Ask FUNDING
money when it matters™

ASX RELEASE **29 February 2012**

Market Update
FY 2012 Half Year Results

Half-year results

Attached are the interim financial reports of Ask Funding Limited (ASX: AKF) for the six months ended 31 December 2011.

Key activities impacting the result for the period include:

- The shareholder approved run-off strategy, a key element of which is the closure of the Company's Loan Books to new loans, was implemented in respect of the Matrimonial, Inheritance Funding and Injury Loan products.
- New loans continued to be made to customers of the Company's Disbursement Funding product until 30 January 2012 pursuant to the terms and conditions of the relevant Facility Agreements. The termination of these Agreements was delayed until October 2011 pending the potential sale of this loan book and business and required the provision of a notice period of up to 60 days.
- The Company achieved in-principle agreement with its financier, Bank of Western Australia Ltd (BankWest), on 29 August 2011 to vary the terms of its Senior Syndicated Facility Agreement in order to achieve an orderly run off of the Loan Book and repayment of the Facility. This variation was executed on 24 January 2012.

Key points of the result for the period include:

- Net loss after tax for the six months ended 31 December 2011 of $109k a marginal increase from the loss of $27k for the previous corresponding period.
- Net interest and fee income decreased by 20% to $4.0m from $5.0m in the previous corresponding period as a result of decreases in the average gross loan book, change in loan book split and gross outstanding debt.
- Impairment expenses relating to loans and advances together with associated recovery expenses increased to $2.2m from $1.9m in the previous corresponding period. Impairment on specific loans has decreased slightly however this has been offset by the establishment of a collective provision for the Disbursement Funding loan book of $0.3m and an additional provision of $0.5m to reflect the difference between expected future cash flows from specifically impaired loans of $4.8m and the present value of those same cash flows of $4.3m.
- Expenses (excluding impairment and recovery costs) decreased by 44% to $1.9 million from $3.3 million in the previous corresponding period reflecting the reduction in the size of operations and the cessation of all marketing activities
- The gross loan book contracted by 9% to $51.2 million from $56.4 million at the end of the previous corresponding period and by 8% from $55.6 million at 30 June 2011
- Gross debt decreased by $7.1m to $28.9m with all net cash inflows from operations and investing activities applied to the repayment of the Facility.
- No interim dividend has been declared.

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Debt Facility

The variation to the Company's Senior Syndicated Finance Facility was completed on 24 January 2012. As detailed in an ASX announcement on 25 January 2012 this variation has shortened the term of the Facility by amending its expiry date to 15 December 2012, requires full repayment by the expiry date by way of scheduled monthly repayments based upon excess cash, has removed all of the financial covenants and prohibits new lending.

The agreed monthly repayment schedule has been derived from the Company's internally prepared financial model which recognises that its loans and advances are not the subject of a fixed term or periodic repayments and is therefore based on an adaptation of historical repayment data for completed and conforming loans assumed to occur over the period to 31 March 2014. Accordingly the monthly amounts fluctuate and do not represent a straight line amortisation of the remaining gross debt.

In the period to date the Company has complied with its repayment obligations under the terms of the varied Senior Syndicated Finance Facility.

Net debt is currently $25.6m.

Target return to shareholders

On 18 January 2012, the Company advised an estimated a target return to shareholders of between 23 and 26 cents per share with this return estimated on the basis of an internally prepared financial forecast. This forecast anticipated the current half year result and accordingly remains unchanged.

It is anticipated that this return to shareholders will be made as funds in excess of operating requirements become available over the period subsequent to the repayment of the Senior Syndicated Finance Facility and 30 June 2014 and whilst the form of such distributions has not yet been determined, the Company is reviewing the options available to ensure its franking credits are utilised to the maximum possible extent.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Ask Funding Limited
ABN 22 094 503 385
ASX Half-year information - 31 December 2011

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2011 Annual report

Contents

Ask Funding Limited
For the half-year ended 31 December 2011
(Previous corresponding period: Half-year ended 31 December 2010)

Results for announcement to the market
31 December 2011

		%		$000's
Revenue from ordinary activities (net interest and fee income) *(Appendix 4D item 2.1)*	down	20 %	to	3,970
Profit / (loss) from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	down	300 %	to	(109)
Net profit / (loss) for the period attributable to members *(Appendix 4D item 2.3)*	down	300 %	to	(109)

Dividends / distributions *(Appendix 4D item 2.4)*	Amount per security Cents	Franked amount per security Cents
Final dividend *(Prior year)*	-	-
Interim dividend	-	-

Key Ratios	2011	2010
Basic earnings per share (cents)	(0.17)	(0.04)
Net tangible assets per share (cents)	20.7	33.7

Refer to the attached Interim Financial Report for the period ended 31 December 2011 including the Review of operations and the results of those operations contained within the Directors' Report for further explanations where applicable.

