

FSA GROUP LTD



ANNUAL REPORT 2008

# CORPORATE INFORMATION

## DIRECTORS

Sam Doumany - Non-Executive Chairman  
Tim Odillo Maher - Executive Director  
Deborah Southon - Executive Director  
Hugh Parsons - Non-Executive Director  
Stan Kalinko - Non-Executive Director

## COMPANY SECRETARIES

Duncan Cornish  
Anthony Carius

## REGISTERED OFFICE AND CORPORATE OFFICE

Level 5, 60 Edward Street  
Brisbane QLD 4000  
Phone: + 61 (07) 3303 0690  
Fax: + 61 (07) 3303 0601

## PRINCIPAL BUSINESS OFFICE

Level 3, 70 Phillip Street  
Sydney NSW 2000  
Phone: +61 (02) 9293 6096  
Fax: +61 (02) 9290 6098

## SOLICITORS

Hopgood Ganim  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

## SHARE REGISTER

Link Market Services Ltd  
Level 12, 300 Queen Street  
Brisbane QLD 4000  
Phone: +61 (02) 8280 7454

## AUDITORS

PKF  
Level 6, 10 Eagle Street  
Brisbane QLD 4000

## COUNTRY OF INCORPORATION

Australia

## STOCK EXCHANGE LISTING

Australian Stock Exchange Ltd  
ASX Code: FSA

## INTERNET ADDRESS

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

## AUSTRALIAN BUSINESS NUMBER

ABN 98 093 855 791

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# 1

## CHAIRMAN'S REPORT

Dear Shareholder,

Despite the economic turbulence in Australia and particularly overseas, I am pleased to report the 2008 financial year has been successful for FSA Group Ltd (FSA Group or the Company).

The Company generated \$36.3 million in revenue, achieved a profit after tax attributable to members of \$2.68 million for the 2008 financial year and is in a strong financial position.

During the financial year FSA Group successfully transitioned its business from solely a "fee for service" model to a "fee for service and direct lending" model. Direct lending, which now includes mortgage finance, bridging finance and factoring finance, will be the platform for future growth. It has been able to provide these services since it secured funding lines of \$220 million from Westpac Banking Corporation, of which \$210 million is non-recourse.

As predicted, the transition to direct lending had a once off downward impact on profitability during the 2008 financial year. This was because the shift from broker to lender caused a shift in revenue from an upfront revenue model to a deferred revenue model. The cost of establishing the residential mortgage lending division reduced profit before income tax by \$1.8 million for the 2008 financial year. All lending divisions are now profitable and will contribute significantly to earnings during the 2009 financial year.

The "Fox Symes" subsidiary retained its position as the leading provider of debt solutions to individuals. It currently administers around 50% of all debt agreements and is the largest individual mortgage broker of non-conforming residential mortgages in Australia, brokering new business in excess of \$200 million per annum.

The "180 Group" subsidiary is the leading provider of debt solutions to businesses, which include a range of finance options. The Company is planning to secure an additional non-recourse wholesale line of credit to further support the growth of factoring finance.

The Company will continue to focus on and invest in the future growth of the business. The Directors have committed to continuing the current policy of retaining otherwise distributable earnings for re-investment in its direct lending services and therefore have not recommended a dividend.

With consumer and small business debt at record levels it is inevitable there will be continued strong demand for our comprehensive range of debt solutions and direct lending services.

I am confident of substantial growth for the Company in the financial year ahead and would like to conclude with my sincere appreciation to my fellow directors, all our executives and staff for their contribution to the successes of the current year.



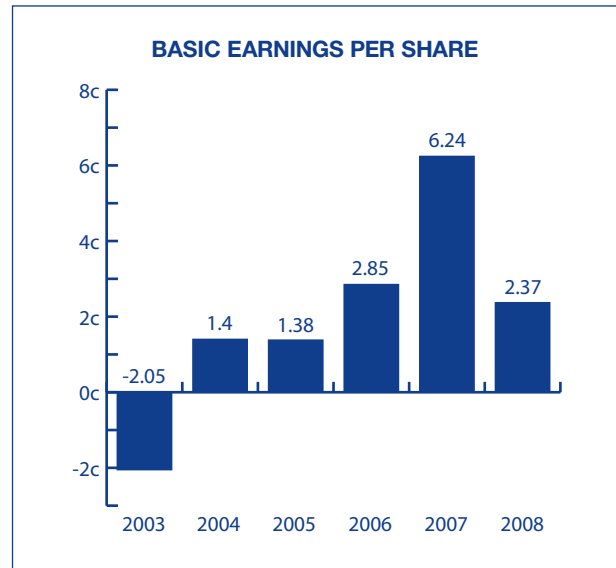
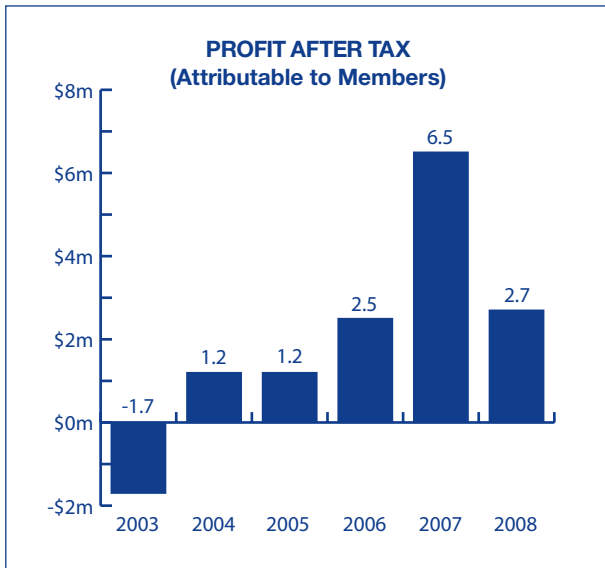
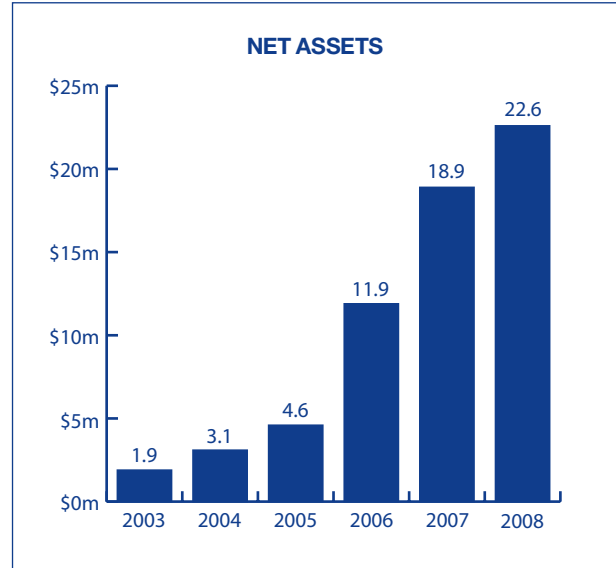
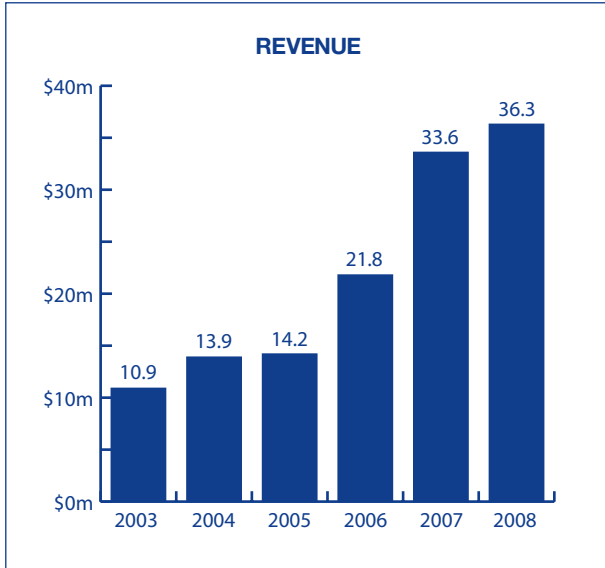
**Sam Doumany**  
**Chairman**

25 September 2008



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## FINANCIAL HIGHLIGHTS



# 8 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

## BACKGROUND

FSA Group is the leading provider of debt solutions to individuals and businesses in Australia, and, with the uncertain economic circumstances over the past 12 months, demand for the range of solutions offered by the Company has increased.

Its subsidiary **Fox Symes** offers a range of debt solutions to individuals which include budgeting assistance, informal creditor arrangements, arrangement of third party consolidation loans and mortgage finance, debt agreements, personal insolvency agreements and bankruptcy assistance.

Its subsidiary **180 Group** offers a range of debt solutions to businesses that are experiencing short term cash flow problems. These include the preparation of strategic plans, creditor negotiation, arrangement of third party finance, sale of business, liquidation of the company and contingent liability management.

FSA Group has broadened its debt solutions to include a range of direct lending services. These now include mortgage finance, bridging finance and factoring finance. It has been able to provide these services since it secured funding lines of \$220 million from Westpac Banking Corporation, of which \$210 million is non-recourse.

## PERSONAL DEBT

The subsidiary "Fox Symes" is the leading provider of debt solutions to individuals in Australia. The key solutions which the Company offers to indebted individuals are:

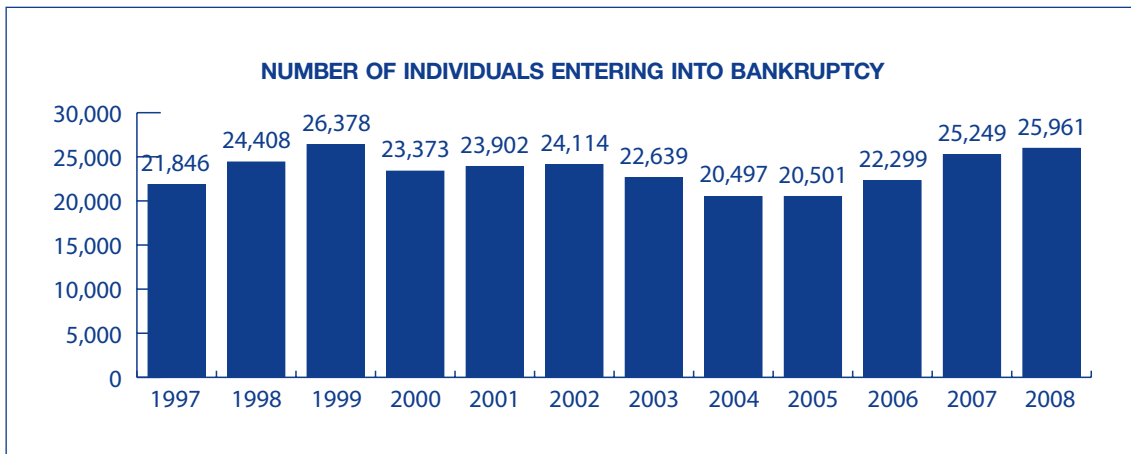
- A debt agreement
- Mortgage finance as broker and principal lender
- A personal insolvency agreement
- Bankruptcy

Not all individuals can rely upon or need the solutions above. In other instances the Company can assist individuals through additional debt solutions such as budgeting assistance and advocating with the primary creditor.

### Debt Agreement

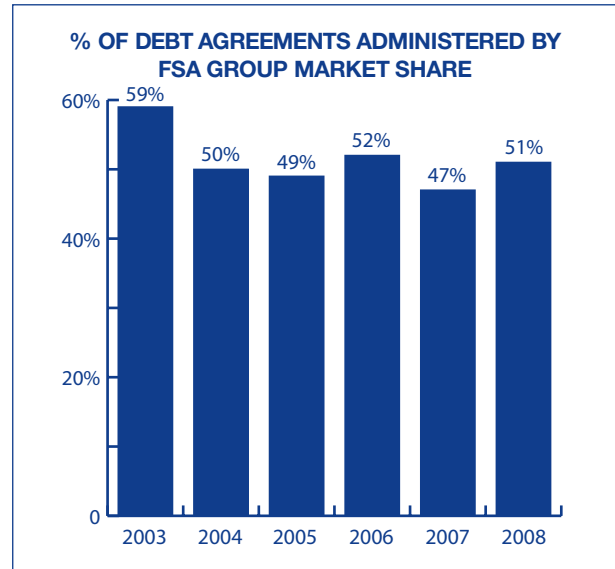
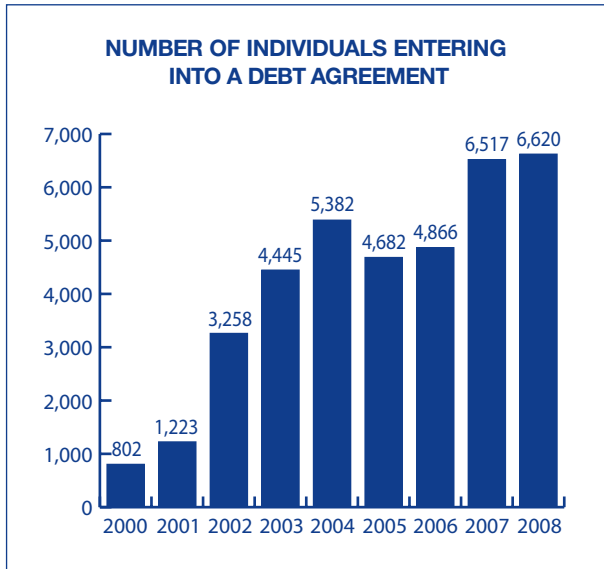
A debt agreement, which was introduced into the Bankruptcy Act in 1996, is a simple way for an indebted individual to come to an arrangement with their creditors. It is an alternative to going bankrupt and is a binding agreement between the individual and their creditors.

The Company is the largest provider of debt agreements in Australia and currently administers around 50% of all debt agreements.

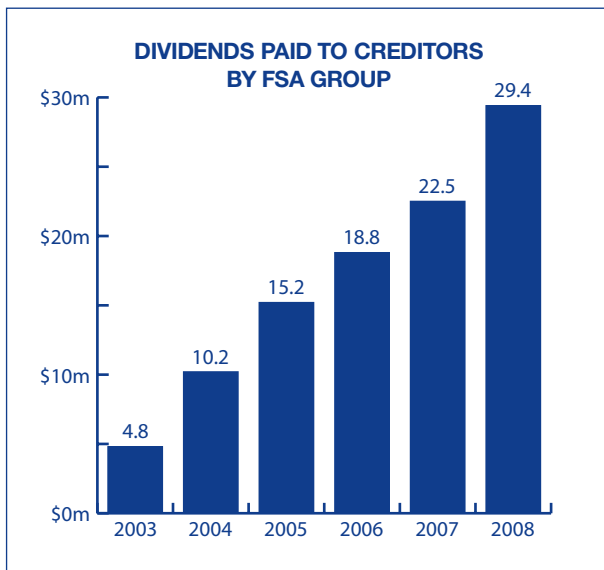


# 8 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

## PERSONAL DEBT continued



Since 2001 the Company has administered around 20,000 debt agreements. The commitment of debtors to debt agreements and the benefit gained from them by creditors is evident from the dividend distribution. Over the past six financial years the Company has made dividend payments under debt agreements to creditors of over \$100 million.



## DIVIDEND RETURNS BANKRUPTCIES VS DEBT AGREEMENTS

Item	Bankruptcies ITSA	Debt Agreements FSA Group
3 year cases - compounding average	61,000	9,000
Dividends paid FY 2007	\$16.8m	\$22.5m
Dividends paid FY 2008	Not yet available	\$29.4m



# REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

## Mortgage Finance

The Company is the largest individual mortgage broker of non-conforming residential mortgages in Australia, brokering new business in excess of \$200 million per annum.

The non-conforming residential mortgage market comprises lenders who provide loan products to individuals unlikely to meet or “conform” to the rules of traditional lenders. The borrower is usually a creditworthy individual with unique circumstances or those who have experienced temporary problems and need to refinance their debts.

In addition to acting as a broker of mortgage finance, the Company can, where applicable, be the principal lender.

## Personal Insolvency Agreements and Bankruptcy

Some individuals with unmanageable debt may consider voluntary bankruptcy as the most appropriate solution for their situation. The Company has a Registered Trustee to assist individuals in these circumstances. This service, which can also assist individuals considering submitting a Personal Insolvency Arrangement to their creditors, is a logical complement to the debt solution core business.

## CORPORATE DEBT

The subsidiary “180 Group” is the leading provider of debt solutions to businesses that are experiencing short term cash flow problems.

The primary business assisted by the Company normally has annual revenue of less than \$3 million. The role the Company fulfils is to review the client company’s business performance and, based on the evidence ascertained, present the directors of the client company with a range of solutions to address and resolve the underlying issues.

The key solutions which the Company offers to indebted businesses are:

- A strategic plan
- Creditor negotiation
- Arrangement of finance
- Sale of business
- Liquidation of the company
- Contingent liability management.

