

# Appendix 4D

## Half yearly report

Introduced 1/1/2003.

Name of entity

**FSA Group Limited**

ABN or equivalent company reference

98 093 855 791

Half year ended  
(‘current reporting period’)

31 December 2006

‘Previous corresponding period’

31 December 2005

Results for announcement to the market

\$A'000

Revenues from ordinary activities	up	74.4%	to	16,444
Profit from ordinary activities after tax attributable to members	up	93.2%	To	2,445
Net profit for the period attributable to members	up	93.2%	To	2,445
<b>Dividends</b>				
It is not proposed to pay a dividend.				

**NTA backing**

Net tangible asset backing per ordinary security

Current period	Previous corresponding Period
10 cents	6.4 cents

**FSA GROUP LTD**

**ABN 98 093 855 791**

**FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

## **DIRECTORS' REPORT**

The directors submit their report for the half-year ended 31 December 2006.

### **DIRECTORS**

The names of the directors of FSA Group Limited in office during the half-year and until the date of this report are shown below. Directors were in office for this entire period unless otherwise stated.

Sam Doumany	(Non-Executive Chairman)
Tim Odillo Maher	(Executive Director)
Deborah Southon	(Executive Director)
Hugh Parsons	(Non-Executive Director) (appointed 1 August 2006)

### **RESULTS AND REVIEW OF OPERATIONS**

The consolidated entity FSA Group Limited ("FSA Group") achieved a record profit after tax attributable to members of the company for the half-year ended 31 December 2006 of \$2.4 million. Other key performance measures, compared to the previous corresponding half, are as follows:

- Revenue of \$16.4 million up 74.4%
- Profit After Tax (attributable to members of the company) of \$2.4 million up 93.2%
- Net Assets of \$14.5 million up 21.7%
- Basic Earnings per Share of 2.52c up 75.0%

During the period FSA Group experienced record growth in revenue and profitability. The changing economic conditions including a series of interest rate rises and a continued rise in consumer debt has resulted in an increase in clients seeking assistance through the company.

FSA Group will continue to expand its existing diverse range of financial solutions which will allow an even greater number of clients to be assisted. This expansion will further enhance the company's financial performance.

#### **Background to the FSA Group**

FSA Group is the leading provider of debt solutions to individuals and business in Australia and is structured around three primary areas of focus:

##### **1. Personal Debt**

The principal subsidiary "Fox Symes" is the leading provider of debt solutions to individuals in Australia. These solutions include:

- An Informal Agreement
- A Consolidation Loan
- Mortgage Refinancing
- A Debt Agreement
- A Personal Insolvency Agreement
- Bankruptcy

Some of the key operational and market highlights which had an impact on Fox Symes include:

- Consumer debt at record levels with national Bankruptcies up 14.6% and Debt Agreements up 35.3% on the December half last year.
- Record growth in demand for solutions during the half-year which will continue to be driven by rises in interest rates and shifts in the cost of living.
- Maintained its position as the largest provider of Debt Agreements and currently administers around 50% of all Debt Agreements entered into in Australia.
- Made dividend payments under Debt Agreements to creditors of \$9.5 million. It is clear that Debt Agreements pay superior dividends to creditors compared with Bankruptcies.
- Maintained its position as the largest individual broker of non-conforming residential mortgages in Australia.
- Experienced strong growth in the department which assists those debtors who may require the services of a controlling trustee or a bankruptcy trustee.

## **DIRECTORS' REPORT Continued**

### **2. Corporate Debt**

FSA Group continues to maintain a high profile in relation to the provision of turnaround solutions for directors of companies which are experiencing financial difficulty.

FSA Group aims to provide solutions to resolve a company's financial difficulties and thereby endeavour to prevent the client company from entering into external administration. If external administration is an unavoidable outcome then FSA Group will assist the directors to deal effectively with the consequences of administration. Unlike administrators or liquidators, FSA Group assists the directors of the client company.

FSA Group experienced a significant growth in demand for services during the half-year in this division.

### **3. Lending**

FSA Group's lending activities include:

- Short Term Bridging Finance
- Factoring Finance

The provision of short term bridging finance and factoring finance plays a critical role in the corporate debt solutions provided by FSA Group.

FSA Group, in addition to being a broker, internally funds its own short term bridging finance and factoring finance activities. FSA Group's outstanding loan book for both of these activities as at 31 December 2006 was \$5.5 million.

There has been a sharp rise in the demand for short term bridging finance and factoring finance. The demand has been so great that FSA has not had the funds available internally to service the demand. As a result FSA Group is planning wholesale lines of credit to further support the growth of these activities.

FSA Group is exploring other lending initiatives to further diversify its range of solutions to meet the evolving and varied needs of its current and future clients.

### **Outlook**

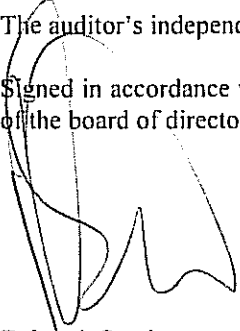
FSA Group will continue innovating solutions which respond to the varied needs of its client base and will therefore particularly focus on:

- Consolidating and organically growing the Personal Debt division.
- Consolidating and organically growing the Corporate Debt division which provides opportunities for FSA Group's lending activities.
- Securing wholesale lines of credit to further support FSA Group's lending activities. These activities are highly profitable but are currently constrained due to a lack of capital.

