ASX Release

21 February 2014
Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
Sydney, NSW 2000

Amended 2014 Half Year Report

Firstfolio Limited today relodged its 2014 Appendix 4D Statement and Half Year Report, which replace those lodged on 20 February 2014.

The amended Accounts correct a typographical error in the Auditor's Report on page 27 which incorrectly referred to Note 1, instead of Note 2 of the Accounts.

Dustine Pang
Company Secretary

About Firstfolio Limited

Firstfolio Limited (ASX: FFF) is a mortgages and financial services distribution business which offers a diversified range of mortgage solutions through its two key businesses; eChoice and Folio Mortgage & Finance. Firstfolio also offers its customers an alternative funding option through Firstfolio Capital.

eChoice is one of Australia's most recognised online mortgage brands, using industry leading technology to provide customers with mortgage and financial product options through convenient online portals. Folio Mortgage & Finance provides mortgage products, mortgage processing and management services, personal loan products, commercial loans, as well as equipment finance and leasing. Products are provided via a national network of mortgage brokers, affiliates and industry partners.

Loans under management (LUM) were $19 billion at 30 June 2013 – making it one of Australia's largest independent platforms for the delivery of financial products and services.

Firstfolio Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Firstfolio Limited
ABN:	43 002 612 991
Reporting period:	For the half-year ended 31 December 2013
Previous period:	For the half-year ended 31 December 2012

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	3.0%	to	37,450
Loss from ordinary activities after tax attributable to the owners of Firstfolio Limited	down	116.6%	to	(294)
Loss for the half-year attributable to the owners of Firstfolio Limited	down	116.6%	to	(294)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to $294,000 (31 December 2012: profit of $1,768,000).

Refer to the Directors' report for further commentary on 'review of operations'.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.51)	(0.51)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

Firstfolio Limited
Appendix 4D
Half-year report

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Interim Report of Firstfolio Limited for the half-year ended 31 December 2013 is attached.

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12. Signed

Signed ________________________ Date: 20 February 2014

Eric Dodd
Chairman
Sydney

Firstfolio Limited

ABN 43 002 612 991

Interim Report - 31 December 2013

Firstfolio Limited
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31 December 2013

Firstfolio Limited
Corporate directory
31 December 2013

Directors	Eric Dodd (Chairman) Michael Hogg Gregory D. Pynt Anthony N. Wales
Company secretary	Dustine Pang
Registered office	Level 9 50 Bridge Street Sydney NSW 2000 Phone: 02 9240 8900
Principal place of business	Level 9 50 Bridge Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Phone: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Tress Cox Lawyers Level 9 469 La Trobe Street Melbourne VIC 3000
Bankers	Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000
Stock exchange listing	Firstfolio Limited shares are listed on the Australian Securities Exchange (ASX code: FFF)
Website	www.firstfolio.com.au

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 2013 (referred to hereafter as the ‘financial period’).

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

Eric Dodd	Chairman
Michael Hogg	
Gregory D. Pynt	
Anthony N. Wales	
David Walker	*Alternate director for Anthony N. Wales from 9 July 2013 to 7 September 2013*

Principal activities
During the financial period the continuing principal activities of the consolidated entity consisted of:

- retailing, wholesaling, management and aggregation of mortgages in the home loan financing segment; and
- mortgage origination and securitisation of mortgages.

Highlights of the half-year
Firstfolio Limited’s (ASX: FFF) half-year 2014 (1H14) results reflect a period of repositioning for the consolidated entity, in a recovering market. During the financial period, management have focussed on developing the brands and product offerings of the Folio and eChoice businesses, which by the end of the financial period, showed signs of improved volumes and revenues.

The structure of the statement of profit or loss and other comprehensive income has been refreshed to provide a more definitive and informative view of the results. The statement now highlights the components of the consolidated entity’s gross margin and refines the classification of expenses.

Key features for the half-year results:

- Revenue decreased 3.0% to $37.5 million
- Cash operating EBITDA of $6.5 million, down 21.6% on pcp
- Operating EBITDA[1] of $3.0 million, down 52.7% on pcp
- Settlement volumes have increased 10.1% over pcp to $1.6 billion
- Operating cash flow before tax $4.0 million, down 26.7% on pcp
- Net debt of $59.2 million at 31 December 2013, down $2.8 million over the financial period
- Loan book declined by $0.4 billion to $18.5 billion
- Net loss after tax of $0.3 million, down $2.1 million on pcp

[1] Operating EBITDA represents operating Earnings Before Interest, Tax, Depreciation and Amortisation, and is adjusted for abnormal items including write-back for deferred consideration, share based payments, acquisition costs and restructuring costs.