The arrangement of finance plays a critical role in the debt solutions provided by the Company. There is a range of finance solutions for which the Company acts as a broker on behalf of the client company.

In addition to acting as a broker of finance, the Company can, where applicable, also be the lender. The Company can provide mortgage, bridging and factoring finance.

While the Company currently deals mostly with client companies with annual revenue of less than \$3 million the future growth strategy is to start assisting target client companies with revenue greater than \$3 million.

## LENDING

The provision of direct lending services is pivotal to the Company’s growth strategy. Direct lending will be the platform for growth and will allow FSA Group to:

- Act as principal lender as well as broker;
- Assist more clients;
- Diversify and increase income; and
- Capture greater margin and create longer term annuity income streams.

The Company’s direct lending services now include mortgage, bridging and factoring finance.

## Mortgage Finance

In May 2007, the Company announced it had secured non-recourse funding for its residential mortgage lending business with Westpac committing funding of \$210 million. The funding facility will enable the Company to act as principal mortgage lender as well as a mortgage broker.

The entity created is Fox Symes Home Loans Pty Ltd (“FSLH”). The Company owns 100% of FSLH reducing to 90% with the balance of the equity equally shared between Westpac Direct Equity Investments (through an option agreement) and FSLH senior management (through a converting share agreement).





# 8 REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

## LENDING continued

The loan portfolio is being funded through the "Fox Symes Home Loans Warehouse Trust" with Westpac and the Company committing funding of \$210 million and \$2 million respectively. The funding of the "Fox Symes Home Loans Warehouse Trust" is on a non-recourse basis to FSA Group.

At the end of June 2008 the mortgage loan pool was \$90 million.

## Bridging and Factoring Finance

Bridging finance plays an important role in corporate debt solutions. All bridging finance is secured by a registered or registrable mortgage over real property and as secondary security a charge over business assets. It is utilised by borrowers until more suitable finance facilities can be arranged.

Many of the Company's business clients which have gone through an informal or formal reconstruction find it difficult to obtain finance to cash flow their business. Factoring finance becomes a key source of finance for these clients. The Company, in addition to acting as a broker to factoring financiers for larger transactions, has established its own factoring finance division. The Company secures its funds against each client's debtors. It can also require a registered or registrable mortgage over real property.

In November 2007, the Company announced it had secured funding for its bridging and factoring finance activities with Westpac committing funding of \$10 million. At the end of June 2008 the loan pool for bridging and factoring finance exceeded \$11 million.

FSA Group is planning to secure an additional wholesale line of credit to further support the growth of factoring finance.

## FUTURE DEVELOPMENTS

The Company's vision for the future is to be able to meet the needs of clients throughout their entire financial lifecycle. This will be achieved through the strengthening and improving of current debt solutions as well as adding new solutions and products to meet the diverse needs of a growing pool of customers. This process commenced with the introduction of direct lending to our clients.

Over the next twelve months the Company will continue this process. While the economic climate remains favourable for growth in the debt solutions area, the Company envisages that the demand for money management solutions will be a growth area and will therefore invest in developing a range of appropriate solutions which meet customer needs.

The Company will continue to investigate and explore growth opportunities. These may include the acquisition of additional business and the development of additional products.



# 4 OPERATING RESULTS

FSA Group's profit after tax attributable to members of the company for the year ended 30 June 2008 was \$2.68 million. Profit before tax compared with the previous financial year was down some \$4.0 million to \$4.4 million due to specific events which impacted on profit and are discussed below.

The key measures for the 2008 financial year compared to the previous corresponding period are as follows:

- Consolidated Revenue of \$36.29m up 7.8%
- Consolidated Profit Before Tax (and before minority interests) of \$4.74m down 51.1%
- Consolidated Profit After Tax (attributable to members of the company) of \$2.68m down 58.8%
- Consolidated Net Assets of \$22.6m up 19.3%
- Consolidated Net Tangible Asset Backing per Share of 16.2c up 14.9%
- Basic Earnings per Share of 2.37c down 62.1%

The Directors have decided to retain otherwise distributable earnings for re-investment in FSA Group's direct lending services to allow for further growth and therefore have not recommended a dividend.

## Significant Milestones

- The second half of the year delivered strong trading performance from all divisions.
- The debt agreement division's market share grew from 47% to 51%.
- The transition to direct lender was completed at year end.
- Westpac renewed the \$210 million mortgage facility for a further term. At the end of June 2008 the mortgage loan pool was \$90 million.
- Westpac approved a \$10m bridging and factoring finance facility. At the end of June 2008 the loan pool for bridging and factoring finance exceeded \$11 million.
- Overall demand for services has grown across all divisions.

## Events Impacting on Profit for the 2008 Financial Year

As noted above profit before tax for the 2008 financial year was affected by some \$4.0 million to \$4.4 million due to the following:

- **Establishment of the residential mortgage lending division**  
As predicted the cost of establishing the residential mortgage lending division lead to a pre tax operating loss of \$1.8 million for the 2008 financial year. This division is now profitable.
- **Effective changes to the debt agreement division**  
During the first half of the 2008 financial year this division underwent major reforms which included substantial changes to processes and the IT platform. These reforms, due in part to new legislation, are now complete and the cost affected profit before tax by some \$1.2 million to \$1.6 million.
- **Discounting of non current receivables**  
FSA Group now receipts its debt agreement administration fee in parity with creditors. The effect of discounting these non current receivables resulted in a reduction in profit before tax for the 2008 financial year of \$1.0m. This discounted amount is progressively added back to revenue as effective interest income over the next 3 years.

## Key innovation - Establishment of the lending platform

At the start of the 2008 financial year, FSA Group commenced the process of transitioning the business from a "fee for service" model to a "fee for service and direct lending" model. Direct lending for which FSA Group acts as principal lender rather than broker includes mortgage finance, bridging finance and factoring finance.

As predicted, the transition to direct lending had a once off downward impact on profitability during the 2008 financial year. This was because the shift from broker to lender caused a shift in revenue from an upfront revenue model to a deferred revenue model. Previously as a broker, FSA Group was paid an upfront commission by third party lenders for mortgage, bridging and factoring finance referrals, whereas now as principal lender it does not receive third party upfront commissions.

All lending divisions, subsequent to year end, are profitable.



# 4 OPERATING RESULTS

## **Key innovation - Establishment of the lending platform continued**

### Mortgage Finance

In July 2007, FSA Group launched its residential mortgage lending business with Westpac committing non-recourse funding of \$210 million for an initial term of 364 days. Following the recent annual review by Westpac, this facility was renewed for a further term of 364 days.

At the end of June 2008 the mortgage loan pool was \$90 million.

The key strengths of FSA Group's residential mortgage lending business include:

- Low "loan to valuation ratios" (weighted average <65%)
- Low average loan size (<\$200,000)
- High concentration of income certified ("Full Doc") borrowers (>85%)
- Broad geographical spread around Australia

This means that the mortgage loan pool is of a high quality which, in turn, means only low levels of credit support will be required.

FSA Group continues to act as a mortgage broker to third party lenders for approximately 50% of loan applications – broking remains a key component of the Group's revenue.

### Bridging and Factoring Finance

The provision of finance plays an important role in the debt solutions provided to small businesses. There is a range of finance solutions for which FSA Group acts as a broker on behalf of its clients. These include bridging finance, factoring finance, plant and equipment finance, mortgage finance and inventory finance.

FSA Group also acts as principal lender for bridging and factoring finance utilising the \$10 million facility approved by Westpac in November 2007. At the end of June 2008 the loan pool for bridging and factoring finance exceeded \$11m.

FSA Group is planning to secure an additional non-recourse wholesale line of credit to further support the growth of factoring finance.

## **Debt Agreement Division**

On 1 July 2007 the Federal Government reforms to the Bankruptcy Act took effect. The reforms introduced major changes to the administration of debt agreements. To accommodate the reforms we invested significantly in re-training our staff and improving our delivery platforms during the 2008 financial year. These changes which were significant meant that during the transition period fewer clients were assisted. This transition is now complete.

The debt agreement division has performed strongly during the period January to June 2008. During this period it assisted a record number of clients. This growth is likely to continue given the current economic conditions.

FSA Group's market share for debt agreements grew over the 2008 financial year. It now has a 51% share of the market compared with a 47% share for the same period in the previous year.

The commitment of debtors to debt agreements and the benefit gained from them by creditors is evident from the dividend distribution. \$294m of dividends were paid by FSA Group to creditors in the 2008 financial year. This is an increase of 31% compared to the previous financial year.

## **Conclusion**

Demand across all divisions has grown incrementally across the year driven primarily by the current economic environment. This has been particularly noticeable in the consumer debt area. As a consequence FSA Group is experiencing record demand for its services. This is likely to continue throughout the 2009 financial year.



# 5 DIRECTORS' REPORT

Your Directors present their report for the year ended 30 June 2008.

## DIRECTORS

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

**Sam Doumany**  
**Tim Odillo Maher**  
**Deborah Southon**  
**Hugh Parsons**  
**Stan Kalinko**

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Sam Doumany (Non-Executive Chairman)

#### **Experience and Expertise**

Mr Doumany was appointed as a Non-Executive Director on 18 December 2002 and was appointed Chairman on 30 June 2003.

Mr Doumany commenced his career in economic research, agribusiness and marketing before embarking on a distinguished political career as a member of parliament in Queensland in 1974.

Between 1974 and 1983 Mr Doumany served on several parliamentary committees, the Liberal Party's State and Federal Rural Policy Committees and the Queensland Liberal Party State Executive. Elevated to the Cabinet in 1978, Mr Doumany served firstly as Minister for Welfare and Corrective Services before serving as Minister for Justice, Queensland Attorney-General and the Deputy Leader of the Liberal Parliamentary Party until late 1983.

Throughout his parliamentary and ministerial career Mr Doumany worked closely, at a senior level, with a wide range of key professional, industry and community organisations.

Since 1983 Mr Doumany has operated a consultancy practice providing services in government relations, corporate strategy and market development. Mr Doumany was also retained by Ernst & Young in an executive consultancy role between 1991 and 2002. Significant assignments for Ernst & Young include the Coutts and Bartlett Receiverships as well as major submissions to the Federal Government. He has also held numerous executive and non-executive board positions, many as Chairman, for private and public companies, industry authorities/associations and review committees.

Mr Doumany holds a Bachelor of Science from the University of Sydney and is a member of the Australia Institute of Company Directors.

#### **Other current (listed company) directorships**

Nil

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

Nil

#### **Special responsibilities**

Member of the Company's Audit and Risk Management Committee

#### **Interest in shares and options**

Ordinary Shares	1,000,000
Options (\$0.25 @ 31/01/10)	-
Options (\$0.98 @ 31/01/10)	-
Options (\$0.60 @ 31/01/10)	-
Convertible Redeemable Preference Shares	-



# 5 DIRECTORS' REPORT

## **Tim Odillo Maher (Executive Director)**

### **Experience and Expertise**

Mr Odillo Maher was appointed on 30 July 2002. Mr Odillo Maher's background has been in banking and finance, before concentrating on insolvency and corporate finance assignments. He has worked at ANZ Banking Corporation and Star Dean Wilcocks Chartered Accountants. Mr Odillo Maher holds a Bachelor of Business Degree (majoring in Accounting and Finance) from Australian Catholic University and is a Certified Practising Accountant. His work experience has included special reviews of companies experiencing financial difficulties, the rationalisation and re-organisation of businesses, and the implementation of turnaround and exit strategies for businesses, including support plans and asset disposal programmes.

### **Other current (listed company) directorships**

Nil

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

Nil

### **Special responsibilities**

Nil

### **Interest in shares and options**

Ordinary Shares	40,795,717
Options (\$0.25 @ 31/01/10)	-
Options (\$0.98 @ 31/01/10)	-
Options (\$0.60 @ 31/01/10)	-
Convertible Redeemable Preference Shares	16

## **Deborah Southon (Executive Director)**

### **Experience and Expertise**

Ms Southon was appointed on 30 July 2002. Ms Southon has attained a wealth of experience in the government and community services sectors having worked for the Commonwealth Department of Health and Family Services, the former Department of Community Services, and the Smith Family. Ms Southon has successfully managed a programme and administration budget exceeding \$150 million and was part of a management team which oversaw a significant growth in client numbers and service delivery which stemmed from the implementation of fresh legislation. Ms Southon has an Executive Certificate in Leadership & Management (University of Technology, Sydney) and a Bachelor of Arts Degree (Sydney University). She also has qualifications in Speech and Drama (AMEB) and has undertaken post graduate management studies at the Australian Graduate School of Management.

### **Other current (listed company) directorships**

Nil

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

Nil

### **Special responsibilities**

Nil

### **Interest in shares and options**

Ordinary Shares	12,946,533
Options (\$0.25 @ 31/01/10)	-
Options (\$0.98 @ 31/01/10)	-
Options (\$0.60 @ 31/01/10)	-
Convertible Redeemable Preference Shares	-



## **Hugh Parsons (Non-Executive Director)**

### **Experience and Expertise**

Mr Parsons was appointed on 1 August 2006.

Mr Parsons commenced his career in 1969 working for Coopers & Lybrand in London and overseas.

Between 1972 and 1985 he worked for Binder Hamlyn & Co (in Audit and Banking), became a Partner in 1975 and Sydney Managing Partner and National Executive between 1983 and 1985. Binder Hamlyn & Co merged with Ernst & Whinney in 1985, subsequently Ernst & Young 1985, where he specialised in insurance and banking.

Mr Parsons became the Finance Director of Schroders Australia Group between 1987 to 1992 and between 1992 to 1996 acted as a consultant to Price Waterhouse (in Process Re-Engineering, Banking), including 10 months in Bangkok with Commercial Bank of Siam.

Between 1997 and July 2006 he has been the Executive Director of the Insolvency Practitioners Association. In the same period he was a director of a major overseas corporation.

Mr Parsons holds the following qualifications/memberships: FCA, SA Fin., MAICD.

### **Other (listed company) current directorships**

Nil

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

Nil

### **Special responsibilities**

Chairman of the Company's Audit and Risk Management Committee

### **Interest in shares and options**

Ordinary Shares	-
Options (\$0.25 @ 31/01/10)	500,000
Options (\$0.98 @ 31/01/10)	-
Options (\$0.60 @ 31/01/10)	-
Convertible Redeemable Preference Shares	-

## **Stan Kalinko (Non-Executive Director)**

### **Experience and Expertise**

Mr Kalinko was appointed on 9 May 2007.

Mr Kalinko commenced his career in South Africa and spent 20 years as a practising solicitor.

In late 1983, he migrated to Australia and spent 1 year as an associate at Stephen Jaques Stone James, now Mallesons Stephen Jaques.

Between 1985 and 1989 he worked as a merchant banker for Kleinwort Benson Australia ("KBA"), a subsidiary of the largest merchant bank in the United Kingdom at the time, until KBA was sold to Security Pacific Ltd. Mr Kalinko continued to work there until 1991.

For 16 years prior to joining the board of FSA, Mr Kalinko was a partner at Deacons, a national and international law firm. He specialised primarily in corporate and commercial law, focussing on mergers and acquisitions, management buy-outs and joint ventures, and advising Company Directors and Underwriters on capital raisings.

He spent 8 years on the board of Deacons in Sydney, 3 years on their national board, 10 years as the business unit leader of their Banking and Finance Practice Group and 3 years as Chairman of the Sydney office.

Mr Kalinko retired from Deacons on 30 June 2007.

Mr Kalinko is a Fellow of the Australian Institute of Company Directors and has a Bachelor of Commerce, Bachelor of Law and Higher Diploma in Tax. He is also an accredited mediator.

### **Other (listed company) current directorships**

Nil

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

Nil

### **Special responsibilities**

Member of the Company's Audit and Risk Management Committee



## **Stan Kalinko (Non-Executive Director) continued**

### **Interest in shares and options**

Ordinary Shares	10,000
Options (\$0.25 @ 31/01/10)	-
Options (\$0.98 @ 31/01/10)	250,000
Options (\$0.60 @ 31/01/10)	250,000
Convertible Redeemable Preference Shares	-

### **SECRETARIES**

Mr Duncan Cornish and Mr Anthony Carius were joint Secretaries of the Company during the period and until the date of this report.

#### **Duncan Cornish**

Mr Cornish has more than fifteen years experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PriceWaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Mr Cornish holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants. He is also the Company Secretary of several other ASX listed companies.

Mr Cornish is also the joint secretary on the Company's Audit and Risk Management Committee.

#### **Anthony Carius (appointed 2 January 2008)**

Mr Carius has worked for nine years in accounting, primarily with accounting firm PKF International in both Australia and England. His experience consists of providing mainly assurance and corporate services to range of listed and non-listed companies across various industries.

He holds a Bachelor of Business degree and a Graduate Diploma from the Institute of Chartered Accountants in Australia. He is also a member of the Institute of Chartered Accountants in Australia.

