

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
ABN 50 007 870 760

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2008

**Information should be read in conjunction with the most recent
annual financial report**

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 31 DECEMBER 2008

| | | \$A'000 | | | \$A'000 |
|--|------|----------|----------|----|----------|
| Revenues from ordinary activities | down | (15,956) | (39)% | to | 25,125 |
| Profit from ordinary activities before tax attributable to members | down | (38,416) | (1,024)% | to | (34,664) |
| Profit from ordinary activities after tax attributable to members | down | (37,213) | (1,514)% | to | (34,756) |
| Net profit for the period attributable to members | down | (37,213) | (1,514)% | to | (34,756) |

| Dividends paid | Amount per security | % Franked |
|--|----------------------------|------------------|
| Final dividend paid in respect of the financial year ended 30 June 2008, paid on 27 October 2008 | 0.25 cent | 100% |

Dividends proposed

No dividends are proposed

| Earnings per share (cents per share) | Dec 08 | Dec 07 |
|---|---------------|---------------|
| Basic earnings per share (cents) | (20.67) | 1.82 |
| Diluted earnings per share (cents) | (20.67) | 1.80 |

Brief explanation of results

Refer to the Highlights Summary on the following page.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

HIGHLIGHTS SUMMARY

HALF-YEAR ENDED 31 DECEMBER 2008

| Selected financial information | | Dec 08 | Dec 07 | % change |
|--|-------|--------------|------------|----------|
| Revenue | \$ | 25,125,447 | 41,081,453 | (39)% |
| Profit before interest, tax, depreciation and amortisation | \$ | (4,130,605) | 5,312,692 | (178)% |
| Profit before tax | \$ | (34,663,733) | 3,752,545 | (1,024)% |
| EBITDA per share | cents | (2.46) | 3.93 | (163)% |
| Diluted earnings per share | cents | (20.67) | 1.80 | (1,248)% |
| Dividend proposed per share | cents | 0.00 | 1.80 | (100)% |

From the corresponding previous period, revenue decreased by 39% to \$25.13 million, profit before interest, tax, depreciation and amortisation decreased by 178% to a loss of \$4.13 million and profit before tax decreased by 1024% to a loss of \$34.66 million.

As stated in the Chairman's address at the 2008 Annual General Meeting, "the impact of the past twelve months trading will ultimately test the carrying value of our recent acquisitions..." The Board is now of the view that, with the global financial crisis negatively impacting on corporate activity in Australia, the carrying value of TIFL goodwill (\$9.39 million) has been fully impaired. In addition, the effect of a decline in funds under management, new business written and trail income generated from funds under management has adversely impacted on the profitability of Community and Corporate Financial Services Pty Ltd ("ComCorp") and therefore resulted in the impairment of the carrying value of goodwill (\$13.95 million)

The Board also considers that the "share based earn out", which would otherwise have been paid to the vendors of ComCorp is now not likely to be paid. Accordingly, the Board has reduced the carrying value of ComCorp by the amount of \$6.28 million. This write-down of the investment has no impact on profit.

Beyond the TIFL and ComCorp goodwill impairment and investment write down, the Board noted further that as a result of the abovementioned performance decline, both client relationships and trademark intangibles have been impaired. As such, the Trademarks for TIFL and ComCorp, \$1.09 million and \$1.90 million respectively, have been completely impaired as at 31 December 2008. Finally, the valuation of Customer Relationship intangibles has also been negatively impacted by market conditions leading to the impairment of \$0.06 million and \$2.00 million for TIFL and ComCorp respectively.

During the reporting period, Tolhurst completed the acquisition of Affiliate Financial Planning Pty Ltd.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity for the half-year ended 31 December 2008.

Directors

The names of directors who held office during or since the end of the half-year are:

Mr David Browne

Mr Allyn Chant (resigned 23 February 2009)

Mr David Taylor

Mr Greg Bundy (resigned 10 March 2009)

Mr Peter Coleman (resigned 22 December 2008)

Mr Peter Reilly

Review of operations

The Group achieved a loss before tax of \$34.66 million for the half-year ended 31 December 2008, a decrease of 1024% over the pre tax profit of \$3.75 million for the previous corresponding period with all business units underperforming during the reporting period.

Global volatility came to emerge as a 'perfect storm' scenario in global financial services markets, enduring financial turmoil on a scale not seen in recent history. The sub-prime mortgage crisis in the US has set in train a domino effect resulting in four large investment banks having closed their doors, the largest insurance company in the world has effectively been nationalised by the US Government and the ability and willingness of banks to lend being temporarily halted. World stock markets, of course, fell heavily.

