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 2012**
Previous corresponding period:	Half-year ended 31 December 2011

2. Results for announcement to the market

Revenues from ordinary activities	up	5.0%	to	$ 38,652,000
Profit from ordinary activities after tax attributable to the owners of Firstfolio Limited	up	82.6%	to	$ 1,768,000
Profit for the period attributable to the owners of Firstfolio Limited	up	82.6%	to	$ 1,768,000

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 $1,768,000 (31 December 2011: $968,000).

Refer to the Directors Report for further commentary on 'review of operations and operating result'.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.51) cents	(0.86) cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable	
Date control gained		
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) for the whole of the previous corresponding period (where material)		$ -

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

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.				
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
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 2012 is attached.

12. Signed

Signed: ________________________________ Date: 25 February 2013

Eric Dodd
Chairman
Sydney

Firstfolio Limited

ABN 43 002 612 991

Interim Report - 31 December 2012

Firstfolio Limited
Directors' report
31 December 2012

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 2012 (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
Anthony B. Harris
Michael Hogg
Gregory D. Pynt
Anthony N. Wales
Gregory J. Paramor (resigned on 22 October 2012)

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.

Review of operations and operating result

Firstfolio has adopted a new accounting approach and prior year results have been substantially restated. This follows a review by management of accounting practices. The changes made are consistent with general practice throughout the industry and are considered to more closely reflect the nature of the future trail commissions receivable and payable. The following comments describe the statutory reported financial results for the half year under the new accounting method, unless otherwise stated.

Highlights of the half year[1]

Firstfolio Limited's (ASX: FFF) half year 2013 (1H13) results reflect stable reported and operating EBITDA. Activity in the Australian mortgage market remains subdued, while the industry remains highly competitive and industry margin pressure has continued in 1H13.

Key features for the half year:

- Revenue increased 5.0% to $38.7 million
- Operating EBITDA down 2.9% on pcp to $6.4 million
- Operating cash flow before tax $5.5 million, up 23.7% on pcp
- Firstfolio Capital contributed $2.1 million EBITDA
- Loan book declined by $0.5 billion to $19.4 billion
- Cash operating EBITDA (previous accounting method – *refer Table 5*) up 20% on pcp to $8.3 million

According to the Reserve Bank of Australia, total housing credit outstanding ('System') grew by 4.5% in the twelve months to December 2012, a slower rate than the 5.1% recorded in the year to 30 June 2012 and well below the 10-year average annual growth rate of 11.6%.

Revenue grew by 5.0% on the previous corresponding period (pcp) to $38.7 million with a significant contribution by Firstfolio Capital (previously Calibre) of $10.1 million. Mortgage settlements declined by 14.6% but mix changes in the business and lower industry margins also constrained revenue growth.

Reported EBITDA grew by 0.3% on 1H12 to $5.9 million. Operating EBITDA, which excludes one-offs, declined 2.9% to $6.4 million. Under the previous cash basis of accounting, operating EBITDA was $8.3 million (*refer Table 5*), up 20% on pcp, in line with the guidance provided.

[1] All references are to Table 1 unless stated otherwise.

Firstfolio Limited
Directors' report
31 December 2012

During the half-year, Firstfolio continued to rationalise costs to counter the weak market conditions while reviewing its strategic options and restructuring of the capital base. Firstfolio Capital marked its first full year of operations as part of the consolidated entity, delivering a result above expectations, contributing $3.5 million of EBITDA in its first 12 months of operations ($3.8 million in the first 13 months) exceeding initial expectations of $3.0 million, partly attributable to favourable interest rate management.

Net profit after tax grew 82.7% to $1.8 million, mostly due to a lower effective tax rate. Profit before tax was up 4.1% to $2.1 million.

Table 1

Statutory Reporting Result[1] $'000	Dec 12	Dec 11	Variance	Movement
Reported EBITDA	**5,860**	**5,844**	16	0.3%
Acquisition costs[2]	-	811	(811)	(100.0%)
Restructuring/non-recurring costs	625	587	38	6.5%
Share-based payments (non-cash)	85	51	34	65.4%
Other non operating costs	185	-	185	100.0%
Write-back of deferred consideration	(353)	(700)	347	(49.5%)
Operating EBITDA	**6,402**	**6,593**	(191)	(2.9%)
Depreciation	(364)	(950)	586	(61.7%)
Amortisation	(911)	(320)	(591)	184.7%
Net finance costs	(2,398)	(2,371)	(27)	1.1%
Underlying profit before income tax	**2,729**	**2,952**	(223)	(7.6%)
			-	
Reconciliation to NPAT				
Acquisition costs	-	(811)	811	(100.0%)
Restructuring/non-recurring costs	(625)	(587)	(38)	6.5%
Share-based payments (non-cash)	(85)	(51)	(34)	65.4%
Write-back of deferred consideration	353	700	(347)	(49.5%)
Other non operating costs	(185)	-	(185)	100.0%
Notional funding cost of deferred consideration	(130)	(227)	97	(42.7%)
Profit before income tax	**2,057**	**1,976**	81	4.1%
Income tax expense	(289)	(1,008)	719	(71.3%)
Profit after income tax	**1,768**	**968**	800	82.7%
EPS (basic & diluted)	0.23	0.13		

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

(2) One off acquisition costs include legal fees, consulting fees and stamp duty (now expensed under AASB3 Business Combinations, these costs are charged to profit and loss, but were previously capitalised).

