APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**Firstfolio Limited**
ABN:	43 002 612 991
Reporting period:	**Year ended 30 June 2013**
Previous corresponding period:	Year ended 30 June 2012

2. Results for announcement to the market

Revenues from ordinary activities	up	2.2%	to	$ 82,160,000
Profit from ordinary activities after tax attributable to the owners of Firstfolio Limited	up	0.6%	to	$ 1,318,000
Profit for the period attributable to the owners of Firstfolio Limited	up	0.6%	to	$ 1,318,000

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 $1,318,000 (30 June 2012: $1,310,000).

Refer to the Directors' report for further information.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.53) cents	(0.92) 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 have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Firstfolio Limited for the year ended 30 June 2013 is attached.

12. Signed

Signed: ______________________________ Date: 22 August 2013

Eric Dodd
Chairman
Sydney

Firstfolio Limited
ABN 43 002 612 991

Annual Report - 30 June 2013

Contents

Firstfolio Limited
Corporate directory
30 June 2013

Directors	Eric Dodd (Chairman) Michael Hogg Gregory D. Pynt Anthony N. Wales	
Chief Executive Officer	Mark Flack	
Company secretary	Dustine Pang	
Notice of annual general meeting	The annual general meeting of Firstfolio Limited:	
	will be held at	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000
	time	10:30 AM
	date	Wednesday 13 November 2013
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 address	www.firstfolio.com.au	

Firstfolio Limited
Directors' report
30 June 2013

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 year ended 30 June 2013.

Directors

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

Eric Dodd	Chairman
Michael Hogg	
Gregory D. Pynt	
Anthony N. Wales	
Anthony B. Harris	Resigned 27 March 2013
Gregory J. Paramor	Resigned 22 October 2012
David Walker	*Alternate director for Anthony N. Wales from 9 July 2013 to 7 September 2013*

Principal activities

During the financial year 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.

Dividends

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

Highlights of the financial year

Firstfolio Limited's (ASX: FFF) full year 2013 (FY13) results reflect a year of significant change in which trading conditions remained challenging. During the year, management has focussed on restructuring the internal operating model to extract the full value of synergies from acquisitions and repositioning its businesses.

Following a review of accounting practices, Firstfolio adopted a new accounting approach regarding the recognition of trail commissions. This accounting treatment was reflected in the half-year financial statements and necessitated the restatement of prior year results. Unless otherwise stated, all current and prior year figures in this report are based on the new accounting method. The revised accounting approach is now consistent with industry practice and produces a more definitive record of the nature of the future trail commissions receivable and payable. The comments throughout this report describe the statutory reported financial results for the year under the new accounting method, unless otherwise stated. The impacts on the statement of profit or loss and other comprehensive income and statement of financial position are respectively detailed in tables 3 and 4 of this report.

Key features for the FY13 results:

- Revenue increased 2.2% to $82.2 million
- Operating EBITDA[1] of $10.2 million, down 20.7% on FY12
- Firstfolio Capital contributed $3.9 million operating EBITDA
- Operating cash flow before tax $10.1 million, up 10.7% on FY12
- Loan book declined by $1.0 billion to $18.9 billion
- Cash operating EBITDA of $15.1 million, down 0.8% on FY12
- Net profit after tax of $1.3 million in line FY12
- Cash net profit after tax of $4.8 million, up 47.6% on FY12
- EPS (diluted) of 0.17 cents

[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 4.5% in the year to 30 June 2013, a slower rate than the 5.1% recorded for the prior year. The contraction of the market is further reflected in the 10-year and 5-year average housing credit growth to June 2013 of 10.9% and 6.7%, respectively (30 June 2012 reported 12.3% and 8.2%, respectively).

Settlement volumes in the mortgage origination business declined 16.6% over the prior year, primarily from lower broking and wholesale volumes. Aggregation settlements grew in line with System at 4.4% over the year. Settlement mix continues to change as a result, with the proportion of wholesale settlements dropping to 13.5% for FY13, from to 23.4% for FY12.

Margins. Gross margin in FY13 decreased 15.7% to $29.7 million with the gross margin ratio falling from 43.8% of revenue to 36.2% of revenue. The Operating EBITDA margin on revenue declined from 14.7% to 12.4%. Margins were impacted by both reduced settlement volumes and the continued shift in mix toward lower margin aggregation volumes.

Loan book composition changed during FY13, reflecting the change in origination mix from wholesale settlements to lower margin aggregation settlements. At 30 June 2013, wholesale loans represented 22.3% of the book; mortgage broking, 11.7%; aggregation loans, 64.8%; and Firstfolio Capital contributing the remaining 1.1%.

The total loan book decreased $1.0 billion over FY13 to $18.9 billion as run-off has exceeded loan origination. Of this decrease, 30% is attributable to the expected run off in the acquired inactive loan books. The active loan book of $17.8 billion, makes up 94% of the total book, and is responsible for $0.7 billion of the run off.

Operating costs. During FY13, management placed significant emphasis on reducing operating expenses across the consolidated entity. Total operating expenses declined by 12.8%, from $22.4 million to $19.6 million following an internal review and restructuring of the business' operating model aimed at extracting synergies from past acquisitions. The most significant savings have been made in employee benefits, contractor and consultants, travel and advertising.

Firstfolio's growth over recent years has been accelerated by a number of significant business acquisitions. During the year, management's review of the consolidated entity's operations and available synergies gave rise to a restructure of the internal operating model, focussing on the integration of acquired businesses, including the consolidation of Firstfolio product brands. The restructure delivered two key brands for the whole of Firstfolio's business: eChoice and Folio.

eChoice repositioned its business through a consolidation of Firstfolio's retail brands in May 2013 and is now focussed on the aggregation and broking business. In addition, eChoice has extended its product offerings to other ancillary products to customers such as credit cards and insurance. The customer offering has been streamlined and funder relationships reinforced. The renewed focus has ensured that the aggregation business is performing in line with the market, and is well placed to capitalise on opportunities.

The Folio brand was launched to the market on 14 August 2013. The Folio brand now includes the wholesale business, manufacturing, leasing and franchise. Wholesale business settlements were subdued during FY13 owing to various factors including the termination of a partner agreement with L J Hooker in September 2012, which provided $89 million in settlements during FY12. The consolidation of all Firstfolio's wholesale business into one managed and operated business has delivered both operational and cost savings. As part of the launch, Folio is offering a single brand to all customers, a more competitive product offering, stronger funder relationships, and more efficient loan approval system.

[2] RBA D02 Lending and Credit Aggregates to June 2013.

Financial review

Revenue grew by 2.2% to $82.2 million in FY13, supported by Firstfolio Capital's first full year of revenue contribution of $18.8 million. The 16.6% decline in mortgage settlements, combined with changes in the composition of those settlements has constrained revenue growth.

Reported EBITDA declined 9.2% to $9.1 million. Operating EBITDA, which excludes one-offs, declined 20.7% or $2.7 million to $10.2 million. The reduction in operating EBITDA was principally driven by a $2.5 million adverse impact of the application of net present value ('NPV') methodology of accounting for trail commissions and expenses (refer 'Accounting' section). However, on a cash basis, operating EBITDA remained stable at $15.1 million (refer table 5). There are four key elements which influence the movement in the net NPV asset;

- Loan book movements – the repayment and discharge of loans exceeding new originations
- Loan mix – growth in lower margin settlements over higher margin settlements; new settlements at lower margins than loans in run off
- Run off rates – improved slightly over FY12, but does not compensate for the contraction of the loan book
- Other assumptions – including changes in commission rates

The movements in these elements resulted in the net impact for FY13 of a reduction of $4.9 million in operating EBITDA, and for FY12 $2.4 million; an overall reduction of $2.5 million between the reporting periods.

Profit before tax was up 37.1% to $2.0 million. Net profit after tax remained stable at $1.3 million, growing by 0.6%.

Table 1

Statutory reporting result[1] $'000	Jun 13	Jun 12	Variance	Movement
Reported EBITDA	**9,083**	**9,999**	(916)	(9.2%)
Acquisition costs[2]	-	1,610	(1,610)	(100.0%)
Restructuring/non-recurring costs	895	1,077	(182)	(16.9%)
Share-based payments (non-cash)	130	132	(2)	(1.5%)
Other non operating costs	414	-	414	100.0%
Write-back and FV adjustment	(353)	1	(354)	-
Operating EBITDA	**10,169**	**12,819**	(2,650)	(20.7%)
Depreciation	(734)	(911)	177	(19.4%)
Amortisation	(1,664)	(1,825)	161	(8.8%)
Net finance costs	(4,565)	(5,291)	726	(13.7%)
Underlying profit before income tax	**3,205**	**4,792**	(1,586)	(33.1%)
			-	
Reconciliation to NPAT				
Acquisition costs	-	(1,610)	1,610	(100.0%)
Restructuring/non-recurring costs	(895)	(1,077)	182	(16.9%)
Share-based payments (non-cash)	(130)	(132)	2	(1.5%)
Write-back and FV adjustment	353	(1)	354	-
Other non operating costs	(414)	-	(414)	100.0%
Notional funding cost of deferred consideration	(168)	(548)	380	(69.4%)
Profit before income tax	**1,952**	**1,424**	528	37.1%
Income tax expense	(634)	(114)	(520)	456.1%
Profit after income tax	**1,318**	**1,310**	8	0.6%
EPS (basic & diluted)	0.17	0.17		

(1) Based on the audited financial statements.
(2) One off acquisition costs include legal fees, consulting fees and stamp duty (now expensed under AASB3 Business Combinations).

Cash flow from operations before income tax was $10.1 million, up 10.7%.

Net interest expense decreased by 13.7% to $4.6 million due to a combination of lower cost of funds and lower debt levels. Income tax expense was $0.6 million, marginally above the corporate tax rate, compared to an expense of $0.1 million in the prior year, which included a benefit from a favourable adjustment associated with retrospective tax changes (as detailed in the FY12 accounts).

Statement of financial position
At 30 June 2013, total borrowings stood at $63.7 million (FY12: $74.4 million) with net debt of $62.0 million. Included in borrowings is senior debt with the Commonwealth Bank of Australia ('CBA') totalling $32.7 million, and loans from a director related entity of $29.3 million.

On 2 July 2013, Firstfolio announced the execution of binding transaction documents for capital raising with Australian Capital Enterprise Pty Ltd ('ACE'). A further announcement on 1 August 2013 provided an update of the timetable for the Recapitalisation Proposal, with the relevant notice of meeting to be distributed during August 2013.

The CBA has expressed its intent to renew the term of its facilities to mature on 7 April 2016. While the renewal is being finalised and documented, the CBA has extended the date for the completion of a capital raising to 30 November 2013.

Based on current cash flow forecasts, Firstfolio will be able to operate within the CBA's 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 2, 22 and 38 to the financial statements.

An 'Emphasis of matter' has been included in the Auditor's Report regarding these matters. Refer to the Auditor's Report for further details.

The consolidated entity, through the acquisition of Firstfolio Capital, has a warehouse funding line of $216 million with Westpac Banking Corporation ('Westpac'). The Westpac funding line is a revolving facility for the warehouse notes and is due for renewal 30 November 2013. The consolidated entity continues to engage and discuss the on-going performance of the loan pool, as well as likely future utilisation, maturity and potential terms for a renewal. If the warehouse facility is not renewed and the mortgages are not sold, this would give rise to a default. Consequently, this could result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. If this were to occur the cash flow available to the consolidated entity from excess spread would be deferred until the facility is repaid in full. The warehouse facility is structured that in the unlikely event that it is not renewed there is only limited recourse to the consolidated entity. If the warehouse facility is not renewed and the related assets are liquidated, the primary impact for the consolidated entity would be the loss of future income streams from its spread, being the difference between the mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transaction costs. The directors are satisfied should this arise, the sale of mortgages in repayment of the warehouse facility or an event of default will not affect the consolidated entity's ability to continue as a going concern.

Accounting
The FY12 results have been restated following a change to the consolidated entity's accounting practices during FY13. 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 report is included in notes 2 and 4 to the financial statements.

On an equivalent basis, cash operating EBITDA remained stable over the prior year (*refer table 5*).