The global uncertainty has played havoc with the aspirations of companies wishing to seek funding from public and private sources and stultified the prospects of hundreds of companies across the globe. Along with other ASX participants and other financial service businesses, Tolhurst Group Limited ("Tolhurst") has not been immune from the global financial crisis and has suffered reduced revenues and unsustainable overhead costs having regard to revenues generated.

Tolhurst has over the past six months taken steps to significantly reduce its overhead cost structure. While the cost reduction initiatives produced a positive impact over the time, the depressed revenue generation from Tolhurst InterFinancial Pty Ltd ("TIFL") and the continuing downturn in retail broking activities has caused a significant deterioration in Tolhurst's earnings and the outlook for the business.

In light of the current economic situation and in recognition of the Company's recent financial performance, the Company announced on 19 December 2008 that it was undertaking a number of initiatives to address the long term sustainability of its businesses. In particular, a key priority for the Company was to actively pursue opportunities for strategic alliances.

As a result, the Company is currently pursuing the following transactions:

- a merger of the broking businesses conducted by Tolhurst Ltd (Tolhurst), a wholly owned subsidiary of the Company, and Patersons Securities Limited (Patersons) by way of a sale of Tolhurst's Broking Business to Patersons in return for Patersons shares (Proposed Transaction);
- the sale of the Company's wholly owned subsidiary, Community & Corporate Financial Services Pty Ltd (ComCorp), or all of the assets comprising the wealth management business conducted by ComCorp; and
- the management buyout of a majority stake in Tolhurst InterFinancial Limited (TIFL), which now conducts a merger and acquisition advisory business based in Brisbane.

For further information on the above proposals, refer to the Notice of Meeting issued on 25 February 2009.

Finally, the Board of Tolhurst recognises the contribution to its business of the individuals that work within Tolhurst and recognises their value as a critical asset of the organisation notwithstanding that in these difficult times, the value of people assets are often overlooked.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

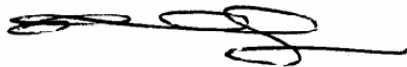
INTERIM FINANCIAL REPORT

DIRECTORS' REPORT (continued)

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2008.

This report is signed in accordance with a Resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Peter T. Reilly', with a stylized, cursive flourish extending to the right.

Peter T. Reilly
Director

Dated at Melbourne this 16th day of March 2009

Auditor's Independence Declaration to the Directors of Tolhurst Group Limited

In relation to our review of the financial report of Tolhurst Group Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'T M Dring'.

T M Dring
Partner
16 March 2009

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

| | Consolidated Group | |
|--|---------------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$ | \$ |
| Revenue | 25,125,447 | 41,081,453 |
| Other income | - | 122,479 |
| Dealers rebates | (10,648,797) | (13,310,826) |
| Sub-underwriting expense | (222,616) | (4,124,652) |
| Administration costs | (4,881,415) | (3,937,031) |
| Depreciation, amortisation and impairment expense | (29,924,660) | (1,175,857) |
| Finance costs | (608,468) | (384,290) |
| Employee benefits expense | (10,483,141) | (11,916,559) |
| Occupancy costs | (1,516,937) | (1,308,196) |
| Communication costs | (1,364,047) | (1,217,441) |
| Share of net profits of associates accounted for using the equity method | - | - |
| Net unrealised gain/(loss) from investments | (139,099) | (76,535) |
| Profit/(Loss) before income tax expense | (34,663,733) | 3,752,545 |
| Income tax credit/(expense) | (92,242) | (1,295,169) |
| Profit/(Loss) after income tax expense | (34,755,975) | 2,457,376 |
| Profit/(Loss) attributable to members of the parent entity | (34,755,975) | 2,457,376 |
| EBITDA Earnings per share (cents per share) | (2.46) | 3.93 |
| Basic earnings per share (cents) | (20.67) | 1.82 |
| Diluted earnings per share (cents) | (20.67) | 1.80 |