Operational Review

Settlement volumes in the mortgage origination business declined 14.6% over 1H12, driven by the wholesale and broking side of the business, while the aggregation business continues to grow modestly. Persistent economic uncertainty has prolonged the strain on the mortgage market, resulting in intense competition for volume and industry wide margin squeeze, which further impacted revenue from mortgage origination.

Margins. The gross margin on revenue decreased from 49.3% in 1H12 to 42.7% in 1H13, while the Operating EBITDA margin on revenue declined from 17.9% to 16.6%. Margins were impacted by reduced settlements and a shift in mix toward lower margin aggregation. Firstfolio has renewed focus on operational efficiency, consolidating functions and reducing costs. Firstfolio Capital, acquired on 30 November 2011, contributed $3.5 million of EBITDA in its first 12 months of operations ($3.8 million in the first 13 months) exceeding initial expectations of $3.0 million, mainly due to favourable interest rate outcomes.

Operating costs. Operating costs, including Firstfolio Capital, have declined by 12.9%, from $11.6 million to $10.1 million, as a direct result of efforts to rationalise expenses, and improve operational efficiency, in the face challenging market conditions. Savings have been made in the areas of employee benefits, rent, travel, contractors and advertising.

Loan book composition continues to shift, with wholesale originations diminishing over the half-year and being offset by growth in lower margin aggregation settlements. The change in mortgage mix is impacting revenue and margins. The total loan book has decreased $0.5 billion over the financial half-year to $19.4 billion, representing loan book run-off during the period more than offsetting loan origination, reflecting the weak credit demand conditions

Cash flow from operations before income tax was $5.5 million, up 23.7%. Depreciation and amortisation was stable compared to 1H12 at $1.3 million. Write-back of deferred consideration declined from $0.7 million in 1H12 to $0.4 million in 1H13. Restructuring/non-recurring costs increased 6.5% to $0.6 million.

Net interest expense increased by 1.1% to $2.4 million. Income tax expense was $0.3 million, compared to an expense of $1.0 million in 1H12, predominantly due to a reduction in the deferred tax liabilities arising from the change in carrying value of the net NPV trail commission asset, including the related net discount unwind.

Balance sheet

At balance date, interest-bearing debt was $64.6 million. Net debt was $62.8 million. Interest bearing debt comprises a senior debt facility with the Commonwealth Bank of Australia ("CBA") totalling $35.3 million, and loans from a director related entity of $29.3 million.

As part of the senior debt funding arrangements, Firstfolio gave the CBA an undertaking to raise equity capital and retire debt by 30 March 2013. On this basis, financial covenant requirements are in place to reflect this undertaking.

On 11 February 2013, Firstfolio announced a binding heads of agreement with Australian Capital Enterprise Pty Ltd to raise $57.6 million in equity capital (details below and in Note 13 to the financial statements). On 20 February 2013, Firstfolio negotiated with the CBA, an extension to the revised financial covenants to 15 June 2013 to correspond with the timetable for the completion of the capital raising.

Based on current cash flow forecasts, Firstfolio will be able to operate within these revised financial covenants until completion of the capital raising. Should the capital raising not proceed, the consolidated entity is unlikely to comply with its financial covenants and as a result is likely to be in default of its senior debt funding arrangements with CBA.

More detail is available in Notes 1 and 13 to the financial statements.

Outlook

Industry pressure on Australian mortgage lending margins, fees and commissions evident in the last five years has been sustained, while the overall level of Australian mortgage activity remains subdued.

Over the remainder of FY13, Firstfolio expects revenue and earnings will continue to be influenced by, among other factors, the level of activity in the Australian housing finance sector and the margins available to mortgage brokers, managers and lenders. The Company continues to focus on operating efficiency and on maximising the benefits of participation in the Australian mortgage sector.

The Board is progressing the capital raising announced on 11 February 2013 to secure the financial position of the Company.

Accounting

The half-year results have been substantially restated following a review by management of the consolidated entity's accounting practices. The principal change in accounting centres on the recognition of revenue for trail commissions. In place of a cash basis for reporting, trail commission revenues and expenses are now calculated using a net present value ('NPV') methodology, by discounting estimated future cash flows for trail commission income and expense. Future trail commissions receivable are discounted over ten years based on management's estimates of repayment rates and the resulting cash flows.