Mr Carius serves as the Company's Chief Financial Officer and is also the joint secretary on the Company's Audit and Risk Management Committee.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Consolidated Entity during the period were providing debt solutions and direct lending services to individuals and businesses.

## **OPERATING RESULTS**

The consolidated profit from ordinary activities for the Consolidated Entity after providing for income tax and eliminating outside equity interests was \$2,681,116 (2007: \$6,519,690).

## **DIVIDENDS PAID OR RECOMMENDED**

There were no dividends paid or recommended during or since the financial year.

## **REVIEW OF OPERATIONS**

Detailed comments on operations up to the date of this report are included separately in the Annual Report under Review of Operations and Future Developments.

## **REVIEW OF FINANCIAL CONDITION**

### **Capital structure**

Changes to the Company's capital structure during or since the end of the financial year are as follows:

On 12 July 2007, 400,000 ordinary shares were issued on exercise of 400,000 \$0.10 options;

On 7 August 2007, 200,000 ordinary shares were issued in consideration for services rendered;

On 2 October 2007, 8 Convertible Redeemable Preference Shares ("CRPS") were converted pursuant to the terms of the purchase agreement of 180 Group, which was acquired on 21 April 2006 and 180 Group exceeding its first profit target. The 8 CRPS were converted into 8,000,000 ordinary shares;

On 11 April 2008, 250,000 options exercisable at \$0.60 on or before 31 January 2010 were issued as part of Director's remuneration;

On 8 August 2008, 375,000 options exercisable at \$0.60 on or before 31 January 2010 were issued as part of executive remuneration pursuant to the Company's ESOP.





## Financial position

The net assets of the Consolidated Entity have increased by \$3,658,910 from that at 30 June 2007 to \$22,562,851 at 30 June 2008.

The Consolidated Entity's working capital, being current assets less current liabilities has improved from \$10,941,394 in 2007 to \$16,287,518 in 2008.

## Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

## Liquidity and funding

The Consolidated Entity has sufficient funds to finance its operations, and to allow the Consolidated Entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred in the financial period:

On 12 July 2007, 400,000 ordinary shares were issued on exercise of 400,000 \$0.10 options;

On 7 August 2007, 200,000 ordinary shares were issued in consideration for services rendered;

On 2 October 2007, 8 Convertible Redeemable Preference Shares ("CRPS") were converted pursuant to the terms of the purchase agreement of 180 Group, which was acquired on 21 April 2006 and 180 Group exceeding its first profit target. The 8 CRPS were converted into 8,000,000 ordinary shares;

On 11 April 2008, 250,000 options exercisable at \$0.60 on or before 31 January 2010 were issued as part of Director's remuneration.

## AFTER BALANCE DATE EVENTS

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2008, except as follows:

- On 15 August 2008, Fox Symes Home Loans Warehouse Trust #1's \$210m Warehouse facility was renewed until 15 May 2009.

## FUTURE DEVELOPMENTS

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years other than the information contained in the Review of Operations and Future Developments in the Directors' Report and information which the Directors believe comment on or disclosure of would prejudice the interests of the Consolidated Entity.

## ENVIRONMENTAL ISSUES

There are no matters that have arisen in relation to environmental issues up to the date of this report.

## SHARE OPTIONS

As at 30 June 2008 there were 2,090,000 unissued ordinary shares under options. As at the date of this report there were 2,465,000 unissued ordinary shares under options. All options granted are for unissued ordinary shares in FSA Group Ltd.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Each of the Directors and the Secretaries of the Company have either entered into or are about to enter into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors.





# 5 DIRECTORS' REPORT

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

The Company has not indemnified its auditor.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Executives of FSA Group Ltd (the Company).

### Remuneration policy

The performance of the Company depends upon the quality of its Directors, Executives and Senior Management. To prosper, the Company must attract, motivate and retain highly skilled Directors, Executives and Senior Management.

The Board does not presently have a Remuneration and Nomination Committee. The Directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of a separate committee. All matters which might be dealt with by such a committee are reviewed by the Directors meeting as a Board. The Board, in carrying out the functions of the Remuneration and Nomination Committee, are responsible for determining and reviewing compensation arrangements for the Directors, Executives and Senior Management.

The Board, in carrying out the functions of the Remuneration and Nomination Committee, assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

The Company aims to reward the Directors, Executives and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director, Executive and Senior Management objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Director, Executive Director, Executives and Senior Management remuneration is separate and distinct.

### Non-Executive Director Remuneration

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

The Constitution of the Company and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in General Meeting. The total aggregate annual remuneration payable to Non-Executive Directors of the Company is currently determined to be a maximum aggregate of \$250,000 (to be divided between Non-Executive Directors as the board determines). Additionally, Non-Executive Directors will be entitled to be reimbursed for properly incurred expenses.

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

The remuneration of Non-Executive Directors for the period ending 30 June 2008 is detailed in Table 1 of this Remuneration Report.



## REMUNERATION REPORT (AUDITED) continued

### Executive Directors and Senior Management Remuneration

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

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

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

1. performance based salary increases and/or bonuses; and/or
2. share-based payments.

Performance based salary increases and bonuses are assessed on a discretionary basis by the Board. No formal performance conditions or earnings milestones have been set for the granting of salary increases and bonuses. This allows the Board to retain flexibility around granting of salary increases and bonuses if the Company is affected by adverse economic conditions, and the payment of these salary increases and bonuses is not in the best interests of shareholders. A review of bonuses paid to the Executive Directors over the previous 4 years is consistent with the operational performance of the Group in those periods.

All executives and employees have the opportunity to qualify for participation in the FSA Group Ltd Employee Share Option Plan ("ESOP").

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2008 is detailed in Table 1 of this Remuneration Report.

An employee share incentive scheme has been established where executives and certain members of staff of FSA Group Ltd are issued with options over the ordinary shares of FSA Group Ltd. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of FSA Group Ltd. The options cannot be transferred and will not be quoted on the ASX. The total number of shares in respect of which options may be granted under the scheme to employees and which have not been exercised or lapsed shall not at any time exceed five percent (5%) of the Company's total issued share capital. There are no such restrictions as to the number of shares in respect of which options may be granted under the scheme to executives.

The exercise price of an option is and the exercise period is determined by the Board in accordance with Listing Rules.

No formal policy has been adopted regarding employees and directors hedging exposure to holdings of the Company's securities. No employees or directors have hedged their exposures.

### Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees. An employment agreement has also been entered into with Mr Hugh Parsons, a Non-Executive Director.



## REMUNERATION REPORT (AUDITED) continued

### Executive Directors

The Executive Directors, Mr Tim Odillo Maher and Ms Deborah Southon are employed under Executive Service Contracts. Under the terms of the contracts:

- Both FSA Group Ltd and the Executive Directors are entitled to terminate the contract upon giving three (3) months written notice.
- FSA Group Ltd is entitled to terminate the agreements upon the happening of various events or other conduct or if Mr Odillo Maher or Ms Southon cease to be a Directors of FSA Group Ltd.
- The contracts provide for annual reviews of performance by FSA Group Ltd.
- There are non early termination clauses.

### Non-Executive Directors

#### Mr Hugh Parsons

Mr Hugh Parsons has been engaged under an Employment Agreement and a Letter of Appointment of Non-Executive Director.

The key terms of Mr Parsons' Employment Agreement are:

- To serve as the Company's Compliance and Public Relations Officer for a minimum of 7.5 hours per week (previously 14 hours per week until employment terms amended on 6 February 2008).
- Three year term, plus an option (by both parties) for a further three year term.
- Total remuneration package of \$49,050 per year (amended from 6 February 2008, previously \$70,850 per year).

- 500,000 (unlisted) options were issued, as approved at the Annual General Meeting, to Mr Parsons. The terms of this issue were subsequently amended and approved at the EGM of 29 June 2007. The options will expire on 31 January 2010 (as amended) and have an exercise price of \$0.25. The variation of the terms approved at the EGM changed the vesting period of Mr Parsons' options from the grant date to 2 years after the grant date.

- Redundancy Payment as follows:

Termination after 12 months after commencement	\$100,000
--	-----------

The Redundancy Payment is payable in lieu of the Notice Period in the following circumstances:

- The Company terminates the Employment Agreement
- The Company does not renew the Employment Agreement for a further fixed term of three years
- Mr Parsons is not re-elected as a Director by the members of the Company
- Mr Parsons is removed as a Director by members of the Company

The Redundancy Payment is not payable in the following circumstances:

- Mr Parsons terminates the Employment Agreement
- The Company terminates the Employment Agreement in the event of bankruptcy or misconduct (as defined in the Employment Agreement)

The key terms of Mr Parsons' Letter of Appointment as Non-Executive Director are:

- Annual fee of \$38,150 (inclusive of Superannuation).



## REMUNERATION REPORT (AUDITED) continued

### Mr Stan Kalinko

Mr Stan Kalinko (appointed 9 May 2007) has been engaged under a Letter of Appointment of Non-Executive Director.

The key terms of Mr Kalinko's Letter of Appointment as Non-Executive Director are:

- Annual fee of \$45,000 (exclusive of Superannuation).
- 250,000 (unlisted) options were issued, as approved at the EGM of 29 June 2007. The options will expire at 31 January 2010 and have an exercise price of \$0.98.
- 250,000 (unlisted) options were issued, as approved at the EGM of 14 March 2008. The options will expire at 31 January 2010 and have an exercise price of \$0.60.

### Senior Management

Employment contracts entered into with senior management contain the following key terms:

Event	Company Policy
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options and shares	Board discretion
Resignation / notice period	1-3 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

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

### (i) Directors

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Hugh Parsons	Non-Executive Director
Stan Kalinko	Non-Executive Director

### (ii) Key Management Personnel

Duncan Cornish	Joint Company Secretary
Anthony Carius	Chief Financial Officer and Joint Company Secretary
Goran Turner	Chief Executive - Fox Symes Home Loans
Pierre-Alain De Villecourt	Chief Information Officer - FSA Group (employed 10 September 2007)
Nino Eid	Manager - Refinance



# 5 DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) continued

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

The Key Management Personnel of the Group include Duncan Cornish, Anthony Carius and Pierre-Alain De Villecourt, being the only executive officers of the Group's parent company, FSA Group Ltd.

Table 1

	Short-term			Post-Employment		Share-based Payment		Total
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Termination benefits	Options	Shares	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>								
Sam Doumany								
2008	80,000	-	-	7,200	-	-	-	87,200
2007	73,711	-	-	6,634	-	-	-	80,345
Tim Odillo Maher								
2008	150,000	-	-	-	-	-	-	150,000
2007	165,000	38,500	-	-	-	-	-	203,500
Deborah Southon								
2008	145,991	-	5,589	12,757	-	-	-	164,337
2007	157,092	35,000	-	17,288	-	-	-	209,380
Hugh Parsons								
2008	57,692	-	23,097	34,614	-	68,597	-	184,000
2007	42,307	-	6,723	45,192	-	33,924	-	128,146
Stan Kalinko								
2008	-	-	3,955	49,050	-	57,479	-	110,484
2007	-	-	493	6,058	-	137	-	6,688
<b>Total Remuneration: Directors</b>								
<b>2008</b>	<b>433,683</b>	<b>-</b>	<b>32,641</b>	<b>103,621</b>	<b>-</b>	<b>126,076</b>	<b>-</b>	<b>696,021</b>
<b>2007</b>	<b>438,110</b>	<b>73,500</b>	<b>7,216</b>	<b>75,172</b>	<b>-</b>	<b>34,061</b>	<b>-</b>	<b>628,059</b>
<b>Key Management Personnel</b>								
Duncan Cornish								
2008	38,000	-	-	-	-	-	-	38,000
2007	83,446	-	-	-	-	-	-	83,446
Anthony Carius								
2008	114,679	**22,935	9,800	12,385	-	62,797	-	222,596
2007	45,871	-	3,600	4,128	-	35,402	-	89,001
Pierre-Alain De Villecourt								
2008	182,603	-	5,389	10,402	-	-	-	198,394
2007	-	-	-	-	-	-	-	-
Goran Turner								
2008	229,323	-	8,923	17,792	-	-	-	256,038
2007	292,800	-	-	-	-	-	-	292,800
Nino Eid								
2008	170,394	-	6,067	15,286	-	5,625	-	197,372
2007	187,445	-	4,463	16,781	-	16,101	-	224,790
<b>Formerly specified as Key Management Personnel</b>								
Gregory Woszczalski								
2007	137,822	-	-	3,494	-	-	-	141,316
<b>Total Remuneration: Key Management Personnel</b>								
<b>2008</b>	<b>734,999</b>	<b>22,935</b>	<b>30,179</b>	<b>55,865</b>	<b>-</b>	<b>68,422</b>	<b>-</b>	<b>912,400</b>
<b>2007</b>	<b>747,384</b>	<b>-</b>	<b>8,063</b>	<b>24,403</b>	<b>-</b>	<b>51,503</b>	<b>-</b>	<b>831,353</b>

\*\* Bonuses were paid of \$13,761 and \$9,174 on 31 October 2007 and 12 June 2008 respectively. These bonuses were approved by the Executive Directors as part of discretionary performance based remuneration.

Fair value of options granted as part of remuneration are estimates only. The estimates are based on the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options.



## REMUNERATION REPORT (AUDITED) continued

### (c) Options issued as part of remuneration for the period ended 30 June 2008

During the year options were granted as equity compensation benefits to one Non-Executive Director. The options were issued for no consideration. Each of the granted options entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price and expiry date, as set out below.

The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for Executives.

	Terms & Conditions for Each Grant							
	Grant Date	Grant Number	Vest Date	Fair Value per Option at grant date (\$)#	Exercise Price	Fair Value per Option at Exercise Date	Fair Value at Date Option Lapsed	% of Remuneration
<b>Directors</b>								
Stan Kalinko	14 Mar 2008	250,000	28 Jun 2009	\$0.098	\$0.60	n/a	n/a	7%

# Calculation of fair value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

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

Options exercised during the year that were granted as remuneration in prior periods

#### Key Management Personnel

	Number of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Duncan Cornish	400,000	\$0.10	-
<b>Total</b>	<b>400,000</b>		



## REMUNERATION REPORT (AUDITED) continued

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

	Balance at 1 July 2007	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2008	Vested at 30 June 2008		
						Total	Not Exercisable	Exercisable
<b>ESOP Options</b>								
<b>Directors</b>	n/a							
Key Management Personnel								
Duncan Cornish	400,000	-	(400,000)	-	-	-	-	-
Anthony Carius	450,000	-	-	-	450,000	150,000	-	150,000
Nino Eid	50,000	-	-	-	50,000	-	-	-
<b>Total ESOP Options</b>	<b>900,000</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>500,000</b>	<b>150,000</b>	<b>-</b>	<b>150,000</b>
<b>Unlisted Options (\$0.25 @ 31-Jan-10)</b>								
Directors								
Hugh Parsons	500,000	-	-	-	500,000	-	-	-
Key Management Personnel	n/a							
<b>Unlisted Options (\$0.98 @ 31-Jan-10)</b>								
Directors								
Stan Kalinko	250,000	-	-	-	250,000	-	-	-
Key Management Personnel	n/a							
<b>Unlisted Options (\$0.60 @ 31-Jan-10)</b>								
Directors								
Stan Kalinko	-	250,000	-	-	250,000	-	-	-
Key Management Personnel	n/a							
<b>Total Unlisted Options</b>	<b>750,000</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

All options vest to Directors or other employees if they are employed with the Group at vesting date. The exercise price reflects the closing share price of FSA Group Limited on the trading day preceding the grant plus a premium specific to each grant contract to ensure benefits are linked to the future growth in share price of the Company.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Terms & Conditions for Each Grant				
Grant Date	Grant Number	Vest Date	Fair Value per Option at Grant Date (\$)	Exercise Price
21 Nov 2006	500,000	20 Nov 2008	\$0.2736	\$0.25
01 Feb 2007	150,000	31 Dec 2007	\$0.2948	\$0.655
01 Feb 2007	150,000	31 Dec 2008	\$0.2948	\$0.655
01 Feb 2007	150,000	31 Dec 2009	\$0.2948	\$0.655
19 Feb 2007	640,000	31 Dec 2009	\$0.3220	\$0.60
29 Jun 2007	250,000	28 Jun 2009	\$0.4014	\$0.98
14 Mar 2008	250,000	28 Jun 2009	\$0.0980	\$0.60



## REMUNERATION REPORT (AUDITED) continued

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

Shares held in FSA Group Ltd, including CRPS (number)	Balance 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
<b>Directors</b>					
Sam Doumany	1,000,000	-	-	-	1,000,000
Tim Odillo Maher	32,695,536	-	-	**8,100,197	40,795,733
Deborah Southon	12,946,533	-	-	-	12,946,533
Stan Kalinko	-	-	-	10,000	10,000
<b>Key Management Personnel</b>					
Duncan Cornish	2,100,000	-	400,000	(1,416,729)	1,083,271
Anthony Carius	-	-	-	26,158	26,158
Nino Eid	100,000	-	-	-	100,000
<b>Total</b>	<b>48,842,069</b>	<b>-</b>	<b>400,000</b>	<b>6,719,626</b>	<b>55,961,695</b>

\*\* Included here is the conversion of 8 Convertible Redeemable Preference Shares to 8,000,000 ordinary shares. Refer to (h) below. Total shareholdings includes 16 Convertible Redeemable Preference Shares.

