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**ASX RELEASE** 31 August 2012

# Market Update
# FY2012 Full Year Results

**FY12 Results**
Attached are the financial reports for Ask Funding Limited (ASX: AKF) (Company) for the year ended on 30 June 2012.

The group result for the year was a net loss of $0.55m after provision for unrecoverable loans expense of $4.52m which includes a net present value adjustment of $0.40m.

**Income tax ruling**

Income tax ruling TR 2012/5 was released by the Australian Taxation Office on 28 June 2012. The Company has taken income tax and accounting advice in respect of the ruling. A summary of the consequences of the ruling as they affect the company are as follows:

(a) The board may resolve to separately account for the parent company profits in respect of the 2012 year (and in subsequent years) in a profit appropriation reserve notwithstanding the existence of prior year losses
(b) Profits which may be included in the profit reserve include dividends received from subsidiaries
(c) Provided the Company complies with Section 245T of the Corporations Act 2001 the company may pay dividends to shareholders out of the profit reserve in future years subject to any reduction in the profit reserve by subsequent losses in future years, and
(d) Such dividends will be able to be fully franked

**Parent Company Profit**

Parent Company operating loss for the year was $0.53m. The profit for the year was $1.01m. This profit is a result of the following:

Pursuant to the run down strategy adopted by the company two subsidiaries of the company were wound up in January 2012. One of the subsidiaries had retained earnings of $0.85m which was paid as a liquidation dividend from the subsidiary to the parent company. On a consolidated group basis this had no effect on the net assets of the consolidated group. In addition the subsidiary was owed $0.76m arising from the transfer of loan receivables some years before from the subsidiary to the parent company. An effect of the winding up was to give rise to a gain in the parent company arising from the intercompany debt. On a consolidated basis there was no impact on the net assets of the consolidated group. The other subsidiary had negative retained earnings of $0.07m when liquidated. The investment by the parent company in the subsidiary was written off. On a consolidated basis there was no impact on the net assets of the consolidated group.

At the parent company level as a result of the accumulation of the loss from operations of $0.53m, the receipt of the dividend from a subsidiary of a liquidation dividend of $0.85m, gain on intercompany debt of $0.76m and the writing off of an investment in a subsidiary of $0.07m there was a profit at the parent company level of $1.01m. On a consolidated basis there was no impact on the net assets of the consolidated group except for the loss from operations of $0.53m during the 2012 year because the profit in one subsidiary and the loss in the other subsidiary were previously reported in prior year results.

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**Profit Reserve**

The Board of the Company has resolved to establish a profit reserve of $1.01m in respect of the parent company profit for the full year ending 30 June 2012 (**Profit Reserve**). This has no effect on the net assets of the company since it is an allocation of current year parent company profit separately from prior year's accumulated losses.

The Company may (subject to compliance with section 254T of the Corporations Act 2001 (Cth) and subject to any reduction of the Profit Reserve by subsequent losses) pay dividends to the Company's shareholders out of the Profit Reserve in future years.

**Other subsidiary**

A subsidiary of the Company, Arc Legal Pty Ltd, has retained earnings of $2.8M available for distribution to the Company as a dividend. On a consolidated basis there is no impact on the net assets of the consolidated group since this profit has previously been reported. The intention of the board is to defer payment of the dividend to the parent company until all loan receivables have been collected. Pursuant to Income Tax Ruling TR 2012/5 the current year profit arising out of the dividend once paid will be transferred to a future profit reserve to facilitate the payment of a fully franked dividend once operations have concluded.

**Franking credits**

Under the current financing arrangements the Company is not permitted to pay dividends and/or return capital to shareholders until the debt to Bankwest has been paid. Once this restriction is removed the Company will have an option available to it to pay franked dividends from the 2012 profit reserve or from future year's profit reserves. The Company has significant franking credits amounting to $4.9m as at 30 June 2012.

**Target return to shareholders**

Based on its current operating performance and the run-off program endorsed by shareholders at the Company's AGM in 2011, the Company is now targeting a residual amount of cash available for distribution to shareholders of between 21 and 23 cents per share.
As previously announced it is proposed that no capital return or dividend is to be paid to shareholders until financier Bank of Western Australia Ltd (**BankWest**) has been fully repaid. Thereafter, periodic distributions will be made to shareholders as funds in excess of operating requirements become available.

It is important to note that the targeted return to shareholders is based on internal modelling which has not been independently verified or audited and fundamental to this modelling are a large number of assumptions (including the following) 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;
- there is further impairment contemplated for all products;
- the Matrimonial loan book performs in line with current expectations and that there are no unforseen 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.

It is also important to note that the targeted return to shareholders reflects the current expectations of the Company about future events. These expectations involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual events to differ materially from the expectations.

The Company cannot give assurance to shareholders that the future events which are the basis of the expectations will in fact occur. Accordingly the targeted return to shareholders should not be considered to be a proxy for the current per share value of the Company.

**Capital Management Strategy**

The company has taken preliminary legal, taxation, and accounting advice and is continuing to investigate the most appropriate ways to return capital to shareholders At the upcoming Annual General Meeting of the Company, the Board expects to table resolutions to provide maximum flexibility to distribute funds via means which might include dividends, share repurchases and capital returns. A particular focus is investigation of potential strategies which may allow shareholders to nominate their return of capital preferences.

**Financier**

The Company confirms that to date it has complied with all its obligations under the agreed monthly repayment schedule as outlined in the varied Senior Syndicated Finance Facility dated 24th January 2012 ("the Facility) with Bank of Western Australia ("Bankwest"). The amount currently outstanding under the Facility is $14.0m.

Based on current cash flow projections the balance of the Company's debt to Bankwest at the expiry of the Facility (15th December 2012) is expected to be in a range between Nil and Six Million Dollars ($6m).The reason for this range is as a result of uncertainty around the likely repayment date of a number of Matrimonial Loans and Injury Loans. However it is anticipated that the Facility will be repaid in full by 31st March 2013.

The Company continues to enjoy the support of Bankwest and is presently in discussions with it concerning the possibility of the Facility not being repaid in full by 15th December 2012.
As a result of its discussion with Bankwest the Company is very confident that Bankwest will give favourable consideration to any extension of the Facility that may be required on terms very similar to those set out in the current facility.

**Retirement of director**

In line with the Company's run down strategy Gavin Partridge has tendered his resignation as a non-executive director of the Company effective today.

Mr Partridge has been a director of the Company since 1 September 2009 and the directors of the Company would like to take this opportunity to thank Mr Partridge for his significant contribution to the Board and the Company during that time.

On the basis that the scope of the Company's operations is now limited to managing the run-down of its loan books and returning funds to its financier and shareholders, the Board has determined that there is no need for the Board to make a casual appointment to fill the vacancy created by the resignation of Mr Partridge.

**Committees**

After 31 August 2012 the board membership will consist of three persons. Accordingly the Committee process has been suspended with all matters formerly considered by committees being dealt with by the full board.

**AGM**

It is intended that the annual general meeting of the Company will be held on 27 November 2012.

### By order of the Board

**FOR FURTHER INFORMATION PLEASE CONTACT**:

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Non-executive director, strategic and shareholder relations officer
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# Ask Funding Limited

ABN 22 094 503 385

# Annual report
# for the year ended 30 June 2012

**Results for Announcement to the Market**
**30 June 2012**

The reporting period is from 1 July 2011 to 30 June 2012 with the corresponding reporting period being from 1 July 2010 to 30 June 2011.

| | | % | | $000's |
|---|---|---|---|---|
| **Revenue** from ordinary activities (net interest and fee income) *(Appendix 4E item 2.1)* | down | 26 % | to | 7,233 |
| **Profit** / **(loss)** from ordinary activities before tax | up | 95 % | to | (552) |
| **Profit** / **(loss)** from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)* | up | 95 % | to | (552) |
| **Net profit** / **(loss)** for the period attributable to members *(Appendix 4E item 2.3)* | up | 95 % | to | (552) |

| **Dividends** / **distributions** *(Appendix 4E item 2.4)* | **2012 (cents)** | 2011 (cents) |
|---|---|---|
| Final dividend (declared but not paid or provided) | **NIL** | NIL |
| Interim dividend | **NIL** | NIL |

| **Key Ratios** | **2012 (cents)** | 2011 (cents) |
|---|---|---|
| Basic and diluted earnings per share *(Appendix 4E item 4.1)* | **(0.8)** | (16.9) |
| Net tangible assets per share *(Appendix 4E item 9)* | **20.0** | 20.8 |

**Brief explanation necessary to enable the figures above to be understood is as follows:**
*(Appendix 4E item 2.6)*

***Explanation of Revenue***
Consolidated revenue, representing net interest and fee income was down by 26 percent to $7.2 million from $9.8 million previously as a result of the continuing reduction in the average gross loan book to $45.3 million from $56.8 million in 2011.

***Explanation of Profit/(loss) from ordinary activities before tax***
The operating loss before tax was $0.55 million which represents a significant improvement from the previous year of $10.1 million.

The Group's operations have been affected in the current year by a number of factors including:

- The cessation of Personal Injury and Disbursement Funding lending, consistent with the run off strategy approved by Shareholders at the 2011 Annual General Meeting. Consequently, the contraction in the gross loan book has continued from the previous year.
- The Company's activities since the closure of all Loan Books has been limited to the servicing and amortising of its Loan Books and this has resulted in a significant decrease in operational expenses.
- The establishment of a collective impairment provision for the Disbursement Funding loan book of $0.3 million in light of the run off strategy.
- The redundancy program implemented in the previous financial year has been continued during the current year.

The prior year's loss was significantly impacted by:

- Impairment of goodwill and other intangible assets of $2.2 million;
- Loss on reversal of foreign currency translation adjustments of $0.2 million;
- Reversal of impairment of receivable of $0.15 million.

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

The directors therefore consider it appropriate to prepare the financial report for the year ended 30 June 2012 on an orderly realisation of assets and settlement of liabilities basis over the period to 30 June 2014 ("orderly realisation basis"), rather than a going concern basis. The Annual Report for the year ended 30 June 2011 was also prepared under the orderly realisation basis.

**Audit status** *(Appendix 4E item 15)*
The attached financial statements have been audited.

# Ask Funding Limited

ABN 22 094 503 385

# Annual report
# for the year ended 30 June 2012

# Ask Funding Limited ABN 22 094 503 385
# Annual Report - 30 June 2012

## Lodged with the ASX under listing Rule 4.3A

## Contents

## Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ask Funding Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

### 1 Directors

The directors of the Company at any time during or since the end of the financial year are:

**Mr Kenneth R Rich B Com, MBA, CMC**
Chairperson and Independent Non-Executive Director. Age 67.

*Experience and expertise*
Independent non-executive director since 24 January 2005 and chairperson since 1 July 2006.

Mr Rich is a business and financial management specialist. He is a director of Rich & Co Pty and a former director of Horwath Motor Industry Services Pty Ltd. He is a member of the Institute of Management Consultants.

*Other current listed company directorships*
Nil

*Former listed company directorships in last 3 years*
Nil

*Special responsibilities*
Chairperson of Audit and Risk Management Committee.
Member of Remuneration Committee.

**Mr Russell E Templeton LLB**
Managing Director and Chief Executive Officer. Age 56.

*Experience and expertise*
Executive director and Chief Executive Officer since 16 November 2004.

Mr Templeton has been in practice as a lawyer for over twenty years, has extensive commercial and litigation experience and has also:

- been involved with a network of legal practitioners;
- owned licensed commercial agencies;
- been consultant to and then Chief Operating Officer and Chief Executive Officer of Collection House Limited, an ASX listed debt portfolio manager.