The accompanying notes form part of these financial statements

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

| | Consolidated Group | |
|--------------------------------------|---------------------------|--------------------|
| | 31 Dec 08 | 30 Jun 08 |
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 16,369,991 | 24,588,468 |
| Trade and other receivables | 21,773,254 | 54,575,833 |
| Other current assets | 1,941,770 | 1,120,798 |
| Current tax receivable | 265,570 | - |
| Financial assets | 148,574 | 350,468 |
| TOTAL CURRENT ASSETS | 40,499,159 | 80,635,567 |
| NON-CURRENT ASSETS | | |
| Financial assets | 1,235,702 | 1,296,450 |
| Property, plant and equipment | 5,131,101 | 5,210,094 |
| Intangible assets | 9,333,497 | 42,585,796 |
| Deferred tax assets | - | 1,759,309 |
| Other non-current assets | 109,649 | 83,202 |
| TOTAL NON-CURRENT ASSETS | 15,809,949 | 50,934,851 |
| TOTAL ASSETS | 56,309,108 | 131,570,418 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 32,430,464 | 58,771,884 |
| Financial liabilities | 10,958,000 | 16,313,678 |
| Current tax liabilities | - | 342,861 |
| TOTAL CURRENT LIABILITIES | 43,388,464 | 75,428,423 |
| NON-CURRENT LIABILITIES | | |
| Financial liabilities | 1,585,629 | 8,110,882 |
| Deferred tax liabilities | 2,582,243 | 4,301,597 |
| Long-term provisions | 438,149 | 352,450 |
| TOTAL NON-CURRENT LIABILITIES | 4,606,021 | 12,764,929 |
| TOTAL LIABILITIES | 47,994,485 | 88,193,352 |
| NET ASSETS | 8,314,623 | 43,377,066 |
| EQUITY | | |
| Issued capital | 50,904,029 | 50,904,029 |
| Accumulated losses | (44,355,535) | (9,179,190) |
| Reserves | 1,766,129 | 1,652,227 |
| TOTAL EQUITY | 8,314,623 | 43,377,066 |

The accompanying notes form part of these financial statements

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

| | Consolidated Group | |
|--|---------------------------|----------------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 31,864,726 | 43,358,363 |
| Payments to suppliers and employees | (35,988,829) | (38,909,336) |
| Dividends received | 71,407 | 29,027 |
| Interest received | 681,271 | 1,021,317 |
| Finance costs | (608,468) | (384,290) |
| Income tax paid | (505,282) | (1,650,827) |
| | <u>(4,485,175)</u> | <u>3,464,254</u> |
| Net Trust bank account movements | 4,108,064 | (1,888,970) |
| Net cash provided by / (used in) operating activities | <u>(377,111)</u> | <u>1,575,284</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | - | 22,758 |
| Purchase of investments | - | (21,445,601) |
| Net cash acquired from purchase of subsidiaries | 38,921 | 5,078,199 |
| Acquisition of subsidiary | (1,202,925) | - |
| Acquisition of intangibles | (171,318) | - |
| Acquisition of property, plant & equipment | (570,310) | (1,565,678) |
| Net cash used in investing activities | <u>(1,905,632)</u> | <u>(17,910,322)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | - | 11,756,610 |
| Repayment of borrowings | (5,515,364) | (103,439) |
| Dividends paid by parent entity | (420,370) | (1,192,751) |
| Proceeds from share issues | - | 10,930,833 |
| Net cash provided by / (used in) financing activities | <u>(5,935,734)</u> | <u>21,391,253</u> |
| Net increase in cash held | (8,218,477) | 5,056,215 |
| Cash at beginning of period | 24,588,468 | 24,012,564 |
| Cash at the end of period ¹ | <u>16,369,991</u> | <u>29,068,779</u> |

¹ Cash and cash equivalents includes \$12,530,663 of monies held in a Trust account which is used for the retention of client funds and is subject to the regulations under the ASX Market Rules.