Review of operations

Total housing credit outstanding[2] ('System') grew by 5.3% in the twelve months to 31 December 2013, a higher rate than the 4.5% recorded for the pcp and the financial year ended 30 June 2013, although growth remains well below long term averages. The averages for 10-year and 5-year housing credit growth to December 2013 are 10.2% and 6.2%, respectively.

Settlement volumes in the mortgage origination business grew 10.1% over the pcp, primarily from higher aggregation and broking volumes. Overall Australian market settlements grew 13.8%[3] in the twelve months to November 2013. Aggregation and broking settlement growth was strong at 17.5% and 56.9% respectively, over the pcp. Wholesale mortgage settlements declined in the financial period, whilst management focussed on the launch of the Folio brand and product offerings. Although the strategy directly impacted short term settlement volumes, the settlement pipeline has benefited with strong growth evident later in the financial period. Settlement mix continues to change as a result, with the proportion of wholesale settlements dropping to 6.7% for 1H14, from 16.2% for 1H13.

Margins*.* Gross margin in 1H14 decreased 26.4% to $12.1 million, with the gross margin ratio falling from 42.7% of revenue to 32.4% of revenue. Gross margin was impacted by a $3.5 million non-cash NPV movement for future net trail commissions.

The NPV movement was principally driven by changes in the composition of the loan book and the loan settlement mix. Lower margin aggregation loans and settlements are representing a larger proportion, which is reducing the NPV of net future trail commissions. The movements in these elements resulted in the net reduction of $3.5 million in 1H14 operating EBITDA, compared to $1.8 million reduction in the pcp.

Loan book. The total loan book decreased $0.4 billion over 1H14 to $18.5 billion as run-off exceeded loan origination. Of the run off, 41% is attributable to the inactive books acquired for run off. The active loan book of $17.6 billion, makes up 95% of the total book, and is responsible for 59% of the run off.

Loan book composition continued to change during 1H14, reflecting the change in origination mix from wholesale settlements to lower margin aggregation settlements. At 31 December 2013, wholesale loans represented 21.0% of the book; mortgage broking, 11.0%; aggregation loans, 67.0%; and Firstfolio Capital contributing the remaining 1.0%.

Operating costs. During 1H14, management continued to focus on cost control. Total operating expenses declined 9.8%, from $10.1 million to $9.1 million, benefitting from the internal review and restructuring of the operating model conducted during the previous financial year. Significant savings have been made in employee benefits and contractors. Growth in advertising and promotion costs are associated with the launch of the Folio brand to the market on 14 August 2013, and the relaunch of the eChoice brand earlier in 2013.

Financial review

Revenue decreased by 3.0% to $37.5 million in 1H14. Revenue growth arising from increases in settlement volumes of 10.1% over the pcp, was offset by the impact of changes in settlement composition, and the composition of loan book run off.

Reported EBITDA declined 53.6% to $2.7 million from $5.9 million due to the $3.5 million adverse impact of the application of net present value ('NPV') methodology of accounting for trail commissions and expenses (refer 'Cash Based Accounting' section). Operating EBITDA, which excludes one-offs, declined 52.7% or $6.4 million to $3.0 million. The operating EBITDA margin on revenue declined from 16.6% to 8.1%. On a cash basis, operating EBITDA declined 21.6% (refer Table 2).

[2] RBA D02 Lending and Credit Aggregates to December 2013.
[3] ABS Table 11 Housing Finance Commitments to November 2013

Net loss after tax of $0.3 million was recorded for the period, a decrease of $2.1 million on pcp.

Table 1

Statutory reporting result(1) $'000	Dec 13	Dec 12	Variance	Movement
Reported EBITDA	**2,720**	**5,860**	(3,140)	(53.6%)
Restructuring/non-recurring costs	-	625	(625)	-
Share-based payments (non-cash)	20	85	(65)	(76.5%)
Other non operating costs	287	185	102	55.1%
Write-back and FV adjustment	-	(353)	(354)	-
Operating EBITDA	**3,027**	**6,402**	(3,375)	(52.7%)
Depreciation	(394)	(364)	(30)	8.2%
Amortisation	(742)	(911)	169	18.6%
Net finance costs	(2,023)	(2,398)	375	15.6%
Underlying profit before income tax	**(132)**	**2,729**	(2,861)	-
Reconciliation to NPAT				
Restructuring/non-recurring costs	-	625	(625)	-
Share-based payments (non-cash)	20	85	(65)	(76.5%)
Other non operating costs	287	185	102	55.1%
Write-back and FV adjustment	-	(353)	(354)	-
Notional funding cost of deferred consideration	-	(130)	130	-
Profit/(loss) before income tax	**(439)**	**2,057**	(2,496)	-
Income tax expense	145	(289)	434	-
Profit/(loss) after income tax	**(294)**	**1,768**	(2,062)	-
EPS (basic & diluted)	(0.04)	0.23		

(1) Based on the auditor reviewed interim financial statements.

