

APPENDIX 4D HALF-YEAR REPORT

1. Company details

Name of entity:	Firstfolio Limited
ABN:	43 002 612 991
Reporting period:	Half-year ended 31 December 2011
Previous corresponding period:	Half-year ended 31 December 2010

2. Results for announcement to the market

Revenues from ordinary activities	up	11.9%	to	\$ 48,651,000
Profit from ordinary activities after tax attributable to the owners of Firstfolio Limited	down	85.7%	to	\$ 393,000
Profit for the period attributable to the owners of Firstfolio Limited	down	85.7%	to	\$ 393,000

Dividends

There were no dividends paid or declared during the current financial period.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$393,000 (31 December 2010: \$2,757,000).

Key highlights for the half-year

- Revenue increased 12% to \$48.6 million (without Calibre revenue was up 6% to \$46.2 million)
- Active origination books grew 3% during the period, above industry growth
- Cash Flows from Operations before Income Tax \$4.4 million, down 3%
- Operating EBITDA down 5% to \$6.9 million
- Completion of the acquisition of Calibre Financial Services Ltd

Refer to the Directors Report for additional comments.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(8.07) cents	(7.53) cents

4. Control gained over entities

Name of entities (or group of entities)	Calibre Financial Services Pty Ltd
Date control gained	30 November 2011

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	\$ 2,438,000
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Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)	\$ 222,000
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5. Loss of control over entities

Name of entities (or group of entities) Not applicable.

Date control lost

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)

\$ -

Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)

\$ -

6. Dividends

Current period

There were no dividends paid or declared during the current financial period.

Previous corresponding period

There were no dividends paid or declared during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans:

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.				
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from ordinary activities before income tax			\$ -	\$ -
Income tax on operating activities			\$ -	\$ -

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Firstfolio Limited for the half-year ended 31 December 2011 is attached.

12. Signed



Signed: _____

Date: 21 February 2012

Anthony Wales
Director
Chairman

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Firstfolio Limited

ABN 43 002 612 991

Interim Report - 31 December 2011

Firstfolio Limited
Directors' report
31 December 2011

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Firstfolio Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2011.

Directors

The following persons were directors of Firstfolio Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Anthony N. Wales - Chairman
Mark Forsyth
Anthony B. Harris
Michael Hogg
Mark K. Flack
Gregory J. Paramor
Thomas J. Hartigan - Former Chairman (passed away 27 November 2011)

Principal activities

During the financial half-year the continuing principal activities of the consolidated entity consisted of the retailing, wholesaling, management and aggregation of mortgages in the home loan financing segment and other financial services.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$393,000 (31 December 2010: \$2,757,000).

During the half-year the consolidated entity continued to develop and invest in the value of the network, increasing the adoption of wholesale and mortgage managed products into its partner, third party and franchised channels. The next horizon of growth was also started with the formation of Firstfolio Capital following the completion of the acquisition of Calibre Financial Services Limited ('Calibre') on 30 November 2011 allowing the consolidated entity to enter the non-bank lending market.

Key highlights for the half-year

- Revenue increased 12% to \$48.6 million (without Calibre revenue was up 6% to \$46.2 million)
- Active origination books grew 3% during the period, above industry growth
- Cash Flows from Operations before Income Tax \$4.4 million, down 3%
- Operating EBITDA down 5% to \$6.9 million
- Completion of the acquisition of Calibre

These results reflect significantly higher financing costs and the application of new Australian Accounting standard requirements in respect of accounting for acquisitions and the resultant amortisation of acquired contract rights of \$1,145,000. Restated profit after income tax for the period to 31 December 2011 before amortisation of contract rights would have been \$1,538,000 (31 December 2010: \$2,757,000).

Revenues grew by 12% to \$48.6 million despite patchy consumer sentiment impacting on volumes with the completion of Calibre contributing \$2,438,000 to revenue. Trading conditions were dominated by volatile housing loan volumes from increasingly uncertain domestic and international macro-economic conditions which adversely affected the sector. Even though System (industry total) growth over the 6 month period continued to trend down with approximately 2% growth from June 2011 to December 2011, our active origination books grew at an average of 3% with Club Financial Services' wholesale book increasing almost 5% during the period. New settlements in the housing finance market changed little, averaging \$20 billion per month, with an increase of less than 1% over prior comparable period for the six months to 31 December 2011. During the same period the consolidated entity settled \$1.7 billion in new housing loans, an increase of 4%.