*Other current listed company directorships*
Nil

*Former listed company directorships in last 3 years*
Nil

*Special responsibilities*
Managing Director.

## 1 Directors (continued)

**Mr Gavin Partridge GAICD, M A Hons (Cantab)**
Independent Non-Executive Director since 1 September 2009. Mr Partridge tendered his resignation effective midnight 31 August 2012. Age 56.

*Experience and expertise*
Independent non-executive director since 1 September 2009.

Mr Partridge is a former managing director of marketing services for leading Australasian advertising agency, The Communications Group, prior to which he served for two years as director of Asia Pacific operations for Bates Worldwide and three years as Chief Operating Officer and Managing Director (Sydney) for George Patterson Bates. He currently sits on a number of private company boards in a non-executive capacity and is the principal of The Company Whisperer consultancy.

*Other current listed company directorships*
Nil

*Former listed company directorships in last 3 years*
Nil

*Special responsibilities*
Chairperson of Remuneration Committee.
Member of Audit and Risk Management Committee.

**Mr Misha Collins CFA**
Independent Non-Executive Director. Age 38.

*Experience and expertise*
Appointed independent non-executive director on 11 October 2010.

Mr Collins was employed by BT Funds Management for an 11 year period as an equity analyst covering both domestic and international markets, together with the formulation of capital market strategies and commodity forecasting. Since 2008, he has been operating his own investment and trading business.

Mr Collins holds a Bachelor of Engineering in Metallurgy, graduating with First Class Honours from the RMIT University, a Graduate Certificate in Banking and Finance from Monash University and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia. He also completed the CFA program with the US based CFA Institute and has been awarded the Chartered Financial Analyst designation (CFA).

*Other current listed company directorships*
Sihayo Gold Limited from July 2008.

*Former listed company directorships in last 3 years*
Nil

*Special responsibilities*
Strategic and shareholder relations officer from 23 November 2010.

**Mr Antony Love BCom, FAPI, FAICD**
Deputy Chairperson and Independent Non-Executive Director until his resignation on 31 March 2012. Age 65.

**Ms Alison Hill B Com, MBA, CA, FFin**
Alternate Director for Mr Russell Templeton, Chief Financial Officer and Company Secretary until 29 June 2012, at which time this position became redundant as a result of the run off of the Company. Age 46.

### 2 Company Secretary

Mr Russell Templeton, LLB, was appointed to the position of Company Secretary on 15 May 2012. Mr Templeton is also the Managing Director and Chief Executive Officer of Ask Funding Limited and his qualifications and previous experience is listed above.

Ms Alison Hill, B Com, MBA, CA, FFin, held the position of Company Secretary for the period from 19 December 2006 to 29 June 2012.

### 3 Meetings of directors

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| | Board Meetings | | Audit and Risk Management Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** |
| Mr Kenneth Rich | 12 | 12 | 2 | 2 | 9 | 9 |
| Mr Russell Templeton | 10 | 12 | * | * | * | * |
| Mr Antony Love | 9 | 10 | 2 | 2 | * | * |
| Mr Gavin Partridge | 11 | 12 | 2 | 2 | 9 | 9 |
| Mr Misha Collins | 12 | 12 | * | * | * | * |
| Ms Alison Hill | ** | ** | * | * | * | * |

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee
** = Appointed as Alternate Director to Mr Russell Templeton.

### 4 Directors' and executive officers' remuneration report (audited)

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 contracts
D Share-based compensation
E Consequences of performance on shareholder wealth
F Voting at the Company's 2011 Annual General Meeting.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

#### *A Principles used to determine the nature and amount of remuneration*

The objectives of the Group's executive compensation strategy are to ensure:
(i) it attracts and retains executives with qualifications, experience and industry knowledge appropriate to support the continuation of the business and creation of shareholder value; and

(ii) it rewards executive performance on a basis that is competitive and appropriate for the results delivered.

The strategy, implemented through a combination of fixed remuneration and short and long term incentives, aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that the executive compensation strategy satisfies the following key criteria for good reward and governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage; and
- transparency.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***A Principles used to determine the nature and amount of remuneration (continued)***

The strategy aligns to shareholder's interests by:

- having operating profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, and delivering consistent return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

It also aligns to the interests of executives by;

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth;
- providing a clear structure for earning rewards; and
- providing recognition for contribution.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, key management personnel and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

*Non-executive directors*
Total compensation for all non-executive directors, last voted upon by shareholders at the Annual General Meeting held on 21 November 2007, is not to exceed $250,000 per annum with that sum to be divided amongst the directors in such manner and proportion as they agree. Non-executive directors do not receive any performance-linked compensation. Director's fees cover all main board activities including membership of board committees.

*Fixed Compensation*
Compensation consists of fixed compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as any applicable employee contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the remuneration committee to ensure that this component is commensurate with the market worth of the role and appropriately reflects the position of the individual within the role having regard to qualifications, experience and capabilities. There are no guaranteed fixed compensation increases included within the contractual arrangements with any key management personnel.

*Performance-linked compensation, including consequence of performance on shareholders wealth*
Performance linked compensation includes short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding annual corporate performance and individual financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over the ordinary shares of the Company under the rules of the Executive Share Option Plan (see note 25 to financial statements).

*(a) Short-term incentives*
On an annual basis, a short-term incentive pool is made available to key management personnel excluding the Managing Director and CEO. This pool is distributed, as a cash bonus, by measurement against a pre-determined operating profit target and dependent on the accountabilities of the role, impact on organisational and team performance, and achievement of individual objectives such that the incentive is leveraged for performance above the threshold to provide an incentive for out-performance.

*(b) Long-term incentives*
Long-term incentives are provided to executives by the issue of options over ordinary shares of the Company.

The inclusion of share price hurdles as qualifying conditions for the exercise of options is considered by the remuneration committee as a reasonable means for ensuring the reward is only available when real and sustained value is delivered to shareholders.

No options have been issued in the current year. However the terms of the options previously issued as long-term incentives are set out on pages 14 - 15.

*(c) Other benefits*
Key management personnel can receive a proportion of their fixed compensation as non-cash benefits under the terms and conditions of their appointment. Non-cash benefits typically include the provisions of items which may be taxed on a concessional basis for FBT purposes. Key management personnel are also entitled to salary sacrifice fixed compensation as additional superannuation contributions.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***A Principles used to determine the nature and amount of remuneration (continued)***

*(d) Termination benefits*

Redundancy benefits are payable to key management personnel (excluding the Directors and CEO) upon termination of their position due to redundancy. In addition to the redundancy entitlement, retention incentives have been offered to facilitate the orderly realisation of assets, settlement of liabilities and maximisation of return to shareholders.

***B*** **Details of remuneration**

The key management personnel of the Group are the directors of Ask Funding Limited and those executives that report directly to the Managing Director and CEO being:

- B Gebauers - General Manager, Compliance and Special Projects
- A Hill - Chief Financial Officer and Company Secretary - until 29 June 2012, at which time Ms Hill left the Company as this position became redundant.

Only three executives are included within the executive officers' remuneration as no other personnel of the Group meet the definition of key management personnel.

## 4 Directors' and executive officers' remuneration report (audited) (continued)

### *B Details of remuneration (continued)*

Details of the remuneration of the directors, each of the named Company executives who receive the highest remuneration and other key management personnel (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

| | | Short-term employee benefits | | | | Post-employment benefits | Termination benefits | Equity-settled share-based payments | | S300A(1)(e)(i) proportion of remuneration performance related % * | S300A(1)(e)(vi) Value of options as proportion of remuneration % * |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | | Cash salary and fees (i) $ | STI Cash bonus (ii) $ | Non monetary benefits (iii) $ | Total $ | Super-annuation $ | Termination benefits (v) $ | Options (iv) $ | Total $ | % | % |
| ***Non-executive directors*** | | | | | | | | | | | |
| K Rich | **2012** | **60,000** | **-** | **-** | **60,000** | **5,400** | **-** | **-** | **65,400** | **- %** | **- %** |
| | 2011 | 60,000 | - | - | 60,000 | 5,400 | - | - | 65,400 | - % | - % |
| A Love (resigned 31 March 2012) | **2012** | **30,000** | **-** | **-** | **30,000** | **2,700** | **-** | **-** | **32,700** | **- %** | **- %** |
| | 2011 | 40,000 | - | - | 40,000 | 3,600 | - | - | 43,600 | - % | - % |
| G Partridge | **2012** | **43,996** | **-** | **-** | **43,996** | **-** | **-** | **-** | **43,996** | **- %** | **- %** |
| | 2011 | 43,996 | - | - | 43,996 | - | - | - | 43,996 | - % | - % |
| M Collins | **2012** | **44,000** | **-** | **-** | **44,000** | **-** | **-** | **-** | **44,000** | **- %** | **- %** |
| | 2011 | 45,320 | - | - | 45,320 | - | - | - | 45,320 | - % | - % |
| ***Executive directors*** | | | | | | | | | | | |
| R Templeton | **2012** | **448,312** | **-** | **7,629** | **455,941** | **43,560** | **-** | **-** | **499,501** | **- %** | **- %** |
| Managing Director and CEO | 2011 | 502,262 | - | 9,139 | 511,401 | 43,560 | - | 6,695 | 561,656 | 1.2 % | 1.2 % |
| A Hill (position redundant 29 June 2012) | **2012** | **241,055** | - | **2,075** | **243,130** | **27,564** | **63,830** | **-** | **334,524** | **- %** | **- %** |
| Chief Financial Officer and Company Secretary (Alternate for R Templeton) | 2011 | 250,054 | - | 9,139 | 259,193 | 22,979 | 54,010 | 1,162 | 337,344 | 0.4 % | 0.4 % |
| ***Other key management personnel*** | | | | | | | | | | | |
| B Gebauers | **2012** | **208,745** | **-** | **7,629** | **216,374** | **17,257** | **33,522** | **-** | **267,153** | **- %** | **- %** |
| General Manager, Compliance and Special Projects | 2011 | 199,194 | - | 9,139 | 208,333 | 17,257 | 47,937 | 930 | 274,457 | 0.4 % | 0.4 % |

## 4 Directors' and executive officers' remuneration report (audited) (continued)

### *B Details of remuneration (continued)*

(i) Includes salary, salary sacrificed benefits (excluding superannuation) and leave provisions.
(ii) STI relates to performance in the current financial year.
(iii) Includes the value of goods and services provided including fringe benefits tax.
(iv) The fair value of the options is calculated using Black-Scholes and Binomial option pricing models and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
(v) Includes the accrual of redundancy and retention incentives over the period from the time the Company is committed to terminating the employment of the executive until the termination date. The payment of termination benefits is only upon the termination date of the executive.

*Since the performance related remuneration has been provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***C Service contracts***

The Group has formalised service contracts with each key management person. The service contracts, excluding that of the Managing Director and CEO, are unlimited in term but are capable of termination with 3 months notice by the executive and between 3 and 6 months notice by the Group, where the Group retains the right to terminate the contract immediately by making payment equal to 100 per cent of base salary for the relevant period in lieu of notice. The key management personnel are also entitled to receive on termination of their employment their statutory entitlements of accrued annual and long service leave together with any superannuation benefits.

Due to the Company's run off strategy, Alison Hill was given 6 months notice of the termination of her service contract, effective 29 June 2012.