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

Table 2

Accounting impacts	**Statutory - Restated**			**Cash Basis**		
	Jun 13	Jun 12	% △	Jun 13	Jun 12	% △
Operating EBITDA	10,169	12,819	(21%)	15,120	15,240	(1%)
EBITDA	9,083	9,999	(9%)	14,035	13,421	5%
Profit before tax	1,952	1,424	37%	6,904	2,877	140%
Net cash from operations	11,469	7,694	49%	11,469	7,694	49%

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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Before restatement	15,121	15,240	14,035	13,421	6,904	2,877
Net present value accounting						
Write back amortisation on contract rights	-	-	-	-	-	2,289
Net movement in NPV asset and liability	(9,685)	(7,683)	(9,685)	(7,683)	(9,685)	(7,683)
Discount unwind on NPV asset and liability	4,733	5,262	4,733	5,262	4,733	5,262
Asset and swap valuation adjustments				(1,001)		(1,321)
Restated	**10,169**	**12,819**	**9,083**	**9,999**	**1,952**	**1,424**

The impact of the restatement on net assets of the consolidated entity for 2012 is as follows:

Table 4

Statement of financial position $'000	**30 Jun 12**
Reported Net Assets	38,977
Net present value accounting	
Derecognise intangible contract rights	(17,791)
NPV asset	151,563
NPV liability	(84,328)
Net deferred tax impact	(15,350)
	34,094
Intangibles restatement of goodwill	(33,139)
Other receivables fair value	(1,119)
Derivatives fair value	(204)
Restated Net Assets	**38,609**

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

Table 5

Cash reporting result[1] $'000	Jun 13	Jun 12	Variance	Movement
EBITDA	**14,035**	**13,421**	614	4.6%
Acquisition costs[2]	-	1,610	(1,610)	(100.0%)
Restructuring/non-recurring costs	895	1,077	(182)	(16.9%)
Share-based payments (non-cash)	130	132	(2)	(1.5%)
Other non operating costs	414	-	414	100.0%
Write-back of deferred consideration	(353)	(1,000)	647	(64.7%)
Operating EBITDA	**15,120**	**15,240**	(120)	(0.8%)
Depreciation	(734)	(911)	177	(19.4%)
Amortisation	(1,664)	(4,114)	2,450	(59.6%)
Net finance costs	(4,565)	(4,971)	406	(8.2%)
Underlying profit before income tax	**8,157**	**5,244**	2,913	55.5%
			-	
Reconciliation to NPAT				
Acquisition costs	-	(1,610)	1,610	(100.0%)
Restructuring/non-recurring costs	(895)	(1,077)	182	(16.9%)
Share-based payments (non-cash)	(130)	(132)	2	(1.5%)
Write-back of deferred consideration	353	1,000	(647)	(64.7%)
Other non operating costs	(414)	-	(414)	100.0%
Notional funding cost of deferred consideration	(168)	(548)	380	(69.4%)
Profit before income tax	**6,904**	**2,877**	4,027	140.0%
Income tax benefit/(expense)	(2,120)	364	(2,484)	(682.4%)
Profit after income tax	**4,784**	**3,241**	1,543	47.6%
EPS (basic & diluted)	0.62	0.42		

(1) Based on the audited financial statements.
(2) One off acquisition costs include legal fees, consulting fees and stamp duty (now expensed under AASB3 Business Combinations).

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.

Matters subsequent to the end of the financial year

On 2 July 2013, the consolidated entity announced the execution of binding transaction documents for capital raising with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise' or 'ACE'). The proposed transaction will raise approximately $50.2 million, before fees and associated transaction costs, (the "Recapitalisation Proposal") as follows:

- ACE will take an Initial Placement of 300 million shares at an issue price of 1.5 cents ($0.015) per share to raise $4.5 million;
- Firstfolio will conduct a 1:1 renounceable Rights Issue at a price of 1cent ($0.01) per share to raise approximately $10.7 million, which will be fully underwritten by ACE; and
- ACE will take a Second Placement of 1 billion shares at an issue price of 3.5 cents ($0.035) per share to raise $35.0 million.

ACE is entitled to fees equal to 4% of the gross capital raised, amounting to $2.0 million.

ACE will invest a minimum of $42.5 million, up to a maximum of $50.2 million, depending on the level of underwriting. On completion of the Recapitalisation Proposal, ACE will hold between 50.8% and 75.4% of the expanded capital of the company. The company also proposes to undertake a 1 for 10 share consolidation following the issue of shares under the Recapitalisation Proposal.

The Recapitalisation Proposal and share consolidation are subject to shareholder approval at an Extraordinary General Meeting anticipated to occur in late September 2013, and a number of conditions precedent. The details of the Recapitalisation Proposal and related conditions precedent are included in the market announcement made to the Australian Securities Exchange ('ASX') on 2 July 2013, titled "Firstfolio Executes Binding Transaction Documents for Capital Raising Transaction With Australian Capital Enterprise".

The Independent Directors of the company believe the Recapitalisation Proposal is in the best interest of shareholders and, subject to no superior offer being received by the company, will be recommending shareholders vote in favour of the Recapitalisation.

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations has been included in this report.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Eric Dodd
Title:	Non-Executive Director and Chairman
Qualifications:	FCA, FAICD
Experience and expertise:	Mr Dodd brings more than 30 years' experience in the insurance and financial services sectors to his Firstfolio Board role. He was Managing Director and Chief Executive Officer of MBF Australia for six years prior to its merger with BUPA Australia in 2008, before serving as Managing Director of the merged organisation. Previously Mr Dodd held a range of senior executive positions within the financial services sector, most notably Managing Director of NRMA Insurance and CEO of NRMA Ltd.
Other current directorships:	Non-Executive Director of SFG Australia Limited Chairman of Ambition Group Limited Non-Executive Director of Credit Corp Group Limited
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairman of the Audit and Compliance Committee and Chairman of the Remuneration Committee
Interests in shares:	None
Interests in options:	None

Name:	Michael Hogg
Title:	Non-Executive Director
Experience and expertise:	Mr Hogg is a Director of the Cobra Group Pty Ltd, a direct sales organisation with over 10,000 sales representatives in 20 countries worldwide. He joined the Cobra Group Pty Ltd in March 2001.
Other current directorships:	Non-Executive Director of Australian Power and Gas Company Limited Non-Executive Director of BBX Minerals Limited
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Audit and Compliance Committee and Member of the Remuneration Committee
Interests in shares:	5,000,001 ordinary shares
Interests in options:	None

Name:	Gregory D. Pynt
Title:	Executive Director
Qualifications:	B. Com., MBA
Experience and expertise:	Mr Pynt has over 25 years' experience in general management and a further 20 years' experience in investment banking and financial services and was involved in several significant equity capital markets transactions with Kleinwort Benson Australia, McIntosh Securities and Deutsche Bank.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Audit and Compliance Committee and Member of the Remuneration Committee
Interests in shares:	None
Interests in options:	None

Name:	Anthony N. Wales
Title:	Non-Executive Director
Qualifications:	FCA, FCIS
Experience and expertise:	Mr Wales was a Director of Computershare Limited from 1981 to 2010. He is a fellow of the Institute of Chartered Accountants in Australia.
Other current directorships:	None
Former directorships (in the last 3 years):	Non-Executive Director of Computershare Limited (resigned November 2010)
Special responsibilities:	Member of the Audit and Compliance Committee and Member of the Remuneration Committee
Interests in shares:	125,818,881 ordinary shares
Interests in options:	None

Name:	Anthony B. Harris (resigned on 27 March 2013)
Title:	Former Non-Executive Director
Qualifications:	B.App.Sc, AAPI, SAFin
Experience and expertise:	Mr Harris was the founder of The Money Store and has over 18 years involvement in the mortgage and finance industry. Mr Harris resigned during the year.
Other current directorships:	Not applicable as no longer a director
Former directorships (in the last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

Name:	Gregory J. Paramor (resigned on 22 October 2012)
Title:	Former Non-Executive Director
Qualifications:	FAPI, FRICS, FAICD
Experience and expertise:	Mr Paramor has been involved in the real estate and funds management industries for more than 35 years. He was the co-founder of Equity Real Estate Partners, Growth Equities Mutual, Paladin Australia and the James Fielding Group, and served as CEO of Mirvac between 2004 and 2008. Mr Paramor is a director of several not-for-profit organisations, including the Garvan Institute and the National Breast Cancer Foundation, and sits on the Board of the Sydney Swans and LJ Hooker. Mr Paramor resigned during the year.
Other current directorships:	Not applicable as no longer a director
Former directorships (in the last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Mr Dustine Pang (ICAA, Fellow member of ICAEW) has over 20 years' experience in professional and financial services and held senior finance roles with the AIMS Financial Group, JP Morgan (formerly Ord Minnett Group Limited), BNP Paribas and Merrill Lynch HSBC. Mr Pang is a chartered accountant gaining his financial services audit experience with PricewaterhouseCoopers and Deloitte.

Meetings of directors
The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board		Audit and Compliance Committee	
	Attended	Held	Attended	Held
Eric Dodd	14	14	2	2
Michael Hogg	10	14	2	2
Gregory D. Pynt	14	14	2	2
Anthony N. Wales	14	14	2	2
Anthony B. Harris	8	8	2	2
Gregory J. Paramor	2	2	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Remuneration Committee did not hold separate meetings. Its function was carried out as part of the full Board meetings.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company. The Board may use external remuneration consultants in structuring the remuneration (refer to the section 'use of remuneration consultants' below).

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also agreed to the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 26 November 2012, where the shareholders approved an aggregate remuneration of $500,000.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The Board considers factors such as the performance of the consolidated entity and the performance of the executive when determining short term incentives (‘STI’) payments.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increases in Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and growth of the consolidated entity's loan book.

Consolidated entity performance and link to remuneration
The Board refers to company and executive performance when determining incentive payments.

STI and LTI are based on measures such as increase in EBITDA and the consolidated entity's loan book size.

Use of remuneration consultants
During the financial year ended 30 June 2013, the company and consolidated entity did not use any remuneration consultants.

Voting and comments made at the company's 2012 Annual General Meeting ('AGM')
At the last AGM 88% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and other key management personnel ('KMP') are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

2013	Short-term benefits			Post-employment benefits		Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
E Dodd (Chairman)	150,000	-	-	-	-	-	150,000
M Hogg	52,689	-	-	-	-	-	52,689
A N Wales	54,500	-	-	4,905	-	-	59,405
A B Harris (1)	138,344	-	-	-	-	-	138,344
G J Paramor (2)	18,167	-	-	1,635	-	-	19,802
Executive Directors:							
G D Pynt (3)	131,109	-	-	11,800	-	-	142,909
Other Key Management Personnel:							
P Andronicos (4) (General manager)	180,696	-	-	12,353	-	12,652	205,701
L Cooper (4) (General manager)	127,083	-	-	11,437	-	2,350	140,870
W Horsnell (4) (General manager)	237,500	-	-	12,353	-	19,582	269,435
D Pang (4) (5) (CFO)	220,833	-	-	12,353	-	14,100	247,286
D Hancock (6) (Former CEO)	138,095	-	-	5,490	-	-	143,585
	1,449,016	-	-	72,326	-	48,684	1,570,026

(1) Remuneration to date of resignation on 27 March 2013 and includes an amount of $97,469 in respect of executive duties performed from 16 October 2012 to 13 February 2013.

(2) Remuneration to date of resignation on 22 October 2012.

(3) Remuneration consists of $54,500 in director fees and $88,409 in respect of additional executive duties performed.

(4) Remuneration from 16 October 2012, when they became KMP.

(5) Not included in the table is a bonus of $55,000 for the financial year 30 June 2012, that was paid in 2013.

(6) Remuneration to date of resignation on 16 October 2012.

Mark Flack was appointed interim CEO from 1 July 2013. He was not KMP during the financial year ended 30 June 2013.

2012	Short-term benefits			Post-employment benefits		Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Termination $	Equity-settled $	Total $
Non-Executive Directors:							
E Dodd (Chairman) [(1)]	37,500	-	-	-	-	-	37,500
A B Harris	54,500	-	-	-	-	-	54,500
M Hogg	52,689	-	-	-	-	-	52,689
G J Paramor	54,500	-	-	4,905	-	-	59,405
A N Wales	54,500	-	-	4,905	-	-	59,405
T J Hartigan (Former Chairman) [(2)]	34,063	-	-	-	-	-	34,063
Executive Directors:							
M Forsyth [(3)]	472,851	-	-	43,776	-	11,920	528,547
M K Flack [(4)]	95,069	-	-	4,500	-	8,940	108,509
	855,672	-	-	58,086	-	20,860	934,618

[(1)] Remuneration from date of appointment of 2 April 2012.
[(2)] Remuneration to date passed away of 27 November 2011.
[(3)] Remuneration to date of resignation of 10 May 2012.
[(4)] Remuneration to date of resignation of 27 June 2012.

Gregory D. Pynt (Director) and David Hancock (Chief Executive Officer) received no remuneration during the year ended 30 June 2012.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2013	2012	2013	2012	2013	2012
Non-Executive Directors:						
E Dodd	100%	100%	- %	- %	- %	- %
M Hogg	100%	100%	- %	- %	- %	- %
A N Wales	100%	100%	- %	- %	- %	- %
A B Harris	100%	100%	- %	- %	- %	- %
G J Paramor	100%	100%	- %	- %	- %	- %
T J Hartigan		100%		- %		- %
Executive Directors:						
G D Pynt	100%	- %	- %	- %	- %	- %
M Forsyth		98%		- %		2%
M K Flack		92%		- %		8%
Other Key Management Personnel:						
P Andronicos	94%		- %		6%	
L Cooper	98%		- %		2%	
W Horsnell	93%		- %		7%	
D Pang	94%		- %		6%	
D Hancock	100%	- %	- %	- %	- %	- %

C Service agreements

David Hancock, the former Chief Executive Officer, was entitled to a base salary of $400,000 per annum (plus superannuation). He was in this position from 27 June 2012 to 16 October 2012. There were no STI or LTI paid to him during this time.

Mark Flack was appointed interim Chief Executive Officer from 1 July 2013 and was not KMP during the financial year ended 30 June 2013. The company will pay Mark Flack a monthly fee of $29,167 (excluding GST).