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

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

On 2 October 2007, upon 180 Group exceeding the performance parameters required, 8 CRPS, converted in to 8,000,000 ordinary shares and were issued to the Vendor, a company associated with Mr Tim Odillo Maher.

### (h) Other transactions to Directors and Key Management Personnel

There were no other transactions or balances with Directors or Key Management Personnel during the period.

## Convertible Redeemable Preference Shares (CRPS)

### Background to the transaction

Part of the consideration for the acquisition of 180 Group Holdings was paid by FSA Group by the issue of the CRPS. In summary, the terms of the CRPS are as follows:

- a total of 32 one dollar (\$1) CRPS were issued to Capital Management Corporation Pty Ltd, the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

## DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director are as follows:

	Number of meetings held while in office	Meetings attended
Sam Doumany	12	12
Tim Odillo Maher	12	11
Deborah Southon	12	11
Hugh Parsons	12	12
Stan Kalinko	12	11

Total number of meetings held during the financial year – 12





### AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS

The number of meetings of the Audit and Risk Management Committee held during the period and the number of meetings attended by each member of the Audit and Risk Management Committee are as follows:

	Number of meetings held while in office	Meetings attended
Hugh Parsons	3	3
Sam Doumany	3	3
Stan Kalinko	3	3

Total number of meetings held during the financial year – 3

### TAX CONSOLIDATION

FSA Group Ltd and its 100% owned subsidiaries have formed a tax consolidated group and have entered tax sharing and tax funding arrangements.

180 Group Pty Ltd (controlled by FSA Group Ltd) and its 100% owned subsidiaries have formed a tax consolidated group and have entered tax sharing and tax funding arrangements.

Fox Symes Home Loans Pty Limited (controlled by FSA Group Ltd) and its 100% owned subsidiaries have formed a tax consolidated group and have entered tax sharing and tax funding arrangements.

### NON-AUDIT SERVICES

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

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.
- all non-audit services are performed by persons not involved in the audit.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

Tax consulting services \$67,910

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors Report and can be found on page 24.

### AUDITOR DETAILS

PKF Chartered Accountants continues in office in accordance with section 327 of the *Corporations Act 2001*.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of FSA Group Ltd support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is separately contained in the Annual Report.

Signed in accordance with a resolution of the directors.



**Tim Odillo Maher**  
Director

Sydney  
25 September 2008



# 6

## AUDITOR'S INDEPENDENCE DECLARATION



Chartered Accountants  
& Business Advisers

As lead auditor for the audit of FSA Group Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

PKF

**Wayne Wessels**  
Partner

Dated at Brisbane this 25th day of September 2008

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# 7

## SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2008.

### (a) Distribution of equity securities

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

	Quoted Ordinary shares	
	Number of holders	Number of shares
1 – 2,273	115	154,895
2,273 – 5,000	290	1,074,728
5,001 – 10,000	318	2,694,580
10,001 – 100,000	421	12,831,775
100,001 and over	89	98,681,535
Total	1,233	115,437,513

The number of shareholders holding less than a marketable parcel of shares (2,273) are 115 (holding a total of 154,895 ordinary shares).

	Convertible Redeemable Preference Shares ("CRPS")		Unquoted \$0.60 options exercisable on or before 31 January 2010	
	Number of holders	Number of CRPS	Number of holders	Number of CRPS
1 – 1,000	1	16	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	13	600,000
100,001 and over	-	-	1	250,000
Total	1	16	14	850,000

	Unquoted \$0.25 options exercisable on or before 31 January 2010		Unquoted \$0.655 options exercisable on or before 31 January 2010	
	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	-	-
100,001 and over	1	500,000	1	450,000
Total	1	500,000	1	450,000

	Unquoted \$0.98 options exercisable on or before 31 January 2010	
	Number of holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	250,000
Total	1	250,000



# 7 SHAREHOLDER INFORMATION

## (b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

### Ordinary shares:

1	Capital Management Corporation Pty Ltd	24,000,000	20.8%
2	Mazamand Group Pty Ltd	16,795,717	14.5%
3	ADST Pty Ltd	12,946,533	11.2%
4	BJR Investment Holdings Pty Ltd	11,000,000	9.5%
5	Droga Capital Pty Ltd	3,410,000	3.0%
6	Bulwarra Holdings Pty Ltd	1,913,150	1.7%
7	Investment Custodial Services Ltd	1,361,153	1.2%
8	Sareena Enterprises Pty Ltd	1,356,667	1.2%
9	Phillips Consolidated Pty Ltd	1,150,000	1.0%
10	Top Chook Investments Pty Ltd	1,111,111	1.0%
11	Maramindi Pty Ltd	1,000,000	0.9%
12	Mr Costa Emil Vrisakis and Mrs Despina Vrisakis	1,000,000	0.9%
13	Miss Xin Zhang	911,000	0.8%
14	Ganbros Pty Ltd	750,000	0.6%
15	Mr Peter David Carr and Mr John Richard Carr	743,413	0.6%
16	James Dundas Ritchie	700,000	0.6%
17	Karia Investments Pty Ltd	666,666	0.6%
18	Mrs Catherina Louisa Cornish	652,916	0.6%
19	Mrs Zhi Chen	650,000	0.6%
20	Cogent Nominees Pty Ltd	554,722	0.5%
	<b>Top 20</b>	<b>82,673,048</b>	<b>71.8%</b>
	<b>Total</b>	<b>115,437,513</b>	<b>100.0%</b>

## (c) Substantial shareholders

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

	<b>Number of shares</b>
Mazamand Group Pty Ltd	16,795,717
ADST Pty Ltd	12,946,533
BJR Investment Holdings Pty Ltd	11,000,000

## (d) Voting rights

All ordinary shares carry one vote per share without restriction.

## (e) Restricted securities

As at the date of this report, there were 8,000,000 ordinary shares subject to voluntary restriction agreements.

## (f) Business objectives

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



The Board of Directors of FSA Group Ltd is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of FSA Group Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

FSA Group Ltd's Corporate Governance Statement is now structured with reference to the Australian Stock Exchange Corporate Governance Council's (the "Council") "Principles of Good Corporate Governance and Best Practice Recommendations"; which are as follows:

- Principle 1  
Lay solid foundations for management and oversight
- Principle 2  
Structure the board to add value
- Principle 3  
Promote ethical and responsible decision making
- Principle 4  
Safeguard integrity in financial reporting
- Principle 5  
Make timely and balanced disclosure
- Principle 6  
Respect the rights of shareholders
- Principle 7  
Recognise and manage risk
- Principle 8  
Encourage enhanced performance
- Principle 9  
Remunerate fairly and responsibly
- Principle 10  
Recognise the legitimate interests of stakeholders

FSA Group Ltd's corporate governance practices were in place throughout the year ended 30 June 2008. Any departures to the Council's best practice recommendations are set out below.

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and the individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
Mr Sam Doumany	Non-Executive Chairman
Mr Hugh Parsons	Non-Executive Director
Mr Stan Kalinko	Non-Executive Director





# CORPORATE GOVERNANCE STATEMENT

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Mr Tim Odillo Maher	Executive Director	Mr Odillo Maher is employed by the Company in an executive capacity
Ms Deborah Southon	Executive Director	Ms Southon is employed by the Company in an executive capacity

FSA Group Ltd considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its board members. The members of the board have been brought together to provide a blend of qualifications, considerable industry skills and national and international experience required for managing a company operating within the financial services and debt management industry.

There are procedures in place, agreed by the Board, to enable the Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Sam Doumany	5 years 8 months
Tim Odillo Maher	6 years 1 month
Deborah Southon	6 years 1 month
Hugh Parsons	2 year 1 month
Stan Kalinko	1 year 4 months

## Nomination and Remuneration Committees

Recommendations 2.4 and 9.2 require listed entities to establish nomination and remuneration committees. During the year ended 30 June 2008, FSA Group Ltd did not have separately established nomination or remuneration committees. The full Board shall for the time being carry out the functions of remuneration & nomination committees. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate remuneration or nomination committees.

## Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit and Risk Management Committee.

The Audit and Risk Management Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are Non-Executive Directors.





## CORPORATE GOVERNANCE STATEMENT

The members of the Audit and Risk Management Committee during the period 1 July 2007 to 30 June 2008 were:

- Sam Doumany
- Hugh Parsons – Chairperson
- Stan Kalinko

For additional details of Directors' attendance at Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

### **Performance**

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and Executives are assessed is aligned with the financial and non-financial objectives of FSA Group Ltd.

### **Remuneration**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating director and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive director's and officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of FSA Group Ltd

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year, and for all directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of FSA Group Ltd and the performance of the individual during the period.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. As noted above, no separate remuneration committee has been created.



# INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Entity		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>REVENUE AND OTHER INCOME</b>					
Fees from Services	2	<u>30,308,900</u>	<u>29,538,598</u>	<u>12,241</u>	<u>-</u>
Finance income	2	9,597,656	4,377,773	21,072	133,955
Finance expense	2	<u>(4,143,935)</u>	<u>(260,675)</u>	-	-
Net finance income	2	5,453,721	4,117,098	21,072	133,955
Other income	2	<u>526,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER INCOME NET OF FINANCE EXPENSE</b>		<b><u>36,288,711</u></b>	<b><u>33,655,696</u></b>	<b><u>33,313</u></b>	<b><u>133,955</u></b>
SHARE OF PROFITS OF AN ASSOCIATE USING THE EQUITY ACCOUNTING METHOD	27	246,665	187,836	-	-
EXPENSES FROM CONTINUING ACTIVITIES	3	<u>(31,797,640)</u>	<u>(24,147,626)</u>	<u>(261,101)</u>	<u>(102,790)</u>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b><u>4,737,736</u></b>	<b><u>9,695,906</u></b>	<b><u>(227,788)</u></b>	<b><u>31,165</u></b>
INCOME TAX (EXPENSE)/BENEFIT	4	<u>(1,533,812)</u>	<u>(2,874,320)</u>	<u>(29,147)</u>	<u>87,539</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>3,203,924</u></b>	<b><u>6,821,586</u></b>	<b><u>(256,935)</u></b>	<b><u>118,704</u></b>
PROFIT ATTRIBUTABLE TO MINORITY EQUITY INTEREST		<u>522,808</u>	<u>301,896</u>	<u>-</u>	<u>-</u>
PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		<u>2,681,116</u>	<u>6,519,690</u>	<u>(256,935)</u>	<u>118,704</u>
<b>Earnings per share</b>					
Basic earnings per share (cents per share)	6	2.37	6.24		
Diluted earnings per share (cents per share)	6	2.21	5.76		

*The Income Statements should be read in conjunction with the Notes to the Financial Statements.*





# 10

## BALANCE SHEETS AS AT 30 JUNE 2008

	Note	Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
		\$	Restated \$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	7,676,105	6,670,521	256,456	2,253,102
Trade and other receivables	8	19,909,109	14,105,368	-	-
Current tax assets		660,749	-	421,952	-
Other assets	9	440,596	151,802	-	-
<b>Total Current Assets</b>		<b>28,686,559</b>	<b>20,927,691</b>	<b>678,408</b>	<b>2,253,102</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	8	9,065,820	4,255,545	-	-
Investments in associates	27	62,114	139,449	-	-
Plant and equipment	12	1,029,289	701,744	-	-
Investment property	13	333,922	1,359,387	-	-
Other assets	9	3,900	594,716	6,546,397	6,546,397
Deferred tax assets	4d	901,176	812,622	-	-
Intangible assets	14	3,830,835	3,830,835	-	-
<b>Total Non-Current Assets</b>		<b>15,227,056</b>	<b>11,694,298</b>	<b>6,546,397</b>	<b>6,546,397</b>
<b>ASSETS FINANCED BY NON-RECOURSE FINANCIAL LIABILITIES</b>					
Cash and cash equivalents	7	11,187,707	1,750,365	-	-
Trade and other receivables	8	39,340	185,412	-	-
Specialty finance assets	10	89,767,650	565,000	-	-
<b>Total Assets financed by Non-Recourse Financial Liabilities</b>		<b>100,994,697</b>	<b>2,500,777</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>144,908,312</b>	<b>35,122,766</b>	<b>7,224,805</b>	<b>8,799,499</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	9,723,593	7,098,919	604,998	1,888,664
Current tax liabilities		-	929,350	-	489,079
Borrowings	16	786,298	698,218	-	-
Provisions	17	1,889,150	1,259,810	-	-
<b>Total Current Liabilities</b>		<b>12,399,041</b>	<b>9,986,297</b>	<b>604,998</b>	<b>2,377,743</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	16	6,952,779	1,099,542	-	-
Provisions	17	71,959	39,218	-	-
Deferred tax liabilities	4e	3,034,842	2,615,673	-	-
<b>Total Non-Current Liabilities</b>		<b>10,059,580</b>	<b>3,754,433</b>	<b>-</b>	<b>-</b>
<b>NON-RECOURSE FINANCIAL LIABILITIES</b>					
Borrowings	16	99,886,840	2,478,095	-	-
<b>Total Non-Recourse Financial Liabilities</b>		<b>99,886,840</b>	<b>2,478,095</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>122,345,461</b>	<b>16,218,825</b>	<b>604,998</b>	<b>2,377,743</b>
<b>NET ASSETS</b>		<b>22,562,851</b>	<b>18,903,941</b>	<b>6,619,807</b>	<b>6,421,756</b>
<b>EQUITY</b>					
Share capital	18	7,137,472	6,943,472	7,137,472	6,943,472
Reserves	19	402,605	141,619	402,605	141,619
Retained earnings/(Accumulated losses)		13,931,661	11,250,545	(920,270)	(663,335)
Minority equity interest		1,091,113	568,305	-	-
<b>TOTAL EQUITY</b>		<b>22,562,851</b>	<b>18,903,941</b>	<b>6,619,807</b>	<b>6,421,756</b>

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements. Refer to Note 1 for details of the restatement of the 30 June 2007 consolidated balance sheet.



# 11

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

### Consolidated Entity

	Share Capital	Reserves	Retained Earnings	Minority Interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	<b>6,891,022</b>	<b>38,848</b>	<b>4,730,855</b>	<b>266,409</b>	<b>11,927,134</b>
Profit for the year attributable to members of the parent	-	-	6,519,690	-	6,519,690
Profit for the year attributable to minority shareholders	-	-	-	301,896	301,896
Share based payments expense	-	102,771	-	-	102,771
Options exercised into ordinary shares	60,000	-	-	-	60,000
Issue costs	(7,550)	-	-	-	(7,550)
<b>Balance at 30 June 2007/1 July 2007</b>	<b>6,943,472</b>	<b>141,619</b>	<b>11,250,545</b>	<b>568,305</b>	<b>18,903,941</b>
Profit for the year attributable to members of the parent	-	-	2,681,116	-	2,681,116
Profit for the year attributable to minority shareholders	-	-	-	522,808	522,808
Issue of shares (remuneration)	154,000	-	-	-	154,000
Options exercised into ordinary shares	40,000	-	-	-	40,000
Share based payment expense	-	260,986	-	-	260,986
<b>Balance at 30 June 2008</b>	<b>7,137,472</b>	<b>402,605</b>	<b>13,931,661</b>	<b>1,091,113</b>	<b>22,562,851</b>

### Parent Entity

	Share Capital	Reserves	(Accumulated Losses)	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	<b>6,891,022</b>	<b>38,848</b>	<b>(782,039)</b>	<b>6,147,831</b>
Profit for the year attributable to members of the parent	-	-	118,704	118,704
Share based payments expenses	-	102,771	-	102,771
Options exercised into ordinary shares	60,000	-	-	60,000
Issue costs	(7,550)	-	-	(7,550)
<b>Balance at 30 June 2007/1 July 2007</b>	<b>6,943,472</b>	<b>141,619</b>	<b>(663,335)</b>	<b>6,421,756</b>
Loss for the year attributable to members of the parent	-	-	(256,935)	(256,935)
Issue of shares (remuneration)	154,000	-	-	154,000
Options exercised into ordinary shares	40,000	-	-	40,000
Share based payment expense	-	260,986	-	260,986
<b>Balance at 30 June 2008</b>	<b>7,137,472</b>	<b>402,605</b>	<b>(920,270)</b>	<b>6,619,807</b>

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.