The service contracts outline the components of compensation paid but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed by the remuneration committee to take into account cost of living changes, changes (if any) to the scope of the role performed by the key management person and any changes required to meet the principles of the compensation policy.

Mr Russell Templeton, the Managing Director and CEO, has a contract of employment dated 2 July 2007 (amended by deed of agreement dated 24 October 2008)with the Group. The contract specifies the duties and obligations to be fulfilled by the Chief Executive Officer. The contract is unlimited in term but is capable of termination with 6 months notice by Mr Templeton or 24 months notice by the Group. In specific circumstances set out in (a) to (j) below (Specific Circumstances) Mr Templeton is entitled to provide 6 months notice of termination (in respect of which the Company may make a payment in lieu of notice) and require the Company to pay an amounts equivalent to 24 months of Mr Templeton's remuneration package.

The Specific Circumstances under Mr Templeton's employment contract are as follows:

(a) there is a material reduction in Mr Templeton's levels of responsibility or authority;

(b) there is a material change to any business plans, targets, or objectives approved by the Board where that change has not been proposed by Mr Templeton;

(c) there is a material reduction in the support and resources available to Mr Templeton to carry out his duties;

(d) decisions are made by the Board to restructure the Company's senior management team;

(e) there is a material change to the nature of the Company's business;

(f) there is a failure by Mr Templeton and the Board to agree on key performance indicators for Mr Templeton's role;

(g) if Mr Templeton is entitled to a bonus based upon performance of the business of the Company, then where there is any change made by the Company which is likely to materially adversely affect the bonus likely to be received by Mr Templeton;

(h) where there is a failure by the Board to accept, or a decision by the Board to reject, any reasonable proposal put in good faith by Mr Templeton regarding his duties;

(i) where the Board makes a decision or decisions that in Mr Templeton's opinion materially adversely affects the value of options to which Mr Templeton is or may become entitled to under any applicable employee or executive share scheme; and

(j) where the Company decides to change the location of the head office of the business away from Brisbane.

Mr Templeton has been given 24 months notice by the Company of the termination of his service contract, effective 31 December 2013. The Group retains the right to terminate the contract immediately by making payment equal to 100 per cent of Mr Templeton's remuneration (including superannuation) for the relevant period in lieu of notice. Mr Templeton is entitled to receive on termination of his employment his statutory entitlements of accrued annual and long service leave together with any superannuation benefits, but has no entitlement to termination pay in the event of removal for misconduct.

If a Specific Circumstance occurs prior to the termination date of Mr Templeton's contract (which termination will occur on the earlier of 31 December 2013 and the date (if any) of payment in lieu of notice for the period to 31 December 2013), Mr Templeton will be entitled to give the Company 6 months notice of termination and require the Company to pay an amount equivalent to 24 months of Mr Templeton's remuneration package.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***C Service contracts (continued)***

It should also be noted that in 2011, several of the Specific Circumstances under Mr Templeton's contract were triggered as a result of changes due to the adoption of the run down strategy. Mr Templeton provided the Company with a waiver for those Specific Circumstances and elected not to enforce his termination rights at that time. The waiver provided at that time does not impact upon or limit any rights Mr Templeton may have under his contract if a Specific Circumstance occurs in the future.

Provided that the Company continues down its current strategic path of running down the loan books, repaying its debt to financiers and then distributing surplus funds to its shareholders, at this time the Board does not envisage that any of the Specific Circumstances under Mr Templeton's contract will be triggered.

The Group has not entered into any formal service contracts with its non-executive directors.

***D Share-based compensation***

Options over the ordinary shares of Ask Funding Limited have been granted under the terms of the Ask Funding Limited Executive Option Plan which was approved by shareholders at the annual general meeting held on 21 November 2007. The Executive Option Plan is designed to provide long-term incentives for executives, including executive directors, to deliver long-term shareholder returns. Under the plan, executives are granted options which only vest if the executive completes a specified period of service. The plan states that the determination of the exercise conditions are at the discretion of the directors and will depend on:

- the relevant Executive or the Company satisfying an objective performance criteria;
- the Company's Share price on the Australian Securities Exchange reaching a certain price; or
- other performance criteria determined by the Directors.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting periods are as follows:

| Name | Number of options granted/(forfeited) | Grant date | Fair value per option at grant date ($) | Exercise price per option ($) | Date exercisable | Expiry date | Exercise hurdle share price ($) |
|---|---|---|---|---|---|---|---|
| ***Executive directors*** | | | | | | | |
| R Templeton | 370,000 | 23/11/2007 | 0.154 | 0.600 | 23/11/2008 | 23/11/2012 | 0.80 |
| | 370,000 | 23/11/2007 | 0.144 | 0.600 | 23/11/2009 | 23/11/2012 | 1.10 |
| | 370,000 | 23/11/2007 | 0.136 | 0.600 | 23/11/2010 | 23/11/2012 | 1.50 |
| A Hill | 50,000 * | 23/11/2007 | 0.221 | 0.645 | 23/11/2008 | 23/11/2012 | 0.80 |
| | 50,000 * | 23/11/2007 | 0.213 | 0.645 | 23/11/2008 | 23/11/2012 | 1.10 |
| | 50,000 * | 23/11/2007 | 0.174 | 0.645 | 23/11/2008 | 23/11/2012 | 1.50 |
| ***Other key management personnel*** | | | | | | | |
| B Gebauers | 40,000 | 23/11/2007 | 0.221 | 0.645 | 23/11/2008 | 23/11/2012 | 0.80 |
| | 40,000 | 23/11/2007 | 0.213 | 0.645 | 23/11/2009 | 23/11/2012 | 1.10 |
| | 40,000 | 23/11/2007 | 0.174 | 0.645 | 23/11/2010 | 23/11/2012 | 1.50 |

* These options were forfeited on 29 June 2012 at which time their value was nil.

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is determined by the directors but is no less than the volume weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted or such other price as approved by shareholders in general meeting.

The Group as part of its Share Trading Policy prohibits those executives including executive directors, that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all relevant executives to sign annual declarations of compliance with this policy throughout the period.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***D Share-based compensation (continued)***

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

| Name | Number of options granted during the year | | Number of options vested / (forfeited) during the year | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| ***Executive directors*** | | | | |
| R Templeton | **-** | - | **-** | 370,000 |
| A Hill | **-** | - | **(150,000)** | 50,000 |
| ***Other key management personnel*** | | | | |
| B Gebauers | **-** | - | **-** | 40,000 |

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using Black-Scholes and Binomial option pricing models that take 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.

***E Consequences of performance on shareholder wealth***

*Performance of Ask Funding Limited*

As outlined above, one of the objectives of the Group's executive compensation strategy has been to ensure the reward provided to executives is aligned to growth in shareholder value in both the short and long term.

The following table sets out summary information about the Groups earnings and movements in shareholder value for the past five financial years.

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ | Year ended 30 June 2010 $ | Year ended 30 June 2009 $ | Year ended 30 June 2008 $ |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Net interest and fee income | 7,232,795 | 9,790,879 | 12,275,438 | 12,470,659 | 8,960,903 |
| Net profit / (loss) before tax | (551,601) | (10,052,433) | 1,888,386 | 4,993,814 | 3,142,614 |
| EPS | (0.008) | (0.169) | 0.015 | 0.054 | 0.030 |
| **Shareholder value** | | | | | - |
| Share price | 0.150 | 0.145 | 0.245 | 0.180 | 0.495 |
| Dividends (paid/declared) | - | 0.004 | 0.013 | - | - |

*STI results*

In determining the use of operating profit before tax as the key driver for STI rewards in the current financial year, the remuneration committee considered both profit performance over the past three financial years and the essential role of executive reward in driving the operational performance of the Group and delivering real and sustained increases in shareholder value. Accordingly 100% of STI opportunity was forfeited in the current year.

*LTI result*

In determining the use of the Company's share price as an appropriate performance hurdle for the exercise of vested options, the remuneration committee recognised that this was a key indicator of shareholder value. Accordingly none of the options have been capable of being exercised.

**4 Directors' and executive officers' remuneration report (audited) (continued)**

***E Consequences of performance on shareholder wealth (continued)***

*Details of remuneration: cash bonuses and options*

For each cash bonus and grant of options included in the tables on pages 11 and 15, the percentage of the available bonus grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the relevant criteria is set out below.

| | STI Cash bonus | | LTI Options | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Paid %** | **Forfeited %** | **Year granted** | **Vested %** | **Forfeited %** | **Financial years in which options vested** | **Number granted** | **Number of options vested during 2012** |
| R Templeton | - | - | 2008<br>2008<br>2008 | 100<br>100<br>100 | -<br>-<br>- | 2009<br>2010<br>2011 | 370,000<br>370,000<br>370,000 | -<br>-<br>- |
| A Hill | - | - | 2008<br>2008<br>2008 | -<br>-<br>- | 100<br>100<br>100 | | | -<br>-<br>- |
| B Gebauers | - | - | 2008<br>2008<br>2008 | 100<br>100<br>100- | -<br>-<br>- | 2009<br>2010<br>2011 | 40,000<br>40,000<br>40,000 | -<br>-<br>- |

These options, whilst vested, can not be exercised until the qualifying share price is reached.

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

***F Voting at the Company's 2011 Annual General Meeting***

At the last Annual General Meeting, 32.5% of the votes cast at the meeting rejected the adoption of the remuneration report.

The Board of Directors acknowledges the dissenting vote.

Since the vote in respect of the Remuneration Report as the last Annual General Meeting:

- the position of Chief Financial Officer of the Company has been made redundant (effective 29 June 2012);
- Mr Templeton (Chief Executive Officer) has been given a notice of termination in accordance with the terms of his contract as Chief Executive Officer of the Company (termination effective 31 December 2013);
- Mr Anthony Love has resigned as a non-executive director of the Company (effective 31 March 2012) and has not been replaced; and
- Mr Gavin Partridge tendered his resignation as a non-executive director of the Company effective midnight 31 August 2012.

Due to the ongoing operational requirements of the Company and the binding nature of existing contractual arrangements no other changes have been made to the above stated remuneration policy.

**5 Principal activities**

During the year the Company ceased Personal Injury and Disbursement Funding lending, consistent with the run off strategy approved by Shareholders at the 2011 Annual General Meeting.

The Company’s activities since the closure of all Loan Books has been 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.

## 6 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. Since 31 January 2012 all of the Company's Loan Books have been permanently closed to new loans.

Consistent with this run off 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 15 of the financial statements.

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

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 year ended 30 June 2012 on an orderly realisation of assets and settlement of liabilities basis over the period to 30 June 2014 ("orderly realisation basis"), rather than a going concern basis. The Annual Report for the year ended 30 June 2011 was also prepared under the orderly realisation basis.

*Loan Book Size and Split by Product*

The gross Loan Book contracted by 37% to $35.1 million from $55.6 million in the previous corresponding year. This decrease reflects the cessation of lending of Matrimonial and Inheritance Funding products in the previous financial year, and Personal Injury and Disbursement Funding products during the current financial year, as a consequence of the Company's run off strategy. The repayments of these products have been partially offset by new advances to Disbursement Funding customers which only ceased on 30 January 2012.

The net Loan Book contracted by 36% to $30.4 million from $47.2 million at the end of the previous financial year reflecting the closure of all Loan Books to further advances.