Cash flow from operations before income tax was $4.0 million, down 26.7%.

Net interest expense decreased by 15.6% to $2.0 million due primarily to lower debt and interest rates. During the financial period, debt repayments totalled $3.1 million.

Statement of financial position

At 31 December 2013, total borrowings were $60.5 million (30 June 2013: $63.7 million), and net debt was $59.2 million. Senior debt with the Commonwealth Bank of Australia ('CBA') was $30.3 million, and loans from a director related entity were $29.3 million.

On 2 July 2013, Firstfolio announced the execution of binding transaction documents for a capital raising (Recapitalisation Proposal) which was scheduled to complete during the financial period. Recapitalisation is a key factor in the renegotiation of facilities for the consolidated entity, which will mature on 7 April 2014.

The CBA has granted a waiver to the consolidated entity from complying with its financial covenants until 7 April 2014, on the basis of finding a successful alternative proposal to recapitalise the company as part of an overall plan agreed with the CBA, and managed by Grant Samuel Corporate Finance as financial adviser to the consolidated entity. Based on current cash flow forecasts, Firstfolio will be able to meet all interest and quarterly principal repayments until a recapitalisation is completed.

More detail is available in Note 2 to the financial statements.

Cash based accounting
The accounting policy for future trail income and expenses impacts the statutory results for each reporting period and is reflected in both the reporting of financial performance and the measure of net assets. A detailed explanation of the changes in accounting is included in note 4 to the financial statements in the 2013 Annual Report.

On an equivalent basis, cash operating EBITDA declined 21.6% over pcp. The performance of the consolidated entity is presented on a cash basis in the following table.

Table 2

Cash reporting result [1] $'000	Dec 13	Dec 12	Variance	Movement
Reported EBITDA	**6,207**	**7,763**	(1,556)	(20.0%)
Restructuring/non-recurring costs	-	625	(625)	-
Share-based payments (non-cash)	20	85	(65)	(76.5%)
Other non operating costs	287	185	102	55.1%
Write-back and FV adjustment	-	(353)	(354)	-
Operating EBITDA	**6,514**	**8,304**	(1,790)	(21.6%)
Depreciation	(394)	(364)	(30)	8.2%
Amortisation	(742)	(911)	1,314	(63.9%)
Net finance costs	(2,023)	(2,398)	374	15.6%
Underlying profit before income tax	**3,355**	**3,487**	(132)	(3.8%)
Reconciliation to NPAT				
Restructuring/non-recurring costs	-	625	(625)	-
Share-based payments (non-cash)	20	85	(65)	(76.5%)
Other non operating costs	287	185	102	55.1%
Write-back and FV adjustment	-	(353)	(354)	-
Notional funding cost of deferred consideration	-	(130)	130	-
Profit before income tax	**3,048**	**2,816**	(232)	8.3%
Income tax expense	(904)	(489)	415	84.9%
Profit after income tax	**2,144**	**2,327**	(183)	(7.8%)
EPS (basic & diluted)	0.28	0.30		

(1) Based on the auditor reviewed interim financial statements.

The impact on the statement of profit or loss and other comprehensive income from changes in accounting, are reconciled below:

Table 3

Statement of profit or loss and other comprehensive income	Operating EBITDA		EBITDA		NPBT	
$'000	1H14	1H13	1H14	1H13	1H14	1H13
Cash basis	6,514	8,304	6,207	7,763	3,048	2,816
Net present value accounting						
Net movement in NPV asset and liability	(5,561)	(4,292)	(5,561)	(4,292)	(5,561)	(4,292)
Discount unwind on NPV asset and liability	2,074	2,477	2,074	2,477	2,074	2,477
Write back amortisation on contract rights	-	-	-	-	-	1,145
Other	-	(89)	-	(89)	-	(89)
Statutory basis	**3,027**	**6,402**	**2,720**	**5,860**	**(439)**	**2,057**

Firstfolio Limited
Directors' report
31 December 2013

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

Events after the reporting period
On 13 January 2014 the consolidated entity informed the market that IZN Investments ACE Management Pty Limited, as trustee of the IZN Australian Capital Enterprise Trust ('IZN'), had advised the company that the funds required for the Recapitalisation Proposal would be transferred to the company in full on or before 20 January 2014.