In accordance with accounting standards, the changes have been applied retrospectively. The accounting changes impact both the reporting of financial performance and in the measure of net assets. An explanation of the changes in accounting and their impact on this interim report is included in notes 1 and 2 to the financial statements.

On an equivalent basis, cash operating EBITDA increased 20% over the prior comparative period before restatement (*refer Table 5*). The improved performance of the consolidated entity is reinforced by the growth in net cash flows from operations which have more than doubled compared to the prior comparative period.

The following table illustrates the impact on key financial reporting indicators:

Table 2

Accounting Impacts	Statutory - Restated			Cash Basis		
	Dec 12	Dec 11	% △	Dec 12	Dec 11	% △
Operating EBITDA	6,402	6,593	(3%)	8,304	6,917	20%
EBITDA	5,860	5,844	0%	7,763	6,168	26%
Profit before tax	2,057	1,976	4%	2,816	1,155	144%
Net cash from operations	6,696	3,219	108%	6,696	3,219	108%

The impact on the statement of comprehensive income from changes in accounting, are reconciled below:

Table 3

Statement of Comprehensive Income	Operating EBITDA		EBITDA		NPBT	
Half year ended 31 December $'000	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Before restatement	8,304	6,917	7,763	6,168	2,816	1,155
Net present value accounting						
Write back amortisation on contract rights	-	-	-	-	1,145	1,145
Net movement in NPV asset and liability	(4,292)	(3,226)	(4,292)	(3,226)	(4,292)	(3,226)
Discount unwind on NPV asset and liability	2,477	2,902	2,477	2,902	2,477	2,902
Other	(89)	-	(89)	-	(89)	-
Restated	**6,402**	**6,593**	**5,860**	**5,844**	**2,057**	**1,976**

The impact on net assets of the consolidated entity is as follows:

Table 4

Statement of Financial Position $'000	**30 Jun 12**	**31 Dec 11**
Reported Net Assets	38,977	36,045
Net present value accounting		
Derecognise intangible contract rights	(17,791)	(18,936)
NPV asset	151,563	158,137
NPV liability	(84,328)	(88,804)
Net deferred tax impact	(14,833)	(15,120)
	34,611	35,277
Intangibles retatement		
Goodwill	(33,139)	(33,139)
	(33,139)	(33,139)
Other receivables fair value	(1,119)	-
Derivatives fair value	(204)	-
Restated Net Assets	**39,126**	**38,183**

The performance of the consolidated entity is presented below on the previously applied cash basis for comparability purposes:

Table 5

Cash Reporting Result (before restatement) (1) $'000	Dec 12	Dec 11	Variance	Movement
EBITDA	**7,763**	**6,168**	1,595	25.9%
Acquisition costs(2)	-	811	(811)	(100.0%)
Restructuring/non-recurring costs	625	587	38	6.4%
Share-based payments (non-cash)	85	51	34	65.5%
Other non operating costs	185	-	185	100.0%
Write-back of deferred consideration	(353)	(700)	347	(49.5%)
Operating EBITDA	**8,304**	**6,917**	1,387	20.1%
Depreciation	(364)	(502)	138	(27.5%)
Amortisation	(2,056)	(1,913)	(143)	7.5%
Net finance costs	(2,397)	(2,371)	(26)	1.1%
Underlying profit before income tax	**3,487**	**2,131**	1,356	63.6%
			-	
Reconciliation to NPAT				
Acquisition costs	-	(811)	811	(100.0%)
Restructuring/non-recurring costs	(625)	(587)	(38)	6.4%
Share-based payments (non-cash)	(85)	(51)	(34)	65.5%
Write-back of deferred consideration	353	700	(347)	(49.5%)
Other non operating costs	(185)	-	(185)	100.0%
Notional funding cost of deferred consideration	(130)	(227)	97	(42.7%)
Profit before income tax	**2,816**	**1,155**	1,661	143.8%
Income tax expense	(489)	(762)	273	(35.8%)
Profit after income tax	**2,327**	**393**	1,934	492.0%
EPS (basic & diluted)	0.30	0.05		

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

(2) One off acquisition costs include legal fees, consulting fees and stamp duty (now expensed under AASB3 Business Combinations, these costs are charged to profit and loss, but were previously capitalised).

