | 272,271,289  |
| Total Liabilities                                               |       | 329,892,758         | 305,965,699  |
| Net Assets                                                      |       | 79,628,809          | 76,759,149   |
| <b>Equity</b>                                                   |       |                     |              |
| Share capital                                                   |       | 6,707,233           | 6,707,233    |
| Reserves                                                        |       | -                   | (3,278,761)  |
| Retained earnings                                               |       | 70,108,838          | 71,081,654   |
| Total equity attributable to members of the parent              |       | 76,816,071          | 74,510,126   |
| Non-controlling interest                                        |       | 2,812,738           | 2,249,023    |
| Total Equity                                                    |       | 79,628,809          | 76,759,149   |

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 2016

|                                                                     | Notes | Consolidated Entity                        |                                            |
|---------------------------------------------------------------------|-------|--------------------------------------------|--------------------------------------------|
|                                                                     |       | Six months ended<br>31 December 2016<br>\$ | Six months ended<br>31 December 2015<br>\$ |
|                                                                     |       | Inflows/<br>(Outflows)                     | Inflows/<br>(Outflows)                     |
| <b><i>Cash flows from operating activities</i></b>                  |       |                                            |                                            |
| Receipts from customers                                             |       | 22,469,446                                 | 19,169,432                                 |
| Payments to suppliers and employees                                 |       | (23,081,278)                               | (18,940,006)                               |
| Finance income received                                             |       | 13,067,554                                 | 10,833,719                                 |
| Finance cost paid                                                   |       | (5,925,099)                                | (5,292,652)                                |
| Income tax paid                                                     |       | (2,749,617)                                | (2,120,379)                                |
| <b>Net cash inflow from operating activities</b>                    |       | <b>3,781,006</b>                           | <b>3,650,114</b>                           |
| <b><i>Cash flows from investing activities</i></b>                  |       |                                            |                                            |
| Acquisition of property, plant and equipment                        |       | (303,521)                                  | (153,555)                                  |
| Acquisition of intangibles                                          |       | (740,893)                                  | (71,678)                                   |
| Acquisition of subsidiary (net of cash acquired)                    |       | -                                          | (1,400,000)                                |
| Net increase in home loan assets                                    |       | (18,076,970)                               | (13,593,139)                               |
| Net increase in personal loan assets                                |       | (9,438,135)                                | (4,954,339)                                |
| Net increase in other loans                                         |       | (315,000)                                  | (447,564)                                  |
| <b>Net cash outflow from investing activities</b>                   |       | <b>(28,874,519)</b>                        | <b>(20,620,275)</b>                        |
| <b><i>Cash flows from financing activities</i></b>                  |       |                                            |                                            |
| Net proceed from borrowings                                         |       | 25,380,406                                 | 16,519,578                                 |
| Payment of distributions to non-controlling interests               |       | (20,000)                                   | -                                          |
| Dividends paid to company's shareholders                            |       | (5,003,704)                                | (4,378,242)                                |
| <b>Net cash inflow from financing activities</b>                    |       | <b>20,356,702</b>                          | <b>12,141,336</b>                          |
| <b><i>Cash flow from disposed and discontinued operations</i></b>   |       |                                            |                                            |
| Net cash (outflow)/inflow from operating activities                 |       | (236,771)                                  | 833,100                                    |
| Net cash outflow from investing activities                          |       | -                                          | (3,518,173)                                |
| Net cash inflow from financing activities                           |       | -                                          | 710,933                                    |
| <b>Net cash outflow from disposal and discontinued operations</b>   |       | <b>(236,771)</b>                           | <b>(1,974,140)</b>                         |
| Net decrease in cash and cash equivalents                           |       | (4,973,582)                                | (6,802,965)                                |
| Cash and cash equivalents at the beginning of the financial year    |       | 17,375,879                                 | 19,815,118                                 |
| <b>Cash and cash equivalents at the end of the financial period</b> |       | <b>12,402,297</b>                          | <b>13,012,153</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 month ended 31 December 2016