The accompanying notes form part of these financial statements

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

| | Issued capital \$ | Retained earnings \$ | Option reserve \$ | Financial assets reserve \$ | Total equity \$ |
|---|-------------------------|----------------------------|-------------------------|--------------------------------------|-----------------------|
| Balance at 1 July 2007 | 29,334,238 | (7,075,720) | 368,728 | 576,659 | 23,203,905 |
| Profit attributable to members of the parent entity | - | 2,457,376 | - | - | 2,457,376 |
| Dividends paid or provided for | - | (1,768,047) | - | - | (1,768,047) |
| Share based payments | - | - | 392,907 | - | 392,907 |
| Revaluation of financial assets | - | - | - | 63,700 | 63,700 |
| Share capital issued - placement | 7,963,460 | - | - | - | 7,963,460 |
| Share capital issued - rights issue | 2,149,333 | - | - | - | 2,149,333 |
| Share capital issued - options exercised | 818,040 | - | - | - | 818,040 |
| Share capital issued - acquisition of subsidiary | 3,180,000 | - | - | - | 3,180,000 |
| Share capital to be issued - acquisition of subsidiary | 6,333,900 | - | - | - | 6,333,900 |
| Estimate of share capital to be issued - deferred consideration element of subsidiary acquisition | - | - | - | - | - |
| Share capital issued - dividend reinvestment plan | 575,296 | - | - | - | 575,296 |
| Balance at 31 December 2007 | 50,354,267 | (6,386,391) | 761,635 | 640,359 | 45,369,870 |
| Balance at 1 July 2008 | 50,904,029 | (9,179,190) | 991,568 | 660,659 | 43,377,066 |
| Profit attributable to members of the parent entity | - | (34,755,975) | - | - | (34,755,975) |
| Dividends paid or provided for | - | (420,370) | - | - | (420,370) |
| Share based payments | - | - | 156,602 | - | 156,602 |
| Revaluation of financial assets | - | - | - | (42,700) | (42,700) |
| Share capital issued - placement | - | - | - | - | - |
| Share capital issued - rights issue | - | - | - | - | - |
| Share capital issued - options exercised | - | - | - | - | - |
| Share capital issued - acquisition of subsidiary | - | - | - | - | - |
| Share capital to be issued - acquisition of subsidiary | - | - | - | - | - |
| Estimate of share capital to be issued - deferred consideration element of subsidiary acquisition | - | - | - | - | - |
| Share capital issued - dividend reinvestment plan | - | - | - | - | - |
| Balance at 31 December 2008 | 50,904,029 | (44,355,535) | 1,148,170 | 617,959 | 8,314,623 |

The accompanying notes form part of these financial statements

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

Note: 1 Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Tolhurst Group Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Two prior year comparative adjustments have been made to correct comparative information, this change relates to:

- 1) Reclassifying deferred consideration element of subsidiary acquisition as a financial liability, rather than showing the amount as issued capital. The 30 June 2008 comparative has been amended by a reclassification of \$6,278,318 from issued capital to financial liability. In addition, the reclassification has been reflected in the 31 December 2007 statement of changes in equity.
- 2) The previous auditor issued a prior year qualification on their inability to review adequate financial records to support the determination of the Company tax obligations. The 30 June 2008 comparative has been amended by increasing the deferred tax asset by \$555,697, increasing the deferred tax liability by \$1,060,407 and increasing the income tax expense by \$504,710.

Reporting basis and conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which fair value basis of accounting has been applied. The accounting policies and methods of computation applied in the half-year report are consistent with that applied for the annual financial report for the year ended 30 June 2008.

Going Concern

As the Company has been unable to substantially reduce its overhead costs during this period, it has incurred and expects, at least in the near term, to continue incurring, substantial losses which make its Broking Business unsustainable. In addition, the group's debt facility with the ANZ Bank is potentially repayable in 30 days. The Bank has informally indicated that under the terms of the loan facilities, they require full repayment by 30 April 2009. At the date of this report the facility of \$9.1 million has been reflected in the financial report as a current liability.

Notwithstanding the above, the directors believe that the entity will continue as a going concern as the group is undertaking a number of initiatives to address the long term sustainability of its businesses and is currently pursuing the following transactions:

- a merger of the broking businesses conducted by Tolhurst Ltd (Tolhurst), a wholly owned subsidiary of the Company, and Patersons Securities Limited (Patersons) by way of a sale of Tolhurst's Broking Business to Patersons in return for Patersons shares;
- an agreement to sell the Company's wealth management business conducted by Community & Corporate Financial Services Pty Ltd (ComCorp) for an amount of \$8.46 million was entered into on 5 March 2009 and is due to complete no later than 15 April 2009; and
- the management buyout of Tolhurst InterFinancial Limited (TIFL), which now conducts a merger and acquisition advisory business based in Brisbane.

For further information on the above proposals, refer the Notice of Meeting issued on 25 February 2009.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

Note: 1 Basis of preparation (continued)

Going Concern

As at the date of this report, the directors are confident that the completion of the proposed transactions will materialise. The Company intends to use the proceeds to extinguish their debt with the ANZ. Should any of the above initiatives fail to eventuate, the Board would need to pursue other strategic alternatives which would require the continuing support of the ANZ Bank or alternative financier, and there would therefore be uncertainty as to whether the Company can continue on as a going concern.