The remuneration of other KMP (excluding the CEO) includes fixed remuneration consisting of base salary and superannuation as well as STI and LTI payments. STI for the other KMP is at the discretion of the Board with reference to the overall performance of the consolidated entity as well as the executive. LTI consists of share options as well as shares issued via a loan and held in FFF Remuneration Pty Ltd until release conditions are met and the loan repaid. The details of LTI for each KMP are in Section D.

All other KMP have employment agreements setting out the terms and conditions of their employment. The agreements are not of a fixed duration and include three months notice period on the part of both the employee and the consolidated entity.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013.

During the year no ordinary shares were issued to FFF Remuneration Pty Limited.

Senior Executive Share Scheme
The Senior Executive Share Scheme (the 'Scheme') was approved by the shareholders in 2009.

The objectives of the Scheme are as follows:
(a) to provide an incentive to senior executives of the consolidated entity to lift the performance of the consolidated entity and maximise the price of the parent entity's shares; and
(b) to assist in attracting and retaining senior executives.

The Board may issue shares under the Scheme to any senior executive of the consolidated entity, including executive directors and non-executive directors.

Shares will be issued upon senior executives receiving a limited recourse interest-free loan from the consolidated entity for the purchase price of the shares. Shares financed by the loan are held in trust for the senior executives. The requirement for repayment of the loan generally arises only at the time of selling the shares or upon the senior executive's employment or engagement with the consolidated entity ends.

Senior executives are restricted from selling the shares in the first year following issuing of the shares. After the first year, the shares will progressively become unrestricted over a three year period, subject to that senior executive's continuous employment with the consolidated entity. The shares cannot be sold until certain performance hurdles have been met.

Options
There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2013.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2013.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Firstfolio Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
16 August 2010	16 August 2014	$0.07	3,400,000
23 September 2010	9 August 2015	$0.08	3,000,000
24 May 2011	24 May 2014	$0.06	500,000
12 July 2011	12 July 2014	$0.05	100,000
30 November 2011	30 November 2014	$0.04	3,400,000
31 March 2012	31 March 2015	$0.03	950,000
			11,350,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no shares of Firstfolio Limited issued on the exercise of options during the year ended 30 June 2013.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu
There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

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.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Eric Dodd
Chairman

22 August 2013
Sydney

Deloitte Touche Tohmatsu
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The Board of Directors
Firstfolio Limited
Level 9, Bridge Street
Sydney, NSW 2000

22 August 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 Limited.

As lead audit partner for the audit of the financial statements of Firstfolio Limited for the financial year ended 30 June 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 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
Corporate Governance Statement
30 June 2013

The Board of Directors ('the Board') of Firstfolio Limited ('Firstfolio' or the 'company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Principles and Recommendations, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board is dedicated to maximising performance, generating appropriate levels of shareholder value and financial return. The Board is therefore committed to ensure that the company is properly managed to protect and enhance shareholder interests and that the company and consolidated entity, its directors, officers and employees operate in an appropriate environment of corporate governance. The Board is responsible for, inter alia, development of strategy, oversight of management, risk management and compliance systems, and monitoring performance. The Board has established certain policies and protocols in relation to the company's operations, some of which are summarised in this statement. A statement as to the corporate governance policies adopted by the company and consolidated entity is available at the company's website.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The performance of the Board, individual directors and key executives is reviewed regularly, and has taken place during this reporting period. The company has established a Remuneration Committee as a subcommittee of the Board but not a Nomination Committee. The Board is responsible for determining and reviewing the remuneration of the directors and key executives, and accordingly, remuneration and nomination issues are discussed and resolved at Board meetings. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the company's and consolidated entity's operations. In making decisions regarding the appointment of directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate. The remuneration policy for the directors is disclosed in the Directors' Report.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	In accordance with the 'Guide to Reporting on Principle 1', the company provides the following information: • as at the date of this statement, the company is of the view that it has complied with each of the Recommendations under Principle 1; and • the company has undertaken a performance evaluation for senior executives during the financial year in accordance with the process set out in Recommendation 1.2.	Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	At the date of this statement, the Board comprises four directors, as detailed in the Directors Report in this Annual Report. Mr Eric Dodd, Mr Michael Hogg and Mr Gregory Pynt are deemed independent as defined under the Board policy on director independence.	Complies.
2.2	The chair should be an independent director.	The Chairman, Mr Eric Dodd, is deemed an independent director as defined under the Board policy on director independence.	Complies.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Eric Dodd is the Chairman of the Board. Mr Mark Flack is currently the Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee.	Due to the small size of the Board and the company's current level of operations, the company does not have a separate Nomination Committee.	Does not comply due to the small size of the Board and the company's current level of operations.

Principles and Recommendations		Compliance	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Board reviews and evaluates the performance of the Board and the Board committees. The process includes the assessment of all of the Board's key areas of responsibility. The Board's contribution as a whole is reviewed and areas where improvement can be made are noted. The performance evaluation process is as follows: a) each director will periodically evaluate the effectiveness of the Board and its committees and submit observations to the Chairman; b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action; c) the Board will agree on development and actions required to improve performance; d) outcomes and actions will be minuted; and e) the Chairman will assess during the year the progress of the actions to be achieved. This process aims to ensure that individual directors and the Board as a whole contribute effectively in satisfying the duties and responsibilities of the Board. The performance of the Board, its committees and individual directors has taken place during this reporting period in accordance with the process set out above.	Complies.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the company's Annual Report or be made publicly available ideally on the company's website. In accordance with the 'Guide to Reporting on Principle 2', the company provides the following information: a) The skills, experience and expertise relevant to the position held by each director as at the date of the Annual Report is detailed in the Directors' Report; b) As at the reporting date all of the directors were considered by the Board to be independent directors, with the exception of Mr Anthony Wales. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles;	Complies.

Principles and Recommendations		Compliance	Comply
2.6		c) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the company in relation to fulfilling their duties as directors. All directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters; d) The term of office held by each director as at the date of the Annual Report is detailed in the Directors' Report; e) Due to the small size of the Board, the company does not have a separate Nomination Committee and therefore a charter or an appointment policy has not been created; f) The performance of the Board, individual directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5; g) The Board has undertaken a review of the mix of skills and experience of the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company; and h) As at the date of this statement, the company is of the view that it has complied with each of the Recommendations under Principle 2, except for Recommendation 2.4. An explanation for the departure from Recommendation 2.4 is set out above.	

Principles and Recommendations		Compliance	Comply
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has established a Code of Conduct that provides a framework in which the company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximise shareholder returns. The Code of Conduct outlines how the company expects directors, management and employees to behave and conduct business in a range of circumstances. In particular, the Operating Procedures and Policy Guidelines require awareness of and compliance with laws and regulations relevant to Firstfolio's operations including environmental laws and community concerns. All Board members are qualified professionals within their respective industries and accordingly are required to conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as directors. The Code of Conduct adopted by the company is available at the company's website.	Complies.
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	The Board has adopted a Diversity Policy that outlines the objectives in relation to gender, age, ethnicity, religion, sexual orientation, cultural background and disability. At Firstfolio, diversity means embracing the contribution of all people and recognising that contribution based on merit. The Diversity Policy is aligned to the Firstfolio theme of "Connect-Share-Thrive", which advocates an environment of collaboration and understanding, and promoting the benefits of diversity. The responsibility of accepting and promoting diversity is shared by every staff member of Firstfolio, which translates positively into our interaction with customers, shareholders and other stakeholders. It also further reinforces our ability to attract, recruit, reward and promote talented people with diverse backgrounds, developing their skills and preparing them for Board and senior management positions. The Diversity Policy is available on the company's website.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	The Board is developing objectives for achieving gender diversity.	Does not comply as the Board is developing the objectives.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The proportion of women employees in the consolidated entity as at 30 June 2013 are as follows: Women on the board 0% Women in senior executive positions 25% Women in the organisation 40% Also see 'Workplace Gender Equality Act 2012 – Reporting' below.	Complies.
3.5	Provide the information indicated in *Guide to reporting on Principle 3*	The Code of Conduct and Diversity Policy has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
		The objectives for achieving gender diversity are currently being developed by the Board. Upon completion, the company will report in each annual report the measureable objectives for achieving gender diversity set by the Board.	
		The proportion of women in the company is disclosed in this Corporate Governance Statement. As at the date of this statement, the company is of the view that it has complied with each of the Recommendations under Principle 3, except for Recommendation 3.3. An explanation for the departure from Recommendation 2.3 is set out above.	

<table>
<tr><th colspan="2">Principles and Recommendations</th><th>Compliance</th><th>Comply</th></tr>
<tr><td colspan="4">Principle 4 – Safeguard integrity in financial reporting</td></tr>
<tr><td>4.1</td><td>The Board should establish an audit committee.</td><td>The Board has established an Audit and Compliance Committee. The composition of this committee and its effectiveness is reviewed on a regular basis. The Audit and Compliance Committee currently comprises currently consists of the four directors of the company. Invitations to other directors and executives to attend meetings are extended where appropriate.

The Audit and Compliance Committee monitors and reviews the effectiveness of the company’s controls in the areas of operational and balance sheet risk and financial reporting.

Members of the management and the company’s external auditors attend meetings of the Audit and Compliance Committee by invitation. The Audit and Compliance Committee may also have access to financial and legal advisers in accordance with the Board’s general policy.</td><td>Complies.</td></tr>
<tr><td>4.2</td><td>The audit committee should be structured so that it: consists of only non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; and have at least 3 members.</td><td>The Audit and Compliance Committee currently consists of the four directors of the company. Mr Eric Dodd is Chairman of the Audit and Compliance Committee. The Board is currently of the view that:
• Mr Gregory Pynt, an executive director is part of the committee, however this is appropriate due to the expertise Mr Pynt brings to the committee;
• whilst a majority of the directors are independent directors, Mr Eric Dodd is the appropriate Chairman for the Audit and Compliance Committee given his extensive industry experience; and
• having regard to the company’s level of operations and cash resources, the current composition of the Audit and Compliance Committee is adequate.</td><td>Does not comply due to Mr Eric Dodd being both the Chair of the Board and the Audit and Compliance Committee and Mr Gregory Pynt, an executive director, being part of the Audit and Compliance Committee. However, the Board views this as appropriate due to the extensive industry experience and expertise they bring to the committee.</td></tr>
</table>

<table>
<tr><th colspan="2">Principles and Recommendations</th><th>Compliance</th><th>Comply</th></tr>
<tr><td>4.3</td><td>The audit committee should have a formal charter.</td><td>The Audit and Compliance Committee operates under a charter approved by the Board.

It is the Board’s responsibility to ensure that an effective internal control framework exists to examine the effectiveness and efficiency of significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with regulations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the company to the Audit and Compliance Committee.

The Audit and Compliance Committee meets at least every six months and is responsible for:

• overseeing the implementation and the operation of the Code of Conduct;
• administering continuous disclosure and compliance;
• external financial reporting;
• risk management, internal control structures and compliance with laws and regulations; and
• administering external audit activities.</td><td>Complies.</td></tr>
</table>

Principles and Recommendations		**Compliance**	**Comply**
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	The 'Guide to Reporting on Principle 4' provides that certain information should be included in the corporate governance section of the company's Annual Report or be made publicly available ideally on the company's website. In accordance with the 'Guide to Reporting on Principle 4', the company provides the following information: a) the qualifications of the Audit and Compliance Committee members are detailed in the Directors' Report; b) the Audit and Compliance Committee met twice throughout the year and those members of the Audit and Compliance Committee that were present at the meetings are detailed in the 'Meeting of directors' section of the Directors' Report in this Annual Report; c) the Audit and Compliance Committee Charter adopted by the company is available at the company's website; d) the company periodically puts to private tender the appointment of its external auditor. The company's external audit engagement partner is rotated in consultation with the external auditor, as required by Division 5 of the Corporations Act; and e) as at the date of this statement, the company is of the view that it has complied with each of the Recommendations under Principle 4, except for Recommendation 4.2. An explanation for the departure from Recommendation 4.2 is set out above.	Complies.

Principles and Recommendations		**Compliance**	**Comply**
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Board and senior management are aware of the continuous disclosure requirements of the ASX and have written policies and procedures in place, including a 'Continuous Disclosure and Compliance Policy' to disclose any information concerning the company that a reasonable person would expect to have a material effect on the price of the company's securities. The directors and senior management of Firstfolio acknowledge that they each have an obligation to immediately identify and immediately disclose information that may be regarded as material to the price or value of the company's securities. The Chief Executive Officer and Chairman are authorised to make statements and representations on the company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public. The Company Secretary must inform the directors, senior management and employees of the company's continuous disclosure obligations on a quarterly basis. The directors and senior management of Firstfolio ensure that the Company Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, shareholders, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market is the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented. If information that would otherwise be disclosed comprises matters of supposition, or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of Firstfolio's securities is unknown, Firstfolio may request that the ASX grant a trading halt or suspend Firstfolio's securities from quotation. Management of Firstfolio may consult its external professional advisers and the ASX in relation to whether a trading halt or suspension is required. The written policies and procedures in relation to the company's continuous disclosure requirements with the ASX are available at the company's website.	Complies.

