



ASX Announcement

21 June 2007

\$210m facility forecast to add up to \$5m to Pre-Tax Profit

(ASX code: FSA)

FSA Group Limited ("FSA Group") would like to expand on its announcement of 7 May 2007 and provide the market with further details relating to the \$210 million Westpac Banking Corporation non-recourse funding facility, the creation of its subsidiary **Fox Symes Home Loans Pty Limited ("FSHL")** and its anticipated impact on group profits.

The \$210 million Westpac Banking Corporation funding facility will allow FSA Group to add direct lending services to its already diversified range of debt solutions.

Previously FSA Group acted as a mortgage broker, brokering new business to external non-conforming mortgage lenders. FSA Group (through its subsidiary "Fox Symes") is the largest individual broker of non-conforming residential mortgages in Australia, brokering new business to external non-conforming mortgage lenders in excess of \$200 million per annum. The \$210 million Westpac Banking Corporation funding facility will allow FSA Group to act as principal lender, not broker.

FSA Group is forecasting the following:

- up to 75% of existing business will now be facilitated through FSHL, resulting in a greater lending margin being captured within FSA Group rather than being passed on to external non-conforming mortgage lenders.
- the balance of existing business, which cannot be facilitated through FSHL, will continue to be brokered through external non-conforming mortgage lenders.
- overall business levels will increase as FSHL will develop lending products that will be flexible and tailored to meet the diverse needs of its clients.

The impact of this change is significant to the profitability of FSA Group. Based on existing business volumes, FSHL should progressively add up to **\$5 million** annually to FSA Group's pre-tax profit as the loan portfolio grows over the next two years.

These financial results are however dependent upon a number of factors including the take-up rate of the new offering by our clients, the performance of the loan portfolio and the appetite of the capital markets for such assets.

FSA Group will own 90% of FSHL with the balance of the equity equally shared between Westpac Direct Equity Investments (through an option agreement) and FSHL senior management (through a converting share agreement). Westpac Direct Equity Investments have the right to appoint a representative to the FSHL board.

The loan portfolio will be funded through the "Fox Symes Home Loans Warehouse Trust" with Westpac Banking Corporation and FSHL 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 FSHL and FSA Group. The maximum capital at risk for FSHL (which has been provided by FSA Group) in the "Fox Symes Home Loans Warehouse Trust" is **\$2 million**, if FSHL does not breach representations and covenants provided by it to Westpac

Banking Corporation. The loan portfolio created in the “Fox Symes Home Loans Warehouse Trust” will then be securitised in the capital markets

FSA Group has expensed a total of \$1.4 million of set-up costs for FSHL to date. No further set up costs will be incurred.

Background to FSA Group

FSA Group Limited is the leading provider of debt solutions to individuals and business in Australia. Its subsidiary “**Fox Symes**” offers a broad range of debt solutions to individuals, including budgeting assistance, informal creditor arrangements, consolidation loans, mortgage refinancing, debt agreements, personal insolvency agreements and bankruptcy assistance.

Fox Symes currently administers around 50% of all debt agreements entered into and is the largest individual broker of non-conforming residential mortgages in Australia, brokering new business in excess of \$200 million per annum.

For and on behalf of the Board
Duncan Cornish
Company Secretary