# 12

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Entity		Parent Entity	
		2008	2007 Restated	2008	2007
		\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and debtors, including amounts received on behalf of institutional creditors		61,689,080	53,867,455	-	-
Payments to institutional creditors, suppliers and employees		(61,056,113)	(50,971,320)	-	-
Interest received		5,928,207	2,645,153	21,072	133,955
Interest and other costs of finance paid		(3,620,421)	(260,675)	-	-
Income tax paid		(2,706,312)	(2,467,910)	(1,599,475)	(1,328,277)
<b>Net cash inflow/(outflow) from operating activities</b>	20	<b>234,441</b>	<b>2,812,703</b>	<b>(1,578,403)</b>	<b>(1,194,322)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment		(780,206)	(404,781)	-	-
Acquisition of investment property		-	(1,039,878)	-	-
Acquisition of investment in associate		-	(7,963)	-	-
Proceeds from disposal of Investment Property		1,350,000	-	-	-
Increase in Specialty finance assets		(88,696,293)	(565,000)	-	-
Increase in Bridging finance assets and factoring finance assets		(4,876,564)	(3,342,427)	-	-
<b>Net cash outflow from investing activities</b>		<b>(93,003,063)</b>	<b>(5,360,049)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from / (repayment of) borrowings		103,126,548	3,331,386	(553,243)	986,736
Proceeds from share issues		40,000	52,450	40,000	52,450
Proceeds from /(repayment of) Unsecured notes		45,000	(370,000)	95,000	(95,000)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>103,211,548</b>	<b>3,013,836</b>	<b>(418,243)</b>	<b>944,186</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,442,926</b>	<b>466,490</b>	<b>(1,996,646)</b>	<b>(250,136)</b>
Cash and cash equivalents at the beginning of the financial year		8,420,886	7,954,396	2,253,102	2,503,238
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>18,863,812</b>	<b>8,420,886</b>	<b>256,456</b>	<b>2,253,102</b>

### Reclassification of the Cashflow Statements

The Consolidated Entity has previously classified cash flows of its loan receivables from lending operations as "Cash flows from operating activities" as these were largely funded from internal cash reserves. During the 2008 financial year the Consolidated Entity's mortgage loan receivables book grew by \$88m and it obtained a \$10m funding line to finance the growth in its bridging finance and factoring finance loan portfolios.

Given the growth of these assets it is now more relevant to classify these cashflows as "Cash flows from investing activities". Accordingly the presentation of the Cash Flow Statements for the 2007 financial year has been restated for comparability. The cash outflows for increases in specialty finance assets, bridging finance assets and factoring finance assets being \$565,000, \$1,766,606 and \$1,575,821 respectively were previously included in cashflow from operations.

*The Cash Flow Statements should be read in conjunction with the Notes to the Financial Statements.*



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report includes the financial statements of FSA Group Ltd ("the Parent Entity" or "the Company") and the Consolidated entity (or "the Group") consisting of FSA Group Ltd and its controlled entities. FSA Group Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 25 September 2008.

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

### Basis of preparation

The financial report is presented in Australian dollars.

### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Reclassification of the Balance Sheet

Australian Accounting Standard AASB 101 "Presentation of Financial Statements" allows an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. FSA Group Ltd has amended the presentation of the Consolidated Entity's Balance Sheet and adopted this mixed basis of presentation as the non-current/current allocation is the more relevant presentation for the Group generally, whilst the assets and liabilities of the Group's special purpose entity, Fox Symes Home Loans Warehouse Trust #1, which creates Residential Mortgage Backed Securities are more relevantly presented on the liquidity basis.

The effect of this re-classification on the 30 June 2007 Balance Sheet is as follows:

	<b>Consolidated Entity</b>		
	<b>Previously reported As at 30 June 2007</b>	<b>Reclassification</b>	<b>Restated As at 30 June 2007</b>
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8,420,886	(1,750,365)	6,670,521
Trade and other receivables	14,295,004	(189,636)	14,105,368
Other	151,802	-	151,802
<b>TOTAL CURRENT ASSETS</b>	<u>22,867,692</u>	<u>(1,940,001)</u>	<u>20,927,691</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	4,816,321	(560,776)	4,255,545
Investment in Associate	139,449	-	139,449
Plant and equipment	701,744	-	701,744
Investment Properties	1,359,387	-	1,359,387
Other financial assets	594,716	-	594,716
Deferred tax assets	812,622	-	812,622
Intangible assets	3,830,835	-	3,830,835
<b>TOTAL NON-CURRENT ASSETS</b>	<u>12,255,074</u>	<u>(560,776)</u>	<u>11,694,298</u>



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### Reclassification of the Balance Sheet *continued*

	Previously reported As at 30 June 2007 \$	Consolidated Entity	
		Reclassification \$	Restated As at 30 June 2007 \$
<b>ASSETS FINANCED BY NON-RECOURSE FINANCIAL LIABILITIES</b>			
Cash and cash equivalents	-	1,750,365	1,750,365
Trade and other receivables	-	185,412	185,412
Specialty Finance Assets	-	565,000	565,000
<b>TOTAL ASSETS FINANCED BY NON-RECOURSE FINANCIAL LIABILITIES</b>	-	2,500,777	2,500,777
<b>TOTAL ASSETS</b>	35,122,766	-	35,122,766
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7,098,919	-	7,098,919
Current tax liabilities	929,350	-	929,350
Borrowings	3,176,313	(2,478,095)	698,218
Provisions	1,259,810	-	1,259,810
<b>TOTAL CURRENT LIABILITIES</b>	12,464,392	(2,478,095)	9,986,297
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	1,099,542	-	1,099,542
Provisions	39,218	-	39,218
Deferred tax liabilities	2,615,673	-	2,615,673
<b>TOTAL NON-CURRENT LIABILITIES</b>	3,754,433	-	3,754,433
<b>NON-RECOURSE FINANCIAL LIABILITIES</b>			
Borrowings	-	2,478,095	2,478,095
<b>TOTAL NON-RECOURSE FINANCIAL LIABILITIES</b>	-	2,478,095	2,478,095
<b>TOTAL LIABILITIES</b>	16,218,825	-	16,218,825
<b>NET ASSETS</b>	18,903,941	-	18,903,941
<b>EQUITY</b>			
Share Capital	6,943,472	-	6,943,472
Reserves	141,619	-	141,619
Retained earnings	11,250,545	-	11,250,545
Minority equity interest	568,305	-	568,305
<b>TOTAL EQUITY</b>	18,903,941	-	18,903,941

#### Accounting Policies

##### (a) Principles of Consolidation

A controlled entity is any entity FSA Group Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 11 to the financial statements. All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority interests in equity and results of the entities controlled are shown as a separate item in the consolidated financial report.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (b) Income Tax

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

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

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

#### *Tax consolidation*

FSA Group Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Additionally, 180 Group Pty Ltd and its wholly-owned Australian subsidiaries and Fox Symes Home Loans Pty Ltd and its wholly-owned Australian subsidiaries have also formed income tax consolidated groups under the Tax Consolidation Regime.

FSA Group Ltd, 180 Group Pty Ltd and Fox Symes Homes Loans Pty Ltd as head entities of their respective tax consolidated groups and the controlled entities in each group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

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

The respective tax consolidated groups have entered into tax sharing agreements whereby each company in the group contributes to the income tax payable of the consolidated group.

#### (c) Financial Instruments

##### *Non-derivative financial instruments*

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

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

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





# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### *Non-derivative financial instruments continued*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the Cashflow Statement.

#### *Ordinary Share Capital*

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity net of any related income tax benefit.

#### *Held-to-maturity investments*

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### *Investments at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *Loans and Receivables*

Loans and receivables are held at amortised cost. Loan assets held at amortised cost are non derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when a mortgage loan is originated in the Group's balance sheet. These are accounted for at amortised cost using the effective interest method.

#### (d) Property, Plant and Equipment

##### *Property, Plant and equipment*

Property, plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### *Depreciation*

Property, plant and equipment is depreciated over their useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives used for each class of asset are:

Class of Asset	Useful life
Plant and equipment	2 to 5 years
Computers and Office Equipment	2 to 5 years
Leasehold improvements	5 years
Furniture and Fitting	2 to 5 years
Motor Vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### *Depreciation continued*

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

#### (e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both. Investment properties are measured at cost less accumulated depreciation.

Investment properties have a useful life of 40 years.

#### (f) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

#### (g) Impairment of assets

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

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

#### (h) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### *Equity settled compensation*

Share based compensation benefits are provided to employees via the FSA Group Ltd Employee Share Option Plan ("ESOP"). Information relating to the ESOP is set out in the Remuneration Report, contained within the Directors' report.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.





# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Employee benefits continued

#### *Equity settled compensation continued*

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Under the employee share scheme, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

#### *Bonuses and profit sharing arrangements*

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

(i) Provisions

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

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Rendering of Services – Personal Insolvency*

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

#### **Debt Agreement Application Fees**

Upon the completion of preparing the Debt Agreement proposal for consideration by the creditors and the Insolvency and Trustee Service of Australia (ITSA).

#### **Debt Agreement Fees**

At the date of approval of the Debt Agreement proposal by a majority of the vote value of creditors.

#### **Trustee Fees – Bankruptcy and Personal Insolvency Agreements**

Trustee Fees are recognised as work in progress and time billed. Fee income is only recognised to the extent fees have been approved by creditors.

#### *Rendering of Services – Recruitment Fees*

Recruitment Fees are recognised upon commencement of employment under the agreed contact terms for that placement.

Under the contract terms the outcome of the transaction cannot be measured reliably until such time as the candidate has commenced employment.

#### *Refinance Fees*

When the outcome of a contract to provide services can be estimated reliably, either upon receipt of upfront fee and subsequent turbo or trail commission, in the case of non-conforming lending, or in the case of conforming lending, trail commission revenue and receivables are recognised at fair-value being the future trail commission receivable discounted to their net present value.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (j) Revenue recognition continued

##### *Interest*

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

##### *Finance fee income*

Finance fee income is recognised in either of two ways, either upfront where the fee represents a recovery of costs or a charge for services provided to customers (e.g. application fees and risk assessment fees) or, where income relates to loan origination, income is deferred and amortised over the effective life of the loan using the effective interest method. Deferred establishment fees are establishment fees which the borrower is contracted to pay but payment is deferred until such time as they repay the outstanding loan balance. These fees are waived if the loan is repaid after the qualifying period. These fees are recognised at the commencement of the contract and are amortised over the current average life of the loan.

#### (k) Goods & Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

#### (l) Comparative figures

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

#### (m) Investments in Subsidiaries

Investments are brought to account on the cost basis in the parent entity's financial statements and using the equity method, after initially being recognised at costs in the consolidated entity's financial statements. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flow from investments has not been discounted to their present value in determining the recoverable amounts, except where stated.

#### (n) Intangibles

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

#### (o) Trade and other payables

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

Monies received (and not yet distributed pursuant to the Debt Agreements) on behalf of institutional creditors are recorded as current liabilities.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (p) Provision for Institutional Creditor Payments

Dividends payable to Institutional Creditors are provided for in the financial statements in accordance with the respective Debt Agreement Proposals accepted by the official receiver for processing prior to 1 July 2007 and are classified as current provisions unless all of the Debt Agreement fee has been received, in which case they are classified as a current payable.

#### (q) Significant accounting estimates and assumptions

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

#### ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

#### ***Impairment of receivables***

##### *Debt agreement receivables*

Impairment of debt agreement receivables is assessed on a collective basis based on historical collections data. Considering the length of time it takes to collect debts in administration and the inherent uncertainty over the collection of these amounts this method represents management's "best estimate" of the recoverability of debtors in the debt agreement business. Impairment is provided for and recorded in a separate Allowance account. Amounts are written off against this account as bad when debt agreements are terminated by creditors.

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

##### *Other loans and advances*

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

#### (r) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from that date the significant influence commences until the date where significant influence ceases. When the Group's share of the loss extends its interest in the equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### (s) Finance Income and Costs

Finance Income is measured and recognised as per *(j) Revenue recognition* above.

Finance costs comprise interest expense on borrowings, unwinding of discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (t) Earnings per share

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

#### (u) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Operating segments are distinguished and presented based on the differences in providing services and providing finance products.

#### (v) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

#### (w) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Consolidated Entity and the Parent Entity's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group currently does not incur borrowing costs.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) Revised AASB 3 Business Combinations

The revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include the immediate expensing of all transaction costs, measurement of contingent consideration at acquisition date with subsequent changes through the income statement, measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2009 financial statements. The Group has not yet determined the impact (if any) on the financial report.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(w) New standards and interpretations not yet adopted continued

(iv) Revised AASB 127 Consolidated and Separate Financial Statements

Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting treatment for investments in subsidiaries. Key changes include the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2009 financial statements. The Group has not yet determined the impact (if any) on the financial report.

(v) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

The key changes include dividends received from a subsidiary, jointly controlled entity or associate out of pre-acquisition income will be recorded as income; a dividend from a subsidiary, jointly controlled entity or associate is recognised in the income statement when the right to receive the dividend is established; and the recognition of a dividend received by the parent is an impairment indicator in specified circumstances. The revised standard will become mandatory for the Group's 30 June 2010 financial report. The Group has not yet determined the potential effect of these improvements on the financial report.

(vi) Revised AASB 2008-1 Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations [AASB 2].

The amendment clarifies that vesting conditions are restricted to service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. This restriction was not clearly stated in the pre-amended standards. This means that all other terms and conditions are accounted for in the value of the share or option at grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The revised standard will become mandatory for the Group's 30 June 2010 financial report. The Group has not yet determined the potential effect of these improvements on the financial report.

(vii) AASB 2008-5 and AASB 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

A number of accounting standards have been amended under the improvement project. The first part contains amendments that result in accounting changes for presentation, recognition and measurement purposes. The second part contains amendments that are terminology or editorial changes only, which is expected to have no or minimal effect on accounting. The revised standard will become mandatory for the Group's 30 June 2010 financial report. The Group has not yet determined the potential effect of these improvements on the financial report.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>2 REVENUE AND OTHER INCOME NET OF FINANCE EXPENSE</b>				
<b>Fees from Services</b>				
- Personal Insolvency	22,344,265	20,497,856	-	-
- Refinance	3,921,231	6,148,699	-	-
- Corporate	1,393,181	1,747,757	-	-
- Recruitment	2,181,313	735,538	-	-
- Other services	468,910	408,748	12,241	-
<b>Total revenue</b>	<b>30,308,900</b>	<b>29,538,598</b>	<b>12,241</b>	<b>-</b>
<b>Finance Income</b>				
- Interest income – bridging finance	2,675,601	2,344,591	-	-
- Interest income – specialty finance assets	3,637,764	1,175	-	-
- Upfront Fee income – bridging finance	648,445	1,165,402	-	-
- Upfront Fee income – specialty finance assets	1,038,989	-	-	-
- Factoring income	812,483	427,587	-	-
- Other interest income	784,374	439,018	21,072	133,955
	<b>9,597,656</b>	<b>4,377,773</b>	<b>21,072</b>	<b>133,955</b>
<b>Finance Expense</b>				
- Interest expense – Warehouse facilities	(3,666,474)	(3,095)	-	-
- Interest expense – Other financial liabilities	(477,461)	(257,580)	-	-
	<b>(4,143,935)</b>	<b>(260,675)</b>	<b>-</b>	<b>-</b>
<b>Net Finance income</b>	<b>5,453,721</b>	<b>4,117,098</b>	<b>21,072</b>	<b>133,955</b>
<b>Other Income</b>				
Gain on disposal of portfolio assets	187,942	-	-	-
Gain on disposal of investment property	338,148	-	-	-
	<b>526,090</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3 PROFIT/(LOSS) FOR THE YEAR</b>				
<b>Expenses</b>				
Expenses from continuing activities excluding finance costs, classified by function:				
Marketing expenses	5,618,249	4,306,350	-	-
Administrative expenses	6,094,238	6,297,713	260,986	102,771
Operating expenses	20,085,153	13,543,563	115	19
	<b>31,797,640</b>	<b>24,147,626</b>	<b>261,101</b>	<b>102,790</b>
Depreciation on plant and equipment	403,339	319,186	-	-
Amortisation on leasehold improvements	9,811	5,738	-	-
Depreciation on investment properties	13,613	32,572	-	-
	<b>426,763</b>	<b>357,496</b>	<b>-</b>	<b>-</b>
Impairment in value – trade receivables	5,335,879	5,111,924	-	-
Reversal of impairment in value – trade receivables (a)	(1,149,662)	(3,239,073)	-	-
Net Impairment	<b>4,186,217</b>	<b>1,872,851</b>	<b>-</b>	<b>-</b>
Rental expense on operating lease - minimum lease payment	846,883	803,709	-	-
Employee benefits expenses	14,143,168	10,827,760	260,986	102,771
Legal and consultancy	818,865	1,251,323	-	-





# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 3 PROFIT/(LOSS) FOR THE YEAR continued

#### (a) Change in estimates previously reported

As stated in Note 1(q), the impairment of trade receivables is based on a method which evaluates the frequency of default, loss history, and current economic conditions. During the period, management received updated information on the loss history and recoverability percentages of debt agreement administration fees over their collection periods.