Directors' report

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2011 and the review report thereon.

Directors
The following persons were directors of Ask Funding Limited during the half-year and up to the date of this report:

Mr Kenneth R Rich   B Com, MBA, PNA
Chairperson since 1 July 2006 and Independent Non-Executive Director since 24 January 2005.

Mr Russell E Templeton   LLB
Managing Director and Chief Executive Officer since 16 November 2004.

Mr Misha A Collins CFA
Independent Non-Executive Director since 11 October 2010.

Mr Antony Love BCom, FAPI, FAICD
Deputy Chairperson and Independent Non-Executive Director since 17 May 2010.

Mr Gavin Partridge GAICD, M A Hons (Cantab)
Independent Non-Executive Director since 1 September 2009.

Ms Alison Hill B Com, MBA, CA, FFin
Alternate Director for Mr Russell Templeton since 26 June 2009.

Review of operations

Overview of the consolidated entity

At the Company's Annual General Meeting on 29 November 2011 shareholders approved the orderly run-off and the closure of the Company's Loan Books to new loans. Whilst this approval had been preceded by the suspension of the Matrimonial and Inheritance Funding products in February 2011 and the Injury Loan product in August 2011, the Company continued to advance funds to customers of its Disbursement Funding product until 30 January 2012 pursuant to the terms and conditions of the Law Firm Disbursement Funding Facility Agreements.

Therefore it has not been until 31 January 2012 that all of the Company's Loan Books were permanently closed to new loans and the Company’s activities restricted to the servicing and amortising of those Loan Books with the sole objective of repaying monies owed to its financier, Bank of Western Australia Ltd (BankWest) and distributing all surplus funds to shareholders.

Consistent with this strategy and approval of shareholders, the Company has varied the terms of its Senior Syndicated Facility Agreement with BankWest. Whilst in-principle agreement as to the varied terms and conditions was reached on 29 August 2011, the documentation process did not complete until 24 January 2012 when the varied Facility Agreement was executed by all parties. The key terms and conditions of this variation are detailed in note 9 of the financial statements.

Given the orderly run-off and closure of the Company's Loan Books, the directors consider it appropriate to prepare the financial report for the period ended 31 December 2011 on an orderly realisation of assets and settlement of liabilities basis over the period to approximately 30 June 2014 ("orderly realisation basis"), rather than a going concern basis which was used for the half year ended 31 December 2010. The Annual Report for the year ended 30 June 2011 was prepared under the orderly realisation basis.

Review of operations (continued)

Loan Book Size and Split by Product

The gross loan book contracted by 9% to $51.2 million from $56.4 million at the end of the previous corresponding period. This decrease reflects the suspension of lending during the period of the Matrimonial, Inheritance Funding and Personal Injury products although the repayments from these products have partially been offset by new advances to Disbursement Funding customers.   The net loan book contracted by 24% to $41.4 million from $54.4 million at the end of the previous corresponding period reflecting the increased impairment of loans, the majority of which was recognised at 30 June 2011.

The net loan book split by product and the underlying trend is highlighted in the following table:

	31 December 2011	30 June 2011	31 December 2010
Disbursement Funding	49%	45%	32%
Personal Injury	28%	30%	34%
Matrimonial	21%	23%	31%
Inheritance Funding	2%	2%	3%

The closure of all Loan Books to new loans on 31 January 2012 will result in the accelerated contraction of the loan book with the revenue of the business declining over time in line with this contraction.

Impairment of loans and advances

Impairment and recovery costs incurred during the period of $2.2 million have increased by 19% from the previous corresponding period of $1.9 million. Impairment on specific loans has decreased slightly however this has been offset by the establishment of a collective provision for the Disbursement Funding loan book of $0.3m and an additional provision of $0.5m to reflect the difference between expected future cash flows from specifically impaired loans of $4.8m and the present value of those same cash flows of $4.3m.

The nature of the Matrimonial and Inheritance Funding loan books, the underlying legal matters and security provided ,is such that it is difficult to group the loans on the basis of risk characteristics and overlay a general or collective provision having due regard to these risks. Accordingly impairment in respect of these loan books continues to be determined on an individual case by case basis after taking account of the likely time to settlement and potential further deterioration in asset pool values. The current period impairment in these loan books reflects the continued decline in the value of asset pools associated with the stagnant property market and increasing realisation or refinance periods albeit at a slower rate than in the previous corresponding period.