On 28 January 2014, the consolidated entity announced that IZN did not transfer the Recapitalisation Proposal funds to the company within its proposed timeframe, and was unable to definitively advise when the Recapitalisation Proposal funds would be transferred to the consolidated entity.

As this Recapitalisation Proposal was considered by the Board to be the best option currently available to meet the consolidated entity's funding requirements, and it understood IZN was continuing to take steps to deliver the Recapitalisation Funds to the company, the Board did not exercise its right to terminate the Recapitalisation Proposal Subscription Agreement and Underwriting Agreement. However, due to the material delays and uncertainty in relation to the receipt of the Recapitalisation funds from IZN, the Board engaged Grant Samuel Corporate Finance to consider potential alternative transactions.

The consolidated entity, through Firstfolio Capital, has a warehouse funding facility with Westpac Banking Corporation ('Westpac'), drawn to $154.6 million at 31 December 2013 (30 June 2013: $181.4 million). The facility was due for renewal on 30 November 2013, with a final repayment date of 28 February 2014. The renewal of the facility has been subject to the resolution of the consolidated entity's funding activities, which included the completion of the Recapitalisation Proposal. Due to the delay in concluding funding arrangements, including the recapitalisation, Westpac has extended the revolving period until 28 February 2014. The consolidated entity is engaged with Westpac for the facility's renewal, which is subject to progress on the recapitalisation of the consolidated entity. Should the capital raising not proceed, it is possible that the warehouse funding facility will be placed into amortisation with principal repayments being used to repay Westpac. If the facility is placed into amortisation, it is not expected to have a material impact on the consolidated entity's earnings or financial position, and new potential Firstfolio Capital originations can be directed to alternative mortgage funding partners.

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

____
Eric Dodd
Chairman

20 February 2014
Sydney

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Firstfolio Limited
50 Bridge Street
Sydney NSW 2000

20 February 2014

Dear Board Members

Firstfolio Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Firstfolio Limited.

As lead audit partner for the review of the financial statements of Firstfolio Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants

Firstfolio Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

		Consolidated	
	Note	**31/12/2013 $'000**	**31/12/2012 $'000**
Revenue			
Commission and fee revenue		25,120	22,871
Interest on loans and advances to customers		6,752	10,126
Discount unwind on net present value trail income		5,107	5,593
Other revenue		471	1
		37,450	38,591
Commission and fee expense		(18,152)	(12,388)
Interest on warehouse and other funding		(4,134)	(6,595)
Discount unwind on net present value trail expense		(3,033)	(3,116)
		(25,319)	(22,099)
Gross margin		12,131	16,492
Other income	5	75	415
Expenses			
Advertising and promotion		(804)	(608)
Contractors and outsourcing		(602)	(829)
Depreciation and amortisation		(1,136)	(1,275)
Employee benefits		(5,046)	(5,701)
Finance costs	6	(2,098)	(2,590)
Insurance and compliance		(336)	(382)
IT and communications		(636)	(675)
Management and professional fees		(763)	(874)
Occupancy		(598)	(688)
Restructuring costs		-	(625)
Non-operating expenses		(307)	(270)
Other expenses		(319)	(333)
Profit/(loss) before income tax (expense)/benefit		(439)	2,057
Income tax (expense)/benefit		145	(289)
Profit/(loss) after income tax expense for the half-year attributable to the owners of Firstfolio Limited		(294)	1,768
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Firstfolio Limited		(294)	1,768
		Cents	**Cents**
Basic earnings per share	16	(0.04)	0.23
Diluted earnings per share	16	(0.04)	0.23

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Firstfolio Limited
Statement of financial position
As at 31 December 2013

	Note	Consolidated 31/12/2013 $'000	Consolidated 30/06/2013 $'000
Assets			
Cash and cash equivalents	7	5,396	9,565
Trade and other receivables	8	8,933	7,395
Loans and advances to customers		186,432	214,608
Net present value of trail commission income		144,097	150,116
Property, plant and equipment		907	1,140
Intangibles	9	43,761	44,187
Total assets		389,526	427,011
Liabilities			
Trade and other payables		8,222	7,193
Derivative financial instruments		97	180
Warehouse and other funding	10	183,413	215,671
Net present value of trail commission expense		85,302	87,833
Borrowings	11	60,523	63,709
Provisions		889	926
Deferred tax		11,297	11,442
Total liabilities		349,743	386,954
Net assets		39,783	40,057
Equity			
Issued capital		41,328	41,328
Reserves		927	907
Accumulated losses		(2,472)	(2,178)
Total equity		39,783	40,057