Significant changes in the state of affairs

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

Events after the reporting period

On 11 February 2013, the consolidated entity announced the signing of a binding heads of agreement with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise') to raise capital of $57.6 million, as part of the consolidated entity's capital restructure plan. The terms of the agreement are summarised below:

- Australian Capital Enterprise will take an Initial Placement of approximately 116.1 million shares at an issue price of 1.5 cents ($0.015) per share to raise approximately $1.7 million;
- Firstfolio Limited ('Firstfolio') will conduct a 1:1 renounceable rights issue at a price of 1 cent ($0.01) per share to raise approximately $8.9 million, which will be fully underwritten by Australian Capital Enterprise; and
- Australian Capital Enterprise will take a Second Placement of approximately 1.3 billion shares at an issue price of 3.5 cents ($0.035) per share to raise $47.0 million.

Australian Capital Enterprise will hold more than 20% voting power in Firstfolio as a result of the capital raising, therefore the transaction is subject to the approval of Firstfolio shareholders at an extraordinary general meeting ('EGM'), which is expected to occur in or around mid to late April 2013.

The capital raising is subject to the satisfaction of a number of conditions precedent, the details of which are reported in the market announcement made to the Australian Stock Exchange ('ASX') on 11 February 2013, titled "Firstfolio Signs Heads of Agreement to raise $57.6 million".

No other matter or circumstance has arisen since 31 December 2012 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.

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

25 February 2013
Sydney

Deloitte Touche Tohmatsu
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The Board of Directors
Firstfolio Ltd
50 Bridge Street
Sydney NSW 2000

25 February 2013

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 Ltd.

As lead audit partner for the review of the financial statements of Firstfolio Ltd for the half-year ended 31 December 2012, 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants

Firstfolio Limited
Financial report
For the half-year ended 31 December 2012

Contents

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 25 February 2013. 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 2012

	Note	Consolidated 31/12/2012 $'000	Consolidated 31/12/2011 $'000
Revenue	4	38,652	36,795
Other income	5	354	801
Expenses			
Commission		(11,059)	(11,899)
Interest on warehouse and other funding		(6,595)	(1,972)
Valuation and other fees		(1,329)	(1,520)
Management fees		(283)	(167)
Employee benefits		(5,701)	(6,156)
Depreciation and amortisation		(1,275)	(1,270)
Operating lease rentals		(61)	(57)
Rent and occupancy		(584)	(710)
Telephone and communications		(381)	(385)
Travel		(166)	(370)
Contractor and consultants		(485)	(1,099)
Audit fees		(102)	(65)
Advertising and promotion		(608)	(1,310)
Acquisition costs		-	(811)
Restructuring costs		(625)	(587)
Other expenses		(1,989)	(1,323)
Interest on borrowings	6	(2,590)	(2,804)
Discount unwind on net present value trail expense		(3,116)	(3,115)
Profit before income tax expense		2,057	1,976
Income tax expense		(289)	(1,008)
Profit after income tax expense for the half-year attributable to the owners of Firstfolio Limited		1,768	968
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Firstfolio Limited		1,768	968
		Cents	**Cents**
Basic earnings per share	14	0.23	0.13
Diluted earnings per share	14	0.23	0.13

Refer to note 2 for detailed information on restatement of comparatives.

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 2012

	Note	Consolidated 31/12/2012 $'000	Consolidated 30/06/2012 $'000
Assets			
Cash and cash equivalents	7	14,018	11,480
Trade and other receivables		9,717	10,485
Loans and advances to customers		241,049	286,967
Derivative financial instruments		28	28
Income tax refund due		116	1,320
Net present value of trail commission income		147,636	151,563
Property, plant and equipment		907	1,217
Intangibles	8	44,925	45,742
Total assets		458,396	508,802
Liabilities			
Trade and other payables		9,434	8,871
Derivative financial instruments		300	244
Warehouse and other funding		246,498	290,743
Net present value of trail commission expense		82,215	84,328
Borrowings	9	67,456	74,409
Provisions		959	815
Deferred tax		10,556	10,267
Total liabilities		417,418	469,677
Net assets		40,978	39,125
Equity			
Issued capital		41,328	41,328
Reserves		3,073	2,988
Accumulated losses		(3,423)	(5,191)
Total equity		40,978	39,125

Refer to note 2 for detailed information on restatement of comparatives.

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 2012

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2011	41,330	2,856	(7,017)	37,169
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit after income tax expense for the half-year	-	-	968	968
Total comprehensive income for the half-year	-	-	968	968
Transactions with owners in their capacity as owners:				
Share-based payments	-	51	-	51
Cancellation of shares	(5)	-	-	(5)
Balance at 31 December 2011	41,325	2,907	(6,049)	38,183

Refer to note 2 for detailed information on restatement of comparatives.