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

| | 30 June 2012 | 31 December 2011 | 30 June 2011 |
|---|---|---|---|
| Disbursement Funding | 52% | 49% | 45% |
| Personal Injury | 25% | 28% | 30% |
| Matrimonial | 20% | 21% | 23% |
| Inheritance Funding | 3% | 2% | 2% |

The closure of all Loan Books to new loans has resulted in an 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 loan recovery costs incurred during the period of $4.7 million have decreased by 59% from the previous year of $11.4 million.

This reduction is in line with expectations given the closure of all loan books, in particular the Matrimonial and Inheritance Funding products in the previous financial year. The impairment expense from the previous year was primarily attributable to the Matrimonial and Inheritance Funding Loan Books and substantially from those loans originated prior to June 2008 and the continuing decline in values of underlying security and the increasingly difficult broader economic conditions adversely impacting recoverability. There has not been any further significant impairment of these Matrimonial and Inheritance Funding Loans during the current year

Impairment on specific loans has decreased however this has been partially offset by the establishment of a collective provision for the Disbursement Funding Loan Book of $0.3 million and an additional provision of $0.4 million to reflect the difference between expected future cash flows from specifically impaired loans of $4.5 million and the present value of those same cash flows of $4.1 million.

## 6 Review of operations (continued)

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 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. A further relevant factor is the inordinate delays being experienced by litigants in the Family Court of Australia. These delays have resulted in an increase in interest and fees payable on the loans advanced, this increase being well in excess of original forecasts. In some cases the total payable (being principal and accrued interest and fees) now exceeds the value of the underlying security and these loans have been impaired in recognition of this.

Impairment in the Personal Injury product during the period has increased from historical levels however is not inconsistent with the high gross return derived from the product, the non recourse (in certain circumstances) nature of this product, and the collective provision established at 30 June 2011 which remains in place.

Impairment in the Disbursement Funding loan book has remained low and reflects interest and fees not recoverable under some law firm guarantees. The current period impairment includes a collective provision of $0.3 million which has been established in light of the run off of this Loan Book.

*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 15 of the financial statements.

*Staff*
In the current year staff numbers decreased by 9 to 6.6 full time equivalent staff that are allocated across the Company as follows:

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Operations | 2 | 4 |
| Finance | 2.6 | 5.6 |
| Legal | 0 | 4 |
| Administration & Compliance | 2 | 2 |

A redundancy program consistent with the orderly run off and closure of the Company's Loan Books was implemented in the previous financial year. Staff numbers have continued to be reduced in the current year in accordance with the original terms of this program, and both the CEO and CFO were provided with notices of termination in the current year to be effective on 31 December 2013 and 30 June 2012 respectively.

In addition to this redundancy program a number of staff in roles critical to the run off strategy have been provided with retention incentives to ensure the orderly realisation of assets, settlement of liabilities and maximisation of return to shareholders occurs. The costs associated with the redundancy program have been recognised in the previous financial year employee benefits expense whilst the incentives, which are contingent on the employee's continued service with the Company, are being recognised over the relevant service period and accordingly have continued to accrue in the current financial year and are reflected in the employee benefits expense. This incentive program has been effective to date in ensuring retention of these employees.

*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 are 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.

**6 Review of operations (continued)**

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. 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 an allowance for further impairment 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.

It is anticipated that the 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. 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 extent possible.

**Review of financial performance and position**

*Consolidated operating profit / (loss) after tax*

The consolidated results for the year ended 30 June 2012 attributable to the members of the Company are:

| | 30 June 2012 $000 | 30 June 2011 $000 |
|---|---|---|
| Revenue (net interest and fee income) | 7,234 | 9,791 |
| Expenses, excluding impairment and recovery expenses | (3,054) | (6,179) |
| Impairment of loans and advances | (4,516) | (11,212) |
| Impairment of receivable | - | 150 |
| Impairment of intangibles | - | (2,175) |
| Loan recovery expenses | (216) | (229) |
| Loss on reversal of foreign currency translation adjustments | - | (198) |
| Profit / (loss) before income tax | (552) | (10,052) |
| Income tax benefit / (expense) | - | (1,107) |
| Net profit / (loss) attributable to members | (552) | (11,159) |

The net loss for the year is $0.6 million which is a significant improvement from the net loss of $11.2 million in the previous corresponding period. Earnings per share are a loss of 0.8 cents.

The result reflects the closure of the Company's loan books and the run off strategy adopted by the Company during the year. Operating expenses have decreased by 50% to $3 million, whilst gross interest and fees have decreased by 23% over the previous year.

## 6 Review of operations (continued)

*Loss from operations*
The average gross loan book reduced by 20% to $45.4 million from $56.8 million, reflecting the closure of the Company's loan books to new advances during the year. Gross interest has decreased by 24% to $8.9 million and fee income has decreased by 10% to $1.0 million over the previous corresponding year. This decrease in interest and fee income results from the reduction in the gross loan book, together with the change in the loan product split. This reduction in gross interest and fee income will continue as a result of the orderly run off of the Company's loan books.

Interest expense decreased by 11% to $2.7 million as a result of the decrease in gross debt to $17.6 million from $36.0 million at the end of the previous year, together with the slight reduction in the average cost of funds from 7.9% from 7.8% during the year.

Expenses, excluding depreciation, amortisation and impairment, decreased by 44% to $3.2 million from $5.8 million in the previous year reflecting the reduction in the size of operations.

The impairment of loans and advances has significantly decreased to $4.5 million from $11.2 million in the previous corresponding period. Impairment on specific loans decreased by $4.0 million and the Personal Injury collective provision decreased by $0.4 million. These decreases have been partially offset by the establishment of a collective provision for the Disbursement Funding loan book of $0.3 million and an additional provision of $0.4 million to reflect the difference between expected future cash flows from specifically impaired loans of $4.5 million and the present value of those same cash flows of $4.1 million.

Depreciation and amortisation expense decreased significantly to $0.03 million from $0.6 million in the previous corresponding year. The current year 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 4% since the end of the previous year to a total of $13.2 million. Net tangible assets are 20.0 cents per share compared to 20.8 cents per share in the previous year.

At 30 June 2012 the Company's liabilities include gross borrowings of $17.6 million, trade payables of $0.3 million and employee entitlements of $0.3 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 year which is consistent with the previous corresponding year.

*Cash flows*
Consolidated cash inflows from operations have increased to $4.1 million compared to $1.7 million in the previous year as a result of the decrease in interest, supplier and employee payments together with the income tax refund received. The decrease in payments has been partially offset by the decrease in interest and fees received.

The cash inflow from investing activities for the year of $14.3 million has increased significantly from the outflow of $2.0 million in the previous year 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.

## 7 Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated Group during the year other than as dealt with in this report.

## 8 Dividends - Ask Funding Limited

Dividends declared and paid by the Company to members since the end of the previous financial year were:

| | **2012**<br>**$** | 2011<br>$ |
|---|---|---|
| Final ordinary dividend for the year ended 30 June 2010 of 0.36 cents per fully paid share paid on 15 October 2010 | - | 234,770 |

No final ordinary dividend has been recommended in respect of the current financial year.

### 9 Events subsequent to reporting date

Other than referred to above, in the interval between the end of the financial year and the date of this report, no transaction or event of a material and unusual nature has arisen, which in the opinion of the directors of the Company is likely to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 10 Likely developments and expected results of operations

The continued run off of all Loan Books as referred to above will result in the contraction of the Loan Book and the revenue of the business will decline over time consistent with this contraction.

Based on current cash flow projections, the balance of the Company's Senior Syndicated Finance Facility at the expiry date of the Facility (15 December 2012) is expected to be in a range of between nil and $6.0m. The reason for this range is as a result of uncertainty around the likely repayment date of a number of Matrimonial and Personal Injury loans. It is anticipated that the Facility will be repaid in full by 31 March 2013.

The Company continues to have the support of BankWest and is presently in discussions with the Bank concerning the possibility of the Facility not being repaid in full by 15 December 2012. As a result of these discussions with BankWest, the Company is very confident that BankWest will give favourable consideration to any extension of the Facility that may be required on terms very similar to those of the current Facility.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report as disclosure of the information would be likely to result in unreasonable prejudice to the Group.

### 11 Share options

**Options granted to directors and officers of the Company**

**Unissued shares under options**

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

| | | Ask Funding Limited | |
|---|---|---|---|
| **Date Options granted** | **Expiry date** | **Exercise price of options** | **Number of shares under option** |
| 23 November 2007 | 23 November 2012 | $0.645 | 120,000 |
| 23 November 2007 | 23 November 2012 | $0.600 | 1,110,000 |

No options have been granted since the end of the financial year.

**Shares issued on exercise of options**

During or since the end of the financial year, the Group has not issued any ordinary shares as a result of the exercise of options.

### 12 Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Ask Funding Limited | |
|---|---|---|
| | **Ordinary shares** | **Options over ordinary shares** |
| K Rich | 104,414 | - |
| R Templeton | 2,029,652 | 1,110,000 |
| G Partridge | 200,000 | - |
| M Collins | 265,306 | - |

## 13 Earnings per share

| | **2012 Cents** | 2011 Cents |
|---|---|---|
| **(a) Basic earnings per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | **(0.8)** | (16.9) |
| **(b) Diluted earnings per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | **(0.8)** | (16.9) |

## 14 Indemnification and insurance of officers and auditors

During the financial year Ask Funding Limited paid a premium to insure the directors and officers of the Company and of the Group against liabilities incurred by such an officer to the extent permitted by the Corporations Act 2001. The officers of the Group covered by the insurance policy include any person acting in the course of duties for the Group who is or was a director, secretary or executive officer as well as senior executive staff. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Company has agreed to indemnify its directors and the directors of its controlled entities against any liability to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and as directors of its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not entered into any agreement with their current auditors, KPMG, indemnifying against claims from third parties arising from their report on the annual report, or their position as auditor.

## 15 Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code Of Ethics For Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

| | **Consolidated** | |
|---|---|---|
| | **2012 $** | 2011 $ |
| **1. Audit services** | | |
| Auditors of the Group - KPMG: | | |
| Audit and review of financial reports | **101,158** | 140,373 |
| **Total remuneration for audit services** | **101,158** | 140,373 |
| **2. Services other than statutory audit - KPMG** | | |
| Other assurance services | | |
| Compliance assurance services | **-** | 22,000 |
| Other services | | |
| Taxation compliance services | **8,306** | 14,400 |
| Corporate advisory services | **1,650** | 187,326 |
| **Total remuneration for audit-related services** | **9,956** | 223,726 |

### 16 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 24.

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

Kenneth R Rich
Director

Brisbane, 31 August 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 audit for the financial year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Board
Partner

Brisbane
31 August 2012

## Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year which comply with the ASX Corporate Council recommendations unless otherwise stated.

**The board of directors**
The board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities and establishes those functions which are delegated to management and can be located in the Shareholder Centre section of the Company's website (www.askfunding.com.au).

**Role of the board**
The board's primary role is the creation and protection of sustainable shareholder value. To fulfill this role the board is responsible for the overall corporate governance of the Group including:

- charting the corporate strategy and financial objectives of the Group and ensuring appropriate resources are available for their implementation;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives;
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- ensuring the preparation of accurate financial reports and statements;
- reporting to shareholders and the investment community on the performance and state of the Group; and
- reviewing on a regular and continuing basis:
    - executive remuneration;
    - executive succession planning; and
    - executive development activities.

The board has formally delegated responsibility for the day to day operation and administration of the Group and the implementation of the corporate strategy to the Managing Director and the senior executives. These delegations are reviewed on a periodic basis as required.