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 2013

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2012	41,328	2,988	(5,191)	39,125
Profit after income tax (expense)/benefit for the half-year	-	-	1,768	1,768
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,768	1,768
Transactions with owners in their capacity as owners:				
Share-based payments	-	85	-	85
Balance at 31 December 2012	41,328	3,073	(3,423)	40,978

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013	41,328	907	(2,178)	40,057
Loss after income tax (expense)/benefit for the half-year	-	-	(294)	(294)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(294)	(294)
Transactions with owners in their capacity as owners:				
Share-based payments	-	20	-	20
Balance at 31 December 2013	41,328	927	(2,472)	39,783

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 2013

	Note	Consolidated 31/12/2013 $'000	31/12/2012 $'000
Cash flows from operating activities			
Commissions and fees received		36,913	39,440
Commissions, salaries and other expenses paid		(33,186)	(36,072)
Interest received		128	262
Interest and other finance costs paid		(2,074)	(2,429)
Net warehouse interest		2,248	4,292
Income taxes refunded		-	1,203
Net cash from operating activities		4,029	6,696
Cash flows from investing activities			
Payments for property, plant and equipment		(160)	(53)
Payments for intangibles		(317)	(94)
Proceeds from release of security deposits		5	12
Repayments of loans from borrowers		28,364	45,956
Net cash from investing activities		27,892	45,821
Cash flows from financing activities			
Proceeds from borrowings		-	257
Repayment of borrowings		(3,104)	(2,537)
Payment of deferred consideration		(83)	(3,454)
Repayment of warehouse facility (net)		(32,259)	(44,245)
Other financing costs		(644)	-
Net cash used in financing activities		(36,090)	(49,979)
Net increase/(decrease) in cash and cash equivalents		(4,169)	2,538
Cash and cash equivalents at the beginning of the financial half-year		9,565	11,480
Cash and cash equivalents at the end of the financial half-year	7	5,396	14,018

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

Note 1. 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 20 February 2014. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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 2013 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, except for the policies stated below.

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 below. 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 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee’s returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

Note 2. Significant accounting policies (continued)

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken..

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 amendments from 1 July 2013. The amendments enhances AASB 7 ‘Financial Instruments: Disclosures’ and requires entities to disclose information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 ‘Income Taxes’; and clarification of the financial reporting requirements in AASB 134 Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

Note 2. Significant accounting policies (continued)

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Going concern
The consolidated entity has prepared the financial statements for the half-year ended 31 December 2013 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors, in their determination of the appropriateness of the going concern basis for the preparation of the financial statements, have reviewed the consolidated entity's cash flow forecasts, considered compliance with financial covenants under the senior debt funding arrangements, and assessed the likelihood of completing a successful capital raising.

As at 31 December 2013, senior debt of $30,250,000 was outstanding under senior debt funding arrangements with the Commonwealth Bank of Australia ('CBA'). These finance facilities are due to mature on 7 April 2014.

As at 31 December 2013, $5,400,000 of debt outstanding to Welas Pty Limited had a repayment date of 31 January 2014. On 31 January 2014, Welas Pty Limited extended the date of this repayment to 31 March 2014. A further $23,900,000 of debt outstanding to Welas Pty Limited matures on 1 October 2014.

On 2 July 2013, the consolidated entity announced it had executed a Subscription Agreement, an Exclusivity Deed and an Underwriting Agreement ('Transaction Documents') with Australian Capital Enterprise to raise $50,200,000 in equity capital, and subsequently novated to IZN Investments ACE Management Pty Ltd as trustee for the IZN Investments Australian Capital Enterprise Trust ('IZN').

On 27 November 2013, shareholders approved this capital raising, and on 5 December 2013 the consolidated entity announced that all conditions precedent had been met.

On 28 January 2014, the consolidated entity announced that as a result of material delays and IZN being unable to transfer the funds as required under the Subscription Agreement, that Grant Samuel Corporate Finance ('Grant Samuel') had been engaged to consider potential alternative transactions to recapitalise the consolidated entity. The consolidated entity has not exercised its right to terminate the Subscription Agreement with IZN.

At reporting date, the consolidated entity was not in compliance with its loan covenants and was actively engaged with the CBA to finalise an amendment letter to allow compliance with the loan covenants. Subsequently, CBA granted the consolidated entity a waiver from complying with its financial covenants until 7 April 2014. The waiver is to be applied retrospectively and was granted on the basis of finding a successful recapitalisation of the consolidated entity as part of an overall plan agreed with CBA and managed by Grant Samuel, as financial adviser to the consolidated entity.