Accordingly management has revised its "best-estimate" based on assumptions consistent with the updated information. Had management used the same data and assumptions in the previous financial period this would have resulted in the reduction in the Impairment for trade receivables amount previously reported in the income statement at 30 June 2007 of \$515,408. This amount is included in the "Reversal of impairment in value" amount in Note 3 above.

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>4 INCOME TAX</b>				
<b>a. Income tax expense</b>				
Current tax expense	1,132,335	1,545,289	9,959	40,181
Deferred tax expense	330,615	1,468,930	-	-
(Over)/under provision in a prior period	70,862	(139,899)	19,188	(127,720)
	<u>1,533,812</u>	<u>2,874,320</u>	<u>29,147</u>	<u>(87,539)</u>
Deferred income tax expense included in income tax expense comprises:				
Increase in deferred tax assets	(88,554)	(33,617)	-	-
Increase in deferred tax liabilities	419,169	1,502,547	-	-
	<u>330,615</u>	<u>1,468,930</u>	<u>-</u>	<u>-</u>
<b>b. Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit/(Loss) before income tax	4,737,736	9,695,906	(227,788)	31,165
Tax at the Australian tax rate of 30% (2007: 30%)	1,421,321	2,908,772	(68,337)	9,350
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Entertainment	17,432	22,379	-	-
Unrecognised tax losses	77,179	51,614	-	-
Other	(4,101)	624	-	-
Previously unrecognised tax losses utilised	(127,177)	-	-	-
Non-deductible employee costs	78,296	30,830	78,296	30,831
	<u>1,462,950</u>	<u>3,014,219</u>	<u>9,959</u>	<u>40,181</u>
(Over)/under provision in the prior year	70,862	(139,899)	19,188	(127,720)
Income tax expense/(benefit)	<u>1,533,812</u>	<u>2,874,320</u>	<u>29,147</u>	<u>(87,539)</u>
<b>c. Unused tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	282,342	449,003	-	-
Potential tax benefit	84,703	134,701	-	-

Unused tax losses were principally incurred by entities not part of the tax consolidated group.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>4 INCOME TAX continued</b>				
<b>d. Deferred tax assets</b>				
Provisions	449,332	363,728	-	-
Capital legal expenses	238,931	285,716	-	-
Accrued expenditure	41,500	43,690	-	-
Current year tax losses carried forward	640,433	-	-	-
Other	56,254	119,488	-	-
	<u>1,426,450</u>	<u>812,622</u>	-	-
Deferred tax liability offset on tax consolidation	(525,274)	-	-	-
Total deferred tax assets	<u>901,176</u>	<u>812,622</u>	-	-
<b>e. Deferred tax liabilities</b>				
Temporary difference on assessable income	3,558,567	2,614,595	-	-
Other	1,549	1,078	-	-
	<u>3,560,116</u>	<u>2,615,673</u>	-	-
Deferred tax liability offset on tax consolidation	(525,274)	-	-	-
Total deferred tax liabilities	<u>3,034,842</u>	<u>2,615,673</u>	-	-
<b>5 AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by PKF (East Coast Practice):				
Audit and review of financial reports	181,700	109,400	-	-
Other services - taxation	67,910	41,775	-	-
	<u>249,610</u>	<u>151,175</u>	-	-

	Consolidated	
	2008	2007
<b>6 EARNINGS PER SHARE</b>		
(a) Reconciliation of earnings used to calculate basic and dilutive earnings per share		
Profit after income tax (\$)	2,681,116	6,519,690
Basic earning per share (cents)	2.37	6.24
Diluted earning per share (cents)	2.21	5.76
	<b>2008 Number</b>	<b>2007 Number</b>
(b) Weighted average number of ordinary shares		
outstanding during the year	113,348,988	104,427,760
Dilution effect of options	-	686,457
Dilution effect of preference shares	<u>8,000,000</u>	<u>7,978,082</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>121,348,988</u>	<u>113,092,299</u>





# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>7 CASH AND CASH EQUIVALENTS</b>				
<b>Current</b>				
Cash on hand and at bank	7,676,105	6,670,521	256,456	2,253,102
<b>Assets financed by Non-Recourse Financial Liabilities</b>				
Cash on hand and at bank	11,187,707	1,750,365	-	-
	<b>18,863,812</b>	<b>8,420,886</b>	<b>256,456</b>	<b>2,253,102</b>
<b>8 TRADE AND OTHER RECEIVABLES</b>				
<b>Current</b>				
Trade receivables	23,452,360	18,522,275	-	-
Provision for impairment	(4,308,110)	(4,594,309)	-	-
	19,144,250	13,927,966	-	-
Sundry receivables	764,859	177,402	-	-
	<b>19,909,109</b>	<b>14,105,368</b>	-	-
<b>Non-current</b>				
Trade receivables	11,575,401	5,202,939	-	-
Provision for impairment	(2,509,581)	(947,394)	-	-
	<b>9,065,820</b>	<b>4,255,545</b>	-	-
<b>Assets financed by Non-Recourse Financial Liabilities</b>				
Other receivables	39,340	185,412	-	-

Trade receivables and allowances for doubtful debts

	Consolidated Entity					
	2008			2007		
	Gross \$	Allowance \$	Net \$	Gross \$	Allowance \$	Net \$
Trade and Other Receivables						
Not past due	29,371,337	(5,801,011)	23,570,326	19,609,217	(3,993,291)	15,615,926
Past due 0-30 Days	1,124,490	(120,652)	1,003,838	840,125	(407,914)	432,211
Past due 31-60 Days	1,085,684	(97,683)	988,001	399,464	(185,252)	214,212
Past due 61-90 Days	116,895	(82,184)	34,711	172,347	(154,614)	17,733
Past 90 Days	4,133,554	(716,161)	3,417,393	3,066,875	(800,632)	2,266,243
<b>Total</b>	<b>35,831,960</b>	<b>(6,817,691)</b>	<b>29,014,269</b>	<b>24,088,028</b>	<b>(5,541,703)</b>	<b>18,546,325</b>

The movement in the provision for impairment

	Consolidated Entity	
	2008 \$	2007 \$
Opening Balance	5,541,703	8,161,750
Additional provision	4,452,036	3,925,142
Reversal of provision	(1,264,630)	(3,562,981)
Bad debts	(1,911,418)	(2,982,208)
Closing balance	6,817,691	5,541,703

Some amounts have been written off as Bad debts during the period, as incurred and were not provided for. These are included in Bad and doubtful debts in the Income statement. The additional provision amount in this reconciliation will therefore not agree to the Bad and doubtful debts amount disclosed in Note 3.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 8 TRADE AND OTHER RECEIVABLES continued

#### Debt Agreement receivables

Debt agreement receivables are collected on 2 bases:

1. For all debt agreements accepted by ITSA for processing prior to 1 July 2007, debt agreement fees are receipted in priority to other parties to the debt agreement, and in accordance with work performed to date; and
2. For all debt agreements accepted by ITSA for processing after 1 July 2007, debt agreement fees are receipted on a prorata basis, in parity with other parties to the debt agreement.

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

Impairment of debt agreement receivables is assessed on a collective (portfolio) basis based on historical collections data. Considering the length of time it takes to collect debts in administration and the inherent uncertainty over the collection of these amounts this method represents management's "best estimate" of the recoverability of debtors in the debt agreement business. Amounts are written off against this account as bad when debt agreements are terminated by creditors.

#### Bridging and factoring finance receivables

Bridging finance receivables which are generally on 90 day terms and factoring finance receivables are generally on 14 to 60 day terms.

Impairment of bridging finance receivables and factoring finance receivables is assessed primarily by the equity in their underlying mortgage security (collateral), any fixed and floating charges over the borrower's business assets, the credit quality of the debtor, payment history and any other information available.

These debtors are assessed as being in arrears where they do not make their payment obligations as required by their loan contracts and where the terms of this payment have not been re-negotiated. This is monitored monthly by management.

At balance date there are certain bridging finance receivables that were past due and are not impaired. Management has reviewed these receivables, their underlying mortgage security (collateral) and other information available, and have considered these to be recoverable.

Of the \$4,133,554 of receivables which are past 90 days in arrears, \$3,054,189 represents bridging finance receivables which have underlying collateral and security as mentioned above.

#### Other trade and sundry receivables

Other trade and sundry receivables are generally on 14 to 30 day terms.

Impairment of other trade and sundry receivables is assessed on an individual basis with regard to the credit quality of the debtor, payment history and any other information available.

These debtors are assessed as being in arrears where they do not pay on their invoice terms and where the terms of this payment have not been re-negotiated. This is monitored monthly by management.

At balance date there are certain other trade and sundry receivables that were past due and are not impaired. Management has reviewed these receivables, their payment history and other information available, and have considered these to be recoverable.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>9 OTHER ASSETS</b>				
<b>Current</b>				
Prepayments	383,165	109,334	-	-
Security bonds	5,053	7,715	-	-
Other	52,378	34,753	-	-
	<b>440,596</b>	<b>151,802</b>	-	-
<b>Non-current</b>				
Security bonds	3,900	594,716	-	-
Investments in controlled entities (Refer Note 11)	-	-	6,546,397	6,546,397
	<b>3,900</b>	<b>594,716</b>	<b>6,546,397</b>	<b>6,546,397</b>
<b>10 SPECIALTY FINANCE ASSETS</b>				
Non-securitised mortgage assets	89,767,650	565,000	-	-
<b>Maturity Analysis</b>				
Amounts to be received in less than 1 year	1,600,718	4,224	-	-
Amounts to be received in greater than 1 year	88,166,932	560,776	-	-
	<b>89,767,650</b>	<b>565,000</b>	-	-

### Impairment

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

Impairment has been assessed on an individual basis with primary regard to the underlying equity in mortgage security (collateral) for each of the loans receivable and also with regard to the credit quality of the debtor, payment history and any other information available. As a result of this assessment, there has been no provision for impairment recognised at 30 June 2008.

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

At reporting date, the Group had registered mortgages over real property (comprising of residential land and buildings) for each of the mortgage loan receivables. The assessed fair value of the underlying real property securities at balance date were \$151,841,000 (2007: \$1,375,000). The valuations of the underlying property securities have been performed at the later of the original loan application or subsequent loan variation date and do not take into account any other realisation costs.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>10 SPECIALTY FINANCE ASSETS continued</b>				
<b>Impairment continued</b>				
<b>Ageing Analysis</b>				
The arrears status of mortgages is as follows:				
Not Past due	74,001,104	565,000	-	-
0-30 days past due	7,952,153	-	-	-
31-60 days past due	3,607,676	-	-	-
61 -90 days past due	1,848,967	-	-	-
Past 90 Days	2,357,750	-	-	-
	<b>89,767,650</b>	<b>565,000</b>	-	-



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 11 CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity	
		2008 %	2007 %
Prospex Profile Pty Ltd (3)	Australia	100	100
FSA Australia Pty Ltd (3)	Australia	100	100
Fox Symes Financial Pty Ltd (1)	Australia	100	100
Fox Symes & Associates Pty Ltd (1)	Australia	100	100
Fox Symes Debt Relief Services Pty Ltd (1)	Australia	100	100
FSA Services Group Pty Ltd (2)	Australia	100	100
Fox Symes Home Loans Pty Ltd (3)	Australia	90	90
180 Group Holdings Pty Ltd (3)	Australia	100	100
Aravanis Insolvency Pty Ltd (1)	Australia	65	65
Fox Symes Business Services Pty Ltd (1)	Australia	75	75
Fox Symes Recruitment Pty Ltd (1)	Australia	70	70
Fox Symes Wealth Management Pty Ltd (1)	Australia	100	67
180 Group Pty Ltd (4)	Australia	70	70

(1) Investment held by FSA Australia Pty Ltd

(2) Investment held by Fox Symes & Associates Pty Ltd

(3) Investment held by FSA Group Ltd

(4) Investment held by 180 Group Holdings Pty Ltd

#### The following entities are subsidiaries of 180 Group Pty Ltd

Name	Country of Incorporation	Percentage of equity interest held by 180 Group Pty Ltd	
		2008 %	2007 %
180 Capital Finance Pty Ltd	Australia	100	100
180 Corporate Pty Ltd	Australia	100	100
180 Property Holdings Pty Ltd	Australia	100	100
180 Equity Partners Pty Ltd	Australia	100	100
180 Capital Funding Pty Ltd	Australia	100	100
One Financial Pty Ltd	Australia	65	65

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

Name	Country of Incorporation	Percentage of equity interest held by Fox Symes Home Loans Pty Ltd	
		2008 %	2007 %
Fox Symes Home Loans (Services) Pty Ltd	Australia	100	100
Fox Symes Home Loans (Mgmt) Pty Ltd	Australia	100	100
Fox Symes Home Loans Warehouse Trust No.1	Australia	85	85

#### Ultimate Parent Entity

FSA Group Ltd is the ultimate parent entity.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>12 PLANT AND EQUIPMENT</b>				
Computer equipment at cost	1,586,305	1,187,379	-	-
Accumulated depreciation	(835,358)	(846,957)	-	-
Net carrying amount	750,947	340,422	-	-
Office equipment at cost	331,995	294,845	-	-
Accumulated depreciation	(233,636)	(185,524)	-	-
Net carrying amount	98,359	109,321	-	-
Leasehold improvements at cost	-	37,820	-	-
Accumulated amortisation	-	(5,738)	-	-
Net carrying amount	-	32,082	-	-
Furniture and fittings at cost	246,795	220,240	-	-
Accumulated depreciation	(103,935)	(59,781)	-	-
Net carrying amount	142,860	160,459	-	-
Motor vehicles at cost	74,978	97,103	-	-
Accumulated depreciation	(37,855)	(37,643)	-	-
Net carrying amount	37,123	59,460	-	-
Total plant and equipment at cost	2,240,073	1,837,387	-	-
Accumulated depreciation	(1,210,784)	(1,135,643)	-	-
Net carrying amount	<b>1,029,289</b>	<b>701,744</b>	-	-

Consolidated

	Computer Equipment \$	Office Equipment \$	Leasehold Improvements \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
<i>Movements</i>						
<b>Balance at 1 July 2006</b>	<b>332,677</b>	<b>118,193</b>	-	<b>140,957</b>	<b>57,731</b>	<b>649,558</b>
Additions	228,610	45,219	37,820	58,217	34,913	<b>404,779</b>
Disposals	(17,827)	(173)	-	-	(9,669)	<b>(27,669)</b>
Depreciation	(203,038)	(53,918)	(5,738)	(38,715)	(23,515)	<b>(324,924)</b>
<b>Balance at 30 June 2007/ 1 July 2007</b>	<b>340,422</b>	<b>109,321</b>	<b>32,082</b>	<b>160,459</b>	<b>59,460</b>	<b>701,744</b>
Additions	708,797	43,775	-	26,875	760	<b>780,207</b>
Disposals	(8,178)	(4,052)	(22,271)	(172)	(4,839)	<b>(39,512)</b>
Depreciation	(290,094)	(50,685)	(9,811)	(44,302)	(18,258)	<b>(413,150)</b>
<b>Balance at 30 June 2008</b>	<b>750,947</b>	<b>98,359</b>	-	<b>142,860</b>	<b>37,123</b>	<b>1,029,289</b>

^^ - Included in this amount are Motor Vehicles which have a fixed charge relating to a Hire Purchase Liability. The Hire Purchase Liability is secured by the underlying asset. Refer note 16 for further information.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>13 INVESTMENT PROPERTY</b>				
Investment property				
At cost	362,339	1,402,217	-	-
Accumulated depreciation	(28,417)	(42,830)	-	-
	<b>333,922</b>	<b>1,359,387</b>	-	-
<i>Movements during year:</i>				
Beginning of the year	1,359,387	352,081	-	-
Additions	-	1,039,878	-	-
Disposals	(1,011,852)	-	-	-
Depreciation	(13,613)	(32,572)	-	-
	<b>333,922</b>	<b>1,359,387</b>	-	-

There are first mortgages registered over the Investment Properties (see Note 16).  
The Directors have assessed the fair value of the investment properties to be at least equal to their carrying amounts.

### 14 INTANGIBLE ASSETS

Goodwill	<b>3,830,835</b>	<b>3,830,835</b>	-	-
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Included in the carrying amount of Goodwill is an amount of \$3,485,711 which relates to the Goodwill acquired on acquisition of the 180 Group Holdings Pty Ltd and its controlled entities, and \$345,124 which relates to the original investment by the parent company in FSA Australia Pty Ltd and controlled entities.

#### Impairment

The recoverable amount of goodwill is determined based on "fair value less costs to sell" by capitalisation of estimated Normalised Maintainable Earnings ("NME") at an appropriate earnings multiple.

The NME is that level of sustainable earning that can be maintained by the Cash Generating Unit ("CGU") and excludes one-off and/or non-recurring items.

The appropriate earnings multiple is determined with reference to the observed multiples of entities whose businesses are comparable to that of the CGU being considered. The key assumption on which management has based its determination is that the CGUs could be sold for the earnings multiple derived from the analysis.