Principles and Recommendations		Compliance	Comply
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The company's Continuous Disclosure Policy is available on the company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Board aims to ensure that in accordance with Recommendation 6.1, all shareholders are informed of major developments affecting the affairs of the company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and letters to shareholders where appropriate. A description of the arrangements the company has to promote communications with shareholders is detailed in the Code of Conduct available at the company's website.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	In accordance with the 'Guide to Reporting on Principle 6', the company has made its Code of Conduct available on its website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management and management of material business risks and disclose a summary of these policies.	The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit and other business risks. The company is committed to the proper identification and management of risk. Firstfolio regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure that Firstfolio complies with its legal obligations. The Board is satisfied that an appropriate system of checks and balances is in place regarding those areas of the business which present financial or operating risks. The Audit and Compliance Committee meets regularly to ensure, amongst other things, that the risk management, internal control structures and compliance with laws and regulations are operating effectively. The Code of Conduct sets out the company's commitment to maintaining the highest level of integrity and ethical standards in all business practices which is available at the company's website.	Complies.

Principles and Recommendations		Compliance	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The company's management is responsible for providing leadership and direction, for establishing a context which fosters a risk management culture and for ensuring business, financial and risk management approaches are integrated during the planning, implementation and reporting of major ventures at all levels within the organisation. The company regularly undertakes reviews of its risk management procedures, which include implementation of a system of internal approvals to ensure that it complies with its legal obligations. The Board is satisfied that an appropriate system of checks and balances is in place in those areas of the business that present financial or operating risks. As part of this risk management process, the company's management has reported to the Board in relation to its management of the company's material business risks.	Complies.
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Mr Gregory Pynt as the company's Executive Director, and Mr Dustine Pang, as the company's Chief Financial Officer have declared to the Board that the statement given to the Board regarding the Financial Reports (as discussed under Section 4 of this statement) is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. Mr Gregory Pynt and Mr Dustine Pang have also declared to the Board that the company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.	Complies.
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	In accordance with the 'Guide to Reporting on Principle 7', the company provides the following information: a) The company has not departed from Recommendations 7.1 to 7.4; b) The Board has received the report from management under Recommendation 7.2; and c) The Board has received assurance from Mr Gregory Pynt, as the company's Executive Director, and Mr Dustine Pang, as the company's Chief Financial Officer, under Recommendation 7.3	Complies.

Principles and Recommendations		**Compliance**	**Comply**
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a remuneration committee as a subcommittee of the Board. The Board is responsible for determining and reviewing the remuneration of the directors, the Chief Executive Officer and the executive officers of the company and reviewing the operation of the company's Employee Share and Option Plans. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the company's operations. In making decisions regarding the appointment of directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. It is the company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for non-executive director are disclosed in the Directors' Report. The Board may obtain information from, and consult with management and external advisers, as it considers appropriate.	Complies.
8.2	The remuneration committee should be structured, so that it: consists of a majority of independent directors; is chaired by an independent director; and has at least three members.	The remuneration committee currently consists of the four directors of the company. Mr Eric Dodd is Chairman of the remuneration committee. The majority of directors are independent directors.	Complies.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The remuneration structure of non-executive directors and executives is disclosed in the director's report in this Annual Report. The remuneration of executives is dependent on the terms of the service agreement with those executives. The remuneration structure of non-executive directors and executives is clearly distinguishable as required by recommendation 8.3.	Complies.

Principles and Recommendations		Compliance	Comply
8.4	Provide the information indicated in *the Guide to reporting on Principle 8.*	In accordance with the 'Guide to Reporting on Principle 8', the company provides the following information: a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the non-executive directors; b) as at the date of this statement, the company is of the view that it has complied with each of the Recommendations under Principle 8	Complies.

Workplace Gender Equality Act 2012 – Reporting

The Workplace Gender Equality Act 2012 ('WGEA') prescribes that all non-public employers with 100 or more staff are required to report on an annual basis and must continue to report until their workforce falls below 80 employees.

This year's report is under transitional reporting requirements with the reporting focus on a statistical workplace profile, effectively a snapshot in time of the composition of the workforce.

The key components to this reporting period are the requirements to inform employees, members and shareholders of the lodgement of the report and provide access.

In terms of staff notification and access the company has provided this via the intranet as this is a normal means of communication, which is acceptable under the guidelines.

In terms of members, the company operates in a non-unionised environment and does not have any member organisation to advise.

The report is available under the investor centre section of the Firstfolio website www.firstfolio.com.au.

Firstfolio Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue	6	82,160	80,407
Other income	7	364	1,128
Expenses			
Commission		(32,625)	(25,154)
Interest on warehouse and other funding		(11,697)	(10,728)
Valuation and other fees		(1,932)	(3,108)
Management fees		(545)	(338)
Employee benefits		(10,917)	(12,083)
Depreciation and amortisation	8	(2,398)	(2,736)
Operating lease rentals		(113)	(143)
Rent and occupancy		(1,180)	(1,382)
Telephone and communications		(741)	(780)
Travel		(268)	(654)
Contractors and consultants		(711)	(1,804)
Audit fees		(252)	(157)
Advertising and promotion		(1,327)	(1,948)
Acquisition costs		-	(1,610)
Restructuring costs		(895)	(1,077)
Other expenses		(4,044)	(4,275)
Interest on borrowings	8	(4,859)	(6,041)
Discount unwind on net present value trail expense		(6,068)	(6,093)
Profit before income tax expense		1,952	1,424
Income tax expense	9	(634)	(114)
Profit after income tax expense for the year attributable to the owners of Firstfolio Limited	27	1,318	1,310
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Firstfolio Limited		1,318	1,310
		Cents	**Cents**
Basic earnings per share	40	0.17	0.17
Diluted earnings per share	40	0.17	0.17

Refer to note 4 for detailed information on restatement of comparatives.

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 30 June 2013

	Note	2013 $'000	Consolidated 2012 $'000	01/07/2011 $'000
Assets				
Cash and cash equivalents	10	9,565	11,480	3,473
Trade and other receivables	11	7,395	10,484	10,434
Loans and advances to customers	12	214,608	286,967	-
Derivative financial instruments	13	-	28	-
Income tax refund due	14	-	1,320	-
Net present value of trail commission income	15	150,116	151,563	159,106
Property, plant and equipment	16	1,140	1,217	1,481
Intangibles	17	44,187	45,743	36,066
Total assets		427,011	508,802	210,560
Liabilities				
Trade and other payables	18	7,193	8,871	8,597
Derivative financial instruments	19	180	244	-
Warehouse and other funding	20	215,671	290,743	-
Net present value of trail commission expense	21	87,833	84,328	89,449
Borrowings	22	63,709	74,409	63,618
Provisions	24	926	815	904
Income tax		-	-	767
Deferred tax	23	11,442	10,783	10,056
Total liabilities		386,954	470,193	173,391
Net assets		40,057	38,609	37,169
Equity				
Issued capital	25	41,328	41,328	41,330
Reserves	26	907	2,988	2,856
Accumulated losses	27	(2,178)	(5,707)	(7,017)
Total equity		40,057	38,609	37,169

Refer to note 4 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 year ended 30 June 2013

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2011	41,330	2,856	(8,580)	35,606
Adjustment for restatement	-	-	1,563	1,563
Balance at 1 July 2011 -	41,330	2,856	(7,017)	37,169
Profit after income tax	-	-	1,310	1,310
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,310	1,310
Transactions with owners in their capacity as owners:				
Contributions of equity, net of	3	-	-	3
Share-based payments	-	132	-	132
Cancellation of shares	(5)	-	-	(5)
Balance at 30 June 2012	41,328	2,988	(5,707)	38,609

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2012	41,328	2,988	(5,707)	38,609
Profit after income tax	-	-	1,318	1,318
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,318	1,318
Transactions with owners in their capacity as owners:				
Share-based payments	-	130	-	130
Transfers	-	(2,211)	2,211	-
Balance at 30 June 2013	41,328	907	(2,178)	40,057

Refer to note 4 for detailed information on restatement of comparatives.

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

Firstfolio Limited
Statement of cash flows
For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	2012 $'000
Cash flows from operating activities			
Interest received		423	515
Commissions and fees received		84,778	96,168
Commissions, salaries and other expenses paid		(78,082)	(85,019)
Interest on borrowings		(4,706)	(5,369)
Net warehouse interest		7,712	2,855
Income taxes refunded		1,344	-
Income taxes paid		-	(1,456)
Net cash from operating activities	39	11,469	7,694
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	36		859
Payments for property, plant and equipment	16	(583)	(639)
Payments for intangibles	17	(194)	(427)
Repayment/(payments) of loans		83	(218)
Repayment/(payment) for security deposits		18	(61)
Proceeds from sale of property, plant and equipment		12	-
Repayments of loans from borrowers		72,126	52,125
Net cash from investing activities		71,462	51,639
Cash flows from financing activities			
Proceeds from issue of shares	25	-	3
Payments on share cancellation		-	(5)
Proceeds from borrowings		-	17,250
Repayment of borrowings		(5,920)	(7,072)
Payments of deferred consideration		(3,854)	(1,365)
Repayment of warehouse facility		(75,072)	(60,137)
Net cash used in financing activities		(84,846)	(51,326)
Net increase/(decrease) in cash and cash equivalents		(1,915)	8,007
Cash and cash equivalents at the beginning of the financial year		11,480	3,473
Cash and cash equivalents at the end of the financial year	10	9,565	11,480

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.

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 22 August 2013. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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. There is no material impact to the financial statements due to the adoption of such standards and interpretations.

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 financial statements for the year ended 30 June 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.

At 30 June 2013, as detailed in note 22, senior debt of $32,750,000 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. The CBA has since expressed its intent to renew the term of these facilities for a further 2 years to 7 April 2016, and such a renewal is expected to make reference to the consolidated entity's existing undertaking to complete a capital raising. While the renewal is being finalised and documented, the CBA has extended the date for the completion of a capital raising to 30 November 2013.

At 30 June 2013, $5,400,000 of debt outstanding to Welas Pty Ltd held a repayment date of 31 August 2013. On 4 July 2013, Welas Pty Ltd extended the date of this repayment to 30 November 2013, to allow for the completion of the capital raising and the repayment of this debt.

On 11 February 2013, the consolidated entity announced it had signed a binding heads of agreement with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise') to raise $57,600,000, subject to the satisfaction of a number of material conditions precedent. The finalisation of Australian Capital Enterprise's investment structure and subsequent renegotiation of the commercial terms has delayed the completion of the transaction documents.

Note 2. Significant accounting policies (continued)

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, with key outstanding conditions precedent set out below:
• Shareholders' approval;
• Regulatory approval;
• Customary approvals from the consolidated entity's financiers and suppliers; and
• The Independent Expert concluding that the capital raising is 'fair and reasonable' or 'not fair but reasonable'.

The consolidated entity announced on 1 August 2013, that the Notice of Meeting and Explanatory Memorandum in respect of the Recapitalisation Proposal had been finalised and was being lodged with ASIC and ASX for their customary regulatory review. Subject to no material matters being raised by ASIC or ASX, the consolidated entity expects to send the Notice of Meeting and Explanatory Memorandum to shareholders in mid to late August 2013 and hold the Shareholders' Meeting to vote on the Recapitalisation Proposal towards the end of September 2013.

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 a capital raising not proceed by 30 November 2013, 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. Under those circumstances, the consolidated entity would enter into negotiations with the 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 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 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.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Firstfolio Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Firstfolio Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue and expense recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Commission and fee revenue
Revenue from origination of loans is comprised of commission paid at the time the loan is originated and a trailing commission which is paid over the life of the loan. Origination commissions received are recognised as revenue on settlement of the loan.

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 measured at amortised cost.

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.

Note 2. Significant accounting policies (continued)

Commissions may be "clawed back" by lenders at a later date as per their individual policies. All other fees are recognised each month on a due and payable basis.

Other commission and fee revenue (other than mortgage services)
Revenue from the provision of services to customers is recognised upon delivery of the service to the customer.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset

Other revenue
The release of contingent and deferred consideration arises from the revised management estimates of the deferred consideration liability and any decrease in the net present value of the liability is recognised as revenue.

Other income is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses, and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset tax assets against tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Note 2. Significant accounting policies (continued)

Firstfolio Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own tax amounts. The tax consolidated group has applied the 'stand alone' taxpayer approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own tax amounts, the head entity also recognises the tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their tax payable.

Cash and cash equivalents
Cash at bank and in hand
Cash at bank and in hand includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trust collection account
Trust collection account includes deposits held with financial institutions on trust and is not available for general use of the consolidated entity.

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

Interest rate swap contracts
Interest rate swap contracts are used to mitigate the consolidated entity’s exposure to variable interest rates in its borrowings as well as loans and advances to customers. Movements in the value of the swap contracts are recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Investments and other financial assets
Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-10 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business combination. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Contract rights
Contract rights acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software and website
Significant costs associated with software and the development of the revenue generating aspects of the websites are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 3 and 10 years.

Intellectual property
Costs in relation to intellectual property are capitalised as an asset. These costs are not subsequently amortised as they have an indefinite useful life. Intellectual property is tested annually for impairment.