***Composition of the board***
The charter states that the board membership is determined using the following principles:

- a majority of independent directors;
- a mix of directors from different backgrounds with an appropriate range of skills and experience who are able to competently deal with current and emerging business issues;
- a sufficient number of directors to serve on various committees without overburdening the directors or making it difficult to fully discharge their responsibilities;
- directors who have the time available to undertake the responsibilities and can effectively review, challenge and critique the performance of management; and
- the Chairperson must be an independent director who is appointed by the majority of the other directors.

**Directors' independence**
An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting power of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or any other Group member;
- is not a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual arrangements with the Company or any other Group member other than as a director of the Company; and
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

**Board members**
Details of the members of the board, their experience, expertise, qualifications, period of office and their independence status are set out in the Directors' Report under the heading of Directors.

At the date of signing the Directors' Report, there were three non-executive directors, two of whom have no relationship adversely affecting independence as set out in the principles above. Mr Collins has had dealings with the Company as disclosed in note 19(b) to the financial report however these were not of a value or significance that adversely affect his independence.

**Chairperson and Managing Director**
The Chairperson is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives.

The Managing Director is responsible for management of the day to day activities of the Group and implementation of the corporate strategy, financial objectives and policies.

**Induction**
The Company has an informal process to educate new directors about the nature of the business, financial position, current issues, corporate strategy and the expectations of the Group concerning performance of directors. This process enables them to actively participate in board decision making as soon as possible.

**Performance assessment**
An assessment of the collective performance of the Board and that of individual directors and of the committees has not been undertaken since August 2010 and, as a consequence of the run off strategy adopted by the Company and its business, it is not anticipated that such assessment will be performed in the coming year.

The Board is also responsible for undertaking an annual assessment of the Managing Director and of the Company Secretary which last took place in August 2010 and August 2009 respectively. Both the Managing Director and Company Secretary were given notice of the termination of their contracts during the year. Consequently, it is not anticipated that any assessments will be undertaken in the future.

The Managing Director is responsible for undertaking a review of the performance of other senior executives which last took place in November 2009.

**Independent professional advice**
Each director has the right, in connection with their duties and responsibilities, to seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation.

**Conflict of interests**
Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company, in accordance with the Board Charter.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the Item is considered. Details of director related entity transactions with the Company and the Group are set out in note 19 to the financial statements.

**Board committees**
The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit and risk management committees.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company's website.

All of the matters determined by the committees are submitted to the full board as recommendations for board decisions. Minutes of the committee meetings are tabled at the subsequent board meeting.

**Nomination committee**
The board has not established a separate nomination committee. The board as a whole deals with areas that would normally fall within the charge of the Nomination Committee. These include matters relating to board succession plans and the collective performance of the board.

The board appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. Notices for meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

The terms and conditions of the appointment of directors are set out in a letter of appointment, including expectations of attendance and preparation for all board meetings, minimum hourly commitment and if required the appointments to other boards. All new directors participate in the induction process outlined above.

**Remuneration committee**
The remuneration committee consists of the following independent non-executive directors:
Mr Gavin Partridge (Chairperson)
Mr Kenneth Rich

The remuneration committee meets at least twice per year or as otherwise required. Details of these director's qualifications and attendance at remuneration committee meetings are set out in the Directors' report on pages 6 - 8

The remuneration committee operates in accordance with its charter which is available on the Company's website. The main responsibilities of the committee are to:

- review and make specific recommendations to the board on remuneration packages and other terms of employment applicable to executive directors, other senior executives and non-executive directors;
- review targets and performance indicators, both on an individual and corporate basis, to ensure that the short and long term incentive components of remuneration packages which are contingent upon achievement of such targets, are consistent with the Group's remuneration strategy;
- review the performance of senior executives in the prior year to determine whether the performance targets and objectives have been met and where applicable the level of payout; and
- review the terms of share option and other incentives schemes and fringe benefit policies.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading Directors' and executive officers' remuneration report.

In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found in the "Share Trading Policy" which is available on the Company's website.

**Audit and risk management committee**
The audit and risk management committee consists of the following independent non-executive directors:
Mr Kenneth Rich (Chairperson)
Mr Gavin Partridge
Mr Antony Love - resigned 31 March 2012

Details of these director's qualifications and attendance at audit and risk management committee meetings are set out in the Directors' report on pages 6 to 8.

The audit and risk management committee operates in accordance with a charter which is available on the Company's website. The main responsibilities of the committee are to:

- review and assess the annual and half year financial reports and other financial information published by the Group or released to the market. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs) and assessing whether the financial information is adequate for shareholder needs;
- approve frameworks, systems and policies with respect to risk assessment and management in respect of, but not limited to material strategic, operational, financial, legal and reputational risks;
- oversee compliance systems, policies and procedures by which management ensures its legal obligations are met;
- assist the board, in reviewing the corporate risk assessment processes and internal control systems to ensure they deal with both the effectiveness and efficiency of operations, the reliability of financial information and compliance with applicable laws and regulations;
- recommend to the board the appointment, removal and remuneration of external auditors, reviewing their terms of engagement and the scope and quality of the audit and provide a forum for effective communication between the board and the external auditor;
- consider the independence of the external auditor on an on-going basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence of the Code of Conduct (refer below) is required at all times and the board actively promotes a culture of quality and integrity. Formal performance appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

In fulfilling its responsibilities, the audit and risk management committee:

- meets four times a year or as otherwise required;
- receives regular reports from management and the external auditors;
- receives on a quarterly basis from senior managers, a report on compliance with the relevant procedures as applicable to their business unit. Control procedures exist which cover management and financial reporting, health and safety, compliance and other management issues;
- meets with the external auditors at least twice a year and provides the opportunity for additional meetings separately without the presence of management;
- reviews any significant disagreements between the external auditors and management, irrespective of whether they have been resolved; and
- reviews the processes the Managing Director and CFO have in place to support their certifications to the board.

**External auditors**
The Group's and audit risk management committee policy is to appoint external auditors who clearly demonstrate quality and independence and the performance of the external auditor is reviewed annually. KPMG was appointed as the external auditor of the Company for the year ended 30 June 2006. It is KPMG's policy to rotate the audit engagement partners on listed companies every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report under the heading of "Non-audit services" and also in note 5 to the financial report. It is the policy of the external auditors to provide an annual declaration of their independence to the audit and risk management committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

**Corporate reporting**
The Managing Director and staff members performing the Chief Financial Officer role have made the following declarations to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with the relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

**Environmental regulation**
The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

**Code of Conduct**
The Group has developed a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that all personnel of the Group act, at all times, with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies. The Code requires employees who are aware of unethical practices within the Group or breaches of the Code to report these using the procedure outlined within the Code. All reports remain anonymous.

The Code of Conduct is set out in the Employee Handbook and is discussed with each new employee as a part of their induction training. The Code is available on the Company's website.

**Trading in general Company securities by directors and employees**
The Group has established a Share Trading Policy which has been fully endorsed by the board and applies to all directors and employees. This policy is regularly reviewed and updated as necessary to ensure it reflects the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

The key elements of the Group's Share Trading Policy are:

- the prohibition from trading in the Company's securities:
  - while in possession of unpublished price-sensitive information concerning the Company;
  - during specified "trading blackout" periods; and
  - for short term speculative gains;
- the prohibition from entering into transactions in financial products which operate to limit the economic risk of both vested or unvested holdings in the Company's securities including, without limitation, any hedging or similar arrangement in respect of unvested entitlements or restricted entitlements held or granted under any equity based remuneration scheme; and
- the prohibition from entering into any stock lending or similar arrangement in relation to holdings of the Company's securities by directors and senior executives.

The Share Trading Policy is set out in the Employee Handbook and is discussed with each new employee as a part of their induction training. Directors and senior executives are asked to sign an annual declaration confirming their compliance with the policy. The Share Trading Policy is available on the Company's website.

**Communication with shareholders**
The Group has a policy on information disclosure that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. This policy also includes the arrangements the Company has in place to promote communicate with shareholders and encourage effective participation at general meetings. The Disclosure and Communications Policy is available on the Company's website.

The board has nominated the Managing Director as being responsible for communications with the Australian Securities Exchange (ASX) and media. He, together with Mr Collins, who was appointed as strategic and shareholder relations officer on 23 November 2010 are responsible for communications with shareholders and the investing community. This includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the relevant parties.

The Company's website provides a link to the ASX's company reporting platform such that all information disclosed to ASX is available from the website as soon as it is disclosed to the ASX, including all material used in presentations to analysts providing updates on the Group's operations.

The board encourages full participation of shareholders at general meetings of the Company to ensure a high level of accountability and identification with the Group's strategy and goals.

**Diversity**
The Board recognises the benefits of achieving an appropriate mix of diversity on its Board and throughout the Company as a means of enhancing the Company's performance and organisational capabilities. The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available at work.

However, the Board has elected not to establish a formal diversity policy due to the run off strategy of the Company and the limited number of personnel employed.

| | Notes | Consolidated 2012 $ | 2011 $ |
|---|---|---|---|
| Interest income | | **8,943,248** | 11,732,540 |
| Interest expense | | **(2,726,748)** | (3,070,420) |
| **Net interest income** | | **6,216,500** | 8,662,120 |
| **Fee income** | | **1,016,295** | 1,128,759 |
| **Other operating gains / (losses)** | | **840** | - |
| **Expenses** | | | |
| Employee benefits expense | | **(1,964,478)** | (3,208,512) |
| Depreciation and amortisation expense | | **(34,429)** | (654,226) |
| Impairment of loans and advances | 9 | **(4,515,537)** | (11,211,577) |
| Loan documentation expenses | | **-** | (39,473) |
| Loan recovery expenses | | **(215,771)** | (228,759) |
| Marketing expenses | | **(5,119)** | (310,809) |
| Occupancy expenses | | **(280,228)** | (525,400) |
| IT expenses | | **(210,210)** | (449,994) |
| General and administrative expenses | | **(559,464)** | (992,076) |
| Reversal of impairment / (impairment of receivable | 10 | **-** | 150,000 |
| Impairment of intangible assets | 12 | **-** | (2,174,757) |
| Loss on reversal of foreign currency translation adjustments due to wind up of foreign subsidiary | | **-** | (197,729) |
| **Profit / (loss) before income tax** | | **(551,601)** | (10,052,433) |
| Income tax expense | 6 | **-** | (1,106,872) |
| **Profit / (loss) for the year** | | **(551,601)** | (11,159,305) |
| | | **Cents** | Cents |
| **Earnings / (loss) per share** | | | |
| Basic earnings / (loss) per share | 7 | **(0.8)** | (16.9) |
| Diluted earnings / (loss) per share | 7 | **(0.8)** | (16.9) |

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

| | Notes | Consolidated 2012 $ | 2011 $ |
|---|---|---|---|
| **Profit / (loss) for the year** | | **(551,601)** | (11,159,305) |
| **Other comprehensive income** | | | |
| Effective portion of changes in fair value of cash flow hedges | | - | (76,276) |
| Exchange differences on translation of foreign operation | | - | (54,437) |
| Exchange differences on wind up of foreign subsidiary transferred to the income statement | | - | 197,729 |
| Income tax relating to components of other comprehensive income | 6(b) | - | 22,883 |
| **Other comprehensive income / (loss) for the year, net of tax** | | - | 89,899 |
| **Total comprehensive income / (loss) for the year** | | **(551,601)** | (11,069,406) |