Note: 2 Dividends

| | Consolidated Group | |
|---|---------------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$ | \$ |
| Distributions paid | | |
| 2008 final fully franked ordinary dividend of 0.25 cents per share (2007: 1.30 cents) franked at the tax rate of 30% paid in 2008. | 420,370 | 1,768,047 |
| Distributions proposed | | |
| Proposed interim fully franked ordinary dividend of nil cent per share (2007: 1.00 cents) franked at the tax rate of 30%. | - | 1,681,478 |

Note: 3 Net tangible asset backing

| | Consolidated Group | |
|---|---------------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | cents | cents |
| Net tangible asset backing | | |
| Net tangible asset backing per ordinary share (cents) | (0.61) | 5.13 |

As a result of recent market volatility, trading volumes have significantly decreased, coupled with the decrease in the Group's profitability and increased cash burn, the net tangible asset backing per share has reduced when compared to the corresponding previous period.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

Note: 4 Segment Reporting

Primary Reporting - Business Segments

| 2008 | Stock broking | Funds & wealth management | Corporate advisory | Consolidated |
|-----------------------------------|----------------------|--------------------------------------|---------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Segment revenue | 18,883,807 | 4,836,966 | 1,404,674 | 25,125,447 |
| Result | | | | |
| Segment result | (2,737,204) | (19,089,372) | (12,837,157) | (34,663,733) |
| Share of net profit of associates | - | - | - | - |
| | | | | (34,663,733) |
| Income tax expense | | | | (92,242) |
| Profit after income tax | | | | (34,755,975) |
| 2007 | | | | |
| | Stock broking | Funds & wealth management | Corporate advisory | Consolidated |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Segment revenue | 26,447,653 | 3,162,498 | 11,471,302 | 41,081,453 |
| Result | | | | |
| Segment result | 2,553,801 | 374,066 | 824,678 | 3,752,545 |
| Share of net profit of associates | - | - | - | - |
| | 2,553,801 | 374,066 | 824,678 | 3,752,545 |
| Income tax expense | | | | (1,295,169) |
| Profit after income tax | | | | 2,457,376 |

The consolidated operating companies are organised and managed separately according to the nature of products and services that they provide, with each segment offering different products and serving different markets.

The primary segment, stockbroking, includes principal trading activities, execution and clearing services and expert advice based on extensive knowledge of overseas and Australian equity markets to a mix of institutional and private clients. Funds and wealth management provides investment services to domestic and international clients. Corporate advisory provides equity capital markets, mergers and acquisitions and corporate advice to domestic and international clients.

Geographically the Group operates within Australia.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

Note: 5 Impairment of goodwill and intangibles

In accordance with AASB 136 Impairment of Assets and AASB 138 Intangible Assets, Tolhurst has reassessed the recoverable amount of goodwill and investment value associated with TIFL and ComCorp. Tolhurst has assessed the recoverable amount of TIFL and ComCorp goodwill and investments to approximate the indicative bid range that have been received for these businesses. The indicative bid range materially approximates its fair value less cost to sell.

As a result of the performance decline in global markets and indicative bid ranges, both client relationships and trademark intangibles have been impaired. As such, the Trademarks for TIFL and ComCorp, \$1.09 million and \$1.90 million respectively, have been completely impaired as at 31 December 2008. Finally, the valuation of Customer Relationship intangibles has also been negatively impacted by market conditions leading to the impairment of \$0.06 million and \$2.00 million for TIFL and ComCorp respectively. In addition, the goodwill arising from the acquisition of TIFL and ComCorp has been fully written down as at 31 December 2008, resulting to a net P&L impact of \$23.34 million.

Note: 6 Financial Liabilities

Banking facilities arrangement

Tolhurst has borrowings of \$9.1 million pursuant to a loan facility with the ANZ bank which is fully drawn. This facility is secured by way of First Registered Company Charges over the assets and undertakings of Tolhurst Group Ltd and related companies (excluding Tolhurst Ltd) and corporate guarantees and indemnities provided by Tolhurst Group Ltd and related companies (excluding Tolhurst Ltd).

As outlined in note 1, Basis of preparation - Going Concern, the ANZ Bank has informally indicated that under the terms of the loan facilities, they require full repayment by 30 April 2009.

As the Company has been unable to substantially reduce its overhead costs during this period, it has incurred and expects, at least in the near term, to continue incurring, substantial losses which make its Broking Business unsustainable. As such Tolhurst has breached covenants relating to the terms and conditions of the facility and is yet to obtain any formal waivers from the ANZ. As a result, the group is undertaking a number of initiatives to address the full repayment of the facility. For further information refer the Notice of Meeting issued on 25 February 2009 and note 1, Basis of preparation - Going Concern.