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>15 TRADE AND OTHER PAYABLES</b>				
<b>Current</b>				
Unsecured				
Trade payables	2,853,251	1,206,944	-	-
Institutional creditors	3,948,329	3,945,993	-	-
Sundry payables and accruals	2,827,013	1,945,982	-	12,241
Intercompany loan – controlled entities	-	-	509,998	1,876,423
Notes payable – non-interest bearing	95,000	-	95,000	-
	<b>9,723,593</b>	<b>7,098,919</b>	<b>604,998</b>	<b>1,888,664</b>



# 18

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>16 BORROWINGS</b>				
<b>Current</b>				
Unsecured				
Interest bearing notes	570,682	600,000	-	-
Other loans	200,045	84,152	-	-
	<u>770,727</u>	<u>684,152</u>	<u>-</u>	<u>-</u>
Secured				
Hire Purchase Liability	15,571	14,066	-	-
	<u>786,298</u>	<u>698,218</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
Secured				
Hire purchase liability	27,877	43,775	-	-
Mortgage	272,000	1,055,767	-	-
Bank loan – Other	6,652,902	-	-	-
	<u>6,952,779</u>	<u>1,099,542</u>	<u>-</u>	<u>-</u>
<b>Non-Recourse Financial Liabilities</b>				
Secured				
Warehouse facilities	99,886,840	2,478,095	-	-
(a) Total Current, Non-Current and Non-Recourse secured liabilities:				
Hire Purchase Liability	43,448	57,841	-	-
Mortgage	272,000	1,055,767	-	-
Bank loan – Other	6,652,902	-	-	-
Warehouse facilities	99,886,840	2,478,095	-	-
	<u>106,855,190</u>	<u>3,591,703</u>	<u>-</u>	<u>-</u>
(b) The carrying amounts of non-current assets pledged as security are:				
Fixed charge over assets				
Motor vehicles	24,597	35,305	-	-
Investment properties	333,922	1,359,387	-	-
Loan and other assets in the Fox Symes Home Loans Warehouse Trust No. 1	100,994,697	2,500,777	-	-
	<u>101,353,216</u>	<u>3,895,469</u>	<u>-</u>	<u>-</u>

The Bank loan – Other is secured by a floating charge over the remaining assets of the 180 Group Pty Limited and controlled entities and the other wholly-owned subsidiaries of FSA Group Limited.

Excluded from this charge are cash assets held on behalf of Institutional and other creditors to Debt Agreements administered by the Group. All borrowing covenants were met during the year.





# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>16 BORROWINGS continued</b>				
(c) The interest bearing notes are held by persons outside the Group and are unsecured.				
Maturity date		Interest Rates		
30 June 2008		22.5%		
	570,682		550,000	-
	<u>570,682</u>		<u>550,000</u>	-

These notes were fully repaid to investors on 4 July 2008.

(d) The interest bearing notes held by persons within the Group and are unsecured.

Maturity date		Interest Rates		
7 July 2007		20.0%		
	-		50,000	-
	<u>-</u>		<u>50,000</u>	<u>-</u>

(e) Warehouse facility

Warehouse facilities are used to fund mortgages prior to securitisation and include revolving Senior and Mezzanine Note facilities (the facilities). The drawdown limit under the Senior and Mezzanine Note facilities is \$200 million and \$8 million respectively and at balance date \$95,375,000 and \$4,006,000 respectively had been drawn down.

The Warehouse facilities are 364 day facilities that are renewable annually. Refer to note 23 for details of the facility renewal post year end.

Interest is payable at the applicable BBSW rate plus a margin of 1% for the Senior Notes and a margin of 6% for the Mezzanine Notes. The interest rate at 30 June 2008 for the Senior and Mezzanine Notes is 8.61% and 13.61% respectively.

The facilities are secured against current and future specialty finance assets (refer note 10). All borrowing covenants were met during the year.

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>17 PROVISIONS</b>				
Current				
Provision for Institutional Creditor Payments	1,413,615	882,596	-	-
Employee benefits	475,535	377,214	-	-
	<u>1,889,150</u>	<u>1,259,810</u>	<u>-</u>	<u>-</u>
Non Current				
Employee benefits	71,959	39,218	-	-
	<u>71,959</u>	<u>39,218</u>	<u>-</u>	<u>-</u>

### Analysis of provisions

#### Institutional Creditor Payments

	2008 \$	2007 \$	2008 \$	2007 \$
Balance at 1 July 2007	882,596	283,665	-	-
Additional provisions	1,413,615	882,596	-	-
Creditor payments reversal	(882,596)	(283,665)	-	-
Balance at 30 June 2008	<u>1,413,615</u>	<u>882,596</u>	<u>-</u>	<u>-</u>

#### Provision for employee benefits

A provision has been recognised for employee benefits relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits have been included in note 1 to this report.

As at 30 June 2008, the Consolidated Entity employed 150 full-time equivalent employees (2007: 138) plus a further 13 independent contractors (2007: 15).



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>18 SHARE CAPITAL</b>				
115,437,513 (2007: 106,837,513) fully paid Ordinary Shares	5,898,848	5,085,535	5,898,848	5,085,535
16 (2007: 24) Convertible Redeemable Preference Shares (CRPS)	<u>**1,238,624</u>	<u>**1,857,937</u>	<u>**1,238,624</u>	<u>**1,857,937</u>
	<u>7,137,472</u>	<u>6,943,472</u>	<u>7,137,472</u>	<u>6,943,472</u>
	2008 Number	2007 Number	2008 Number	2007 Number
<b>(a) Ordinary shares</b>				
Balance 1 July	106,837,513	98,217,513	106,837,513	98,217,513
- 2 August 2006	-	100,000	-	100,000
- 11 September 2006	-	120,000	-	120,000
- 20 September 2006	-	200,000	-	200,000
- 9 October 2006	-	8,000,000	-	8,000,000
- 3 November 2006	-	100,000	-	100,000
- 1 May 2007	-	100,000	-	100,000
- 12 July 2007	400,000	-	400,000	-
- 7 August 2007	200,000	-	200,000	-
- 2 October 2007	8,000,000	-	8,000,000	-
Balance 30 June	<u>115,437,513</u>	<u>106,837,513</u>	<u>115,437,513</u>	<u>106,837,513</u>

\*\* - During the period 8 CRPS converted into 8,000,000 ordinary shares. The determined fair value of the CRPS, amounting to \$619,313 was transferred from the CRPS capital account to the Ordinary share capital account.

### 2007

On 2 August 2006, 100,000 unlisted ESOP \$0.10 options exercisable on or before 24 November 2006 were exercised into 100,000 ordinary shares;

On 11 September 2006, 120,000 ordinary shares were issued in consideration for services rendered;

On 20 September 2006, 200,000 ordinary shares were issued in consideration for services rendered;

On 9 October 2006, 8 Convertible Redeemable Preference Shares ("CRPS") were converted pursuant to the terms of the purchase agreement of 180 Group, which was acquired on 21 April 2006 and 180 Group exceeding its first profit target. The 8 CRPS were converted into 8,000,000 ordinary shares;

On 3 November 2006, 100,000 ordinary shares were issued on exercise of 100,000 \$0.10 options; and

On 1 May 2007, 100,000 ordinary shares were issued on exercise of 100,000 \$0.10 options.

### 2008

On 12 July 2007, 400,000 ordinary shares were issued on exercise of 400,000 \$0.10 options;

On 7 August 2007, 200,000 ordinary shares were issued in consideration for services rendered; and

On 2 October 2007, 8 Convertible Redeemable Preference Shares ("CRPS") were converted pursuant to the terms of the purchase agreement of 180 Group, which was acquired on 21 April 2006 and 180 Group exceeding its second profit target. The 8 CRPS were converted into 8,000,000 ordinary shares.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 18 SHARE CAPITAL continued

#### (b) Convertible Redeemable Preference Shares (CRPS)

On 21 April 2006, 32 CRPS were issued relating to the acquisition of 180 Group Holdings Pty Ltd, pursuant to resolutions passed by the shareholders at general meeting.

In summary, the terms of the CRPS are as follows:

- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

16 Convertible Redeemable Preference Shares remain unconverted at 30 June 2008.

#### (c) Options

On 21 November 2006, 500,000 options exercisable at \$0.25 on or before 20 November 2011 were issued as part of Director's remuneration;

On 1 December 2006, 25,000,000, \$0.60 options expired;

On 19 February 2007, 640,000 options exercisable at \$0.60 on or before 31 January 2010 were issued as part of staff remuneration pursuant to the Company's ESOP, and 450,000 options exercisable at \$0.655 on or before 31 January 2010 were issued as part of executive remuneration pursuant to the Company's ESOP;

On 12 July 2007, 250,000 options exercisable at \$0.98 on or before 31 January 2010 were issued as part of Director's remuneration, and 400,000 ordinary shares were issued upon exercise of 400,000 \$0.10 options; and

On 11 April 2008, 250,000 options exercisable at \$0.60 on or before 31 January 2010 were issued as part of Director's remuneration.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

For information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report included in the Directors' Report.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 19 RESERVES

#### Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$

### 20 CASH FLOW INFORMATION

#### Reconciliation of cash flows from operations to Profit after tax

Profit/(loss) after tax	3,203,924	6,821,586	(256,935)	118,704
Non-cash flows in profit/(loss):				
Depreciation	426,763	357,496	-	-
Gain on sale of investment property	(338,148)	-	-	-
Loss/ (Gain) on disposal of plant & equipment	39,512	27,669	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(6,097,738)	(6,931,109)	-	-
(Increase)/decrease in other non-current assets	590,816	45,747	-	-
(Increase)/decrease in other current assets	(288,793)	(17,091)	-	-
(Decrease)/increase in trade and other payables	3,053,187	1,441,879	(12,241)	93
(Decrease)/increase in employee entitlements	131,062	160,590	-	-
(Decrease)/increase in other liabilities	(486,144)	905,936	(1,309,227)	(1,313,119)
<b>Cash flow from operating activities</b>	<b>234,441</b>	<b>2,812,703</b>	<b>(1,578,403)</b>	<b>(1,194,322)</b>

### 21 COMMITMENTS

#### (i) Operating leases (non-cancellable):

Minimum lease payments

- not later than one year	1,153,378	841,713	-	-
- later than one year and not later than five years	1,211,431	2,364,809	-	-
	<u>2,364,809</u>	<u>3,206,522</u>	<u>-</u>	<u>-</u>

#### (ii) Hire purchase liability:

- not later than one year	18,077	17,161	-	-
- later than one year and not later than five years	30,517	48,962	-	-
- later than five years	-	-	-	-
Total minimum hire purchase payments	<u>48,594</u>	<u>66,123</u>	<u>-</u>	<u>-</u>
- future finance charges	<u>(5,146)</u>	<u>(8,282)</u>	<u>-</u>	<u>-</u>
- hire purchase liability	<u>43,448</u>	<u>57,841</u>	<u>-</u>	<u>-</u>
- current liability (note 16)	15,571	14,066	-	-
- non-current liability (note 16)	<u>27,877</u>	<u>43,775</u>	<u>-</u>	<u>-</u>
	<u>43,448</u>	<u>57,841</u>	<u>-</u>	<u>-</u>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 22 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

##### (i) Directors

Sam Doumany	Non-Executive Chairman
Tim Odillo Maher	Executive Director
Deborah Southon	Executive Director
Hugh Parsons	Non-Executive Director
Stan Kalinko	Non-Executive Director

##### (ii) Key Management Personnel of the Group

Duncan Cornish	Joint Company Secretary
Anthony Carius	Chief Financial Officer and Joint Company Secretary
Pierre-Alain De Villecourt	Chief Information Officer
Goran Turner	Chief Executive - Fox Symes Home Loans
Nino Eid	Manager - Refinance

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>(b) Remuneration of Directors and Key Management Personnel</b>				
Short-term employee benefits	1,254,437	1,274,273	-	-
Post-employment benefits	159,486	99,575	-	-
Share-based payments	194,498	85,564	194,498	85,564
	<b>1,608,421</b>	<b>1,459,412</b>	<b>194,498</b>	<b>85,564</b>

Fair value of options granted as part of remuneration are estimates only. The estimates are based on the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options.

Information about the remuneration of Directors and Key Management Personnel which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 124 "Related Party Disclosures" is included in the Remuneration Report within the Director's Report on pages 15 to 22.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 22 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

#### (c) Options issued as part of remuneration for the period ended 30 June 2008

During the year options were granted as equity compensation benefits to one Non-Executive Director. The options were issued for no consideration. Each of the granted options entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price and expiry date, as set out below.

The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for Executives.

	Terms & Conditions for Each Grant							
	Grant Date	Grant Number	Vest Date	Fair Value per Option at grant date (\$)#	Exercise Price	Fair Value per Option at Exercise Date	Fair Value at Date Option Lapsed	% of Remuneration
<b>Directors</b>								
Stan Kalinko	14 Mar 2008	250,000	28 Jun 2009	\$0.098	\$0.60	n/a	n/a	7%

# Calculation of fair value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

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

Options exercised during the year that were granted as remuneration in prior periods

Key Management Personnel	Number of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Duncan Cornish	400,000	\$0.10	-
<b>Total</b>	<b>400,000</b>		

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

	Balance at 1 July 2007	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2008	Vested at 30 June 2008	
						Total	Not Exercisable
<b>ESOP Options</b>							
Directors	n/a						
Key Management Personnel							
Duncan Cornish	400,000	-	(400,000)	-	-	-	-
Anthony Carius	450,000	-	-	-	450,000	150,000	150,000
Nino Eid	50,000	-	-	-	50,000	-	-
<b>Total ESOP Options</b>	<b>900,000</b>	<b>-</b>	<b>(400,000)</b>	<b>-</b>	<b>500,000</b>	<b>150,000</b>	<b>150,000</b>
<b>Unlisted Options (\$0.25 @ 31-Jan-10)</b>							
Directors							
Hugh Parsons	500,000	-	-	-	500,000	-	-
Key Management Personnel	n/a						



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 22 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

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

	Balance at 1 July 2007	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2008	Vested at 30 June 2008		
						Total	Not Exercisable	Exercisable
<b>Unlisted Options (\$0.98 @ 31-Jan-10)</b>								
Directors								
Stan Kalinko	250,000	-	-	-	250,000	-	-	-
Key Management Personnel	n/a							
<b>Unlisted Options (\$0.60 @ 31-Jan-10)</b>								
Directors								
Stan Kalinko	-	250,000	-	-	250,000	-	-	-
Key Management Personnel	n/a							
<b>Total Unlisted Options</b>	<b>750,000</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Shares held in FSA Group Ltd including CRPS (number)	Balance 1 July 2007	Granted as remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
<b>Directors</b>					
Sam Doumany	1,000,000	-	-	-	1,000,000
Tim Odillo Maher	32,695,536	-	-	**8,100,197	40,795,733
Deborah Southon	12,946,533	-	-	-	12,946,533
Stan Kalinko	-	-	-	10,000	10,000
<b>Key Management Personnel</b>					
Duncan Cornish	2,100,000	-	400,000	(1,416,729)	1,083,271
Anthony Carius	-	-	-	26,158	26,158
Nino Eid	100,000	-	-	-	100,000
<b>Total</b>	<b>48,842,069</b>	<b>-</b>	<b>400,000</b>	<b>6,719,626</b>	<b>55,961,695</b>

\*\* Included here is the conversion of 8 Convertible Redeemable Preference Shares to 8,000,000 ordinary shares. Refer to (h) below. Total shareholdings includes 16 Convertible Redeemable Preference Shares.

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

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



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 22 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

#### (h) Other transactions to Directors and Key Management Personnel

##### Convertible Redeemable Preference Shares (CRPS)

Part of the consideration for the acquisition of 180 Group Holdings was paid by FSA Group by the issue of the CRPS. In summary, the terms of the CRPS are as follows:

- a total of 32 one dollar (\$1) CRPS were issued to Capital Management Corporation Pty Ltd, the Vendor;
- each CRPS will be convertible, subject to certain performance parameters being achieved in the 180 Group, into 1,000,000 ordinary fully paid FSA Group shares (such that if all of the CRPS are converted, a total of 32,000,000 FSA Group shares will be issued); and
- CRPS are able to be converted into ordinary FSA Group shares under one of three scenarios (or "Phases") based on the financial performance of the 180 Group. These Phases were set out fully in the Notice of Meeting and Explanatory Memorandum distributed to shareholders on 17 March 2006.

On 8 October 2007, upon 180 Group exceeding the performance parameters required, 8 CRPS, converted in to 8,000,000 ordinary shares and were issued to the Vendor, a company associated with Mr Tim Odillo Maher.

#### Other transactions with Directors and Key Management Personnel and related parties

During the period, the Group provided factoring finance to Skin Patrol Pty Ltd, a company which is associated with Mr Tim Odillo Maher. The total of all factoring fees received was \$35,535 for the year ended 30 June 2008, (2007: \$36,685). The finance facility and factoring fees charged were provided on normal commercial terms.