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

| Consolidated | Contributed equity $ | Translation reserve $ | Hedging reserve $ | Share based payments reserve $ | Profits reserve $ | Retained earnings / (losses) $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2010** | **18,595,828** | **(143,292)** | **53,393** | **206,521** | **-** | **6,328,948** | **25,041,398** |
| Profit / (loss) | - | - | - | - | - | (11,159,305) | (11,159,305) |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | (53,393) | - | - | - | (53,393) |
| Exchange differences on translation of foreign operation | - | (54,437) | - | - | - | - | (54,437) |
| Exchange differences on translation of foreign operations transferred to the income statement | - | 197,729 | - | - | - | - | 197,729 |
| **Total comprehensive income for the year** | **-** | **143,292** | **(53,393)** | **-** | **-** | **(11,159,305)** | **(11,069,406)** |
| **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 30 June 2011** | **18,595,828** | **-** | **-** | **215,308** | **-** | **(5,067,797)** | **13,743,339** |

| Consolidated | Contributed equity $ | Translation reserve $ | Hedging reserve $ | Share based payments reserve $ | Profits reserve $ | Retained earnings / (losses) $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2011** | **18,595,828** | **-** | **-** | **215,308** | **-** | **(5,067,797)** | **13,743,339** |
| Profit / (loss) | - | - | - | - | - | (551,601) | (551,601) |
| Transfer parent entity current year profit | - | - | - | - | 1,011,320 | (1,011,320) | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **1,011,320** | **(1,562,921)** | **(551,601)** |
| Employee share options- forfeiture of options | - | - | - | (30,422) | - | 30,422 | - |
| **Balance at 30 June 2012** | **18,595,828** | **-** | **-** | **184,886** | **1,011,320** | **(6,600,296)** | **13,191,738** |

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

| | Notes | Consolidated 2012 $ | 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 8 | **891,042** | 1,051,348 |
| Net loans and advances | 9 | **30,404,507** | 47,168,663 |
| Current tax receivables | | **-** | 381,299 |
| Property, plant and equipment | | **-** | 516,442 |
| Other assets | 13 | **67,795** | 1,541,781 |
| **Total assets** | | **31,363,344** | 50,659,533 |
| **LIABILITIES** | | | |
| Trade and other payables | 14 | **336,437** | 1,035,230 |
| Interest-bearing loans and borrowings | 15 | **17,566,754** | 35,582,895 |
| Employee benefits | 16 | **268,415** | 298,069 |
| **Total liabilities** | | **18,171,606** | 36,916,194 |
| **Net assets** | | **13,191,738** | 13,743,339 |
| **EQUITY** | | | |
| Contributed equity | 17 | **18,595,828** | 18,595,828 |
| Reserves | | **1,196,206** | 215,308 |
| Retained profits/(losses) | | **(6,600,296)** | (5,067,797) |
| **Total equity** | | **13,191,738** | 13,743,339 |

*The above statement of financial position should be read in conjunction with the accompanying notes.*

| | Notes | Consolidated 2012 $ | 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest and fees received | | **9,416,532** | 10,718,799 |
| Interest paid | | **(2,234,739)** | (2,879,768) |
| Payments to suppliers and employees | | **(3,417,587)** | (5,875,181) |
| | | **3,764,206** | 1,963,850 |
| Income taxes refunded / (paid) | | **380,995** | (280,731) |
| **Net cash (outflow) inflow from operating activities** | 27 | **4,145,201** | 1,683,119 |
| **Cash flows from investing activities** | | | |
| Payments for leasehold improvements, plant and equipment | | **-** | (11,416) |
| Payments for other assets | | **(9,978)** | - |
| Payments for intangible assets | | **-** | (106,270) |
| Proceeds from repayment of receivable | | **-** | 150,000 |
| Proceeds from sale of property, plant and equipment | | **-** | - |
| Net funds advanced to clients | | | |
| Loans advanced to clients | | **(5,457,102)** | (25,742,948) |
| Loans repaid by clients | | **18,304,828** | 24,459,888 |
| Release / (transfer) of funds - restricted use bank deposits | | **1,433,681** | (728,333) |
| **Net cash (outflow) inflow from investing activities** | | **14,271,429** | (1,979,079) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **-** | 38,000,000 |
| Repayment of borrowings | | **(18,400,000)** | (39,000,000) |
| Payment of borrowing costs | | **(176,936)** | (587,604) |
| Dividends paid to company's shareholders | | **-** | (237,440) |
| **Net cash inflow (outflow) from financing activities** | | **(18,576,936)** | (1,825,044) |
| **Net increase (decrease) in cash and cash equivalents** | | **(160,306)** | (2,121,004) |
| Cash and cash equivalents at the beginning of the financial year | | **1,051,348** | 3,172,979 |
| Effects of exchange rate changes on cash and cash equivalents | | **-** | (627) |
| **Cash and cash equivalents at end of year** | 8 | **891,042** | 1,051,348 |

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

## Contents of the notes to the financial statements

# 1 Significant accounting policies

Ask Funding Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity. The nature of the operations and principal activities of the Group are described in the Directors' Report.

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASB's') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ('IFRS's') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2012.

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

The financial statements for the year ended 30 June 2012 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 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").

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 15 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.

## 1 Significant accounting policies (continued)

### (a) Statement of compliance (continued)

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 30 June 2012 and the amounts that are actually realised, and such differences may be material.

***(ii) Reverse acquisition accounting***
The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes).

The consolidated financial statements from 1 July 2005, the date of the reverse acquisition, are issued in the name of Ask Funding Limited as legal parent, but represent a consolidation of the financial statements of the legal subsidiary ACN 109 006 126 Pty Ltd and its controlled entities as follows:

- the assets and liabilities of the legal subsidiary are recognised and measured in the consolidated financial statements at their pre combination carrying amounts;
- the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary immediately before the business combination; and
- the amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination.

Reverse acquisition accounting applies only to the business combination transactions at the acquisition date (1 July 2005) and does not apply to transactions after the reverse acquisition date.

***(iii) Functional and presentation currency***
These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

***(iv) Basis of measurement***
The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and share based payments which are measured at fair value.

***(v) Early adoption of standards and interpretations***
The Group has not elected to adopt any accounting standards or amendments to standards or interpretations issued prior to the date of this report where application is not mandatory for the year ended 30 June 2012.

***(vi) Critical accounting estimates***
The preparation of financial statements in conformity with AASB's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***(vii) Application***
The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.

# 1 Significant accounting policies (continued)

## (b) Principles of consolidation

### *(i) Subsidiaries*
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### *(ii) Loss of control*
Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### *(iii) Transactions eliminated on consolidation*
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## (c) Foreign currency

### *(i) Foreign currency transactions*
Transactions in foreign currencies are translated to the functional currencies of Group entities at the respective exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### *(ii) Foreign operations*
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating the exchange rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the foreign currency translation reserve which is a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (Translation Reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the Translation Reserve.

## (d) Financial instruments

### *(i) Non-derivative financial assets*
The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cashflows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

# 1 Significant accounting policies (continued)

### (d) Financial instruments (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Loans and advances*
Loans and advances are measured at amortised cost using the effective interest method less any impairment losses.

The amortised cost is the amount at which a financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the statement of cash flows.

***(ii) Non- derivative financial liabilities***
Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: interest-bearing loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

***(iii) Derivative financial instruments***
The Group held derivative financial instruments to hedge its interest rate risk exposure. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss is accounted for as described below:

*Hedging*
On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they are designated.

*Cash flow hedges*
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

## 1 Significant accounting policies (continued)

### (d) Financial instruments (continued)

For cash flow hedges other than those described above, the associated cumulative gain or loss is removed from other comprehensive income and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

### (e) Share Capital

***(i) Ordinary shares***
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

***(ii) Dividends***
Dividends are recognised as a liability in the period in which they are declared.

### (f) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods as below.

***(i) Financial instruments traded in an active market***
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date.

***(ii) Financial instruments not traded in an active market***
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

***(iii) Other receivables and trade payables***
The nominal value less estimated credit adjustments of other receivables and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

***(iv) Share-based payment transactions***
The fair value of employee share options is measured using the Black-Scholes and Binomial option pricing models. Measurement inputs include the exercise price of the instrument, 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. Service and non-market conditions attached to the transactions are not taken into account in determining fair value.

***(v) Loans and advances***
The fair value of loans and advances is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (g) Property, plant and equipment

***(i) Owned assets***
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

# 1 Significant accounting policies (continued)

### (g) Property, plant and equipment (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in profit or loss.

***(ii) Subsequent costs***
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

***(iii) Depreciation***
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The range of depreciation rates used for each class of asset, in the current and comparative periods, are as follows:

| | |
|---|---|
| Furniture and fittings | 7.5 - 30% |
| Office equipment | 11 - 40% |

The residual value, if not insignificant, is reassessed annually.

### (h) Intangible assets

***(i) Goodwill***
Goodwill and negative goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

***(ii) Other intangible assets***
Other intangible assets that are acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

***(iii) Subsequent expenditure***
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

***(iv) Amortisation***
Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives in the current and comparative periods are as follows:

| | |
|---|---|
| Computer software | 2.5 to 5 years |

### (i) Impairment

***(i) Financial assets***
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

## 1 Significant accounting policies (continued)

### (i) Impairment (continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

All impairment losses are recognised in profit and loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

### *(ii) Impairment of Loans and Advances*

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

The impairment loss is measured as the difference between the carrying amount of the loan or advance, including the security held, and the present value of expected future cash flows.

*Specific provision*
Impairment losses on loans and advances are determined on a case by case basis. Each borrower is subjected to a regular and intensive assessment for the identification and quantification of impairment. Following this assessment, if there is evidence that a loan or advance is impaired, then a specific impairment is raised. Any subsequent write-offs are then made against the specific provision for unrecoverable loans.

*Collective provision*
Individual loans and advances not subject to specific provisioning are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. Adjustments to the collective provision are recognised in the income statement.

### *(iii) Non-financial assets*

The carrying amount of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss has decreased or no longer exist and if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 1 Significant accounting policies (continued)

### (j) Employee benefits

***(i) Short-term benefits***
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

***(ii) Defined contribution superannuation funds***
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

***(iii) Share-based payments***
The fair value of options granted under the Ask Funding Limited Executive Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

***(iv) Profit-sharing and bonus plans***
A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***(v) Termination benefits***
Termination benefits are payable when employment is terminated before the normal retirement date. The Company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

### (k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (l) Revenue

***(i) Interest income***
Interest income is recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The calculation of the estimated future cash receipts includes ascertainable fees received and transaction costs directly attributable to the acquisition or issue of the financial asset, as well as any discounts or premiums.

The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

***(ii) Fee income***
Fee income, including account servicing and reassessment fees are recognised as the related services are performed.

Notwithstanding the fact that Group policy is to determine all fees received by reference to reimbursement of actual costs, for accounting purposes ascertainable fees received are recognised as interest income under the effective interest rate method.

***(iii) Dividend income***
Dividend income is recognised when the right to receive the income is established, which in the case of quoted securities is the ex-dividend date.

## 1 Significant accounting policies (continued)

### (m) Expenses

***(i) Operating lease payments***
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

***(ii) Interest expense***
Interest expense is calculated using the effective interest method. Borrowing costs are expensed as incurred and included in interest expense.

### (n) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantially enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Ask Funding Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

### (o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## 1 Significant accounting policies (continued)

### (p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares which comprises convertible notes and share options granted to employees.