On 5 March 2009, an agreement was signed to sell certain assets and liabilities associated with the wealth management business of ComCorp for \$8.46 million. The sale is due to complete no later than 15 April 2009. The directors intend to use the proceeds from this sale to extinguish the debt to the ANZ.

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

Note: 7 Acquisition of Subsidiaries

As reported in the annual financial report for the year ended 30 June 2008, the Group acquired 100% of the issued capital of Affiliate Financial Planning Pty Ltd on 16 July 2008. The purchase consideration is \$2,200,000 payable over two years, of which \$1,100,000 has already been paid. Additional costs were incurred and capitalised.

| | Consolidated Group | |
|--|---------------------------|------------------|
| | 31 Dec 08 | 31 Dec 07 |
| | \$ | \$ |
| Assessment of purchase consideration | 2,200,000 | - |
| Cash consideration | 1,100,000 | - |
| Estimate of deferred cash consideration | 993,850 | - |
| Total provisional assessment of purchase consideration | 2,093,850 | - |
| Assessment of fair value of assets acquired (see below) | 68,802 | - |
| Provisional calculation of goodwill | 2,025,048 | - |
| | 2,200,000 | - |
| Assessment of assets & liabilities held at acquisition date: | | |
| Cash and cash equivalents | 38,921 | - |
| Receivables | 8,149 | - |
| Property, plant & equipment | 117,348 | - |
| Intangible assets | 1,079 | - |
| Payables | (48,597) | - |
| Borrowings | (49,874) | - |
| Provisions | 1,776 | - |
| Net assets acquired | 68,802 | - |
| Purchase consideration settled in cash | 1,100,000 | - |
| Cash outflow on acquisition | 1,100,000 | - |

The intangibles are attributable to borrowing expenses amortised. The assets and liabilities are recognised at fair value which is equal to its carrying value.

Profit before tax and revenue of Affiliate Financial Planning Pty Ltd included in the consolidated profit of the Group since acquisition amounted to \$114,516 and \$300,961 respectively.

Note: 8 Events after balance sheet date

On 27 January 2009, Tolhurst Group Limited agreed in-principle to merge its stockbroking business with Patersons Securities Limited.

On 5 March 2009, an agreement was signed to sell certain assets and liabilities associated with the wealth management business of ComCorp for \$8.46 million.

Tolhurst is finalising a management buyout of its corporate activities in Brisbane.

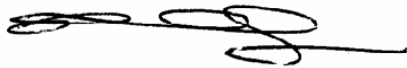
For further information refer the Notice of Meeting issued on 25 February 2009.

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

The directors of the company declare that:

- (1) The financial statements and notes, as set out on pages 7 to 15:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
- (2) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Peter T. Reilly
Director

Dated this 16th day of March 2009

To the members of Tolhurst Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tolhurst Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tolhurst Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Basis for Qualified Conclusion

We draw attention to the audit report issued by the predecessor auditor for the year ended 30 June 2008 with respect to the significant uncertainty regarding accounting estimates and assumptions made in supporting the carrying value of intangible assets arising from the acquisition of InterFinancial Pty Ltd as at that date. Subsequent to the financial report issue date for the year ended 30 June 2008 the accounting assumptions and estimates supporting the carrying value of the intangible balance as at 30 June 2008 did not materialise resulting in the recognition of an impairment loss of \$10.5m before tax being recognised during the half-year ended 31 December 2008. Therefore, it has not been possible to determine whether some or all of the impairment existed at 30 June 2008 and therefore whether the related amortisation expense for the period was understated.

Qualified Conclusion

Based on our review, which is not an audit, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matter described in the qualification paragraph relating to the impairment of intangibles and related amortisation expense, we have not become aware of any matter that makes us believe that the half-year financial report of Tolhurst Group Limited is not in accordance with the *Corporations Act 2001*, including:


- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to Note 1 in the half-year financial report regarding the company and consolidated entity's ability to continue as a going concern. As a result of the conditions disclosed in Note 1 there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore whether they will be able to realise their assets and extinguish their liabilities in the normal course of operations and at the amounts stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

A stylized blue ink signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A stylized blue ink signature of 'T M Dring' in a cursive script.

T M Dring
Partner
Melbourne
16 March 2009