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2012	41,328	2,988	(5,191)	39,125
Other comprehensive income for the half-year, net of tax	-	-	-	-
Profit after income tax expense for the half-year	-	-	1,768	1,768
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

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 2012

	Note	Consolidated 31/12/2012 $'000	Consolidated 31/12/2011 $'000
Cash flows from operating activities			
Interest received		262	289
Interest on borrowings		(2,429)	(2,853)
Commissions and fees received		39,440	51,002
Commissions, salaries and other expenses paid		(36,072)	(44,460)
Net warehouse interest		4,292	463
Income taxes refunded		1,203	-
Income taxes paid		-	(1,222)
Net cash from operating activities		6,696	3,219
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		-	859
Payments for property, plant and equipment		(53)	(423)
Payment for intangibles		(94)	(342)
Repayment/(payment) for security deposits		12	(1)
Repayments of loans from borrowers		45,956	6,690
Net cash from investing activities		45,821	6,783
Cash flows from financing activities			
Proceeds from borrowings		257	17,250
Repayment of borrowings		(2,537)	(4,536)
Payment of deferred consideration		(3,454)	(355)
Repayment of warehouse facility		(44,245)	(10,192)
Net cash from/(used in) financing activities		(49,979)	2,167
Net increase in cash and cash equivalents		2,538	12,169
Cash and cash equivalents at the beginning of the financial half-year		11,480	3,473
Cash and cash equivalents at the end of the financial half-year	7	14,018	15,642

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 2012 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 2012 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.

Trail commission – revenue and expense recognition

Revenue from trail commissions earned from lenders on the settlement of loans is recognised at fair value being the net present value ('NPV') of the future trail commissions to be received. Correspondingly, trail commission expense is recognised at fair value being the NPV of the future trail commissions to be paid and subsequently amortised cost. Previously, trail commission revenue was recognised on a cash basis, as and when the consideration was received or receivable.

The NPV of the future trail commissions on managed loans, where the consolidated entity provides ongoing service during the life of the loan, is adjusted by the fair value of providing that ongoing service.

Key assumptions

Future trail commissions receivable are discounted over ten years based on management's estimates of repayment rates and the resultant cash flows. The discount rates applied in calculating the NPV comprise three elements: a risk free rate, counterparty risk premium, and model risk premium. The discount rate applied for the half-year ended 31 December 2012 was 5.62%, for the full year ended 30 June 2012 it was 6.99%, and for all prior periods the discount rate applied was 7.45%.

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.

Going concern

The consolidated entity has prepared the interim report for the half year ended 31 December 2012 ('interim report') 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.

In their consideration of the appropriateness of the going concern basis for the preparation of the interim report, the directors 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 part of the senior debt funding arrangements, the consolidated entity gave the Commonwealth Bank of Australia ('CBA') an undertaking to raise equity capital and retire debt by 30 March 2013. On this basis, financial covenant requirements were in place to reflect this undertaking. If a capital raising is not completed by 30 March 2013, the consolidated entity would be unable to comply with the financial covenants after this date.

Note 1. Significant accounting policies (continued)

On 11 February 2013, the consolidated entity announced a binding heads of agreement with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise') to raise $57,600,000 in equity capital (the 'Transaction'). On 20 February 2013, the consolidated entity negotiated with the CBA, an extension to the revised financial covenants to 15 June 2013 to correspond with the timetable for the completion of the capital raising. Based on the current cash flow forecast, the consolidated entity will be able to operate within these revised financial covenants until completion of the capital raising.

The heads of agreement with Australian Capital Enterprise is binding but subject to the satisfaction of a number of material conditions precedent set out below:

- Firstfolio Limited ('Firstfolio') and Australian Capital Enterprise entering into a subscription agreemen in respect of the Initial Placement and Second Placement and an underwriting agreement in respect of Australian Capital Enterprise underwriting the renounceable rights issue;
- The Firstfolio Board agreeing to unanimously support the extraordinary general meeting resolutions, in the absence of a superior proposal;
- Australian Capital Enterprise entering into agreements with sub-underwriters for the renounceable rights issue for up to $5,000,000;
- The completion of an independent expert's report as to whether the Transaction is fair and reasonable for Firstfolio shareholders;
- Australian Capital Enterprise receiving formal approval from its financiers to execute all required transaction documents for the Transaction; and
- Consent being obtained from Firstfolio's major debt capital providers, as well as other third parties, to the change of control, in accordance with existing contractual arrangements.

The directors' have obtained representations from Australian Capital Enterprise's financiers and conducted due diligence to satisfy themselves that Australian Capital Enterprise has the financial capacity to complete the capital raising. Further, given the terms of the capital raising, the directors recommend that shareholders vote in favour of the capital raising in the absence of a superior offer being received. The directors also have no reason to believe that the major lenders will not approve the change of control.

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

Notwithstanding the above, if the consolidated entity breaches its financial covenants as a result of failing to raise capital and the CBA and other debt providers require the repayment of debt on demand, then in the opinion of 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 the interim report.