### (q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The allocations recognise that whilst costs may have been incurred by the Group, they may relate to the operating activities of another geographical segment. Unallocated items comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### (r) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

### (s) Parent entity financial information

The financial information for the parent entity, Ask Funding Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

***(i) Investments in subsidiaries***
Investments in subsidiaries are accounted for at cost in the financial statements of Ask Funding Limited.

***(ii) Tax consolidation legislation***
Ask Funding Limited and its wholly owned Australian resident subsidiaries are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Ask Funding Limited.

Current tax expense, deferred tax assets and deferred tax liabilities arising from the temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of the assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

## 1 Significant accounting policies (continued)

### (s) Parent entity financial information (continued)

***(iii) Nature of tax funding arrangements and tax sharing arrangements***

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables / (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax-sharing agreement. The tax-sharing agreement provides for the determination of the allocation of the income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

## 2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The board of directors have overall responsibility for the establishment and oversight of the risk management framework. The board has established the audit and risk management committee, which is responsible for developing a robust structure for the determination of risk appetite and the monitoring, reporting and escalation of risks, including both operational and financial risks. The committee reports regularly to the board of directors on its activities.

The committee is also responsible for risk management policies which are established to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The key objective of these policies is to mitigate these risks, reduce volatility on financial performance, to ensure sufficient liquidity is maintained at all times to meet the Group's obligations and execute the Group's operational strategy whilst optimising investment return for shareholders.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

There have been no significant changes in the types of financial risks the Group is exposed to since the prior year.

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position through fluctuations in the fair value or future cashflows of financial instruments.

***(i) Foreign exchange risk***

In 2011, the Group's exposure to foreign currency exchange differences was minimal and limited to the loans and advances denominated in New Zealand dollars and the investment the parent entity had in the New Zealand subsidiary. As the Group no longer has any loans and advances denominated in New Zealand dollars and the New Zealand subsidiary has been wound up, the Group has no exposure to foreign exchange risk as at 30 June 2012.

***(ii) Interest rate risk***

Interest rate risk is the risk to earnings from the margin between different yield curves arising from movements in the absolute levels of interest rates and the volatility of interest rates. Cash flow interest rate risk arises from financial instruments with a floating interest rate whereas fair value interest rate risk arises from fixed interest rate financial instruments.

Loans and advances are issued by the Group at fixed interest rates and are at amortised cost, so therefore do not expose the entity to cash flow interest rate risk or to fair value interest rate risk.

The Group's interest rate risk therefore arises predominantly from the interest bearing financial liabilities which are issued at a variable rate and cash and cash equivalents which are held at a variable rate.

As at the reporting date, the Group had the following variable rate financial instruments outstanding:

| | **Carrying amount Consolidated** | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Bank balances and deposits | **891,042** | 2,485,029 |
| Commercial advance facility | **(17,600,000)** | (36,000,000) |
| **Net exposure to cash flow interest rate risk** | **(16,708,958)** | (33,514,971) |

## 2 Financial risk management (continued)

### (a) Market Risk (continued)

The table below summarises the impact of an increase and decrease of 25 basis points (2011: 50 basis points increase / decrease) from year end variable interest rates, with all other variables held constant on the Group's post tax profit / (loss) for the year and on equity, calculated on the net interest bearing financial instruments held at the reporting date. This sensitivity has been selected based on the current level of short term Australian dollar interest rates, the Groups mix of debt and facility expiry dates, review of historical movements and expectations of economic forecasters.

| | **Impact on post-tax profit / (loss)** | | **Impact on equity** | |
|---|---|---|---|---|
| | **+ 0.25% (2011: 0.5%)** $ | **- 0.25% (2011: -0.5%)** $ | **+ 0.25% (2011: 0.5%)** **$** | **- 0.25% (2011: -0.5%)** $ |
| **30 June 2012** | | | | |
| Variable rate instruments | **(41,772)** | **41,772** | **-** | **-** |
| Cash flow sensitivity (net) | **(41,772)** | **41,772** | **-** | **-** |
| **30 June 2011** | | | | |
| Variable rate instruments | (117,302) | 117,302 | - | - |
| Cash flow sensitivity (net) | (117,302) | 117,302 | - | - |

### (b) Credit risk

Credit risk is the risk of financial loss if a debtor or other counterparty to a financial instrument fails to meet its contractual obligations.

The Group's credit risk arises predominately from loans and advances. This credit risk is managed by the Group's lending model under which monies were advanced against the anticipation of a specified future event with the loan risks and credit assessment fundamentally related to the outcome of that specified event and with repayment sourced from the resultant agreed or judicially determined settlement outcome and proceeds. The principal amount advanced was limited to a maximum of 30% of the lower range of the expected settlement outcome, which is calculated through a known formula and methodology utilised within the judicial system.

Therefore, unlike the majority of consumer lending the Personal Injury and Disbursement Funding products are far less reliant on the financial position of the borrower for repayment and are less affected by consumer sentiment, market or economic conditions. The Group closed the Personal Injury loan books to new advances in August 2011 and closed the Disbursement Funding loan book to new advances in January 2012.

The Matrimonial and Inheritance Funding products however are subject to market and economic conditions as the settlement outcome of the underlying matters are linked to existing assets such as property, shares and businesses and therefore in order to repay the loan or advance these assets must either be sold or refinanced. In the current market, the reduction in asset values and the tighter refinancing criteria applied by traditional financiers has led to an increased credit risk on these particular loans and advances. The Group closed the Matrimonial and Inheritance Funding loan books to new advances in the previous financial year.

The Group has limited credit risk exposure concentrated to a single borrower or legal practice. In respect of loans and advances and other receivables the following mitigants are sought;

- Single borrower : registered mortgage, caveats, assignments of interest or charge over assets
- Legal practice : personal guarantees of partners of the practice

However the Group has an exposure to a number of loans which are considered to have a higher risk profile as a result of the length of time estimated for the underlying litigation to settle and the subsequent realisation of assets required for repayment of the associated loans. At 30 June 2012 these loans total $6.8 million (2011: $6.9 million) of which $3.5 million (2011: $0.8 million) is past due but not impaired, nil (2011: $1.3 million) is impaired but not past due, $2.8 million (2011: $2.8 million) is past due and impaired, whilst the remainder are neither past due nor impaired.

The maximum exposure to credit risk is the carrying amount of financial assets, net of any provision for impairment.

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

*Provision for impairment*

The Group establishes a provision for impairment that represents its estimate of the recoverability of loans and advances. These calculations involve the use of estimates and assumptions regarding litigation risk, settlement proceeds, underlying asset values and historical loss rates. Refer to note1(i)(ii) for further details of impairment of loans and advances.

*Sensitivity*

At 30 June 2012, the total provision for impairment of loans and advances recognised represents 13% (2011: 15%) of the gross loans and advances. In the event the estimated impairment of loans and advances was to change by + / - 10%, the total provision would increase / decrease by $471,000 and increase / decrease the loss by the corresponding amount.

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due because of the lack of liquid assets or access to adequate capital and debt facilities on acceptable terms. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient funds available on a timely basis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation, where such funds include a defined surplus of cash. To manage this risk, management continuously monitors forecast and actual cash flows, and communicates with its financier regarding these cashflows as appropriate.

*Financing arrangements*
A single financier provided all of the Groups borrowing facilities as at 30 June 2012 and 30 June 2011.

The Group and the Company had access to the following undrawn borrowing facilities at the reporting date:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Floating rate** | | |
| - Expiring within one year (Commercial advance facility) | **-** | - |
| - Expiring beyond one year (Commercial advance facility) | **-** | 4,627,523 |
| | **-** | 4,627,523 |

Pursuant to the variation of the Senior Syndicated Finance Facility Agreement executed on 24 January 2012, the Group has no access to undrawn borrowing facilities.

Refer notes 15 and 24 for further details in relation to the Group's financing facilities.

The Group maintains cash deposits as detailed in notes 8 and 13.

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

*Maturities of financial liabilities*
Refinancing risk, a subset of liquidity risk, is the risk that the maturity profile of the Group's financial liabilities makes it difficult to refinance or rollover maturing debt, in that it creates an excessive exposure to potentially unfavourable market conditions at any given time.

The tables below analyse the Group’s financial liabilities into relevant maturity groupings. The amounts disclosed in the tables are the contractual undiscounted cash flows.

The commercial advance facility is due to be fully repaid by 15 December 2012. Based on current cash flow projections, the commercial advance facility may not be fully repaid by 15 December 2012 and the outstanding liability is expected to be in a range of between nil and $6.0m. The reason for this range is as a result of uncertainty around the likely repayment date of a number of Matrimonial and Personal Injury loans. It is anticipated, based on current cash flow forecasts, that the commercial advance facility will be repaid in full by 31 March 2013.

| **At 30 June 2012** | **Less than 6 months** $ | **6 - 12 months** $ | **Between 1 and 2 years** $ | **Between 2 and 3 years** $ | **Total contractual cash flows** $ | **Carrying Amount (assets)/ liabilities** $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade and other payables | 336,437 | - | - | - | 336,437 | 336,437 |
| Commercial advance facility | 18,129,363 | - | - | - | 18,129,363 | 17,566,754 |
| **Total financial liabilities** | 18,465,800 | - | - | - | 18,465,800 | 17,903,191 |

| At 30 June 2011 | Less than 6 months $ | 6 - 12 months $ | Between 1 and 2 years $ | Between 2 and 3 years $ | Total contractual cash flows $ | Carrying Amount (assets)/ liabilities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade and other payables | 518,788 | - | - | - | 518,788 | 518,788 |
| Commercial advance facility | 37,530,526 | 1,536,000 | 3,072,000 | 1,225,775 | 43,364,301 | 35,582,895 |
| **Total financial liabilities** | 38,049,314 | 1,536,000 | 3,072,000 | 1,225,775 | 43,883,089 | 36,101,683 |

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group does not have any financial instruments carried at fair value as at 30 June 2012 or 30 June 2011.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management discussed with the Audit and Risk Management Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements 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.

*(a) Impairment of goodwill and intangibles with indefinite useful lives*
The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 1. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. Refer to note 12 for details of these assumptions.

*(b) Impairment of loans and advances and other receivables*
The Group continually assesses whether loans and advances and other receivables are impaired in accordance with the accounting policy in note 1. Provisions for impairment are raised where there is objective evidence of impairment and full recovery is considered doubtful. These calculations may involve an estimate of the litigation risk, the settlement proceeds and underlying asset values in order to determine the estimate of the recoverable amount. The Group's credit risk exposure is detailed in note 2(b).

*(c) Valuation of share-based payments*
The fair value of options granted under the Ask Funding Limited Executive Option Scheme have been measured using the Black-Scholes and Binomial option pricing models. These models require the estimation of certain inputs including the expected price volatility of the underlying share and the expected dividend yield.

*(d) Basis of preparation*
These financial statements have been prepared using an orderly realisation of assets and settlement of liabilities basis (refer note 1(a)). Given the uncertainty in valuing assets and liabilities on a basis other than going concern, it is likely that the value of assets and liabilities included in these financial statements may differ from actual results.

## 4 Segment reporting

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.

No operating segments have been aggregated to form the above reportable operating segment.

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 year and the assets of the segment include all of the Group's assets at balance date.