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

The auditor's independence declaration under Section 307C is attached to this financial report on page 3.

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



Deborah Southon  
Director,  
Sydney  
27 February 2007



Chartered Accountants  
& Business Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

The Directors  
FSA Group Limited  
Level 3, 70 Philip Street  
SYDNEY NSW 2000

### AUDITOR'S INDEPENDENCE DECLARATION IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FSA GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**PKF**  
Chartered Accountants

Wayne Wessels  
Partner

Dated at Brisbane this 27<sup>th</sup> day of February 2007

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Liability limited by a scheme approved under Professional Standards Legislation

## Condensed Income Statement

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2006

### CONSOLIDATED

	2006	2005
	\$	\$
REVENUE	16,444,718	9,431,272
SHARE OF PROFITS OF AN ASSOCIATE USING THE EQUITY ACCOUNTING METHOD	75,889	-
MARKETING EXPENSES	(2,263,728)	(1,471,337)
ADMINISTRATIVE EXPENSES	(1,113,926)	(1,682,475)
OPERATING EXPENSES	(3,975,493)	(1,785,951)
EMPLOYEE BENEFITS EXPENSE	(5,315,456)	(2,686,644)
FINANCIAL COSTS	(126,576)	(7,858)
PROFIT BEFORE INCOME TAX EXPENSE	3,725,428	1,797,007
INCOME TAX EXPENSE	(1,177,434)	(538,083)
PROFIT FOR THE PERIOD	2,547,994	1,258,924
PROFIT/(LOSS) ATTRIBUTABLE TO MINORITY INTERESTS	102,679	(6,528)
PROFIT ATTRIBUTABLE TO THE MEMBERS OF PARENT	2,445,315	1,265,452
Basic earnings per share (cents per share)	2.52	1.44
Diluted earnings per share (cents per share)	2.50	1.44

## Condensed Balance Sheet

AS AT  
31 DECEMBER 2006

	CONSOLIDATED	
	As at 31 December 2006 \$	As at 30 June 2006 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6,949,568	7,954,396
Trade and other receivables	12,297,490	8,087,876
Other	168,309	134,712
<b>TOTAL CURRENT ASSETS</b>	<b>19,415,367</b>	<b>16,176,984</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	171,170	209,913
Plant and equipment	680,262	649,558
Investment Properties	1,376,290	352,081
Other financial assets	650,610	640,464
Deferred tax assets	635,523	714,040
Intangible assets	3,830,835	3,830,835
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,344,690</b>	<b>6,396,891</b>
<b>TOTAL ASSETS</b>	<b>26,760,057</b>	<b>22,573,875</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	6,850,633	5,752,041
Current tax liabilities	1,364,400	1,982,615
Borrowings	849,327	364,024
Provisions	793,313	539,507
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,857,673</b>	<b>8,638,187</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	1,055,767	880,446
Deferred tax liabilities	1,329,039	1,128,108
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,384,806</b>	<b>2,008,554</b>
<b>TOTAL LIABILITIES</b>	<b>12,242,479</b>	<b>10,646,741</b>
<b>NET ASSETS</b>	<b>14,517,578</b>	<b>11,927,134</b>
<b>EQUITY</b>		
Share Capital	6,933,472	6,891,022
Reserves	38,848	38,848
Retained earnings	7,176,170	4,730,855
Minority equity interest	369,088	266,409
<b>TOTAL EQUITY</b>	<b>14,517,578</b>	<b>11,927,134</b>

## Condensed Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED

	2006	2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	24,901,048	18,918,072
Payments to institutional creditors, suppliers and employees	(23,461,429)	(16,024,146)
Cash generated from operations	1,439,619	2,893,926
Interest received	218,083	184,486
Interest and other costs of finance paid	(126,576)	(7,858)
Income taxes paid	(1,479,369)	(1,044,870)
GST recovered/(paid)	(543,632)	(551,412)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	(491,875)	1,474,272
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,216,027)	(94,063)
Loans – Related Corporations	-	(900,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,216,027)	(994,063)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Unsecured notes repaid	(75,000)	-
Share capital issued – net of issue costs	42,450	-
Net Proceeds/(Repayment) of borrowings	735,624	(7,151)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	703,074	(7,151)
NET INCREASE /(DECREASE) IN CASH HELD	(1,004,828)	473,058
Cash held at the beginning of the half-year	7,954,396	5,141,092
<b>CASH HELD AT THE END OF THE HALF-YEAR</b>	<b>6,949,568</b>	<b>5,614,150</b>



## Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Share Capital	Reserves	Retained earnings/ (Accumulated Losses)	Minority Interest	Total
	\$	\$	\$	\$	\$
<b>At 1 July 2005</b>	9,600,899	-	(4,923,193)	-	4,677,706
Equity purchased relating to minority interests	-	-	-	83	83
Profit/(Loss) for the period	-	-	1,265,452	(6,528)	1,258,924
<b>At 31 December 2005</b>	<b>9,600,899</b>	<b>-</b>	<b>(3,657,741)</b>	<b>(6,445)</b>	<b>5,936,713</b>
<b>At 1 July 2006</b>	6,891,022	38,848	4,730,855	266,409	11,927,134
Profit for the period	-	-	2,445,315	102,679	2,547,994
Share capital issued (net of issue costs)	42,450	-	-	-	42,450
<b>At 31 December 2006</b>	<b>6,933,472</b>	<b>38,848</b>	<b>7,176,170</b>	<b>369,088</b>	<b>14,517,578</b>

# Notes to the Consolidated Condensed Half-Year Financial Statements

31 DECEMBER 2006

## 1. BASIS OF PREPARATION OF THE FINANCIAL REPORTS

This interim consolidated financial report has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and is to be read in conjunction with the 30 June 2006 Annual Report and any public announcements made by the FSA Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001. It is a general purpose financial report which has been prepared in accordance with AASB 134 "Interim Financial Reporting", other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations as applicable to interim financial reports.

Notes of a type normally included in an annual financial report are not included.

The accounting policies and methods of computation have been consistently applied by the entities in the consolidated group and are consistent with those presented in the comparative financial information in the financial report.

For the purpose of preparing the half-year consolidated financial statements, the half-year has been treated as a discrete reporting period.

## 2. SEGMENT INFORMATION

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

- Personal Debt Services
- Corporate Debt Services
- Lending

The Company operates in one geographical segment being Australia.

### Business segment Revenue and Results

Half-year ended 31 December

	Personal Debt		Corporate Debt		Lending		Other/Unallocated		Consolidation Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
External Sales	13,157,207	9,278,271	801,746	-	1,873,607	-	612,158	153,001	16,444,718	9,431,272
Internal Sales	137,564	398,614	13,161	-	-	-	177,473	129,024	328,198	527,638
Eliminations									(328,198)	(527,638)
<b>Total Revenue</b>									16,444,718	9,431,272
<b>Results</b>										
Segment profit	4,003,640	1,645,746	(538,186)	-	1,204,212	-	-	-	4,669,666	1,645,746
Unallocated profit/(loss)							(2,121,672)	(386,822)	(2,121,672)	(386,822)
<b>Net Profit</b>									2,547,994	1,258,924

## 3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no changes in contingent assets and contingent liabilities of the group at 31 December 2006 since that reported at 30 June 2006.

## Notes to the Consolidated Condensed Half-Year Financial Statements

31 DECEMBER 2006 *Continued*

### 4. CHANGES IN THE COMPOSITION OF THE ENTITY DURING THE INTERIM PERIOD

There were no changes in the composition of the entity during the interim period other than as follows:

#### Investments in associates

##### *Acquisitions*

Name and description of the entity	Acquisition date	Voting rights acquired	Consideration
Huntingdale Smythe Lawyers – Legal practitioners	1 July 2006	50%	\$7,963

### 5. SUBSEQUENT EVENTS

There have been no events since 31 December 2006 that impact upon the financial report as at 31 December 2006 other than as follows:

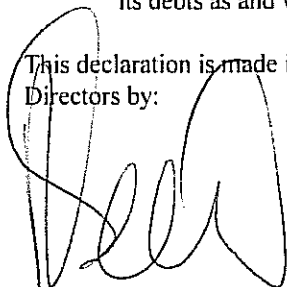
In January 2007 a real estate agent was engaged to sell one of the Investment properties owned by FSA Group Limited. The property is currently carried at cost in the financial statements for \$1,039,878. It is expected to be auctioned in March 2007.

## Directors' Declaration

The Directors of FSA Group Limited declare that they are of the opinion that:

- (1) the financial statements and notes to the financial statements of FSA Group Limited are in accordance with the Corporations Act 2001 including that they:
  - (a) comply with Australian Accounting Standard AASB 134 "Interim financial reporting" and the Corporations Regulations 2001;
  - (b) give a true and fair view of the financial position as at 31 December 2006 and of the performance for the half-year ended on that date of FSA Group Limited ; and
- (2) at the date of this statement, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Deborah Southon  
Director  
Sydney  
27 February 2007



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FSA Group Limited

We have reviewed the accompanying half-year financial report of FSA Group Limited, which comprises the Condensed Balance Sheet as at 31 December 2006, and the Condensed Income Statement, Condensed Statement of Changes in Equity and Condensed Cash Flow Statement for the half-year ended on that date, a Summary of Significant Accounting Policies, other selected Explanatory Notes and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2006 or from time to time during the half-year ended on that date..

### Directors' Responsibility for the Half-Year Financial Report

The Directors of the FSA Group Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FSA Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Chartered Accountants  
& Business Advisers

#### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

#### Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PKF

PKF  
Chartered Accountants

**Wayne Wessels**  
Partner

Dated at Brisbane this 27<sup>th</sup> day of February 2007