Impairment in the Personal Injury product during the period has increased marginally from historical levels but remains consistent with the higher gross return and non-recourse nature of this product, the suspension of the product in August 2011 and a substantial increase in both review and recovery activity in the period. The collective provision, established at 30 June 2011, remains in place.

Impairment in the Disbursement Funding loan book has remained low and reflects only those interest and fees not covered by law firm guarantees. The current period impairment includes a collective provision of $0.3 million which has been established in light of the termination of the exclusivity period for the proposed sale of the Disbursement Funding loan book and business to Deutsche Bank AG (Sydney branch) on 13 October 2011 and the forecasted loan book closure implemented on 31 January 2012.

Debt Facility

On 29 August 2011, the Company agreed with its financier, BankWest, to vary the terms of its Senior Syndicated Facility Agreement in order to achieve an orderly run off of the Loan Book and repayment of the Facility. This variation was executed on 24 January 2012 and has shortened the term of the Facility by amending its expiry date to 15 December 2012, has removed all of the financial covenants, requires regular monthly repayments based upon excess cash and prohibits new lending. Further details of the varied terms are set out in note 9 of the financial statements.

Review of operations (continued)

Staff

A redundancy program consistent with the orderly run off and closure of the Company's Loan Books was implemented in the previous financial year and the associated cost recognised in the six months ended 30 June 2011. Notwithstanding the extended period of new advances for the Disbursement Funding product, staff numbers have continued to be reduced in the current period in accordance with the original terms of this program, and both the CEO and CFO have been provided with notices of termination in the current period to be effective on 31 December 2013 and 30 June 2012 respectively.

The incentive program, as outlined in the Director's Report at 30 June 2011, has been effective to date in ensuring retention of the employees critical to the orderly run-off strategy. As the incentives are contingent on the employee’s continued service with the Company until the nominated incentive date, the associated costs are recognised over the relevant period and accordingly have continued to accrue in the current period and are reflected in the employee benefits expense.

Outlook

At the Company’s Annual General Meeting on 29 November 2011 the shareholders approved the run off and the closure of the Company's Loan Books to new loans. This closure was effected on 31January 2012 and accordingly the Company’s future activities will be limited to the servicing and amortising of its Loan Books with the sole objective of repaying monies owed to its financier, Bank of Western Australia Ltd (BankWest) and distributing all surplus funds to shareholders.

On 18 January 2012, the Company advised an estimated target return to shareholders of between 23 and 26 cents per share with this return estimated on the basis of an internally prepared financial forecast. This forecast anticipated the current half year result and accordingly remains unchanged. However it is important to note that this forecast has not been independently verified or audited and includes a large number of assumptions (including the following) which reflects the current expectations of the Company about future events and which may or may not prove to be correct:

- the repayment of the loan book and associated wind-down of operations is based on an adaptation of historical repayment data for completed and conforming loans and is assumed to occur over the period to 30 June 2014 with loan book collection finalised in March 2014;
- there is no further new lending by the Company from February 2012;
- there is further impairment contemplated for all products. This is in addition to the collective provisions established for the Injury Loan and Disbursement Funding products to take account of unforeseen exigencies in the run-off of the loan books and in particular the Matrimonial loan book for which there is no collective provision;
- the Matrimonial loan book performs in line with current expectations and that there are no unforeseen delays in the finalisation of relevant court cases or property sales;
- the Company's finance facility is progressively repaid pursuant to the terms and conditions of the varied facility;
- the Company is wound up and de-registered in June 2014; and
- whilst the scale of operations and costs have been significantly reduced over the course of the last 12 months, further reductions are planned to occur throughout the run-down period in line with the reduction in the size of the loan books.

These expectations involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual events to materially differ from the expectations. No consideration has been given to the form that such return may take or to the relevant taxation implications for the Company or shareholders.

Review of financial performance and position

Consolidated operating profit / (loss) after tax

The consolidated results for the six months attributable to the members of the Company are:

	31 December 2011 $000	31 December 2010 $000
Revenue (net interest and fee income)	3,970	4,952
Expenses, excluding impairment and loan recovery expenses	(1,877)	(3,334)
Impairment of loans and advances	(2,099)	(1,757)
Impairment of receivable	-	150
Loan recovery expenses	(103)	(92)
Profit / (loss) before income tax	(109)	(81)
Income tax benefit / (expense)	-	54
Net profit / (loss) attributable to members	(109)	(27)

The net loss for the period is $0.1 million in comparison to the net loss of $0.03 million for the previous corresponding period. Earnings per share are a loss of 0.17 cents.