|                                                       | Share<br>Capital<br>\$ | Other<br>Reserve<br>\$ | Retained<br>Earnings<br>\$ | Non-Controlling<br>Interest<br>\$ | Total<br>\$       |
|-------------------------------------------------------|------------------------|------------------------|----------------------------|-----------------------------------|-------------------|
| <b>Balance at 30 June 2015</b>                        | <b>6,707,233</b>       | <b>(3,278,761)</b>     | <b>65,733,990</b>          | <b>2,208,344</b>                  | <b>71,370,806</b> |
| Profit after income tax for the year                  | -                      | -                      | 5,769,741                  | 688,051                           | 6,457,792         |
| Other comprehensive income for the year, net of tax   | -                      | -                      | -                          | -                                 | -                 |
| <b>Total comprehensive income for the year</b>        | <b>-</b>               | <b>-</b>               | <b>5,769,741</b>           | <b>688,051</b>                    | <b>6,457,792</b>  |
| Transactions with owners in their capacity as owners: |                        |                        |                            |                                   |                   |
| Dividend paid                                         | -                      | -                      | (4,378,243)                | -                                 | (4,378,243)       |
| <b>Balance at 31 December 2015</b>                    | <b>6,707,233</b>       | <b>(3,278,761)</b>     | <b>67,125,488</b>          | <b>2,896,395</b>                  | <b>73,450,355</b> |
| Profit after income tax for the year                  | -                      | -                      | 7,708,944                  | 402,628                           | 8,111,572         |
| Other comprehensive income for the year, net of tax   | -                      | -                      | -                          | -                                 | -                 |
| <b>Total comprehensive income for the year</b>        | <b>-</b>               | <b>-</b>               | <b>7,708,944</b>           | <b>402,628</b>                    | <b>8,111,572</b>  |
| Transactions with owners in their capacity as owners: |                        |                        |                            |                                   |                   |
| Dividends paid                                        | -                      | -                      | (3,752,778)                | -                                 | (3,752,778)       |
| Distributions to non-controlling interests            | -                      | -                      | -                          | (1,050,000)                       | (1,050,000)       |
| <b>Balance at 30 June 2016</b>                        | <b>6,707,233</b>       | <b>(3,278,761)</b>     | <b>71,081,654</b>          | <b>2,249,023</b>                  | <b>76,759,149</b> |
| <b>Total comprehensive income for the year:</b>       |                        |                        |                            |                                   |                   |
| Profit after income tax for the year                  | -                      | -                      | 7,309,650                  | 583,714                           | 7,893,364         |
| Other comprehensive income for the year, net of tax   | -                      | -                      | -                          | -                                 | -                 |
| <b>Total comprehensive income for the year</b>        | <b>-</b>               | <b>-</b>               | <b>7,309,650</b>           | <b>583,714</b>                    | <b>7,893,364</b>  |
| Transactions with owners in their capacity as owners: |                        |                        |                            |                                   |                   |
| Reclassification of other reserve                     | -                      | 3,278,761              | (3,278,761)                | -                                 | -                 |
| Dividends paid                                        | -                      | -                      | (5,003,704)                | -                                 | (5,003,704)       |
| Distributions to non-controlling interests            | -                      | -                      | -                          | (20,000)                          | (20,000)          |
| <b>Balance at 31 December 2016</b>                    | <b>6,707,233</b>       | <b>-</b>               | <b>70,108,839</b>          | <b>2,812,737</b>                  | <b>79,628,809</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 2016**

**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 2016 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates.

The principal activities of the Group 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 2016 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 23 February 2017.

**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 2016.

**4. SEGMENT INFORMATION**

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

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

The Group operates in one geographic region – Australia.

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

31 December 2016

**4. SEGMENT INFORMATION continued**

**Business segment Revenue and Results - half-year ended 31 December 2016**

|                                 | Services          |                   | Consumer Lending |                  | Other/Unallocated |                  | Consolidated Total |                   |
|---------------------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|--------------------|-------------------|
|                                 | 31/12/2016        | 31/12/2015        | 31/12/2016       | 31/12/2015       | 31/12/2016        | 31/12/2015       | 31/12/2016         | 31/12/2015        |
| <b>Revenue and Income</b>       | \$                | \$                | \$               | \$               | \$                | \$               | \$                 | \$                |
| External sales                  | 25,848,194        | 24,862,368        | 523,620          | 468,439          | 35,975            | 45,116           | 26,407,789         | 25,375,923        |
| Finance Income                  | 5,708             | 6,024             | 12,869,588       | 10,650,886       | 114,173           | (62,602)         | 12,989,469         | 10,594,308        |
| Finance expense                 | -                 | -                 | (5,858,106)      | (5,256,510)      | (428)             | (902)            | (5,858,534)        | (5,257,412)       |
| <b>Net Finance Income</b>       | <b>5,708</b>      | <b>6,024</b>      | <b>7,011,482</b> | <b>5,394,376</b> | <b>113,745</b>    | <b>(63,504)</b>  | <b>7,130,935</b>   | <b>5,336,896</b>  |
| Other Income                    | (19,186)          | -                 | -                | -                | -                 | -                | (19,186)           | -                 |
| Internal sales and income       | 384,940           | 461,512           | -                | -                | -                 | -                | 384,940            | 461,512           |
| Eliminations                    | -                 | -                 | -                | -                | -                 | -                | (384,940)          | (461,512)         |
| <b>Total Revenue and Income</b> | <b>26,219,656</b> | <b>25,329,904</b> | <b>7,535,102</b> | <b>5,862,815</b> | <b>149,720</b>    | <b>(18,388)</b>  | <b>33,519,538</b>  | <b>30,712,819</b> |
| <b>Results</b>                  |                   |                   |                  |                  |                   |                  |                    |                   |
| Segment profit before tax       | 6,503,765         | 6,530,793         | 3,269,940        | 2,487,029        | 1,693,703         | (452,695)        | 11,467,408         | 8,565,127         |
| Income tax (expense)/benefit    | (1,976,414)       | (1,984,953)       | (981,171)        | (759,394)        | (563,959)         | 132,441          | (3,521,544)        | (2,611,906)       |
| <b>Profit for the year</b>      | <b>4,527,351</b>  | <b>4,545,840</b>  | <b>2,288,769</b> | <b>1,727,635</b> | <b>1,129,744</b>  | <b>(320,254)</b> | <b>7,945,864</b>   | <b>7,340,422</b>  |