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 2. Restatement of comparatives

Revenue and expense recognition for trail commissions
The accounting change for revenue recognition for the consolidated entity explained in note 1, necessitated the adjustment of both the statement of comprehensive income and the statement of financial position for the period ended 30 June 2011. These adjustments impacted the comparative figures in this interim report.

The change in accounting for trail commissions is considered by management to produce financial statements that more closely reflect the nature of the future trail commissions receivable and payable by the consolidated entity, and are more in line with general practice throughout the industry.

The impact of the accounting change on the statement of comprehensive income is to bring to account the movements in the carrying value of the receivable and payable, and the discount unwind of those values. The movements in carrying value are generated by adjustments to the calculation of NPV to reflect actual and revised estimated cash flows. Net profit after tax for the financial half- year ended 31 December 2011 increased to $968,000 as a result of the change in accounting, from that previously reported of $393,000.

A further impact of the accounting change is the derecognition of intangible contract rights, which previously represented the value of future income streams from trail commissions. The recognition of the NPV asset and liability for future trail commissions replaces the intangible contract rights asset.

The impacts on the statement of financial position for the financial year ended 30 June 2011 are:
• Derecognise intangible contract rights of $20,081,000
• Recognise an asset representing the NPV of future trail commissions receivable of $159,106,000
• Recognise a liability representing the NPV of future trail commissions payable of $89,449,000
• Increase the net deferred tax liability by $14,873,000.

Cash generating units and impairment
Following the acquisition and integration of Firstfolio Capital, management has assessed that there are two distinct Cash Generating Units ('CGUs') within the consolidated entity (refer to note 3 operating segments for details). In accordance with the consolidated entity's accounting policy, an impairment review was conducted for each CGU.

The application of the revenue recognition policy and the resultant derecognition of contract rights within the distribution business, resulted in a restatement of the value of goodwill. The restatement has been brought to account in the financial year ended 30 June 2011, as the impaired assets were generated in periods ending on or before 30 June 2011, and has impacted the comparative figures in this interim report.

The resulting restatement in the statement of financial position for the financial year ended 30 June 2011 is to reduce the intangible goodwill asset by $33,139,000, with impacts to revenues and expenses applied to retained earnings.

Other adjustments – statement of comprehensive income
Revenue and expense classifications were expanded for the 30 June 2012 annual report. Expenses for the comparative half-year ended 31 December 2011 have been aligned with this interim report and the annual report, and have a neutral effect on previously reported profit. The reclassifications include employee benefits ($349,000) and other expenses ($238,000), offset by restructuring costs ($587,000).

The total impact on net profit after tax for the financial year ended 30 June 2012 as a result of all accounting changes, from the previously reported figure of $3,241,000, is a reduction of $1,416,000 to $1,825,000. The movement is comprised of a net reduction in profit of $2,422,000 due to the movement of the net NPV trail commission asset; a reduction of $1,323,000 in profit to due fair valuation of assets; an increase in profit of $2,289,000 due to the derecognition of intangible contract rights and the add back of the related amortisation; and the related tax benefit of $40,000.

Note 2. Restatement of comparatives (continued)

Other adjustments – statement of financial position
Management reviewed the fair value of the consolidated entity's assets and liabilities as part of the restatement of financial position. The result of the review is the recognition of a marked to market interest rate swap liability of $204,000 used in managing interest rates, and a reassessment of the carrying value of trade and other receivables with a provision for loss of $1,119,000. These items were brought to account at 30 June 2012 and impact the comparative figures in this interim report.
The effect of the changes on the comparative figures, is shown below:

Statement of comprehensive income

		Consolidated	
	31/12/2011 $'000 Reported	$'000 Adjustment	31/12/2011 $'000 Restated
Revenue	48,651	(11,856)	36,795
Other income	801	-	801
Expenses			
Commission	(26,546)	14,647	(11,899)
Interest on warehouse and other funding	(1,972)	-	(1,972)
Valuation and other fees	(1,520)	-	(1,520)
Management fees	(167)	-	(167)
Employee benefits	(6,505)	349	(6,156)
Depreciation and amortisation	(2,415)	1,145	(1,270)
Operating lease rentals	(57)	-	(57)
Rent and occupancy	(710)	-	(710)
Telephone and communications	(385)	-	(385)
Travel	(370)	-	(370)
Contractor and consultants	(1,099)	-	(1,099)
Audit fees	(65)	-	(65)
Advertising and promotion	(1,310)	-	(1,310)
Acquisition costs	(811)	-	(811)
Restructuring costs	-	(587)	(587)
Other expenses	(1,561)	238	(1,323)
Interest on borrowings	(2,804)	-	(2,804)
Discount unwind on net present value trail expense	-	(3,115)	(3,115)
Profit before income tax expense	1,155	821	1,976
Income tax expense	(762)	(246)	(1,008)
Profit after income tax expense for the half-year attributable to the owners of Firstfolio Limited	393	575	968
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year attributable to the owners of Firstfolio Limited	393	575	968