The net loss before income tax for the period reflects a decrease in operating expenses of 44% to $1.9 million consistent with the reduction in operations and the cessation of all marketing activities whilst gross interest and fees have decreased by 13% over the previous corresponding period. Impairment of loans and advances, together with loan recovery costs, have increased by 19% as expected with the run-off of the loan books and change in underlying basis of the financial statements for the current period.

Loss from operations

The extended period over which the orderly run-off and closure of the Company's loan books has been implemented has resulted in the average gross loan book for the period reducing by only 9% to $53.4 million from $58.7 million in the previous corresponding period. Gross interest has decreased by 14% to $5.0 million reflecting the reduction in the gross loan book and the change in the loan book split. Gross interest margins per product and fee income, which reflects account servicing and re assessment fees, have remained consistent with the previous corresponding period.

Gross interest and fee income will reduce as the loan book continues to contract as a result of the orderly run off of all the loan books.

Interest expense increased by 12% to $1.6 million reflecting an increase in average cost of funds to 8.2% from 7.5% in the previous corresponding period. This increase is due to the increased margins charged under the terms of the Senior Syndicated Debt Facility effective from 26 October 2010. Gross debt decreased to $28.9 million from $36.0 million at the end of the previous corresponding period.

Expenses, excluding depreciation, amortisation and impairment, decreased by 40% to $1.9 million from $3.2 million in the previous corresponding period reflecting the reduction in the size of operations and the cessation of all marketing activities as a result of the implementation of the run-off strategy.

The impairment of loans and advances has increased to $2.1 million from $1.8 million in the previous corresponding period. Impairment on specific loans has decreased slightly however this has been offset by the establishment of a collective provision for the Disbursement Funding loan book of $0.3m and an additional provision of $0.5 million to reflect the difference between expected future cash flows from specifically impaired loans of $4.8m and the present value of those same cash flows of $4.3m.

Depreciation and amortisation expense decreased significantly to $0.03 million from $0.3 million in the previous corresponding period. The current period expense reflects only the amortisation of leasehold improvements until their assignment to a third party on 31 October 2011. All other assets were fully written off as at 30 June 2011 as a result of the run-off strategy and associated change in the basis of preparation of financial statements.

Financial position

Consolidated net assets have decreased by 0.8% since 30 June 2011 to a total of $13.6 million. Net tangible assets are 20.7 cents per share.

At 31 December 2011 the Company's liabilities include gross borrowings of $28.9 million, trade payables of $0.3 million and employee entitlements of $0.4 million. The directors are satisfied that with the continued support of its financier the Company will have sufficient cash resources to settle its liabilities as and when they fall due.

No dividend has been paid or declared for the current period which is consistent with the previous corresponding period.

Review of financial performance and position (continued)

Cashflows and capital management

Consolidated cash inflows from operations for the period ended 31 December 2011 have increased to $1.6 million compared to $0.5 million in the previous corresponding period primarily as a result of the change from an income tax payable to a receivable (refund) position. The decrease in payments to suppliers and employees is offset by the decrease in interest and fees received.

The cash inflow from investing activities for the period of $6.1 million has increased significantly from the outflow of $0.9 million in the previous corresponding period as a result of the significant reduction in loans and advances to clients and the release of the restricted bank deposit of $1.4 million.

The net cash inflows from both operations and investing activities have been applied solely to the repayment of borrowings and costs associated with the variation of the debt facility.

Basis of preparation of financial statements - orderly realisation of assets and settlement of liabilities

At the Company's Annual General Meeting held on 29 November 2011, the shareholders voted in favour of the orderly run off and the closure of the Company's Loan books to new loans. The Company negotiated a variation to the terms and conditions of its Senior Syndicated Facility Agreement with BankWest to achieve this orderly run-off and to repay the Facility and this variation was executed on 24 January 2012.

Accordingly the directors and management of the Company have prepared the financial statements on the orderly realisation basis over a period to approximately 30 June 2014 rather that the going concern basis which was used for the comparative period ended 31 December 2010. The Annual Report for the year ended 30 June 2011 was prepared under the orderly realisation basis.

Lead 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 page 7.

This report is made in accordance with a resolution of directors.