Firstfolio Limited
Directors' report
31 December 2011

As part of our planned investment strategy going forward, we have consolidated and enhanced our technology platforms with the addition of the loan and trust management system acquired with the Calibre business completing our end-to-end delivery capabilities. Staff and contractor costs increased 10% with Firstfolio continuing to invest heavily in IT and process improvements across the consolidated entity. At the same time advertising and promotional expenses increased to build brand value and support lending activity in a weak housing finance market.

Against challenging market conditions, the underlying business delivered EBITDA of \$6.2 million (31 December 2010: \$5.9 million) which includes a write-back of \$700,000 of deferred consideration from reduced deferred vendor payments. Operating EBITDA without the impact of one-off items dropped 5% to \$6.9 million with the consolidated entity maintaining a commitment to invest in its IT platform and business process improvements to deliver a more cost effective infrastructure to build and support future operations.

Cash Flows from Operations before Income Tax for the period of \$4,441,000 was \$114,000 lower (31 December 2010: \$4,471,000).

Operating profit *

The table provided below shows the material one-off items impacting on the earnings before interest, tax, depreciation and amortisation ('EBITDA'):

	31/12/2011	31/12/2010
	\$'000	\$'000
Reported EBITDA **	6,168	5,924
Acquisition costs ***	811	1,083
Restructuring costs	587	236
Share-based payments (non-cash)	51	58
Write back of deferred consideration	(700)	-
Operating EBITDA	6,917	7,301
Depreciation	(502)	(201)
Amortisation	(1,913)	(510)
Net finance costs – actual cash payments	(2,371)	(1,453)
Underlying profit before income tax ****	2,131	5,137
Cash flows from operations before income tax ****	4,441	4,555

* Prepared based on half-year report

** Profit before income tax with finance costs and depreciation and amortisation expense added back, less interest income.

*** One-off acquisition costs cover legal fees, consulting fees and stamp duty (expensed under AASB3 'Business Combinations', these costs are charged in the statement of comprehensive income, and not capitalised)

**** Net cash flows from operations plus income taxes paid

During half-year income tax expense of \$762,000 was brought to account and includes non-tax deductible permanent differences relating to the amortising of contract rights and acquisition costs. These totalled \$1.4 million with a tax effect of \$420,000.

Excluding restricted cash from trust accounts, cash and cash equivalents increased by \$952,000 to \$4,425,000 (30 June 2011: \$3,473,000).

Total net assets at 31 December 2011 were \$36,045,000 (30 June 2011: \$35,606,000).

Outlook

Market conditions for the remainder of the financial year are expected to remain subdued despite the RBA's recent easing of monetary policy. The consolidated entity, now with the addition of Firstfolio Capital will continue to leverage the distribution and IT systems through product diversification. Announced recently was the joint venture with Evergreen Finance to provide personal finance products across the network and the signing of a mandate with Alpha Lease Fund to provide trust management services. Operationally, the consolidated entity will continue to focus on process improvements, increasing productivity and building a scalable operating base. Firstfolio continues to actively review its balance sheet structure and funding options with the intent to retire debt and reduce interest costs.

Significant changes in the state of affairs

Calibre Financial Services Pty Ltd

On 30 November 2011 Firstfolio Limited acquired 100% of the ordinary shares of Calibre Financial Services Pty Ltd ('Calibre') for \$18,177,000.

Calibre is a non-bank lender whose principal activities are mortgage origination, management of home loans and the securitisation of mortgages through a bank funded warehouse and the Calibre Bond Fund No.1. This provides the consolidated entity with complementary funding sources, alongside existing wholesale funds from ING, Advantedge (a Division of National Australia Bank) and Adelaide Bank, as well as providing a proprietary lending and trust management platform. As part of the acquisition, Westpac Banking Corporation, agreed to extend the warehouse funding line from \$300 million to \$400 million. Accordingly, the consolidated financial position is now presented on a liquidity basis to provide a more meaningful position with the inclusion of securitised assets and liabilities. The acquisition was funded by a combination of cash and long-term debt from the Commonwealth Bank of Australia ('CBA').

Senior debt funding was consolidated with the CBA in November 2011 with the extension of an additional \$17.25 million to finance the acquisition of Calibre and repay outstanding debt to Advantedge of \$4.25 million. At 31 December 2011 total senior debt with the CBA totalled \$40.25 million.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Anthony Wales
Chairman

21 February 2012
Sydney



PITCHER PARTNERS

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AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Firstfolio Limited

I declare that, to the best of my knowledge and belief, there has been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

R M SHANLEY
Partner

PITCHER PARTNERS
Sydney

21 February 2012

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Firstfolio Limited
Financial report
For the half-year ended 31 December 2011

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General information

The financial report covers Firstfolio Limited as a consolidated entity consisting of Firstfolio Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Firstfolio Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Firstfolio Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9
50 Bridge Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 21 February 2012. The directors have the power to amend and reissue the financial report.