Should a capital raising or alternative transaction to recapitalise the consolidated entity not proceed, the consolidated entity will not comply with its financial covenants and will be in default of the terms of the senior debt funding arrangements with CBA. Under these circumstances, CBA and other debt providers have the right to require the consolidated entity to repay the outstanding debts on demand. Under those circumstances, the consolidated entity would enter into negotiations with CBA and other debt providers that may result in accepting higher financing costs, being forced into asset sales, or to undertake other corporate actions.

Notwithstanding the above, if the consolidated entity fails to raise capital or complete alternative transactions to recapitalise the consolidated entity and CBA and other debt providers require the repayment of debt, then in the opinion of the directors, material uncertainty will exist regarding the ability of the consolidated entity to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to realise assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in these financial statements.

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.

Note 3. Restatement of comparatives

Reclassification

Certain comparatives in the statement of profit or loss and other comprehensive income have been reclassified to align with the current year presentation. There has been no change to the net profit before tax, net profit after tax, statement of financial position, statement of changes in equity and statement of cash flows.

Note 4. Operating segments

Identification of reportable operating segments
Internal reports that are reviewed and used by the Chief Operating Decision Makers ('CODMs') in assessing the performance of the consolidated entity and in decision making regarding resource allocation, identify two operating segments. The consolidated entity's CODMs are the Chief Executive Officer, together with the Board of Directors.

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

Reportable segments
The consolidated entity's reportable segments are distinguished by the nature of revenue generation and resourcing requirements and are:

Manufacturing	Covers the operations of Firstfolio Capital which comprise mortgage origination and the securitisation of mortgages through a bank funded warehouse.
Distribution	Encompasses all parts of the business relating to the sale of mortgages. This includes mortgages distributed in the aggregation, broking and wholesale arenas, and includes the distribution of ancillary products such as asset leasing. The key operating objective of this segment is the distribution of mortgages to the Australian market.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31/12/2013	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	6,983	30,467	-	37,450
Total revenue	6,983	30,467	-	37,450
Segment result	1,063	2,053	-	3,116
Depreciation and amortisation				(1,136)
Interest revenue				75
Finance costs				(2,098)
Other non-cash expenses				(396)
Profit/(loss) before income tax benefit				(439)
Income tax benefit				145
Profit/(loss) after income tax benefit				(294)
Assets				
Segment assets	200,409	189,117	-	389,526
Total assets				389,526
Liabilities				
Segment liabilities	185,184	91,753	-	276,937
Unallocated liabilities:				
Borrowings				60,523
Provisions				889
Tax related liabilities				11,297
Derivative financial instruments				97
Total liabilities				349,743

Note 4. Operating segments (continued)

Consolidated - 31/12/2012	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	10,409	28,182	-	38,591
Total revenue	10,409	28,182	-	38,591
Segment result	1,723	5,009	-	6,732
Depreciation and amortisation				(1,275)
Interest revenue				62
Finance costs				(2,590)
Other non-cash expenses				(872)
Profit before income tax expense				2,057
Income tax expense				(289)
Profit after income tax expense				1,768
Consolidated - 30/06/2013				
Assets				
Segment assets	233,166	193,845	-	427,011
Total assets				427,011
Liabilities				
Segment liabilities	217,661	93,036	-	310,697
Unallocated liabilities:				
Borrowings				63,709
Provisions				926
Tax related liabilities				11,442
Derivative financial instruments				180
Total liabilities				386,954

Note 5. Other income

	Consolidated	
	31/12/2013 $'000	**31/12/2012 $'000**
Release of contingent and deferred consideration	-	353
Other interest	75	62
Other income	75	415

Note 6. Expenses

	Consolidated	
	31/12/2013	31/12/2012
	$'000	$'000
Profit/(loss) before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	2,098	2,460
Unwinding of the discount on deferred cash consideration	-	130
Finance costs expensed	2,098	2,590

Note 7. Cash and cash equivalents

	Consolidated	
	31/12/2013	30/06/2013
	$'000	$'000
Cash at bank and in hand	1,345	1,651
Trust collection account	3,798	7,611
Restricted cash	253	303
	5,396	9,565

''Trust collection account' is held on trust and is not available for general use of the consolidated entity.

''Restricted cash' represents credit support for the warehouse facility which is held as a cash reserve and not available for general use of the consolidated entity.