Note 2. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
	30/06/2012 $'000 Reported	$'000 Adjustment	30/06/2012 $'000 Restated
Assets			
Cash and cash equivalents	11,480	-	11,480
Trade and other receivables	11,604	(1,119)	10,485
Loans and advances to customers	286,967	-	286,967
Derivative financial instruments	28	-	28
Income tax refund due	1,320	-	1,320
Deferred tax	4,566	(4,566)	-
Net present value of trail commission income	-	151,563	151,563
Property, plant and equipment	1,217	-	1,217
Intangibles	96,673	(50,931)	45,742
Total assets	413,855	94,947	508,802
Liabilities			
Trade and other payables	8,871	-	8,871
Derivative financial instruments	40	204	244
Warehouse and other funding	290,743	-	290,743
Net present value of trail commission expense	-	84,328	84,328
Borrowings	74,409	-	74,409
Provisions	815	-	815
Deferred tax	-	10,267	10,267
Total liabilities	374,878	94,799	469,677
Net assets	38,977	148	39,125
Equity			
Issued capital	41,328	-	41,328
Reserves	2,988	-	2,988
Accumulated losses	(5,339)	148	(5,191)
Total equity	38,977	148	39,125

Notes
As a result of the above adjustments to net profit, earnings per share and diluted earnings per share for the half-year ended 31 December 2011 have been restated from 0.05 cents per share to 0.13 cents per share.

Note 3. Operating segments

Internal reports that are reviewed and used by the Chief Operating Decision Makers ('CODM') 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 consolidated entity's reportable segments are distinguished by the nature of revenue generation and resourcing requirements and are:

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.
Manufacturing	covers the operations of Firstfolio Capital which comprise mortgage origination and the securitisation of mortgages through a bank funded warehouse.

The consolidated entity operates in a single geographical segment, Australia, with revenues derived from customers in Australia, and all non-current assets being held in Australia.

Operating segment information

31/12/2012	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	10,409	22,588	-	32,997
Total sales revenue	10,409	22,588	-	32,997
Other income	-	5,947	62	6,009
Total revenue	10,409	28,535	62	39,006
Segment result	1,723	5,009	-	6,732
Depreciation and amortisation				(1,275)
Interest revenue				62
Interest on borrowings				(2,590)
Other non-segment expenses				(872)
Profit before income tax expense				2,057
Income tax expense				(289)
Profit after income tax expense				1,768
Assets				
Segment assets	264,242	194,038	-	458,280
Unallocated assets:				
Tax related assets				116
Total assets				458,396
Liabilities				
Segment liabilities	248,181	90,267	-	338,448
Unallocated liabilities:				
Borrowings				67,455
Provisions				959
Tax related liabilities				10,556
Total liabilities				417,418

Note 3. Operating segments (continued)

31/12/2011	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	2,387	28,185	-	30,572
Total sales revenue	2,387	28,185	-	30,572
Other income	-	6,818	206	7,024
Total revenue	2,387	35,003	206	37,596
Segment result	101	6,823	-	6,924
Depreciation and amortisation				(1,270)
Interest revenue				206
Interest on borrowings				(2,804)
Other non-segment expenses				(1,080)
Profit before income tax expense				1,976
Income tax expense				(1,008)
Profit after income tax expense				968
30/06/2012				
Assets				
Segment assets	307,569	199,913	-	507,482
Unallocated assets:				
Tax related assets				1,320
Total assets				508,802
Liabilities				
Segment liabilities	291,866	92,320	-	384,186
Unallocated liabilities:				
Borrowings				74,409
Provisions				815
Tax related liabilities				10,267
Total liabilities				469,677

Note 4. Revenue

	Consolidated	
	31/12/2012	31/12/2011
	$'000	$'000
Sales revenue		
Commission and fee revenue	22,871	28,192
Interest on loans and advances to customers	10,126	2,380
	32,997	30,572
Other revenue		
Discount unwind on net present value trail income	5,593	6,017
Other Interest	62	206
	5,655	6,223
Revenue	38,652	36,795

Note 5. Other income

	Consolidated	
	31/12/2012	31/12/2011
	$'000	$'000
Release of contingent and deferred consideration	353	700
Other income	1	101
Other income	354	801

Note 6. Expenses

	Consolidated	
	31/12/2012	31/12/2011
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Interest on borrowings		
Interest and finance charges	2,460	2,577
Unwinding of discount on deferred cash consideration	130	227
Interest on borrowings	2,590	2,804

Note 7. Cash and cash equivalents

	Consolidated	
	31/12/2012 $'000	30/06/2012 $'000
Cash at bank and in hand	1,792	2,779
Trust collection account	7,094	4,526
Restricted cash	5,132	4,175
	14,018	11,480

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

'Restricted cash' is held as cash collateral reserve for the warehouse facility and not available for general use of the consolidated entity.