Distribution agreements
Costs in relation to distribution agreements are capitalised as an asset and have all been part of acquisitions. These costs are not subsequently amortised as they have an indefinite useful life. Distribution agreements are tested annually for impairment.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on deferred cash consideration
- unwinding of the discount on the net present value of trail commission expense

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Share-based payments
Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

If the equity-settled awards lapse, the accumulated balance of the lapsed award recorded in reserves is transferred to retained earnings.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Firstfolio Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) 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 (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have 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. The adoption of this standard from 1 July 2013 will not have a major impact on the consolidated entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures 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 will use equity accounting. 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 separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to significantly reduce the reported annual leave liability of the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 ‘Financial Instruments: Disclosures’ (and consequential amendments to AASB 132 ‘Financial Instruments: Presentation’) have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity, when offsetting is applied.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 ‘Financial Instruments: Presentation’, by clarifying the meaning of “currently has a legally enforceable right of set-off”; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a significant impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from 2009–2011 Annual Improvements Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) First-time Adoption of Australian Accounting Standards’ is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet 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; AASB 132 ‘Financial Instruments: Presentation’ Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 ‘Interim Financial Reporting’ and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a significant impact on the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment from 1 July 2013 will not have a material impact on the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend 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. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

Interpretation 21 Levies
This interpretation is applicable to annual reporting periods beginning on or after 1 January 2014 The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The adoption of the interpretation from 1 July 2014 will not have a material impact on the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of loans and advances to customers
The consolidated entity follows industry practise to consider mortgages in default when they are more than three months overdue. Further, no provision is made for these overdue mortgages if there is sufficient security against loans and advances as well as insurance taken out to cover losses. This assessment requires a degree of judgement in the value of the security as well as the effectiveness of the insurance in covering losses.

Judgement is applied in determing whether specific or collective provisions are required. The judgement is based on assessment of historic loss analysis, forecast performance on existing loan portfolios and arrears and default analysis.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on fair value. Analysis of the assumptions and judgements used, and the sensitivity of these assumptions are detailed in note 17.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred consideration
The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. At each reporting date, the deferred consideration liability is reassessed against revised management estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Costs of capital raising
Costs associated with the recapitalisation proposals are held in the statement of financial position until the completion of the capital raising at which time they will be applied against issued share capital. These costs are contained in prepayments in note 11.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Net present value of trail commission income and expense
The consolidated entity receives trail commission income and pays out trail commission expenses for the life of the settled loans. In determining the net present value ('NPV') of the trail commission income and trail commission expense, there are a number of assumptions and judgement used by management, of which two are considered key assumptions in determining the value of the NPV of trail commission income asset and NPV of trail commission expense liability. These are the discount rates and run off rates.

The discount rates applied are dependent on the financial year of settlement of the loan settled and consist of three elements: a risk free rate, a counterparty risk premium and model risk premium. Determining the appropriate rates for each of these elements requires a high degree of judgement. The following discount rates were applied in calculating the NPV:

- Loans settled prior to 1 July 2011 – 7.45%
- Loans settled between 1 July 2011 and 30 June 2012 – 6.99%
- Loans settled after 30 June 2012 – 5.62%

The impact on the statement of financial position of a change in discount rates for all vintages would be:

- A 10% increase in discount rates would decrease net assets by $1,118,000. The net asset movement comprises a decrease in assets of $2,655,000 and a decrease in liabilities of $1,537,000.

- A 10% decrease in discount rates would increase net assets by $1,161,000. The net asset movement comprises an increase in assets of $2,755,000 and an increase in liabilities of $1,594,000.

Run off rates indicate the rate at which the loan book is diminishing, and are affected by many variables including the age of particular loans and market conditions. Historical run off rates are used as a base to which adjustments may be applied to take into account current and expected market conditions. Management has not made any adjustments to historical run off rates in the calculation of the NPV asset or liability. The run off rate applied was a weighted average of 20%p.a. (2012: 21%p.a.).

The impact on the statement of financial position of a change in run off rates would be:

- A 10% increase in the run off rates would decrease net assets by $5,460,000. The net asset movement comprises a decrease in assets of $12,180,000 and a decrease in liabilities of $6,720,000.

- A 10% decrease in the run off rates would increase net assets by $5,536,000. The net asset movement comprises an increase in assets of $12,682,000 and an increase in liabilities of $7,146,000.

Application of the consolidated entity's accounting policies
Judgements that management have made in applying the consolidated entity's accounting policies are not expected to have a material impact on the financial statements.

Note 4. Restatement of comparatives

Revenue and expense recognition for trail commissions
The accounting change for revenue recognition as explained in note 2, necessitated adjustments to the statements of financial position as at 1 July 2011 and 30 June 2012 and to the statement of profit or loss and other comprehensive income for the year ended 30 June 2012.

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 profit or loss and comprehensive income was 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 net present value to reflect actual and revised estimated cash flows. Net profit after tax for the financial year ended 30 June 2012 decreased to $1,310,000 from that previously reported of $3,241,000. This was a result of the change in accounting as well as an impact from updated tax calculations. In the interim report for the six months ended 31 December 2012, the impact of changes in tax legislation was not fully reflected in the accounts. It has subsequently been finalised and the actual tax expense for the year has been restated from that previously advised in the interim report.

A further impact of the accounting change was the derecognition of intangible contract rights ($20,081,000), which previously represented the value of future income streams from trail commissions. The recognition of the net present value asset ($159,106,000) and net present value liability ($89,449,000) for future trail commissions replaced the intangible contract rights asset. This recognition also resulted in an adjustment to deferred tax of $14,873,000.

Cash generating units and impairment
Following the acquisition and integration of Firstfolio Capital, management assessed that there were two distinct Cash Generating Units ('CGUs') within the consolidated entity, being:

(a) Manufacturing - encompassing the operations of Firstfolio Capital ('FFC') which comprise mortgage origination and securitsation through a bank funded warehouse; and

(b) Distribution - encompassing all parts of the business relating to the sale of mortgages.

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 reduction of the value of the intangible goodwill asset by $33,139,000.

The above changes are reflected in the statement of financial position at the beginning of the earliest comparative period presented (1 July 2011) and resulted in an overall increase of $1,563,000 to net assets.

The statement of profit or loss and other comprehensive income was impacted with the reversal of the amortisation on the derecognised contract rights ($2,289,000). The revenue recognition change resulted in a reduction revenue of $24,191,000 offset by a reduction in commission expense of $27,866,000 and an increase in discount unwind on net present value trail expense of $6,093,000. There was also an impact to tax of $478,000.

Other adjustments
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 was 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 $1,120,000. These items were brought to account in the statement of financial position at the end of the earliest comparative period presented (30 June 2012). The statement of profit or loss and other comprehensive income was impacted by an increase in other expenses of $204,000 as well as an increase in other expenses of $1,001,000 and a decrease in revenue of $119,000.

The effect of the changes on the comparative figures, is shown below:

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
	2012 $'000 Reported	$'000 Adjustment	2012 $'000 Restated
Revenue	104,718	(24,311)	80,407
Other income	1,128	-	1,128
Expenses			
Commission	(53,020)	27,866	(25,154)
Interest on warehouse and other funding	(10,728)	-	(10,728)
Valuation and other fees	(3,108)	-	(3,108)
Management fees	(338)	-	(338)
Employee benefits	(12,083)	-	(12,083)
Depreciation and amortisation	(5,025)	2,289	(2,736)
Operating lease rentals	(143)	-	(143)
Rent and occupancy	(1,382)	-	(1,382)
Telephone and communications	(780)	-	(780)
Travel	(654)	-	(654)
Contractors and consultants	(1,804)	-	(1,804)
Audit fees	(157)	-	(157)
Advertising and promotion	(1,948)	-	(1,948)
Acquisition costs	(1,610)	-	(1,610)
Restructuring costs	(1,077)	-	(1,077)
Other expenses	(3,274)	(1,001)	(4,275)
Interest on borrowings	(5,838)	(203)	(6,041)
Discount unwind on net present value trail expense	-	(6,093)	(6,093)
Profit before income tax expense	2,877	(1,453)	1,424
Income tax expense	364	(478)	(114)
Profit after income tax expense for the year attributable to the owners of Firstfolio Limited	3,241	(1,931)	1,310
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Firstfolio Limited	3,241	(1,931)	1,310

Note 4. Restatement of comparatives (continued)

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

	Consolidated		
	01/07/2011 $'000 Reported	$'000 Adjustment	01/07/2011 $'000 Restated
Assets			
Cash and cash equivalents	3,473	-	3,473
Trade and other receivables	10,434	-	10,434
Deferred tax	4,817	(4,817)	-
Net present value of trail commission income	-	159,106	159,106
Property, plant and equipment	1,481	-	1,481
Intangibles	89,287	(53,221)	36,066
Total assets	109,492	101,068	210,560
Liabilities			
Trade and other payables	8,597	-	8,597
Net present value of trail commission expense	-	89,449	89,449
Borrowings	63,618	-	63,618
Provisions	904	-	904
Income tax	767	-	767
Deferred tax	-	10,056	10,056
Total liabilities	73,886	99,505	173,391
Net assets	35,606	1,563	37,169
Equity			
Issued capital	41,330	-	41,330
Reserves	2,856	-	2,856
Accumulated losses	(8,580)	1,563	(7,017)
Equity attributable to the owners of Firstfolio Limited	35,606	1,563	37,169
Total equity	35,606	1,563	37,169

Note 4. Restatement of comparatives (continued)

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

	Consolidated		
	2012		2012
	$'000	$'000	$'000
	Reported	Adjustment	Restated
Assets			
Cash and cash equivalents	11,480	-	11,480
Trade and other receivables	11,604	(1,120)	10,484
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	(50,930)	45,743
Total assets	413,855	94,947	508,802
Liabilities			
Current liabilities			
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	-	10,783	10,783
Total liabilities	374,878	95,315	470,193
Net assets	38,977	(368)	38,609
Equity			
Issued capital	41,328	-	41,328
Reserves	2,988	-	2,988
Accumulated losses	(5,339)	(368)	(5,707)
Equity attributable to the owners of Firstfolio Limited	38,977	(368)	38,609
Total equity	38,977	(368)	38,609

Notes

As a result of the above adjustments to net profit, earnings per share and diluted earnings per share for the financial year ended 30 June 2012 have been restated from 0.42 cents per share to 0.17 cents per share.

Note 5. Operating segments

Identification of reportable 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 information reported to the CODM 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.

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

Major customers
The consolidated entity has a number of customers to which it provides products and services via six (2012: six) main banks in Australia. The combined revenue from these six (2012: six) main banks amounted to 67% (2012: 60%) of the external revenue.

Note 5. Operating segments (continued)

Operating segment information

2013	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	18,776	52,457	-	71,233
Total sales revenue	18,776	52,457	-	71,233
Other income	-	11,165	126	11,291
Total revenue	18,776	63,622	126	82,524
Segment result	3,083	7,302	-	10,385
Depreciation and amortisation				(2,398)
Interest revenue				126
Finance costs				(4,859)
Other non-segment expenses				(1,302)
Profit before income tax expense				1,952
Income tax expense				(634)
Profit after income tax expense				1,318
Assets				
Segment assets	233,166	193,845	-	427,011
Total assets				427,011
Total assets includes:				
Acquisition of non-current assets	-	-	774	774
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. Operating segments (continued)

2012	Manufacturing $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	14,979	53,871	-	68,850
Total sales revenue	14,979	53,871	-	68,850
Other income	-	12,483	202	12,685
Total revenue	14,979	66,354	202	81,535
Segment result	846	12,557	-	13,403
Depreciation and amortisation				(2,736)
Interest revenue				202
Interest on borrowings				(6,041)
Other non-segment expenses				(3,404)
Profit before income tax expense				1,424
Income tax expense				(114)
Profit after income tax expense				1,310
Assets				
Segment assets	307,596	199,886	-	507,482
Unallocated assets:				
Tax related assets				1,320
Total assets				508,802
Liabilities				
Segment liabilities	291,866	92,076	-	383,942
Unallocated liabilities:				
Borrowings				74,409
Provisions				815
Tax related liabilities				10,783
Derivative financial instruments				244
Total liabilities				470,193

Note 6. Revenue

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Sales revenue		
Commission and fee revenue	52,918	54,219
Interest on loans and advances to customers	18,315	14,631
	71,233	68,850
Interest revenue		
Discount unwind on net present value trail income	10,801	11,355
Other interest	126	202
	10,927	11,557
Revenue	82,160	80,407

Refer to note 4 for detailed information on restatement of comparatives.