Note 8. Trade and other receivables

	Consolidated	
	31/12/2013	30/06/2013
	$'000	$'000
Trade receivables	1,498	737
Other receivables	1,005	986
Accrued revenue	3,906	3,828
Prepayments	2,105	1,421
Bonds and deposits	419	423
	8,933	7,395

Prepayments include costs of $1,251,000 associated with the capital raising proposal from IZN Investments ACE Management Pty Limited as trustee for the IZN Investments Australian Capital Enterprise Trust ('IZN Recapitalisation Proposal'). These costs will be applied as a deduction against equity if the IZN Recapitalisation Proposal is successful. Should the IZN Recapitalisation Proposal be terminated or otherwise be unsuccessful, these costs will be expensed in the statement of profit or loss and other comprehensive income.

Note 9. Intangibles

	Consolidated	
	31/12/2013	**30/06/2013**
	$'000	**$'000**
Goodwill - at carrying value	16,087	16,087
Contract rights - at cost	7,181	7,181
Less: Accumulated amortisation	(1,496)	(1,137)
	5,685	6,044
Software and websites - at cost	8,223	8,223
Less: Accumulated amortisation	(6,210)	(5,826)
	2,013	2,397
Intellectual property - at carrying value	19,190	19,190
Distribution agreements - at cost	252	252
Projects in-progress - at cost	534	217
	43,761	44,187

Impairment tests for goodwill and indefinite life intangibles
Goodwill and indefinite life intangibles acquired through business combinations have been allocated to the following cash generating units ('CGUs'):

(a) Distribution - encompassing all parts of the business relating to the sale of mortgages (‘CGU1’); and
(b) Manufacturing - encompassing the operations of Firstfolio Capital (‘FFC’) which comprise mortgage origination and securitisation through a bank funded warehouse (‘CGU2’).

	Consolidated	
	31/12/2013	**30/06/2013**
	$'000	**$'000**
Manufacturing	893	893
Distribution	35,170	34,856
	36,063	35,749

On 1 July 2013, the consolidated entity announced it had executed a Subscription Agreement and an Underwriting Agreement to raise $50,200,000 in equity capital (“capital raising”). Management determined there was no impairment at 30 June 2013. Fair value was applied as it produced a higher result than value in use and the capital raising provided market based evidence of that value.

At 31 December 2013, the capital raising had not completed, although it still stands as a valid proposal. Management do not consider that there is a trigger or indicator of impairment, however, due to the indeterminate status of the capital raising, deemed it appropriate to conduct an interim impairment assessment.

The recoverable amount of the consolidated entity’s indefinite life intangibles has been determined by a value in used calculation, using a discounted cash flow model, based on a 25 year (CGU 1) and five year (CGU 2) projection period approved by management, together with a terminal value.

Note 9. Intangibles (continued)

The key assumptions used for the value in use calculations:

Overall approach
Revenue projections are based on a combination of actual results for the half-year to 31 December 2013 and detailed plans and growth projections for the six months to 30 June 2014.The projections are extrapolated in future years based on knowledge and assumptions around the growth in revenue, the level of expense required to support it, and statistical market data.

Loan settlements
The cash flow projections are influenced by the loan settlement forecast. This forecast takes account of historical loan settlement volumes. Variable growth rates ranging from 10% to 6% are assumed for settlements for future years, reflecting current business performance, applied strategies and historical market performance.

Trail income
The settlement volumes noted above influence the future trail income estimates in association with loan products settled in the period. Trail income estimates are based on trail margins earned on the current loan book.

Loan discharge rates
Discharges of current loans are forecast to be within the prior 12 months experience. Newly settled loans are expected to have a lower discharge rate early in their lives with the rate increasing over time.

Overhead expenses
Overhead expenses for have been projected in line with the current business structure and future growth expectations.

Discount rate
The discount rate applied to cash flow projections is 14.6% pre-tax. Discount rates applied reflect management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Note 10. Warehouse and other funding

	Consolidated	
	31/12/2013 $'000	30/06/2013 $'000
Warehouse facility	154,634	181,442
Bond fund notes	28,779	34,229
	183,413	215,671

Note 11. Borrowings

	Consolidated	
	31/12/2013 $'000	30/06/2013 $'000
Bank loans	30,250	32,750
Deferred cash and contingent consideration	-	83
Other loans	641	1,199
Loans from director related entity	29,308	29,308
Lease liability	324	369
	60,523	63,709

Note 11. Borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31/12/2013	30/06/2013
	$'000	$'000
Bank loans	30,250	32,750
Lease liability	324	369
	30,574	33,119

Financing arrangements

	Consolidated	
	31/12/2013	30/06/2013
	$'000	$'000
Total facilities		
Bank loans	30,250	32,750
Loans from director related entity	29,308	29,308
	59,558	62,058
Used at the reporting date		
Bank loans	30,250	32,750
Loans from director related entity	29,308	29,308
	59,558	62,058
Unused at the reporting date		
Bank loans	-	-
Loans from director related entity	-	-
	-	-

Refer to note 2 'Going Concern' for information on bank loans.