Firstfolio Limited
Statement of comprehensive income
For the half-year ended 31 December 2011

		Consolidated	
	Note	31/12/2011	31/12/2010
		\$'000	\$'000
Revenue	3	48,651	43,465
Other income	4	801	160
Expenses			
Commission expenses		(26,546)	(24,575)
Interest on warehouse and other funding		(1,972)	-
Valuation and title fees		(1,520)	(944)
Management fees		(167)	(184)
Employee benefits expense		(6,505)	(6,142)
Depreciation and amortisation expense		(2,415)	(711)
Operating lease rentals		(57)	(91)
Rent and occupancy		(710)	(693)
Telephone and communications charges		(385)	(444)
Travelling expenses		(370)	(383)
Contractor and consultants expenses		(1,099)	(781)
Audit fees		(65)	(51)
Advertising and promotion		(1,310)	(875)
Acquisition costs		(811)	(1,083)
Other expenses		(1,561)	(1,234)
Finance costs	5	(2,804)	(2,094)
Profit before income tax expense		1,155	3,340
Income tax expense		(762)	(583)
Profit after income tax expense for the half-year attributable to the owners of Firstfolio Limited		393	2,757
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Firstfolio Limited		<u>393</u>	<u>2,757</u>
		Cents	Cents
Basic earnings per share	13	0.05	0.37
Diluted earnings per share	13	0.05	0.36

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Firstfolio Limited
Statement of financial position
As at 31 December 2011

Note	Consolidated	
	31/12/2011 \$'000	30/06/2011 \$'000
Assets		
6	15,642	3,473
	10,920	10,434
	332,412	-
	30	-
	5,112	4,817
	1,410	1,481
7	98,524	89,287
	<u>464,050</u>	<u>109,492</u>
Total assets		
Liabilities		
	11,724	8,597
	337,946	-
	77,304	63,618
	1,031	904
	-	767
	<u>428,005</u>	<u>73,886</u>
	<u>36,045</u>	<u>35,606</u>
Total liabilities		
Net assets		
Equity		
8	41,325	41,330
	2,907	2,856
	<u>(8,187)</u>	<u>(8,580)</u>
	<u>36,045</u>	<u>35,606</u>
Total equity		

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

Firstfolio Limited
Statement of changes in equity
For the half-year ended 31 December 2011

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2010	39,932	2,746	(14,708)	27,970
Adjustment for finalisation of prior year business combinations	-	-	(284)	(284)
Balance at 1 July 2010 - restated	39,932	2,746	(14,992)	27,686
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit after income tax expense for the half-year	-	-	2,757	2,757
Total comprehensive income for the half-year	-	-	2,757	2,757
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,360	-	-	1,360
Share-based payments	-	58	-	58
Balance at 31 December 2010	<u>41,292</u>	<u>2,804</u>	<u>(12,235)</u>	<u>31,861</u>
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2011	41,330	2,856	(8,580)	35,606
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit after income tax expense for the half-year	-	-	393	393
Total comprehensive income for the half-year	-	-	393	393
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	51	-	51
Cancellation of shares	(5)	-	-	(5)
Balance at 31 December 2011	<u>41,325</u>	<u>2,907</u>	<u>(8,187)</u>	<u>36,045</u>

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

Firstfolio Limited
Statement of cash flows
For the half-year ended 31 December 2011

	Note	Consolidated	
		31/12/2011 \$'000	31/12/2010 \$'000
Cash flows from operating activities			
Interest received		2,577	221
Interest and other finance costs paid		(4,678)	(2,094)
Commissions and fees received		51,002	48,523
Commissions, salaries and other expenses paid		(44,460)	(42,095)
Income taxes paid		(1,222)	(432)
		<u>3,219</u>	<u>4,123</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	11	859	(15,898)
Payments for property, plant and equipment		(423)	(339)
Payments for intangibles	7	(342)	(1,191)
Payments for security deposits		(1)	(303)
Repayments of loans from borrowers		6,690	-
		<u>6,783</u>	<u>(17,731)</u>
Cash flows from financing activities			
Proceeds from borrowings		17,250	24,000
Repayment of borrowings		(4,536)	(9,518)
Payment of deferred consideration		(355)	-
Repayment of warehouse facility		(10,192)	-
		<u>2,167</u>	<u>14,482</u>
Net cash from financing activities			
		<u>2,167</u>	<u>14,482</u>
Net increase in cash and cash equivalents		12,169	874
Cash and cash equivalents at the beginning of the financial half-year		<u>3,473</u>	<u>2,472</u>
Cash and cash equivalents at the end of the financial half-year	6	<u><u>15,642</u></u>	<u><u>3,346</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2009-12 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2009-12 from 1 July 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which had no major impact on the requirements of the amended pronouncements. The main amendment was to AASB 8 'Operating Segments' and required an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

Note 1. Significant accounting policies (continued)

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

Going concern

The consolidated entity has prepared the financial report on a going concern basis.