Kenneth R Rich
Director

Brisbane, 28 February 2012

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the Directors of Ask Funding Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Ask Funding Limited for the financial period ended 31 December 2011, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Stephen Board
Partner

Brisbane, 28 February 2012

	Notes	**31 December 2011 $**	31 December 2010 $
Interest income		**4,985,016**	5,822,822
Interest expense		**(1,620,450)**	(1,451,286)
Net interest income		**3,364,566**	4,371,536
Fee income		**604,678**	580,153
Other operating gains		**740**	-
Expenses			
Employee benefits expense		**(1,096,358)**	(1,687,426)
Depreciation and amortisation expense		**(34,429)**	(282,973)
Impairment of loans and advances	7	**(2,098,781)**	(1,757,221)
Loan documentation expenses		**-**	(31,905)
Loan recovery expenses		**(103,194)**	(92,383)
Marketing expenses		**(4,739)**	(241,221)
Occupancy expenses		**(215,672)**	(342,928)
IT expenses		**(162,312)**	(283,828)
General and administrative expenses		**(363,720)**	(462,676)
Reversal of impairment		**-**	150,000
Loss before income tax		**(109,221)**	(80,872)
Income tax benefit	6	**-**	53,562
Loss for the period		**(109,221)**	(27,310)
		Cents	Cents
Loss per share			
Basic loss per share		**(0.17)**	(0.04)
Diluted loss per share		**(0.17)**	(0.04)

The above interim consolidated income statement should be read in conjunction with the accompanying notes.

	Notes	**31 December 2011 $**	31 December 2010 $
Loss for the period		**(109,221)**	(27,310)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax		-	(76,276)
Exchange differences on translation of foreign operations		-	(62,080)
Income tax relating to components of other comprehensive income	6	-	22,883
Other comprehensive income for the half-year, net of tax		-	(115,473)
Total comprehensive income for the half-year		**(109,221)**	(142,783)

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

Consolidated	**Contributed equity $**	**Translation reserve $**	**Hedging reserve $**	**Share based payments reserve $**	**Retained earnings / (loss) $**	**Total equity $**
Balance at 1 July 2010	**18,595,828**	**(143,292)**	**53,393**	**206,521**	**6,328,948**	**25,041,398**
Profit or (loss)	-	-	-	-	(27,310)	(27,310)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(53,393)	-	-	(53,393)
Exchange differences on translation of foreign operations	-	(62,080)	-	-	-	(62,080)
Total comprehensive income for the half-year	**-**	**(62,080)**	**(53,393)**	**-**	**(27,310)**	**(142,783)**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	-	-	(237,440)	(237,440)
Employee share options - value of employee services	-	-	-	8,787	-	8,787
Balance at 31 December 2010	**18,595,828**	**(205,372)**	**-**	**215,308**	**6,064,198**	**24,669,962**
Balance at 1 July 2011	**18,595,828**	**-**	**-**	**215,308**	**(5,067,797)**	**13,743,339**
Profit or (loss)	-	-	-	-	(109,221)	(109,221)
Total comprehensive income for the half-year	**-**	**-**	**-**	**-**	**(109,221)**	**(109,221)**
Balance at 31 December 2011	**18,595,828**	**-**	**-**	**215,308**	**(5,177,018)**	**13,634,118**

The interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**31 December 2011 $**	30 June 2011 $
ASSETS			
Cash and cash equivalents		**1,507,523**	1,051,348
Net loans and advances	7	**41,360,934**	47,168,663
Current tax receivables		**23,114**	381,299
Property, plant and equipment		**-**	516,442
Other assets	8	**77,456**	1,541,781
Total assets		**42,969,027**	50,659,533
LIABILITIES			
Trade and other payables		**292,339**	1,035,230
Interest bearing loans and borrowings	9	**28,649,637**	35,582,895
Employee benefits		**392,933**	298,069
Total liabilities		**29,334,909**	36,916,194
Net assets		**13,634,118**	13,743,339
EQUITY			
Contributed equity		**18,595,828**	18,595,828
Reserves		**215,308**	215,308
Retained profits		**(5,177,018)**	(5,067,797)
Total equity		**13,634,118**	13,743,339

The interim consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	**31 December 2011 $**	31 December 2010 $
Cash flows from operating activities			
Interest and fees received		**4,642,338**	6,273,899
Interest paid		**(1,360,910)**	(1,310,500)
Payments to suppliers and employees		**(2,088,068)**	(3,610,627)
		1,193,360	1,352,772
Income taxes refunded / (paid)		**358,185**	(833,649)
Net cash (outflow) inflow from operating activities		**1,551,545**	519,123
Cash flows from investing activities			
Payments for plant and equipment		**-**	(14,844)
Payments for intangible assets		**-**	(85,150)
Proceeds from sale of property, plant and equipment		**740**	2,790
Proceeds from repayment of receivable		**-**	150,000
Net funds advanced to clients			
Loans advanced to clients		**(4,406,129)**	(15,248,542)
Loans repaid by clients		**9,088,729**	14,301,982
Release of restricted use bank deposits		**1,433,681**	-
Net cash (outflow) inflow from investing activities		**6,117,021**	(893,764)
Cash flows from financing activities			
Proceeds from borrowings		**-**	38,000,000
Repayment of borrowings		**(7,100,000)**	(39,000,000)
Dividends paid to company's shareholders		**-**	(237,440)
Payment of transaction costs		**(112,391)**	(518,151)
Net cash from financing activities		**(7,212,391)**	(1,755,591)
Net increase (decrease) in cash and cash equivalents		**456,175**	(2,130,232)
Cash and cash equivalents at 1 July		**1,051,348**	3,172,979
Effects of exchange rate changes on cash and cash equivalents		**-**	(826)
Cash and cash equivalents at end of the half-year		**1,507,523**	1,041,921

The interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Reporting entity

Ask Funding Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Level 3, 46 Edward Street, Brisbane or at www.askfunding.com.au.

2 Statement of compliance

These interim financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting and Corporations Act 2001. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2011.

(i) Basis of preparation - orderly realisation of assets and settlement of liabilities

The interim financial statements for the half-year ended 31 December 2011 have not been prepared on a going concern basis and have been prepared on an alternate basis of an orderly realisation of the Group's assets and settlement of its liabilities over the period to approximately 30 June 2014.

At the Company's Annual General Meeting held on 29 November 2011, the shareholders voted in favour of the orderly run-off and the closure of the Company's Loan books to new loans. This run-off entails:

- The cessation of lending on all products. New lending on all products ceased in January 2012.
- Sell part or all of the Group's loan book.
- The recovery of all loans in accordance with the loan contracts and realisation of other assets in an orderly manner.
- The repayment of amounts owing to Bank of Western Australia Ltd ("BankWest") under the Senior Syndicated Facility.
- The settlement of all creditors and liabilities.
- The return of net proceeds to shareholders.

It is the view of the Director's that this run-off should be conducted in an orderly manner so as to maximise the return to shareholders.

Accordingly, the consolidated interim financial statements have been prepared on the basis of an orderly realisation of assets and settlement of liabilities over the period to approximately 30 June 2014 ("orderly realisation basis"), rather than the going concern basis which was used for the half-year ended 31 December 2010.

The Senior Syndicated Facility has been varied in order to achieve an orderly run-off of the Company's loan book and the repayment of the facility. Refer to note 9 for details of this variation. It is necessary for the Group to comply with its obligations under this varied Agreement in order to achieve the run-off strategy and orderly realisation of assets. In the event that this does not occur and the Group is unable to obtain on-going support from BankWest, its assets may not be realised nor its liabilities settled at the amounts stated in the financial report.

The assets of the Group are predominantly represented by loans receivable relating to the Group's business of providing pre-settlement funding in relation to legal matters including personal injury, disbursement funding, matrimonial and inheritance. The realisation of these loans receivable in a run-off scenario may be achieved through:

- Sale of a portfolio of loans; and / or
- Repayment of loans by borrowers.

Given the nature of the loans receivable, the repayment of loans is generally dependent upon the resolution of the legal matters to which the loans relate and accordingly the repayment of loans may require an extended period of time.

An impairment charge has been included in the financial statements for the estimated difference between the face value of the loans receivable and the amount expected to be realised from the sale and / or repayment of these loans in accordance with the run off strategy described above. The value of loans receivable will be regularly reviewed and adjustments made to the impairment charge as necessary.

Given the uncertainties involved in assessing asset carrying values on an orderly realisation basis, it is likely that there may be differences between the amounts at which assets are recorded in the financial statements at 31 December 2011 and the amounts that are actually realised, and such differences may be material.

2 Statement of compliance (continued)

(ii) Reverse acquisition accounting

The consolidated interim financial report has been prepared using reverse acquisition accounting. As a consequence of applying reverse acquisition accounting, the consolidated results comprise the results of the ACN 109 006 126 Pty Ltd consolidated group plus those of Ask Funding Limited from 1 July 2005, the date of the reverse acquisition.

These consolidated interim financial statements were approved by the Board of Directors on 27 February 2012.

3 Estimates

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

5 Operating segments

For management purposes, Ask Funding Limited operates under one reportable segment based on the operations of the Group being entirely performed in the business segment of consumer finance predominately within Australasia.

Management monitors the operating results of the reporting segment for purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

As the Group has only one reportable segment, the profit for the segment includes all income and expense items for the Group for the half-year and the assets of the segment include all of the Group's assets at balance date.