Note 12. Equity - dividends

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

Note 13. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2013 of $424,000 (30 June 2013: $424,000 for lease premises.

Note 14. Related party transactions

Parent entity
Firstfolio Limited is the parent entity.

Note 14. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31/12/2013	**31/12/2012**
	$	**$**
Payment for goods and services:		
Commissions paid to L J Hooker (an entity related to the director Gregory Paramor, resigned 22 October 2012)	-	254,865
Payment for other expenses:		
Interest paid on loan from Welas Pty Limited (an entity related to the director Anthony Wales)	991,767	1,108,564

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31/12/2013	**30/06/2013**
	$	**$**
Current borrowings:		
Loan from Welas Pty Limited (an entity related to the director Anthony Wales)	5,457,662	5,457,662
Non-current borrowings:		
Loan from Welas Pty Limited (an entity related to the director Anthony Wales)	23,850,000	23,850,000

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Events after the reporting period

On 13 January 2014 the consolidated entity informed the market that IZN Investments ACE Management Pty Limited, as trustee of the IZN Australian Capital Enterprise Trust ('IZN'), had advised the company that the funds required for the Recapitalisation Proposal would be transferred to the company in full on or before 20 January 2014.

On 28 January 2014, the consolidated entity announced that IZN was unable to transfer the Recapitalisation Proposal funds to the company within its proposed timeframe, and was unable to definitively advise when the Recapitalisation Proposal funds would be transferred to the consolidated entity.

As this Recapitalisation Proposal was considered by the Board to be the best option currently available to meet the consolidated entity's funding requirements, and it understood IZN was continuing to take steps to deliver the Recapitalisation Funds to the company, the Board did not exercise its right to terminate the Recapitalisation Proposal Subscription Agreement and Underwriting Agreement. However, due to the material delays and uncertainty in relation to the receipt of the Recapitalisation funds from IZN, the Board engaged Grant Samuel Corporate Finance to consider potential alternative transactions.

Note 15. Events after the reporting period (continued)

The consolidated entity, through Firstfolio Capital, has a warehouse funding facility with Westpac Banking Corporation ('Westpac'), drawn to $154.6 million at 31 December 2013 (30 June 2013: $181.4 million). The facility was due for renewal on 30 November 2013, with a final repayment date of 28 February 2014. The renewal of the facility has been subject to the resolution of the consolidated entity's funding activities, which included the completion of the Recapitalisation Proposal. Due to the delay in concluding funding arrangements, including the recapitalisation, Westpac has extended the revolving period until 28 February 2014. The consolidated entity is engaged with Westpac for the facility's renewal, which is subject to progress on the recapitalisation of the consolidated entity. Should the capital raising not proceed, it is possible that the warehouse funding facility will be placed into amortisation with principal repayments being used to repay Westpac. If the facility is placed into amortisation, it is not expected to have a material impact on the consolidated entity's earnings or financial position, and new potential Firstfolio Capital originations can be directed to alternative mortgage funding partners.

No other matter or circumstance has arisen since 31 December 2013 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 16. Earnings per share

	Consolidated	
	31/12/2013 $'000	**31/12/2012 $'000**
Profit/(loss) after income tax attributable to the owners of Firstfolio Limited	(294)	1,768
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	773,886,809
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	773,886,809
	Cents	**Cents**
Basic earnings per share	(0.04)	0.23
Diluted earnings per share	(0.04)	0.23

Firstfolio Limited
Directors' declaration
31 December 2013

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 2013 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)(a) of the Corporations Act 2001.

On behalf of the directors

Eric Dodd
Chairman

20 February 2014
Sydney

Deloitte.

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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 2013, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 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.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Firstfolio Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Firstfolio 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 2013 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which indicates that should a capital raising or alternative transaction to recapitalise the consolidated entity not proceed, the consolidated entity will not comply with its financial covenants and will be in default of the terms of its senior debt funding arrangements. Under these circumstances, the debt providers have the right to require the consolidated entity to repay the outstanding debts on demand forcing the consolidated entity to enter into negotiations with the debt providers which may result in accepting higher financing costs, being forced into asset sales or to undertake other corporate actions. The above conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants
Sydney, 20 February 2014