Note 8. Intangibles

	Consolidated	
	31/12/2012 $'000	30/06/2012 $'000
Goodwill - at cost	49,396	49,396
Less: Restatement adjustment	(33,140)	(33,140)
Less: Impairment	(170)	(170)
	16,086	16,086
Contract rights - at cost	7,181	7,181
Less: Accumulated amortisation	(778)	(419)
	6,403	6,762
Software and websites - at cost	8,222	8,199
Less: Accumulated amortisation	(5,346)	(4,794)
	2,876	3,405
Intellectual property - at cost	19,690	19,690
Less: Impairment	(500)	(500)
	19,190	19,190
Distribution agreements - at cost	252	252
	252	252
Projects in-progress - at cost	118	47
	118	47
	44,925	45,742

Refer to note 2 for detailed information on restatement of comparatives.

Note 9. Borrowings

	Consolidated	
	31/12/2012 $'000	30/06/2012 $'000
Bank loans	35,250	38,107
Deferred cash and contingent consideration	2,846	6,905
Loan from director related entity	29,308	29,308
Lease liability	52	89
	67,456	74,409

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

	Consolidated	
	31/12/2012 $'000	30/06/2012 $'000
Bank loans	35,250	38,107
Lease liability	52	89
	35,302	38,196

Note 10. Equity - dividends

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

Note 11. Contingent liabilities

	Consolidated	
	31/12/2012 $'000	30/06/2012 $'000
Bank guarantees	424	424

The bank guarantees are for leased premises.

Note 12. Related party transactions

Parent entity
Firstfolio Limited is the parent entity.

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

	Consolidated	
	31/12/2012	**31/12/2011**
	$	**$**
Payment for goods and services:		
Business acquisition and related services from Peak Partners (an entity related to the director Mark Flack, resigned 27 June 2012)	-	175,002
Commissions paid to L J Hooker (an entity related to the director Gregory Paramor, resigned 22 October 2012)	254,865	478,784
Other transactions:		
Interest paid on loan from Welas Pty Limited (an entity related to the director Anthony Wales)	1,108,564	1,327,582

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

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

	Consolidated	
	31/12/2012	**30/06/2012**
	$	**$**
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 13. Events after the reporting period

On 11 February 2013, the consolidated entity announced the signing of a binding heads of agreement with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise') to raise capital of $57,600,000, as part of the consolidated entity's capital restructure plan. The terms of the agreement are summarised below:

- Australian Capital Enterprise will take an Initial Placement of approximately 116.1 million shares at an issue price of 1.5 cents ($0.015) per share to raise approximately $1,700,000;
- Firstfolio Limited ('Firstfolio') will conduct a 1:1 renounceable rights issue at a price of 1 cent ($0.01) per share to raise approximately $8,900,000, which will be fully underwritten by Australian Capital Enterprise; and
- Australian Capital Enterprise will take a Second Placement of approximately 1.3 billion shares at an issue price of 3.5 cents ($0.035) per share to raise $47,000,000.

Australian Capital Enterprise will hold more than 20% voting power in Firstfolio as a result of the capital raising, therefore the transaction is subject to the approval of Firstfolio shareholders at an extraordinary general meeting ('EGM'), which is expected to occur in or around mid to late April 2013.

The capital raising is subject to the satisfaction of a number of conditions precedent, the details of which are reported in the market announcement made to the Australian Stock Exchange ('ASX') on 11 February 2013, titled "Firstfolio Signs Heads of Agreement to raise $57.6 million".

No other matter or circumstance has arisen since 31 December 2012 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 14. Earnings per share

	Consolidated	
	31/12/2012 $'000	**31/12/2011 $'000**
Profit after income tax attributable to the owners of Firstfolio Limited	1,768	968
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	765,946,706
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	765,946,706
	Cents	**Cents**
Basic earnings per share	0.23	0.13
Diluted earnings per share	0.23	0.13

Refer to note 2 for detailed information on restatement of comparative.

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 2012 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

Eric Dodd
Chairman

25 February 2013
Sydney

Deloitte Touche Tohmatsu
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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 2012, 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 Firstfolio Limited and the entities it controlled at the end of the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Firstfolio Limited 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 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 Firstfolio Limited's financial position as at 31 December 2012 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 Firstfolio Limited's financial position as at 31 December 2012 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 1 in the financial report, which indicates that the consolidated entity is required to raise equity capital to avoid breaching its debt covenants. A breach of these covenants will cause debt facilities to immediately become due and payable on demand. If such a circumstance arose, the entity will not be in a position to pay its debts as and when they fall due. These conditions, along with other matters as set forth in Note 1, 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, 25 February 2013