6 Income tax expense

	31 December 2011 $	31 December 2010 $
(a) Income tax (benefit) / expense		
Current tax	**-**	137,951
Adjustments for current tax of prior periods	**-**	20,497
Deferred tax	**-**	(212,010)
	-	(53,562)
(b) Tax expense relating to items of other comprehensive income		
Cash flow hedges	**-**	22,883
	-	22,883
(c) Numerical reconciliation between income tax expense / (benefit) and pre-tax net profit		
Loss before tax	**(109,221)**	(80,872)
Tax at the Australian tax rate of 30%	**(32,766)**	(24,262)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Non-deductible expenses	**145**	10,621
Non-assessable foreign exchange adjustment	**-**	(17,782)
Non-assessable reversal of impairment of receivable	**-**	(45,000)
Share-based payments	**-**	2,636
Derecognition of deferred tax assets	**265,255**	-
Tax losses not previously recognised	**(232,634)**	-
	-	(73,787)
Under / (over) provided in prior years	**-**	20,225
Income tax expense / (benefit)	**-**	(53,562)
(d) Deferred tax asset not brought to account		
Unused tax losses for which no deferred tax asset has been recognised	**6,005,654**	4,180,278
Deductible temporary differences	**10,959,193**	-
	16,964,847	4,180,278
Potential tax benefit at 30%	**5,089,454**	1,254,083

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

7 Net loans and advances

	31 December 2011 $	30 June 2011 $
Net loans and advances		
Family Law	**16,311,652**	17,697,507
Disbursement Funding	**20,829,228**	21,414,492
Personal Injury	**13,049,300**	16,228,191
Other	**289,726**	273,901
Provision for impairment	**(9,118,972)**	(8,445,428)
	41,360,934	47,168,663

Provision for impairment

The movement in the provision for impairment in respect of loans and advances during the period is as follows:

	31 December 2011 $	30 June 2011 $
Specific provision		
Opening balance	**7,660,643**	2,886,187
Charge to operating profit	**1,846,875**	10,426,792
Write-offs	**(1,303,572)**	(5,652,336)
Closing balance	**8,203,946**	7,660,643
Collective provision		
Opening balance	**784,785**	-
Charge to operating profit	**251,906**	784,785
Write-offs	**(121,665)**	-
Closing balance	**915,026**	784,785
Total provision for impairment	**9,118,972**	8,445,428

8 Other assets

	31 December 2011 $	30 June 2011 $
Deposits	**9,978**	-
Prepayments	**67,478**	108,100
Bank deposits	**-**	1,433,681
	77,456	1,541,781

The bank deposits were for restricted use under the terms of the Commercial Advance facility agreement. Therefore these deposits were not considered to be an integral part of the consolidated cash management and were excluded from cash or cash equivalents for the purposes of the statement of cash flows.

9 Interest-bearing loans and borrowings

	31 December 2011 $	30 June 2011 $
Secured		
Commercial advance facility	**28,900,000**	36,000,000
Transaction costs	**(338,890)**	(517,832)
Accrued interest	**88,527**	100,727
	28,649,637	35,582,895

These financial liabilities are measured at amortised cost.

The following information is provided in respect of the contractual terms of the Company's and Group's interest-bearing loans and borrowings.

(a) Financing arrangements

	31 December 2011 $	30 June 2011 $
Total facilities		
Multi option facility	**75,000**	980,000
Credit card facility	**10,000**	20,000
Commercial advance facility	**28,900,000**	40,000,000
	28,985,000	41,000,000
Used at balance date		
Multi option facility	**75,000**	352,477
Credit card facility	**10,000**	20,000
Commercial advance facility	**28,900,000**	36,000,000
	28,985,000	36,372,477
Unused at balance date		
Multi option facility	**-**	627,523
Commercial advance facility	**-**	4,000,000
	-	4,627,523
Total facilities	**28,985,000**	41,000,000
Used at balance date	**28,985,000**	36,372,477
Unused at balance date	**-**	4,627,523

On 26 October 2010 the Company entered into a Senior Syndicated Facility Agreement with its existing financier, BankWest. On this date the Commercial advance facility and the Bank overdraft and guarantee facility was rolled into the Syndicated Facility.

The Syndicated Facility, comprising a Revolving Loan Facility and a Commercial Advance Facility and a Multi Option Facility for working capital, was available for a three year term, expiring 31 October 2013, was subject to annual review and required a reduction in BankWest's participation of $20m by 26 April 2012 in contemplation of additional financiers joining the Facility.

On 28 February 2011, as a result of the waiver received from BankWest due to the Company's breach of one of its obligations under the Syndicated facility as at 31 December 2010, the Company accepted an unconditional offer of variation of the Senior Syndicated Facility Agreement which reduced the facility limit from $57.09m to $40.0m.