The net cash inflow from operating activities for the financial half-year ended 31 December 2011 was \$3,219,000 (2010: \$4,123,000).

At 31 December 2011 the consolidated entity had net assets of \$36,045,000 (30 June 2011: \$35,606,000) and net tangible asset deficiency (excluding intangible assets) of \$62,479,000 (30 June 2011: \$53,681,000).

No adjustments have been made relating to recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern. Notwithstanding the above the directors' have prepared the financial report on a going concern basis as they regularly monitor the consolidated entity's cash position and, on an on-going basis, consider a number of strategic and operation plans and initiatives to ensure that adequate funding continues to be available for the consolidated entity to meet its objectives and financial obligations.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity has identified that there is one operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The consolidated entity operates principally in the home loan financing segment within Australia.

Major customers

The consolidated entity has a number of customers to which it provides products and services via eight (2010: eight) main banks in Australia. The combined revenue from these main banks amounted to 77% (2010: 73%) of the external revenue for the financial half-year.

Firstfolio Limited
Notes to the financial statements
31 December 2011

Note 3. Revenue

	Consolidated	
	31/12/2011	31/12/2010
	\$'000	\$'000
<i>Sales revenue</i>		
Services revenue	46,065	43,244
Interest revenue - other person/corporations	2,380	-
	<u>48,445</u>	<u>43,244</u>
<i>Other revenue</i>		
Other Interest	206	221
	<u>206</u>	<u>221</u>
Revenue	<u><u>48,651</u></u>	<u><u>43,465</u></u>

Note 4. Other income

	Consolidated	
	31/12/2011	31/12/2010
	\$'000	\$'000
Release of contingent and deferred consideration	700	-
Other income	101	160
	<u>801</u>	<u>160</u>
Other income	<u><u>801</u></u>	<u><u>160</u></u>

Note 5. Expenses

	Consolidated	
	31/12/2011	31/12/2010
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,577	1,674
Unwinding of the discount on deferred cash consideration	227	420
	<u>2,804</u>	<u>2,094</u>
Finance costs expensed	<u><u>2,804</u></u>	<u><u>2,094</u></u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	585	531
	<u>585</u>	<u>531</u>

Firstfolio Limited
Notes to the financial statements
31 December 2011

Note 6. Cash and cash equivalents

	Consolidated	
	31/12/2011	30/06/2011
	\$'000	\$'000
Cash at bank	3,962	3,020
Cash on deposit	463	453
Restricted cash - trust accounts	11,217	-
	<u>15,642</u>	<u>3,473</u>

Note 7. Intangibles

	Consolidated	
	31/12/2011	30/06/2011
	\$'000	\$'000
Goodwill - at cost	59,312	48,504
Less: Impairment	(170)	(170)
	<u>59,142</u>	<u>48,334</u>
Contract rights - at cost	22,896	22,896
Less: Accumulated amortisation	(3,961)	(2,816)
	<u>18,935</u>	<u>20,080</u>
Software and websites - at cost	5,124	4,854
Less: Accumulated amortisation	(4,157)	(3,447)
	<u>967</u>	<u>1,407</u>
Intellectual property - at cost	19,690	19,690
Less: Impairment	(500)	(500)
	<u>19,190</u>	<u>19,190</u>
Other - at cost	290	276
	<u>290</u>	<u>276</u>
	<u>98,524</u>	<u>89,287</u>
Amount expected to be recovered after more than 12 months	<u>98,524</u>	<u>89,287</u>

Firstfolio Limited
Notes to the financial statements
31 December 2011

Note 7. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill \$'000	Contract rights \$'000	Software and websites \$'000	Intellectual property \$'000	Other \$'000	Total \$'000
Consolidated						
Balance at 1 July 2011	48,334	20,080	1,407	19,190	276	89,287
Additions	-	-	328	-	14	342
Additions through business combinations (note 11)	10,808	-	-	-	-	10,808
Amortisation expense	-	(1,145)	(768)	-	-	(1,913)
Balance at 31 December 2011	<u>59,142</u>	<u>18,935</u>	<u>967</u>	<u>19,190</u>	<u>290</u>	<u>98,524</u>