| Assets                | Services    |             | Consumer Lending |             | Other/Unallocated |            | Consolidated Total |                    |
|-----------------------|-------------|-------------|------------------|-------------|-------------------|------------|--------------------|--------------------|
|                       | 31/12/2016  | 30/06/2016  | 31/12/2016       | 30/06/2016  | 31/12/2016        | 30/06/2016 | 31/12/2016         | 30/06/2016         |
| <b>Segment assets</b> | 166,547,364 | 158,877,195 | 335,653,044      | 302,415,236 | 47,979,562        | 58,570,970 | 550,179,970        | 519,863,401        |
| Eliminations          |             |             |                  |             |                   |            | (140,658,403)      | (137,138,553)      |
| <b>Total assets</b>   |             |             |                  |             |                   |            | <b>409,521,567</b> | <b>382,724,848</b> |

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

31 December 2016

**5. EARNINGS PER SHARE**

**Earnings per share**

(a) Reconciliation of earnings used to calculate basic and dilutive earnings per share

**Earnings per share from continuing operations**

Basic earnings per share (cents per share)

Diluted earnings per share (cents per share)

**Earnings per share from disposed and discontinued operations**

Basic earnings per share (cents per share)

Diluted earnings per share (cents per share)

**Total earnings per share**

Basic earnings per share (cents per share)

Diluted earnings per share (cents per share)

|  | 31-Dec-16   | 31-Dec-15   |
|--|-------------|-------------|
|  | Value       | Value       |
|  | 5.89        | 4.21        |
|  | 5.89        | 4.21        |
|  | (0.04)      | 0.40        |
|  | (0.04)      | 0.40        |
|  | 5.85        | 4.61        |
|  | 5.85        | 4.61        |
|  | Number      | Number      |
|  | 125,092,610 | 125,092,610 |
|  | 125,092,610 | 125,092,610 |

(b) Weighted average number of ordinary shares outstanding during the year

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

**6. DIVIDENDS**

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

|                  | Value per share | Total Amount | Franked | Date of Payment |
|------------------|-----------------|--------------|---------|-----------------|
|                  | \$              |              |         |                 |
| Final - ordinary | 0.04            | \$5,003,704  | 100%    | 13-Sep-16       |

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

Dividends paid during financial year 2016 are:

|                    | Value per share | Total Amount | Franked | Date of Payment |
|--------------------|-----------------|--------------|---------|-----------------|
|                    | \$              |              |         |                 |
| Final - ordinary   | 0.035           | \$4,378,243  | 100%    | 11-Sep-15       |
| Interim – ordinary | 0.030           | \$3,752,778  | 100%    | 18-Mar-16       |

On 23 February 2017, the directors declared a fully franked dividend of 3.00 cents to be paid on 16 March 2017, a total estimated distribution of \$3,752,778 based on ordinary shares on issue as at 2 March 2017.

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

31 December 2016

**7. FINANCIAL INSTRUMENTS**

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.

|                                                                 | <b>Dec-16</b>     | <b>Dec-16</b>     |
|-----------------------------------------------------------------|-------------------|-------------------|
|                                                                 | <b>Book value</b> | <b>Fair value</b> |
|                                                                 | <b>\$</b>         | <b>\$</b>         |
| <b>Financial assets</b>                                         |                   |                   |
| Current receivables net of deferred tax*                        | 20,210,889        | 20,210,889        |
| Non-current receivables net of deferred tax*                    | 36,750,946        | 35,874,292        |
| Personal loan assets                                            | 29,242,129        | 35,349,749        |
| Home loan assets financed by non-recourse financing liabilities | 280,331,948       | 291,859,288       |
| <b>Financial liabilities</b>                                    |                   |                   |
| Borrowings to finance personal loan assets                      | 20,000,000        | 20,000,000        |
| Non-recourse borrowings to finance home loan assets             | 277,471,692       | 277,471,692       |

\*Included in current and non-current receivables is an amount of \$73,635,770 relating to debt agreement receivables. These assets are taxed on a cash basis, and consequently to present the book value on a consistent basis with the computation of fair value, current and non-current receivables have been presented net of associated deferred tax liabilities amounting to \$16,673,935.

**8. COMMITMENTS**

At the reporting date loan applications accepted by the Group, but not yet settled amounted to \$7,676,131 (2016: \$5,996,289).

**9. SUBSEQUENT EVENTS**

There have been no events since 31 December 2016 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 2016

**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 2016 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  
23 February 2017

## 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 2016, 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 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 2016 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO East Coast Partnership**

The image shows two handwritten signatures in black ink. The top signature appears to be 'BDO' and the bottom signature is a stylized cursive signature, likely of Arthur Milner.

**Arthur Milner**  
Partner

Sydney, 23 February 2017