On 15 July 2011 the Group accepted an Amendment of the Senior Syndicated Facility Agreement to reduce the facility limit from $40.0m to $35.0m. There were no other changes to the conditions of the Facility, its term or pricing.

9 Interest-bearing loans and borrowings (continued)

On 29 August 2011, the Company agreed, subject to final documentation, to vary the terms of its Senior Syndicated Facility Agreement in order to achieve an orderly run-off of the Company's Loan Book and repayment of the Facility. On 24 January 2012, this variation was executed. The key terms and conditions of the variation are:

- Expiry date amended from 26 October 2013 to 15 December 2012 with full repayment achieved by scheduled monthly repayments based on cash in excess of operating requirements.
- Significant variances over a continuous 3 month period from either scheduled monthly repayments or operating expenses may constitute a Review Event under the varied Facility.
- No amounts repaid can be redrawn.
- Removal of each of the financial covenants being interest cover ratio, loan to value ratio and consolidated net worth.
- Suspension of dividend or capital distributions.
- Suspension of lending on all products.
- No change to pricing under the Facility, which remains at a margin (inclusive of line fees) of 335 bps above the base rate being either the applicable BBSW (Australian Bank Bill Swap Rate) or the BBSY (Australian Bank Bill Swap Bid Rate).

10 Capital and reserves

	31 December 2011 Shares	30 June 2011 Shares
(a) Share capital		
Ordinary shares on issue	**65,955,515**	65,955,515

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividend reinvestment plan

The company has established a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

The Directors have determined that the Company's Dividend Reinvestment Plan is suspended until further notice. The Dividend Reinvestment Plan did not apply to the dividend paid on 15 October 2010.

	31 December 2011 $	31 December 2010 $
(c) Dividends		
The following dividend was declared and paid by the Group:		
Final dividend for the year ended 30 June 2010 of 0.36 cents per fully paid share paid on 15 October 2010		
Fully franked based on tax paid @ 30%	**-**	237,440

11 Other related party transactions

(a) Key management personnel compensation

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (Note 12).

(b) Other transactions with key management personnel or entities related to them

There have been no significant changes to the nature and amounts of related party transactions disclosed at 30 June 2011.

12 Share-based payments

In 2008 the Group established an Executive Option Scheme that entitles executives, including executive directors, to purchase shares in the entity. The terms and conditions of the Executive Option Scheme are disclosed in the consolidated financial report as at and for the year ended 30 June 2011.

There have been no further options granted to Executives during the six months ended 31 December 2011 (2010: nil).

13 Contingencies

The directors of the Company are not aware of any material contingent liabilities that exist in respect of either the Company or any of its controlled entities.

14 Events occurring after the balance sheet date

On 24 January 2012, a variation to the terms of the Company's Senior Syndicated Facility Agreement was executed, in order to achieve an orderly run-off of the Company's Loan Book and repayment of the Facility. For further details of the variation of this facility refer to note 9.

There have been no other events subsequent to balance date which would have a material effect on the Group's financial statements at 31 December 2011.

In the opinion of the directors of Ask Funding Limited ("the Company") :

(a) the financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, and the *Corporations Regulations 2001*; and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the six month period ended on that date; and

(b) 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 directors.

Kenneth R Rich
Director

Brisbane, 28 February 2012

Independent auditor's review report to the members of Ask Funding Limited

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Ask Funding Limited, which comprises the interim consolidated statement of financial position as at 31 December 2011 and interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Ask Funding Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ask funding Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material uncertainty regarding basis of preparation and carrying value of assets

Without qualifying our conclusion, we draw attention to note 2(i) to the half year financial report which indicates that the financial report of the Group for the half year ended 31 December 2011 has not been prepared on a going concern basis and has been prepared on an alternate basis of an orderly realisation whereby the Group will realise its assets and settle its liabilities over a period to approximately 30 June 2014. The directors of the company have indicated that this strategy is dependent upon the Group complying with its financing agreements, including the repayment of finance facilities within specified timeframes.

These factors, along with other matters set out in note 2(i), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to realise its assets and settle its liabilities in an orderly manner over a period to approximately 30 June 2014 and the amounts stated in the financial report.

Given the uncertainties involved in assessing asset carrying value on an orderly realisation basis, it is likely that there may be differences between the amounts at which the assets are recorded in the financial statements at 31 December 2011 and the amounts that are actually realised, and such differences may be material.

KPMG

Stephen Board
Partner

Brisbane, 28 February 2012