Note 7. Other income

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Release of contingent and deferred consideration	353	1,000
Other income	11	128
Other income	364	1,128

Note 8. Expenses

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	668	846
Plant and equipment under lease	66	65
Total depreciation	734	911
Amortisation		
Contract rights	718	419
Software and websites	946	1,406
Total amortisation	1,664	1,825
Total depreciation and amortisation	2,398	2,736
Interest on borrowings		
Interest and finance charges paid/payable	4,691	5,493
Unwind of the discount on deferred cash consideration	168	548
Interest on borrowings	4,859	6,041
Rental expense relating to operating leases		
Minimum lease payments	1,012	1,125
Superannuation expense		
Defined contribution superannuation expense	767	809
Share-based payments expense		
Share-based payments expense	130	132

Note 9. Income tax expense

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Income tax expense		
Current tax	160	1,065
Deferred tax - origination and reversal of temporary differences	659	744
Adjustment recognised for prior periods	(185)	(1,695)
Aggregate income tax expense	634	114
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities (note 23)	659	744
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	1,952	1,424
Tax at the statutory tax rate of 30%	586	427
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	284	402
Unwinding of discount on deferred consideration	50	164
Write back of contingent and deferred consideration	(106)	(300)
Sundry items	(64)	(44)
	750	649
Adjustment recognised for prior periods	(185)	(1,695)
Movement in temporary differences	1,447	3,362
Movement net present value asset	(1,485)	(2,098)
Prior year tax losses recoverable in future periods	-	(4,796)
Movement in rights to future income	107	4,692
Income tax expense	634	114

Refer to note 4 for detailed information on restatement of comparatives.

Note 10. Cash and cash equivalents

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Cash at bank and in hand	1,651	2,779
Trust collection account	7,611	4,526
Restricted cash	303	4,175
	9,565	11,480
Amount expected to be recovered within 12 months	9,565	11,480

'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. Restricted cash is separate to the other credit support provided to the warehouse facility described in note 20 in the form of over-collateralisation.

Note 11. Trade and other receivables

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Trade receivables	737	1,095
Other receivables	986	1,349
Accrued revenue	3,828	6,489
Prepayments	1,421	1,110
Bonds and deposits	423	441
	7,395	10,484
Amount expected to be recovered within 12 months	6,958	10,208
Amount expected to be recovered after more than 12 months	437	276
	7,395	10,484

Prepayments include the costs of capital raising.

Refer to note 4 for detailed information on restatement of comparatives.

Impairment of receivables
The consolidated entity has recognised a loss of $nil (2012: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2013.

Past due but not impaired
There were no receivables that were past due but not impaired.

Refer to note 29 for further information on financial instruments

Note 12. Loans and advances to customers

	Consolidated	
	2013	2012
	$'000	$'000
Mortgage advances and interest receivable	214,841	287,014
Provision for mortgage advances and interest receivable	(233)	(47)
	214,608	286,967
Amount expected to be recovered within 12 months	62,675	83,312
Amount expected to be recovered after more than 12 months	151,933	203,655
	214,608	286,967

Refer to note 29 for further information on financial instruments.

The consoldiated entity has recognised an individually assessed provision for loss of $233,000 in respect of mortgage loans. The loans are all subject to lender mortgage insurance and no collective provision is considered necessary on the portfolio in addition to the individually assessed provision.

Mortgage advances are used as security for warehouse facility and bond fund (refer to note 20).

Note 13. Derivative financial instruments

	Consolidated	
	2013	2012
	$'000	$'000
Interest rate swap contracts	-	28
Amount expected to be recovered within 12 months	-	28

Note 14. Income tax refund due

	Consolidated	
	2013	2012
	$'000	$'000
Income tax refund due	-	1,320
Amount expected to be recovered within 12 months	-	1,320

Note 15. Net present value of trail commission income

	Consolidated 2013 $'000	Consolidated 2012 $'000
Commissions receivable	150,116	151,563
Amount expected to be recovered within 12 months	33,499	34,299
Amount expected to be recovered after more than 12 months	116,617	117,264
	150,116	151,563

Note 16. Property, plant and equipment

	Consolidated 2013 $'000	Consolidated 2012 $'000
Plant and equipment - at cost	2,658	2,455
Less: Accumulated depreciation	(1,853)	(1,321)
	805	1,134
Plant and equipment under lease	554	233
Less: Accumulated depreciation	(219)	(150)
	335	83
	1,140	1,217
Amount expected to be recovered after more than 12 months	1,140	1,217

Reconciliations

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

	Plant and equipment $'000	Plant under lease $'000	Total $'000
Consolidated			
Balance at 1 July 2011	1,351	130	1,481
Additions	639	-	639
Additions through business combinations (note 36)	8	-	8
Transfers in/(out)	(18)	18	-
Depreciation expense	(846)	(65)	(911)
Balance at 30 June 2012	1,134	83	1,217
Additions	262	321	583
Disposals	(12)	-	(12)
Transfers in/(out)	89	(3)	86
Depreciation expense	(668)	(66)	(734)
Balance at 30 June 2013	805	335	1,140

Note 16. Property, plant and equipment (continued)

Property, plant and equipment secured under finance leases
Refer to note 33 for further information on property, plant and equipment secured under finance leases.

Note 17. Intangibles

	Consolidated	
	2013	2012
	$'000	$'000
Goodwill - at carrying value	49,227	49,227
Less: Revaluation adjustment	(33,140)	(33,140)
	16,087	16,087
Contract rights - at cost	7,181	7,181
Less: Accumulated amortisation	(1,137)	(419)
	6,044	6,762
Software and websites - at cost	8,223	8,199
Less: Accumulated amortisation	(5,826)	(4,794)
	2,397	3,405
Intellectual property - at carrying value	19,190	19,190
	19,190	19,190
Distribution agreements - at cost	252	252
	252	252
Projects in-progress - at cost	217	47
	217	47
	44,187	45,743
Amount expected to be recovered after more than 12 months	44,187	45,743

Note 17. Intangibles (continued)

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

	Goodwill $'000	Contract rights $'000	Software and websites $'000	Intellectual property $'000	Distribution and other $'000	Total $'000
Consolidated						
Balance at 1 July 2011	15,195	-	1,407	19,190	276	36,068
Additions	-	-	323	-	104	427
Additions through business combinations (note 36)	892	7,181	3,000	-	-	11,073
Transfers in/(out)	-	-	81	-	(81)	-
Amortisation expense	-	(419)	(1,406)	-	-	(1,825)
Balance at 30 June 2012	16,087	6,762	3,405	19,190	299	45,743
Additions	-	-	24	-	170	194
Transfers in/(out)	-	-	(86)	-	-	(86)
Amortisation expense	-	(718)	(946)	-	-	(1,664)
Balance at 30 June 2013	16,087	6,044	2,397	19,190	469	44,187

Refer to note 4 for detailed information on restatement of comparatives.

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 ('CGU's'):

(a) Distribution - encompassing all parts of the business relating to the sale of mortgages (CGU 1); and
(b) Manufacturing – encompassing the operations of Firstfolio Capital (FFC) which comprise mortgage origination and securitisation through a bank funded warehouse (CGU 2).

	Consolidated	
	2013 $'000	**2012 $'000**
Distribution	34,856	34,683
Manufacturing	893	893
	35,749	35,576

Refer to note 4 for further details.

On 2 July 2013 the consolidated entity announced it had executed a Subscription Agreement and an Underwriting Agreement to raise $50,200,000 in equity capital. In its assessment of impairment for each CGU, management reviewed both the value-in-use and fair value methods. The capital raising provides market based evidence and has been used as the basis for evaluating fair value. Management has taken the higher of fair value and value-in-use to determine the recoverable amount and whether there is impairment.

The key assumptions used for the fair-value calculations:

Overall Approach
The consolidated entity has adopted the capitalisation of earnings approach to assess fair value, using comparable earnings multiples of competitors on normalised cash earnings before interest and tax.

Note 17. Intangibles (continued)

CG1 - Distribution
An earnings multiple range of 8.7 to 13.2 was observable from market comparables. Based on CGU1's normalised cash EBIT of $10,200,000 and net assets of $88,000,000, the multiple would have to be less than 8.7 before CGU1 was impaired.

CGU2 - Manufacturing
An earnings multiple range of 6.0 to 8.75 was observable from market comparables. Based on CGU2's normalised cash EBIT of $2,800,000 and net assets of $15,300,000, the multiple would have to be less than 5.5 before CGU2 was impaired.

If the capital raising does not complete on the current terms as announced, the assessment of recoverable fair value may be lower.

In addition, management performed a value-in-use test on each CGU with no impairment arising.

Note 18. Trade and other payables

	Consolidated	
	2013 $'000	2012 $'000
Trade payables	95	375
Commission accrued	3,310	5,091
Other payables and accruals	3,788	3,405
	7,193	8,871
Amount expected to be settled within 12 months	7,193	8,871

Refer to note 29 for further information on financial instruments.

Note 19. Derivative financial instruments

	Consolidated	
	2013 $'000	2012 $'000
Interest rate swap contracts	180	244
Amount expected to be settled within 12 months	180	244

Refer to note 29 for further information on financial instruments.

Refer to note 4 for detailed information on restatement of comparatives.

Note 20. Warehouse and other funding

	Consolidated 2013 $'000	Consolidated 2012 $'000
Warehouse facility	181,442	245,283
Bond fund notes	34,229	45,460
	215,671	290,743
Amount expected to be settled within 12 months	191,456	260,352
Amount expected to be settled after more than 12 months	24,215	30,391
	215,671	290,743

The warehouse facility and bond fund notes are secured by the assets of the warehouse facility and bond fund (Westpac Warehouse Trust No. 2 and Calibre Fund No. 1). In addition, the warehouse facility is supported by a restricted cash collateral reserve (refer note 12), and a fixed and floating charge over the assets of Firstfolio Capital Pty Ltd and Firstfolio Capital Management Services Pty Ltd. In addition to the cash collateral, $5,000,000 is invested in the warehouse as an over-collateralisation of the warehouse notes. The warehouse facility is a revolving facility and is due for renewal on 30 November 2013.

Note 21. Net present value of trail commission expense

	Consolidated 2013 $'000	Consolidated 2012 $'000
Commissions payable	87,833	84,328
Amount expected to be settled within 12 months	19,017	19,042
Amount expected to be settled after more than 12 months	68,816	65,286
	87,833	84,328

Note 22. Borrowings

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Bank loans	32,750	38,107
Deferred cash and contingent consideration	83	6,905
Other loans	1,199	-
Loans from director related entity	29,308	29,308
Lease liability	369	89
	63,709	74,409
Amount expected to be settled within 12 months	39,570	12,335
Amount expected to be settled after more than 12 months	24,139	62,074
	63,709	74,409

Refer to note 29 for further information on financial instruments.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Bank loans	32,750	38,107
Lease liability	369	89
	33,119	38,196

Assets pledged as security
The bank loans are secured by a fixed and floating charge over the assets of the consolidated entity, excluding the assets of Firstfolio Capital - Westpac Warehouse Trust No. 2 and the Calibre Fund No. 1.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 22. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Total facilities		
Bank loans	32,750	38,107
Loans from director related entity	29,308	45,000
	62,058	83,107
Used at the reporting date		
Bank loans	32,750	38,107
Loans from director related entity	29,308	29,308
	62,058	67,415
Unused at the reporting date		
Bank loans	-	-
Loans from director related entity	-	15,692
	-	15,692

On 4 July 2013, loans provided by director related entity, Welas Pty Ltd, were renegotiated. Under the revised terms, the loan amount of $5,458,000 has a repayment date of 30 November 2013. The loan amount of $23,850,000 has a repayment date of 1 October 2014. The loans are fully drawn, and no further drawdown is available.

Note 23. Deferred tax

	Consolidated	
	2013	2012
	$'000	$'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	617	624
Tax losses	(6,357)	(8,283)
Employee benefits	(252)	(271)
Accrued expenses	(503)	(531)
Other	(206)	(277)
Rights to future income	(543)	(650)
Net present value of trail commissions (net)	18,686	20,171
Deferred tax liability	11,442	10,783
Deferred tax liability to be settled after more than 12 months	11,442	10,783
Movements:		
Opening balance	10,783	10,056
Charged to profit or loss (note 9)	659	744
Additions through business combinations	-	(17)
Closing balance	11,442	10,783

Refer to note 4 for detailed information on restatement of comparatives.

On 29 June 2012, tax legislation was enacted to amend the scope of the deductions previously allowed under the 2010 Rights to Future Income ('RTFI') provisions to incorporate contract rights acquired through acquisition. As a result of the new retrospective tax changes, the consolidated entity increased the RTFI deduction in the 2011 tax return which, together with other temporary differences, gave rise to an increase in the level of tax losses. The carried forward tax losses as at 30 June 2013 amounted to $21,183,000, the tax effect of which is $6,357,000.

Note 24. Provisions

	Consolidated	
	2013	2012
	$'000	$'000
Employee benefits	825	705
Deferred lease incentives	75	61
Lease make good	26	49
	926	815
Amount expected to be settled within 12 months	590	570
Amount expected to be settled after more than 12 months	336	245
	926	815

Note 24. Provisions (continued)

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Deferred lease incentives $'000	Lease make good $'000
Consolidated - 2013		
Carrying amount at the start of the year	61	49
Additional provisions recognised	36	-
Amounts used	(22)	(23)
Carrying amount at the end of the year	75	26

Note 25. Equity - issued capital

	Consolidated 2013 Shares	2012 Shares	Consolidated 2013 $'000	2012 $'000
Ordinary shares - fully paid	773,886,809	773,886,809	41,328	41,328

Movements in ordinary share capital

Details	**Date**	**No of shares**	**Issue price**	**$'000**
Balance	1 July 2011	765,136,809		41,330
Cancellation of non-issued shares to Xplore Capital Ltd	15 August 2011	(61,000)	$0.08	(5)
Shares issued to FFF Remuneration Pty Limited	14 December 2011	8,750,000	$0.00	-
Issue of shares to Xplore Capital Ltd	3 April 2012	61,000	$0.05	3
Balance	30 June 2012	773,886,809		41,328
Balance	30 June 2013	773,886,809		41,328

Note 25. Equity - issued capital (continued)

The shares issued to FFF Remuneration Pty Limited were in relation to the Senior Executive Share Scheme (the Scheme). These shares are linked to limited recourse interest-free loans and as a result the amounts receivable and the related contributed equity are not recognised in the financial statements. When, or if, these loans are repaid to the consolidated entity, the shares will be transferred to the participants and the amounts repaid will be recognised in contributed equity. Refer to note 41 for further information on the Scheme.