During the period the Group purchased supplies from the Ethan Group Pty Ltd, a company which is associated with Mr Tim Odillo Maher. The total amount purchased was \$105,440 (2007:\$22,023). The supplies were purchased on normal commercial terms.

On 20 August 2007, in accordance with the subscription notice, Gregory Woszczalski redeemed an interest bearing note amounting to \$50,000. The rate of interest paid was 20% p.a. The total amount of interest paid to Gregory Woszczalski was Nil (2007:\$ 10,000). These note liabilities of \$50,000 were paid out on 20 August 2007 in accordance with the subscription notice.

### 23 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2008, except as follows:

- On 15 August 2008, Fox Symes Home Loans Warehouse Trust #1's \$210m Warehouse facility was renewed until 15 May 2009.

### 24 RELATED PARTY DISCLOSURES

#### (a) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

#### (b) Subsidiaries

Interests in subsidiaries are set out in notes 9 and 11.





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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 24 RELATED PARTY DISCLOSURES *continued*

(c) Transactions with related parties

Transactions with related parties of Directors or Key Management Personnel are as disclosed in note 22 (h)

Details of other related party transactions are as follows:

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b><i>Tax Consolidation legislation</i></b>				
Current tax payable/(receivable) assumed from wholly-owned tax consolidated entities	-	-	(421,952)	448,898

(d) Outstanding related party balances arising from sales/purchase of goods or services

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Current payables – other related parties	204	614	-	-
Current factoring receivables – Other related parties	174,071	108,370	-	-
Current factoring payables – Other related parties	47,906	508	-	-

(e) Loans from related parties

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Loans from subsidiaries</b>				
Beginning of the year	-	-	1,876,423	1,338,656
Advances received	-	-	4,574,476	3,511,493
Repayments made (including liabilities from the tax consolidated group)	-	-	(5,940,901)	(2,973,726)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>509,998</b>	<b>1,876,423</b>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 25 SEGMENT INFORMATION

#### Operating Segments

	Personal and Corporate Debt Services		Lending Services		Other/Unallocated		Consolidated Total	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
<b>Revenue and Other Income</b>								
External sales	27,690,125	27,532,533	50,176	570,887	2,568,599	1,435,178	30,308,900	29,538,598
Finance Income	385,679	303,779	9,185,406	3,937,580	26,571	136,414	9,597,656	4,377,773
Finance expense	(31,406)	(17,352)	(4,042,117)	(182,013)	(70,412)	(61,310)	(4,143,935)	(260,675)
<b>Net Finance Income</b>	<b>354,273</b>	<b>286,427</b>	<b>5,143,289</b>	<b>3,755,567</b>	<b>(43,841)</b>	<b>75,104</b>	<b>5,453,721</b>	<b>4,117,098</b>
Other Income	-	-	-	-	526,090	-	526,090	-
Internal sales and income	1,119,553	266,817	594,796	-	312,072	373,260	2,026,421	640,077
Eliminations							(2,026,421)	(640,077)
<b>Total Revenue and Income</b>	<b>29,163,951</b>	<b>28,085,777</b>	<b>5,788,261</b>	<b>4,326,454</b>	<b>3,362,920</b>	<b>1,883,542</b>	<b>36,288,711</b>	<b>33,655,696</b>
<b>Results</b>								
Segment profit before tax	3,763,134	9,573,674	362,724	255,462	611,878	(133,230)	4,737,736	9,695,906
Income tax (expense)/benefit	(1,110,888)	(2,872,102)	(159,216)	(22,738)	(263,708)	20,520	(1,533,812)	(2,874,320)
<b>Profit for the year</b>	<b>2,652,246</b>	<b>6,701,572</b>	<b>203,508</b>	<b>232,724</b>	<b>348,170</b>	<b>(112,710)</b>	<b>3,203,924</b>	<b>6,821,586</b>
<b>Items included in Profit for the year</b>								
Share of the profits of an associate using the Equity Accounting Method	-	-	-	-	246,665	187,836	<b>246,665</b>	<b>187,836</b>
Impairment in value – trade receivables	4,009,107	3,978,185	1,231,742	1,133,739	95,030	-	<b>5,335,879</b>	<b>5,111,924</b>
Reversal of impairment in value – trade receivables	(1,149,662)	(3,239,073)	-	-	-	-	<b>(1,149,662)</b>	<b>(3,239,073)</b>
Rental expense on operating lease – minimum lease payment	822,019	687,283	-	45,926	24,864	70,500	<b>846,883</b>	<b>803,709</b>
<b>Segment assets</b>	<b>39,509,756</b>	<b>32,279,336</b>	<b>121,324,015</b>	<b>11,225,167</b>	<b>8,426,345</b>	<b>11,203,751</b>	<b>169,260,116</b>	<b>54,708,254</b>
Eliminations							(24,351,804)	(19,585,488)
<b>Total assets</b>							<b>144,908,312</b>	<b>35,122,766</b>
<b>Included in Segment assets</b>								
Investment in associate	-	-	62,114	139,449	-	-	<b>62,114</b>	<b>139,449</b>
<b>Segment liabilities</b>	<b>24,885,333</b>	<b>17,228,241</b>	<b>117,570,437</b>	<b>10,621,624</b>	<b>1,487,283</b>	<b>5,200,236</b>	<b>143,943,053</b>	<b>33,050,101</b>
Eliminations							(21,597,592)	(16,831,276)
<b>Total liabilities</b>							<b>122,345,461</b>	<b>16,218,825</b>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 25 SEGMENT INFORMATION continued

#### Information about operating segments

##### Identification of reportable segments

The Consolidated Entity's Chief Operating Decision Maker has identified two reportable segments based on the differences in providing services and providing finance products. These two segments are subject to different regulatory environments and legislation.

The two identified reportable segments are:

Personal and Corporate Debt Services and Lending.

Personal and Corporate Debt Services include debt agreement proposal preparation and administration, refinance broking, trustee services, corporate insolvency consultancy services and other related services.

Lending includes the provision of bridging finance, factoring finance and the mortgage finance.

##### Measurement

Each identified reportable segment accounts for transactions consistently with the Accounting policies mentioned in note 1 to these financial statements. Inter-segment transactions are highlighted as eliminated to reconcile to the profit, total assets and liabilities amounts of the consolidated entity.

### 26 FINANCIAL INSTRUMENTS

#### Financial and Capital Risk Management

The Group undertakes transactions in a range of financial instruments including:

- Cash and cash equivalents
- Receivables
- Current tax receivable/(payable)
- Specialty Finance Assets (Mortgage receivables)
- Other Financial Assets, mainly deposits
- Payables (including Institutional creditor liabilities)
- Interest Bearing Liabilities including 364 day rolling Note Facility funding, Bank loans, Mortgage Loans and Hire Purchase Liabilities

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

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Financial Assets</b>				
Cash and Cash Equivalents	18,863,812	8,420,886	256,456	2,253,102
Investments at fair value	-	594,716	-	-
Loans and Receivables at amortised cost	119,442,668	19,111,325	421,952	-
<b>Financial Liabilities</b>				
Loans at amortised cost	117,349,510	12,304,124	604,998	2,377,743

The Group has exposure to the following risks from these financial Instruments:

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework through the work of the Audit and Risk Management Committee.

The Audit and Risk Management Committee is responsible for developing and monitoring risk management policies. The Chairman of the Audit and Risk Management Committee reports to the Board of Directors on its activities.

Risk management procedures are established by the Audit and Risk Management Committee and carried out by management to identify and analyse the risks faced by the Group and to set controls and monitor risks. These are discussed individually below.



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 26 FINANCIAL INSTRUMENTS continued

#### Financial and Capital Risk Management continued

##### Capital Management

The Group's objectives in managing its capital is the safeguard of the Group's ability to continue as a going concern, maintain the support of its Investors and other business partners, support the future growth initiatives of the Company and maintain an optimal capital structure to reduce the costs of capital. The Group's current capital maintenance policy as opposed to a dividend policy is consistent with its Capital Management objectives. These objectives are reviewed periodically by the Board.

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

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

The gearing ratio at 30 June 2008, excluding the Group's special purpose entity Fox Symes Home Loans Warehouse Trust # 1, whose liabilities are non-recourse to the Group, was 23.8% (2007: 8.1%).

It was the policy of the Group during the 2008 financial year to maintain a gearing ratio, excluding the Group's special purpose entity Fox Symes Home Loans Warehouse Trust #1 of less than 50% (2007: 50%)

The Group defines capital as total equity reported in the balance sheet.

##### Fair Values

The carrying values of the Group's financial assets and liabilities approximate their fair values.

##### Credit Risk

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

- Trade and other receivables, including bridging finance receivables and factoring finance receivables; and
- Specialty finance assets (Residential mortgage secured loans receivable)

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

Specialty finance assets are secured by first mortgage security over real property. Bridging finance and factoring finance receivables are secured by first or second mortgage security, and where applicable, fixed and floating charges over business assets.

The Group retains the mortgages over the secured real property (consisting of land and buildings) until the loans are repaid. The Group is entitled to take possession of and enforce the sale of the secured real property in the event that the borrower defaults under the terms of their mortgage.

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

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

The Audit and Risk Management Committee also establishes the Group's allowance for impairment policy which is discussed in notes 8 and 10.

##### Liquidity Risk

Liquidity risk is the risk that Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 26 FINANCIAL INSTRUMENTS continued

#### Liquidity Risk continued

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

The contractual maturity of the Group's fixed and floating rate financial liabilities are as follows. The amounts represent the future undiscounted principal and interest cashflows and therefore do not equate to the values in the financial statements:

	Consolidated Entity					
	30 June 2008					
	Carrying amount \$	Contractual Cashflows \$	6 months or less \$	6 -12 months \$	1 to 2 years \$	2 to 5 years \$
Trade and Other Payables	2,853,251	2,853,251	2,853,251	-	-	-
Institutional creditors	3,948,329	3,948,329	3,948,329	-	-	-
Other Payables	2,922,013	2,922,013	2,922,013	-	-	-
Short term Note Liabilities	570,682	580,853	580,853	-	-	-
Hire Purchase Liabilities	43,448	48,594	9,039	9,039	13,264	17,252
Other Short term loans	200,045	200,045	200,045	-	-	-
Bank Loans	6,652,902	7,683,300	329,400	329,400	7,024,500	-
Mortgage Loans	272,000	295,518	11,759	11,759	272,000	-
Warehouse Facilities	99,886,840	108,056,961	4,085,061	103,971,900	-	-

	Consolidated Entity					
	30 June 2007					
	Carrying amount \$	Contractual Cashflows \$	6 months or less \$	6 -12 months \$	1 to 2 years \$	2 to 5 years \$
Trade and Other Payables	1,206,944	1,206,944	1,206,944	-	-	-
Institutional creditors	3,945,993	3,945,993	3,945,993	-	-	-
Other Payables	1,945,982	1,945,982	1,945,982	-	-	-
Short term Note Liabilities	600,000	713,917	56,959	656,958	-	-
Hire Purchase Liabilities	57,841	66,123	8,581	8,581	18,077	30,884
Other Short term loans	84,152	84,152	84,152	-	-	-
Mortgage Loans	1,055,767	1,148,565	43,526	809,521	23,518	272,000
Warehouse Facilities	2,478,095	2,661,367	91,636	2,569,731	-	-

The parent entity has trade and other payables amounting to \$604,998 (2007: \$1,888,664). These relate to loans with related parties. There is no contractual maturity on these balances.

FSA Group Ltd has a secured note facility comprising of senior and mezzanine debt through a special purpose entity, the Fox Symes Home Loans Warehouse Trust No.1. The facility has a combined drawdown limit of \$210,000,000.

This facility is secured against the book of loan assets created by the trust. As at 30 June 2008 the Group had withdrawn \$99,381,000 from this facility. It had unused credit at the end of the year of \$110,619,000.

FSA Group Ltd's subsidiary 180 Group Pty Ltd has a secured loan facility. The facility has a drawdown limit of \$10,000,000. As at 30 June 2008 the company had withdrawn \$6,750,000 from this facility. It had unused credit at the end of the year of \$3,250,000.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 26 FINANCIAL INSTRUMENTS continued

#### Liquidity Risk continued

##### Warehouse facilities

The Group is reliant on the renewal of existing warehouse facilities, the negotiation of new warehouse facilities, or the issuance of residential mortgage backed securities.

Each warehouse facility is structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a warehouse facility is not renewed or otherwise defaults and its assets are liquidated, the primary impact to the Group would be the loss of future income streams from excess spread, being the difference between our mortgage rate and the cost of funds, fee income and the write off of any unamortised balance of deferred transaction costs.

The Directors are satisfied that any sale of mortgages in repayment of warehouse facilities or an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

#### Market Risk

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

Specialty finance assets are lent on variable interest rates and are financed by variable rate borrowings, which mitigate the Group's exposure to interest rate risk on these borrowings to an acceptable level. These borrowings are provided to the Group on a 364 day rolling facility and are non-recourse to the Group.

Bridging finance assets and factoring finance assets are provided to borrowers on fixed and variable rate terms. These are financed by variable rate borrowings. The returns on the products are sufficient to mitigate adverse interest rate movements on the borrowings. As such the risk does not warrant the cost of purchasing derivative financial instruments to mitigate this risk completely.

The Board and Management are satisfied that this policy is appropriate for the Group at this time. These assets are financed by a long term debt facility.

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

##### Interest rate sensitivity analysis

The tables below show the effect on finance costs and profit after tax if interest rates had been 50 basis points (bps) higher or lower at reporting date on the Group's floating rate financial instruments. A 50bps sensitivity is considered reasonable given the current level of both short-term and long-term Australian interest rates. This would represent approximately 2 rate increases and in the current economic environment, where the economy would appear to be at the top of its interest rate cycle, is a conservative analysis given the current economic outlook and the Reserve Bank of Australia's interest rate cut subsequent to year end and a possible additional interest rate cut within the next 12 months. The analysis is based on interest rate risk exposures at balance date on both financial assets and liabilities.

	Consolidated Entity	
	Profit after Tax	
	2008	2007
	\$	\$
If interest rates increased by 50bps - increase/(decrease)	6,581	25,771
If interest rates decreased by 50bps - increase/(decrease)	(6,581)	(25,771)

	Parent Entity	
	Profit after Tax	
	2008	2007
	\$	\$
If interest rates increased by 50bps - increase/(decrease)	898	7,886
If interest rates decreased by 50bps - increase/(decrease)	(898)	(7,886)



# 10

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 27 INVESTMENTS IN ASSOCIATES

#### Equity accounted investments in associates

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Purchase consideration	7,963	7,963	-	-
Inter-entity loan	(250,000)	-	-	-
Share of associates retained earnings	304,151	131,486	-	-
	<u>62,114</u>	<u>139,449</u>	<u>-</u>	<u>-</u>

The Consolidated Entity has one investment in an associate which it accounts for using the equity accounting method. The associate, Huntingdale Smythe Lawyers Pty Ltd is a

company incorporated in Australia and provides legal services. The consolidated entity has 50% ownership and 50% of the voting power in the entity.

Information about the Associate is as follows:

Consolidated entity's share of:

	2008 \$	2007 \$
Profit before tax	246,665	187,836
Income tax expense	(74,000)	(56,350)
Profit for the year	<u>172,665</u>	<u>131,486</u>
Assets	166,602	209,639
Liabilities	161,834	75,364
Net assets	<u>4,768</u>	<u>134,275</u>

### 28 CONTINGENT LIABILITIES

There were no contingent liabilities relating to the Group at balance date except the following:

#### 2008

##### **Mortgage loans**

At balance date loan applications that had been accepted by the Group but not yet settled amount to \$2,046,300. Mortgages are usually settled within 4 weeks of acceptance.

#### 2007

##### **Mortgage loans**

At balance date loan applications that had been accepted by the Group but not yet settled amount to \$2,370,000. Mortgages are usually settled within 4 weeks of acceptance.



# 14

## DIRECTORS' DECLARATION

The directors of FSA Group Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 30 to 69, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 15 to 22, are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the *Corporations Regulations 2001*; and

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors



**Tim Odillo Maher**  
**Director**

Sydney  
25 September 2008





# 15 INDEPENDENT AUDITOR'S REPORT



Chartered Accountants  
& Business Advisers

To the members of FSA Group Limited

## Report on the Financial Report

We have audited the accompanying financial report of FSA Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both FSA Parent and of FSA Group Limited (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the FSA Group Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of FSA Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the parent entity's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



# 15

## INDEPENDENT AUDITOR'S REPORT

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### Report on the Remuneration Report

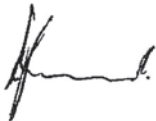
We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's Opinion*

In our opinion the Remuneration Report of FSA Group Limited for the period ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF



**Wayne Wessels**  
**Partner**

Dated at Brisbane this 25th day of September 2008

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**FSA GROUP LTD**

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008

FSA GROUP LTD

ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008