Note 8. Equity - contributed

	Consolidated		Consolidated	
	31/12/2011	30/06/2011	31/12/2011	30/06/2011
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>773,825,809</u>	<u>765,136,809</u>	<u>41,325</u>	<u>41,330</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2011	765,136,809		41,330
Cancellation of non-issued shares in Xplore Capital Ltd	15 August 2011	(61,000)	\$0.08	(5)
Shares issued to FFF Remuneration Pty Limited	14 December 2011	<u>8,750,000</u>	\$0.00	-
Balance	31 December 2011	<u>773,825,809</u>		<u>41,325</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 9. Equity - dividends

There were no dividends paid or declared during the current or previous financial half-year.

Firstfolio Limited
Notes to the financial statements
31 December 2011

Note 10. Contingent liabilities

	Consolidated	
	31/12/2011	30/06/2011
	\$'000	\$'000
Bank guarantees	418	348

Note 11. Business combinations

On 30 November 2011 the consolidated entity acquired 100% of the ordinary shares of Calibre Financial Services Pty Ltd ('Calibre') for the total consideration transferred of \$18,177,000. Calibre is a non-bank mortgage lender and the acquisition marks the consolidated entity's next phase of growth into the non-bank lending space, leveraging Calibre's proprietary lending and trust management platform. The acquired business contributed revenues of \$2,438,000 and profit after tax of \$222,000 to the consolidated entity for the period from 30 November 2011 to 31 December 2011. If the acquisition occurred on 1 July 2011, the year to date contributions would have been revenues of \$15,681,000. Due to the significant integration changes within the consolidated entity, the cost allocation cannot be made to give a meaningful entire half-year profit attributable to the consolidated entity. The values identified in relation to the acquisition of Calibre Financial Services Pty Ltd are provisional as at 31 December 2011 and will be finalised, including finalisation of the portion of the consideration allocated to goodwill, once the external valuations of other intangible assets acquired is completed. Contained within other current assets in the table below is an income tax refund provision which has not been finalised at the date of this report.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash equivalents	16,736	16,736
Trade receivables	15	15
Prepayments	37	37
Other current assets	3,397	3,397
Mortgage advances and interest receivable	339,092	339,092
Plant and equipment	8	8
Trade payables	(110)	(110)
Other payables	(570)	(570)
Employee benefits	(300)	(300)
Lease make good provision	(56)	(56)
Warehouse and bond fund notes	(350,880)	(350,880)
Net assets acquired	<u>7,369</u>	7,369
Goodwill		<u>10,808</u>
Acquisition-date fair value of the total consideration transferred		<u><u>18,177</u></u>
Representing:		
Cash paid or payable to vendor		15,877
Deferred consideration		<u>2,300</u>
		<u><u>18,177</u></u>

Firstfolio Limited
Notes to the financial statements
31 December 2011

Note 11. Business combinations (continued)

	Consolidated	
	31/12/2011	31/12/2010
	\$'000	\$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	18,177	-
Less: cash equivalents *	(16,736)	-
Deferred consideration	(2,300)	-
	<u>(859)</u>	<u>-</u>
Net cash received	<u>(859)</u>	<u>-</u>

* includes \$14,833,000 of restricted cash, \$2,000,000 of which is held in escrow for the vendors of Calibre. The net cash used in the acquisition was \$11,974,000.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings per share

	Consolidated	
	31/12/2011	31/12/2010
	\$'000	\$'000
Profit after income tax attributable to the owners of Firstfolio Limited	<u>393</u>	<u>2,757</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	765,946,706	755,080,222
Adjustments for calculation of diluted earnings per share:		
Options	<u>-</u>	<u>7,961,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>765,946,706</u>	<u>763,041,222</u>
	Cents	Cents
Basic earnings per share	0.05	0.37
Diluted earnings per share	0.05	0.36

Note 14. Comparatives

Comparatives for the statement of financial position have been reclassified for consistency with the current half-year presentation, being on a liquidity basis, which is considered more relevant to users following the acquisition of Calibre. The net assets and total equity has not changed.

Firstfolio Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Anthony Wales
Chairman

21 February 2012
Sydney



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FIRSTFOLIO LIMITED

We have reviewed the accompanying half-year financial report of Firstfolio Limited, which comprises the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Firstfolio 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 establishing 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 Interim and Other Financial Reports 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 2011 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 Firstfolio Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

- (a) giving a true and fair view of Firstfolio Limited's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



R M SHANLEY
Partner

21 February 2012



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Sydney

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