There were 11,350,000 (2012: 16,170,000) unissued ordinary shares of Firstfolio Limited under option as at 30 June 2013.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

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

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt. On 2 July 2013 the consolidated entity announced a Recapitalisation Proposal to raise $50,200,000 in new equity capital. The funds will be used to reduce debt and provide capital to fund ongoing growth (refer to note 2 on going concern).

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 2012 Annual Report.

Note 26. Equity - reserves

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Capital profits reserve	25	25
Equity-settled benefits reserve	882	2,963
	907	2,988

Note 26. Equity - reserves (continued)

Consolidated	Capital profits $'000	Equity-settled benefits $'000	Total $'000
Balance at 1 July 2011	25	2,831	2,856
Share-based payments	-	132	132
Balance at 30 June 2012	25	2,963	2,988
Share-based payments	-	130	130
Transfer to retained earnings	-	(2,211)	(2,211)
Balance at 30 June 2013	25	882	907

Capital profits reserve
The reserve is used to quarantine capital profits from accumulated losses.

Equity-settled benefits reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. A review of the reserve for the year ended 30 June 2013 led to an amount of $2,211,000 relating to past expired and forfeited options, being transferred to accumulated losses.

Note 27. Equity - accumulated losses

	Consolidated 2013 $'000	2012 $'000
Accumulated losses at the beginning of the financial year	(5,707)	(7,017)
Profit after income tax expense for the year	1,318	1,310
Transfer from equity-settled benefits reserve	2,211	-
Accumulated losses at the end of the financial year	(2,178)	(5,707)

Refer to note 4 for detailed information on restatement of comparatives.

Note 28. Equity - dividends

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

Note 28. Equity - dividends (continued)

Franking credits

	Consolidated	
	2013	2012
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	10,205	8,002

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Franking credits of $2,398,000 from Firstfolio Capital Pty Ltd are now fully reflected in the balance as at 30 June 2013.

Note 29. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('Board'). Finance identifies and evaluates financial risks within the consolidated entity.

Market risk

Foreign currency risk
The consolidated entity is not exposed to foreign currency risk.

Price risk
The consolidated entity is exposed to price risk on revenue from lenders’ commission rates and on payments through broker commission rates, and delivery rate on wholesale affects net interest margin.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity, where necessary, enters into interest rate swaps to hedge against interest rate risk.

For the consolidated entity the interest bearing loans outstanding total $278,928,000 (2012: $358,158,000) and loans and advances to customers totalling $214,608,000 (2012: $286,967,000) that are subject to variable interest rates. An official change in interest rates of one hundred basis points (2012: one hundred basis points) would have an effect on profit of $643,000 (2012: $712,000) per annum. In the next 12 months expected minimum principal repayments of $252,408,000 (2012: $265,360,000) are due, of which $181,442,000 (2012: $245,283,000) represents the warehouse facility that is required to be rolled over in November 2013.

Note 29. Financial instruments (continued)

Credit risk

Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Due to the nature of the industry in which the consolidated entity operates, it does have a recognised concentration of credit risk in relation to trade and other receivables, having entered into transactions with six (2012: six) main banks with high monthly account balances.

The consolidated entity's trade and other receivables from these six main banks as at 30 June 2013 amounted to $3,327,000 (2012: $5,690,000) i.e. approximately 45% (2012: 54%) of the total trade and other receivables balance.

The ageing of loans and advances to customers are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
0 to 1 month overdue	208,964	278,771
1 to 2 months overdue	1,044	1,884
2 to 3 months overdue	1,066	2,283
More than 3 months overdue	3,534	4,029
Total loans and advances to customers	214,608	286,967

Loans and advances are individually assessed, and impairment loss is recognised in regard to mortgage loans where the mortgage balance exceeds total expected recoveries including claims under mortgage insurance policies. Instances where claims may not be paid by the mortgage insurer include shortfalls that constitute the fees and charges component of a mortgage balance (rather than principal or interest), cases involving fraud, fair wear and tear, misrepresentation or cases involving certain administrative errors. The consolidated entity has recognised individually assessed provisions for impairment at 30 June 2013 of $233,000 in relation to expected un-claimable mortgage shortfalls. No collective provision is considered necessary on the portfolio in addition to the individually assessed provision.

The ratings of loans and receivables split by rating of the mortgage insurer are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Rated AA- (Standard and Poors)	214,608	286,967

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 29. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Loans from director related entity	-	15,692

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2013	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	95	-	-	-	95
Other payables	-	3,788	-	-	-	3,788
Deferred cash consideration	-	83	-	-	-	83
Net present value trail commission payable	-	24,971	20,406	38,863	22,289	106,529
Interest-bearing - variable						
Bank loans	6.29	34,546	-	-	-	34,546
Other loans	6.83	1,251	-	-	-	1,251
Loans from director related entity *	6.88	7,056	23,850	-	-	30,906
Warehouse notes **	4.56	186,257	-	-	-	186,257
Bond fund notes **	3.80	11,143	24,787	-	-	35,930
Interest-bearing - fixed rate						
Lease liability	4.51	95	315	-	-	410
Total non-derivatives		269,285	69,358	38,863	22,289	399,795
Derivatives						
Interest rate swaps net settled	-	180	-	-	-	180
Total derivatives		180	-	-	-	180

Note 29. Financial instruments (continued)

Consolidated - 2012	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	375	-	-	-	375
Other payables	-	3,405	-	-	-	3,405
Deferred cash consideration	-	6,905	-	-	-	6,905
Net present value trail commission payable	-	24,391	19,412	37,175	22,148	103,126
Interest-bearing - variable						
Bank loans	6.58	7,309	33,816	-	-	41,125
Loans from director related entity	7.59	2,223	7,452	24,732	-	34,407
Warehouse notes	5.08	249,821	-	-	-	249,821
Bond fund notes	4.28	16,700	11,459	20,431	-	48,590
Interest-bearing - fixed rate						
Lease liability	8.00	80	16	-	-	96
Total non-derivatives		311,209	72,155	82,338	22,148	487,850
Derivatives						
Interest rate swaps net settled	-	244	-	-	-	244
Total derivatives		244	-	-	-	244

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

* Based on renegotiated terms on 4 July 2013 for loan amount of $5,458,000.

** The warehouse facility is due to mature on 30 November 2013. If the facility is not able to be rolled over, the consolidated entity will not have the cash to repay the facility and it will have to be satisfied with recourse to the loans and advances to customers as well as cash deposited against this facility. However, management expects that the facility will be rolled over.

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swaps	-	180	-	180
Total liabilities	-	180	-	180

Note 29. Financial instruments (continued)

Consolidated - 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swaps	-	28	-	28
Total assets	-	28	-	28
Liabilities				
Interest rate swaps	-	244	-	244
Total liabilities	-	244	-	244

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 30. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013 **$**	**2012** **$**
Short-term employee benefits	1,449,016	855,672
Post-employment benefits	72,326	58,086
Share-based payments	48,684	20,860
	1,570,026	934,618

Note 30. Key management personnel disclosures (continued)

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Michael Hogg	5,000,001	-	-	-	5,000,001
Anthony N. Wales	125,818,881	-	-	-	125,818,881
Anthony B. Harris *	4,339,470	-	-	(4,339,470)	-
Gregory J. Paramor *	8,700,000	-	-	(8,700,000)	-
Peter Andronicos **	-	-	-	4,000,000	4,000,000
Linda Cooper **	-	-	-	2,500,000	2,500,000
Ward Horsnell **	-	-	-	3,000,000	3,000,000
Dustine Pang **	-	-	-	3,000,000	3,000,000
	143,858,352	-	-	(539,470)	143,318,882

* Disposals/other - includes physical disposal of holdings, or an individual no longer being key management personnel.
** represents shares held on becoming a key management personnel

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Michael Hogg	6,250,001	-		(1,250,000)	5,000,001
Anthony N. Wales	125,818,881	-	-	-	125,818,881
Anthony B. Harris	2,839,470	-	1,500,000	-	4,339,470
Gregory J. Paramor	8,700,000	-	-		8,700,000
Thomas J. Hartigan *	13,274,852	-	-	(13,274,852)	-
Mark Forsyth *	35,087,500	-	5,000,000	(40,087,500)	-
Mark K. Flack *	31,972,258	-	3,750,000	(35,722,258)	-
	223,942,962	-	10,250,000	(90,334,610)	143,858,352

* Disposals/other - includes physical disposal of holdings, or an individual no longer being key management personnel

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Linda Cooper *	-	-	-	1,500,000	1,500,000
Dustine Pang *	-	-	-	3,000,000	3,000,000
	-	-	-	4,500,000	4,500,000

* represents options held on becoming a key management personnel

Note 30. Key management personnel disclosures (continued)

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mark Forsyth	7,500,000	-	-	(7,500,000)	-
Michael Hogg	3,750,000	-	-	(3,750,000)	-
	11,250,000	-	-	(11,250,000)	-

Related party transactions
Related party transactions are set out in note 34.

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and unrelated firms:

	Consolidated	
	2013 **$**	**2012** **$**
Audit services - Deloitte Touche Tohmatsu (2012: Pitcher Partners)		
Audit or review of the financial statements	252,000	103,000
Other services - Deloitte Touche Tohmatsu (2012: Pitcher Partners)		
IFRS accounting services	42,000	-
Taxation compliance services	102,275	-
Strategy advice	207,050	-
Actuarial and consulting advice	50,000	-
	401,325	-
	653,325	103,000
Audit services - unrelated practices		
Audit or review of the financial statements	-	74,405

'Audit services - unrelated practices' - represents fees paid to Ernst & Young for the audit of a subsidiary.

Note 32. Contingent liabilities

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Bank guarantees	424	424

The bank guarantees are for lease premises.

Note 33. Commitments

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	933	1,121
One to five years	1,916	2,570
	2,849	3,691
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	95	80
One to five years	315	16
Total commitment	410	96
Less: Future finance charges	(41)	(7)
Net commitment recognised as liabilities	369	89
Representing:		
Lease liability (note 22)	369	89

Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity has provided lease guarantees as detailed in note 32.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $335,000 (2012: $83,000) under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 34. Related party transactions

Parent entity
Firstfolio Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 37.

Key management personnel
Disclosures relating to key management personnel are set out in note 30 and the remuneration report in the directors' report.

Note 34. Related party transactions (continued)

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

	Consolidated 2013 $	Consolidated 2012 $
Payment for goods and services:		
Business acquisition and related services from Peak Partners (an entity related to the director Mark Flack)	-	303,931
Commissions paid to L J Hooker (an entity related to the director Gregory Paramor)	254,865	919,453
Other transactions:		
Interest paid on loan from Welas Pty Limited (an entity related to the director Anthony Wales)	2,167,386	2,565,000

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 2013 $	Consolidated 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. Refer to note 29 for further details.

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2013 $'000	Parent 2012 $'000
Profit after income tax	1,477	2,455
Total comprehensive income	1,477	2,455

Note 35. Parent entity information (continued)

Statement of financial position

	Parent 2013 $'000	Parent 2012 $'000
Total current assets	2,311	3,466
Total assets	108,739	109,666
Total current liabilities	40,318	16,374
Total liabilities	103,055	105,089
Equity		
Issued capital	41,328	41,328
Capital profits reserve	25	25
Equity-settled benefits reserve	882	2,963
Accumulated losses	(36,551)	(39,739)
Total equity	5,684	4,577

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided bank guarantees of $327,000 for lease premises (2012: $327,000).

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for the purchase of property, plant and equipment at as 30 June 2013 and 30 June 2012.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Business combinations

Firstfolio Capital Pty Ltd (prior year)
On 30 November 2011 the consolidated entity acquired 100% of the ordinary shares of Firstfolio Capital Pty Ltd (formerly Calibre Financial Services Pty Ltd) and its subsidiaries ('Calibre') for the total consideration transferred of $17,952,000. Firstfolio Capital Pty Ltd is a non-bank mortgage lender with its own proprietary lending and trust management platform. The values identified in relation to the acquisition of Firstfolio Capital Pty Ltd are final as at 30 June 2013.

Note 36. Business combinations (continued)

Details of the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash equivalents	16,736	16,736
Trade receivables	15	15
Prepayments	37	37
Other current assets	3,380	2,890
Mortgage advances and interest receivable	339,092	339,092
Plant and equipment	8	8
Contract rights	-	7,181
Software	-	3,000
Deferred tax asset	17	17
Trade payables	(110)	(110)
Other payables	(570)	(570)
Employee benefits	(300)	(300)
Lease make good provision	(56)	(56)
Warehouse and bond fund notes	(350,880)	(350,880)
Net assets acquired	7,369	17,060
Goodwill		892
Acquisition-date fair value of the total consideration transferred		17,952
Representing:		
Cash paid or payable to vendor		15,577
Deferred consideration		2,075
Restructure fee paid to warehouse funder		300
		17,952

	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	17,952
Less: cash equivalents	-	(16,736)
Less: deferred consideration	-	(2,075)
Net cash received	-	(859)

Net cash received of $859,000 included $12,833,000 of restricted cash. The unrestricted cash paid was $11,974,000.

Note 37. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Equity holding	
Name of entity	**Country of incorporation**	**2013 %**	**2012 %**
Apple Loans Pty Limited	Australia	100.00	100.00
Aptura Developments Pty Limited	Australia	100.00	100.00
Bloom Platform Pty Limited	Australia	100.00	100.00
Bricks and Mortar Securities Pty Limited	Australia	100.00	100.00
Club Financial Services Holdings Pty Limited	Australia	100.00	100.00
Club Financial Services Pty Limited	Australia	100.00	100.00
Club FS Pty Limited	Australia	100.00	100.00
Club Promotional Pty Limited	Australia	100.00	100.00
Domain Financial Services Loan Company Pty Limited	Australia	100.00	100.00
Domain Financial Services Pty Limited (1)	Australia	100.00	100.00
eChoice Home Loans Pty Limited (2)	Australia	100.00	100.00
eChoice Insurance Services Pty Limited	Australia	100.00	100.00
eChoice Pty Limited	Australia	100.00	100.00
eChoice Securities Pty Limited	Australia	100.00	100.00
Fee Slayer Home Loans Pty Limited	Australia	100.00	100.00
FFF Remuneration Pty Limited	Australia	100.00	100.00
First Chartered Capital Card Services Pty Limited	Australia	100.00	100.00
First Chartered Capital Corporation Pty Limited	Australia	100.00	100.00
First Chartered Capital Operations Pty Limited	Australia	100.00	100.00

Note 37. Subsidiaries (continued)

Name of entity	Country of incorporation	Equity holding 2013 %	Equity holding 2012 %
First Chartered Capital Services Pty Limited	Australia	100.00	100.00
Firstfolio Capital Pty Ltd	Australia	100.00	100.00
Firstfolio Capital Management Services Pty Ltd	Australia	100.00	100.00
Firstfolio One Pty Limited	Australia	100.00	100.00
Firstfolio Services Pty Limited	Australia	100.00	100.00
Firstfolio Wholesale Pty Limited (3)	Australia	100.00	100.00
Lawfund Asset Finance Pty Limited	Australia	100.00	100.00
Lawrealty Victoria Pty Limited	Australia	100.00	100.00
LeaseChoice Pty Limited	Australia	100.00	100.00
Linkloan Services Pty Ltd	Australia	100.00	100.00
Loan Services Australia Pty Limited (4)	Australia	100.00	100.00
National Finance Club Pty Limited (5)	Australia	100.00	100.00
New-Loan Australia Pty Limited (6)	Australia	100.00	100.00
Probitas Group Pty Limited	Australia	100.00	100.00
Property Giant Pty Limited	Australia	100.00	100.00
Quicksmart Online Pty Limited	Australia	100.00	100.00
Rate Slayer Home Loans Pty Limited	Australia	100.00	100.00
Xplore Capital (NZ) Limited	New Zealand	100.00	100.00
Xplore Capital Pty Limited	Australia	100.00	100.00

(1) change of name to Folio Financial Services Pty Ltd on 18 July 2013

(2) change of name from Firstfolio Aggregation Pty Limited on 4 April 2013

(3) change of name to Folio Wholesale Pty Ltd on 18 July 2013

(4) change of name to Folio Loan Services Australia Pty Ltd on 18 July 2013

(5) change of name to Folio Mortgage & Finance Pty Ltd on 8 August 2013

(6) change of name to Folio Loans Australia Pty Ltd on 18 July 2013

The consolidated entity has also consolidated its 100% interest in The Club Financial Services Unit Trust, National Finance Club Unit Trust as well as the residual interest of Calibre Fund No. 1 and Firstfolio Capital Westpac Warehouse Trust No. 2. The Club Promotional Unit Trust and Slayer Home Loans Unit Trust were wound up during the financial year ended 30 June 2013.

Note 38. Events after the reporting period

On 2 July 2013, the consolidated entity announced the execution of binding transaction documents for capital raising with Australian Capital Enterprise Pty Limited ('Australian Capital Enterprise' or 'ACE'). The proposed transaction will raise approximately $50.2 million, before fees and associated transaction costs, (the "Recapitalisation Proposal") as follows:

- ACE will take an Initial Placement of 300 million shares at an issue price of 1.5 cents ($0.015) per share to raise $4.5 million;
- Firstfolio will conduct a 1:1 renounceable Rights Issue at a price of 1cent ($0.01) per share to raise approximately $10.7 million, which will be fully underwritten by ACE; and
- ACE will take a Second Placement of 1 billion shares at an issue price of 3.5 cents ($0.035) per share to raise $35.0 million.

ACE is entitled to fees equal to 4% of the gross capital raised, amounting to $2.0 million.

ACE will invest a minimum of $42.5 million, up to a maximum of $50.2 million, depending on the level of underwriting. On completion of the Recapitalisation Proposal, ACE will hold between 50.8% and 75.4% of the expanded capital of the company. The company also proposes to undertake a 1 for 10 share consolidation following the issue of shares under the Recapitalisation Proposal.

The Recapitalisation Proposal and share consolidation are subject to shareholder approval at an Extraordinary General Meeting anticipated to occur in late September 2013, and a number of conditions precedent. The details of the Recapitalisation Proposal and related conditions precedent are included in the market announcement made to the Australian Securities Exchange ('ASX') on 2 July 2013, titled "Firstfolio Executes Binding Transaction Documents for Capital Raising Transaction With Australian Capital Enterprise".

The Independent Directors of the company believe the Recapitalisation Proposal is in the best interest of shareholders and, subject to no superior offer being received by the company, will be recommending shareholders vote in favour of the Recapitalisation.

No other matter or circumstance has arisen since 30 June 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 39. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit after income tax expense for the year	1,318	1,310
Adjustments for:		
Depreciation and amortisation	2,398	2,736
Share-based payments	130	132
Unwinding of the discount on provisions	168	548
Write back of contingent and deferred consideration	(353)	(1,000)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,971	3,177
Decrease/(increase) in income tax refund due	1,320	(1,320)
Decrease in net present value of trail commission income and expense	4,952	2,422
Decrease/(increase) in derivative assets	28	(28)
Decrease/(increase) in prepayments	(311)	125
Decrease in trade and other payables	(2,035)	(234)
Increase/(decrease) in derivative liabilities	(64)	244
Decrease in provision for income tax	-	(767)
Increase in deferred tax liabilities	659	745
Increase/(decrease) in employee benefits	120	(579)
Increase in other provisions	168	183
Net cash from operating activities	11,469	7,694

Note 40. Earnings per share

	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit after income tax attributable to the owners of Firstfolio Limited	1,318	1,310
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	769,879,564
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	769,879,564
	Cents	**Cents**
Basic earnings per share	0.17	0.17
Diluted earnings per share	0.17	0.17

Refer to note 4 for detailed information on restatement of comparatives.

Note 41. Share-based payments

Senior Executive Share Scheme
The Senior Executive Share Scheme (the Scheme) was approved by the shareholders in 2009.

During the year nil (2012: 8,750,000) shares were issued to FFF Remuneration Pty Limited, a subsidiary that acts as trustee and holds the shares in trust for the Scheme.

The objectives of the Scheme are as follows:
(a) to provide an incentive to senior executives of the consolidated entity to lift the performance of the consolidated entity and maximise the price of the parent entity's shares; and
(b) to assist in attracting and retaining senior executives.

The Board may issue shares under the Scheme to any senior executive of the consolidated entity, including executive directors and non-executive directors.

Shares will be issued upon senior executives receiving a limited recourse interest-free loan from the consolidated entity for the purchase price of the shares. Shares financed by the loan are held in trust for the senior executives. The requirement for repayment of the loan generally arises only at the time of selling the shares or upon the senior executive's employment or engagement with the consolidated entity ends.

Senior executives are restricted from selling the shares in the first year following issuing of the shares. Following the first year, the shares will progressively become unrestricted over a three year period, subject to that senior executive's continuous employment with the consolidated entity. The shares cannot be sold until certain performance hurdles have been met. Each share issue is linked to performance hurdles, which consist of various operating Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') targets over a 12 to 13 month period.

At 30 June 2013 FFF Remuneration Pty Limited held 45,250,000 (2012: 45,250,000 shares in trust under the Scheme, on behalf of two (2012: four) former executives and four (2012: nil) key management personnel. At 30 June 2013 limited recourse interest-free loans totalling $950,000 (2012: $1,861,000) were provided to participants of the Scheme for these shares.

For the year ended 30 June 2013 a share-based payment expense of $100,000 (2012: $21,000) has been recognised in relation to the Scheme.

Options
For the year ended 30 June 2013 a share-based payment expense of $30,000 (2012: $111,000) has been recognised in relation to options.

Note 41. Share-based payments (continued)

The following share-based payment arrangements were in existence during the current and previous financial year:

Options series		Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
1	Senior executive share scheme	8,000,000	18/08/2009	(i)	0.03	0.027
2	Senior executive share scheme	3,000,000	4/03/2010	(ii)	0.06	0.047
3	Senior executive share scheme	4,500,000	31/10/2010	(iii)	0.06	0.047
4	Senior executive share scheme	3,750,000	14/12/2011	N/A	0.04	0.024
5	Senior executive share scheme	3,000,000	31/03/2012	(iv)	0.03	0.018
6	Options	3,400,000	16/08/2010	16/08/2014	0.07	0.057
7	Options	3,000,000	23/09/2010	9/08/2015	0.08	0.041
8	Options	500,000	24/05/2011	24/05/2014	0.60	0.029
9	Options	100,000	12/07/2011	12/07/2014	0.05	0.034
10	Options	3,400,000	30/11/2011	30/11/2014	0.04	0.014
11	Options	950	31/03/2012	31/05/2015	0.03	0.013

In addition to the above, 23,000,000 shares in the Senior executive share scheme remain unallocated and are held in the warehouse.

Performance criteria
(i) Operating EBITDA for any 13 month period is $12 million or greater and total book is $16 billion or greater.
(ii) Operating EBITDA for any 13 month period is $12 million or greater
(iii) Operating EBITDA for any 12 month period is $17.5 million or greater
(iv) Operating EBITDA for any 12 month period is $19 million or greater

Firstfolio Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Eric Dodd
Chairman

22 August 2013
Sydney

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Independent Auditor's Report to the Members of Firstfolio Limited

We have audited the accompanying financial report of Firstfolio Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 95.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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

Deloitte.

the directors of Firstfolio Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Firstfolio Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements, 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 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants
Sydney, 22 August 2013

Firstfolio Limited
Shareholder information
30 June 2013

The shareholder information set out below was applicable as at 9 August 2013.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	271
1,001 to 5,000	406
5,001 to 10,000	119
10,001 to 100,000	504
100,001 and over	433
	1,733
Holding less than a marketable parcel	1,085

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	132,570,477	17.13
FFF Remuneration Pty Ltd <F Senior Exec S/plan a/c>	50,250,000	6.49
Mr John Barlow	36,000,000	4.65
Mr Maxwell Thomas Quirk	18,765,311	2.42
Cobra Investments BV	17,250,000	2.23
NBT Pty Limited	16,448,021	2.13
Mr Mark Kevin Flack	13,000,000	1.68
Mrs Felicity Clinton Hartigan & Mr Hugh Clinton Hartigan <Hartigan Super Fund a/c>	12,774,852	1.65
Mr Mark Kevin Flack	12,036,774	1.56
NBT Pty Limited <Astor Super Fund a/c>	11,489,342	1.48
Eyemouth Pty Ltd <The Forsyth Family a/c>	11,250,000	1.45
Bell Potter Nominees Ltd <BB Nominees a/c>	11,000,000	1.42
Mr Leo Hoogstad & Mrs Valerie Hoogstad <Hoogstad Family Super a/c>	10,500,000	1.36
NPN Investments Pty Ltd <Ayiazoni a/c>	10,134,000	1.31
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian a/c>	9,540,003	1.23
Mr Ronald Langley & Mrs Rhonda Langley	9,527,739	1.23
Reef Securities Limited	9,190,988	1.19
GJP Investments Pty Ltd <The Langham a/c>	8,700,000	1.12
The Trust Company (Superannuation) Ltd <GPMSF2-Bal Growth a/c>	8,500,000	1.10
Katdan Investments Pty Ltd <Super Fund a/c>	8,148,617	1.05
	417,076,124	53.88

Unquoted equity securities
There are no unquoted equity securities.

Firstfolio Limited
Shareholder information
30 June 2013

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	132,570,477	17.13
FFF Remuneration Pty Ltd <F Senior Exec S/plan a/c>	50,250,000	6.49

Voting rights
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.