## 5 Remuneration of auditors

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Audit and review services** | | |
| Auditors of the Company | | |
| *KPMG* | | |
| Audit and review of financial reports | **101,158** | 140,373 |
| | **101,158** | 140,373 |
| **Other services** | | |
| Auditors of the Company | | |
| *KPMG* | | |
| In relation to other assurance, taxation and corporate advisory services | **9,956** | 223,726 |
| | **9,956** | 223,726 |

## 6 Income tax expense

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **(a) Income tax expense** | | |
| Current tax | **-** | - |
| Adjustments for current tax of prior periods | **-** | 20,512 |
| Deferred tax | **-** | 1,086,360 |
| | **-** | 1,106,872 |
| **(b) Tax expense (income) relating to items of other comprehensive income** | | |
| Cash flow hedges | **-** | (22,883) |
| | **-** | (22,883) |
| **(c) Numerical reconciliation between income tax expense and pre-tax accounting profit** | | |
| Profit / (loss) before tax | **(551,601)** | (10,052,433) |
| Tax at the Australian tax rate of 30% (2011 - 30%) | **(165,480)** | (3,015,730) |
| Tax effect of amounts which are not deductible/(assessable) in calculating taxable income: | | |
| Non-deductible expenses | **2,214** | 6,147 |
| Non-assessable reversal of impairment of receivable | **-** | (45,000) |
| Non-deductible loss on reversal of foreign currency translation reserve | **-** | 59,319 |
| Impairment of goodwill | **-** | 286,311 |
| Non-deductible loss on foreign subsidiary loan forgiveness | **-** | 65,787 |
| Share-based payments | **-** | 2,636 |
| Recognition of previously unrecognised deferred tax assets | **(1,327,515)** | - |
| Derecognition of deferred tax assets | **-** | 3,232,501 |
| Current year losses for which no deferred tax asset was recognised | **1,490,781** | 494,661 |
| | **-** | 1,086,632 |
| Under / (over) provided in prior years | **-** | 20,240 |
| Income tax expense | **-** | 1,106,872 |

## 6 Income tax expense (continued)

### (d) Deferred tax asset not brought to account

| | 2012 | 2011 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **10,948,300** | 6,084,470 |
| Deductible temporary differences | **6,349,952** | 10,775,003 |
| | **17,298,252** | 16,859,473 |
| Potential tax benefit @ 30% | **5,189,476** | 5,057,842 |

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 Earnings per share

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **Cents** | Cents |
| **(a) Basic earnings per share** | | |
| Profit / (loss) for the period | **(0.8)** | (16.9) |
| Profit attributable to the ordinary equity holders of the company | **(0.8)** | (16.9) |
| **(b) Diluted earnings per share** | | |
| Profit / (loss) from continuing operations | **(0.8)** | (16.9) |
| Profit attributable to the ordinary equity holders of the company | **(0.8)** | (16.9) |

### (c) Reconciliation of earnings / (loss) used in calculating earnings / (loss) per share

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| *Basic earnings per share* | | |
| Profit / (loss) for the period | **(551,601)** | (11,159,305) |

### (d) Weighted average number of shares used as the denominator

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **Number** | Number |
| *Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share* | **65,955,515** | 65,955,515 |

*(i) Options*
Options granted to executives under the Ask Funding Limited Executive Option Scheme are not included in the calculation of diluted earnings per share due to the exercise price of the options exceeding the average market value of Ask Funding Limited's ordinary shares for the period that the options were outstanding. These options are not dilutive as at 30 June 2012 however, these options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in note 25.

## 8 Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Cash in hand | **300** | 300 |
| Cash at bank | **890,742** | 1,051,048 |
| | **891,042** | 1,051,348 |

### (a) Fair value

The carrying amount of cash and cash equivalents equals fair value.

### (b) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents.

The Group's and the Company's exposure to interest rate risk is discussed in note 2.

## 9 Net loans and advances

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Net loans and advances** | | |
| Family Law | **8,970,692** | 17,697,507 |
| Disbursement Funding | **16,092,701** | 21,414,492 |
| Personal Injury | **9,769,556** | 16,228,191 |
| Other | **279,992** | 273,901 |
| Provision for impairment | **(4,708,434)** | (8,445,428) |
| **Total other assets** | **30,404,507** | 47,168,663 |

These financial assets are classified as loans and receivables and are measured at amortised cost using the effective interest method.

### (a) Past due but not impaired

Loans and advances do not have a specified repayment date as the loans and advances become technically repayable within 14 days of settlement of the client's underlying specified event. The 14 day time period is derived from a literal reading of the loan documentation utilised by the Group.

With reference to this repayment trigger, at 30 June 2012, loans and advances of $4,803,637 (2011: $6,035,146) for the Group have been classified as past due but not impaired. That is, the loans and advances are due for repayment as the underlying specified event has settled but for which repayment has been delayed by either liquidation of real property now held by the borrower, transfer of legal title of assets to the borrower pursuant to a Court Order or as agreed between the parties, or receipt of claim proceeds from the insurance company or statutory body.

These loans and advances are not considered impaired as the value of the underlying assets, including real property, or the amount of the settled claim exceeds the amount due to the Group and both the borrower and relevant legal counsel have acknowledged that the debt, in its entirety, is due and payable.

## 9 Net loans and advances (continued)

The ageing analysis of these loans and advances is as follows:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Past due 0-45 days | **438,164** | 1,470,109 |
| Past due 46-90 days | **29,509** | 744,347 |
| Past due 91-150 days | **348,857** | 1,364,612 |
| More than 150 days | **3,987,107** | 2,456,078 |
| | **4,803,637** | 6,035,146 |

### (b) Impaired loans and advances

All loans and advances whether or not due for repayment are subject to continuous management review and an impairment loss is recognised as soon as there is objective evidence that a particular loan or advance is impaired and that reasonable doubt exists over the collectability of principal or interest and fees in accordance with the loan agreement.

As at 30 June 2012 loans and advances of $8,411,773 (2011: $10,589,366) for the Group were considered to be impaired either in full or in part. The amount of the specific provision raised in relation to these impaired assets was $3,953,942 (2011: $7,660,643).

The ageing of these loans and advances is as follows:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Not past due | **2,055,968** | 2,869,169 |
| Past due 0-45 days | **372,321** | 262,991 |
| Past due 46-90 days | **100,458** | 473,217 |
| Past due 91-150 days | **484,345** | 370,546 |
| More than 150 days | **5,398,681** | 6,613,443 |
| | **8,411,773** | 10,589,366 |
| Interest forgone on impaired assets | **930,102** | 265,911 |
| Interest taken to profit on impaired assets | **912,104** | 2,147,343 |

## 9 Net loans and advances (continued)

### (c) Provision for impairment

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

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Specific provision** | | |
| Opening balance | **7,660,643** | 2,886,187 |
| Charge to operating profit | **4,096,377** | 10,426,792 |
| Write-offs | **(7,803,078)** | (5,652,336) |
| Closing balance | **3,953,942** | 7,660,643 |
| **Collective provision** | | |
| Opening balance | **784,785** | - |
| Charge to operating profit | **419,160** | 784,785 |
| Write-offs | **(449,453)** | - |
| Closing balance | **754,492** | 784,785 |
| **Closing balance** | **4,708,434** | 8,445,428 |

### (d) Risk exposure

Information about the Group’s exposure to credit risk and interest rate risk is provided in note 2.

### (e) Security

The Group has the following collateral over loans and advances, including past due and impaired loans:

- Caveats placed on property, with a right to take mortgage granted by the borrower on the majority of family law funding and inheritance funding loans and advances.
- Mortgages, both registered and unregistered over property on a number of family law funding loans and advances.
- Guarantees from law firms and each of its constituent partners in a personal capacity that indemnifies Ask Funding Limited for full repayment of principal and capitalised interest, on disbursement funding loans.
- Personal Injury advances are made primarily on an unsecured non-recourse basis. However the repayment of these loans is effected via an Irrevocable Instruction from the borrower to his/her lawyer's trust account. No funds are advanced unless the Irrevocable Instruction is acknowledged by the borrower's lawyer.

## 10 Trade and other receivables

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| **Other receivables** | | |
| Other receivables | **1,106,000** | 1,106,000 |
| Provision for doubtful receivable | **(1,106,000)** | (1,106,000) |
| | **-** | - |

Included in other receivables is an amount of $1,106,000 (2011: $1,106,000), representing the present value of deferred consideration for the sale of the shares and options of Impact Holdings (UK) Plc which is secured by a Fixed and Floating Charge over all of the assets and undertakings of the purchaser. This receivable was due for repayment on 31 December 2009 and as no repayment was received, receivers were appointed under the terms of the Charge.

In September 2010, an amount of $150,000 was recovered and the Company is continuing to consider action against the purchaser and related parties, however the remaining receivable has been fully impaired as the recovery process is likely to be protracted and there is uncertainty over the value that might ultimately be recovered.

The movement in the provision for impairment of receivables during the year is as follows:

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Opening balance | **1,106,000** | 1,256,000 |
| Impairment loss recovered | **-** | (150,000) |
| | **1,106,000** | 1,106,000 |

These financial assets are classified as loans and receivables and are measured at amortised cost.

## 11 Deferred tax assets

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Net loans and advances | **1,551,672** | 2,705,726 |
| Accrued expenses | **35,577** | 60,790 |
| Employee benefits | **76,157** | 87,041 |
| Amortisable expenditure | **49,424** | 53,538 |
| Intangible assets | **180,084** | 307,010 |
| Property, plant and equipment | **12,195** | 18,766 |
| Current year tax losses for which no deferred tax asset was recognised | **1,953,810** | 494,661 |
| Capital losses for which no deferred tax asset was recognised | **1,330,680** | 1,330,680 |
| | **5,189,599** | 5,058,212 |
| *Amounts recognised directly in equity* | | |
| Share issue expenses | **275** | 412 |
| Total deferred tax assets | **5,189,874** | 5,058,624 |
| Set-off of deferred tax liabilities (note 18) | **(398)** | (782) |
| Derecognition of deferred tax assets | **(5,189,476)** | (5,057,842) |
| Net deferred tax assets | **-** | - |

## 12 Intangible assets

| | Goodwill $ | Computer software $ | Total $ |
|---|---|---|---|
| **At 1 July 2010** | | | |
| Cost | 954,370 | 1,944,852 | 2,899,222 |
| Accumulated amortisation and impairment | - | (331,338) | (331,338) |
| Net book amount | 954,370 | 1,613,514 | 2,567,884 |
| **Year ended 30 June 2011** | | | |
| Opening net book amount | 954,370 | 1,613,514 | 2,567,884 |
| Additions | - | 32,371 | 32,371 |
| Amortisation charge * | - | (425,498) | (425,498) |
| Impairment charge ** | (954,370) | (1,220,387) | (2,174,757) |
| Closing net book amount | - | - | - |
| **At 30 June 2011** | | | |
| Cost | 954,370 | 1,916,018 | 2,870,388 |
| Accumulated amortisation and impairment | (954,370) | (1,916,018) | (2,870,388) |
| Net book amount | - | - | - |
| **Year ended 30 June 2012** | | | |
| Opening net book amount | - | - | - |
| Closing net book amount | - | - | - |
| **At 30 June 2012** | | | |
| Cost | 954,370 | 1,916,018 | 2,870,388 |
| Accumulated amortisation and impairment | (954,370) | (1,916,018) | (2,870,388) |
| Net book amount | - | - | - |

* The amortisation charge is recognised in depreciation and amortisation expense in the income statement.

**The impairment charge is recognised in impairment of intangible assets in the income statement.

**Impairment tests for cash generating units containing goodwill**

At each reporting date the Group assessed whether there was any indication that intangible assets may be impaired in accordance with its accounting policy stated in note 1.

Where an indicator of impairment existed, the Group then made a formal estimate of the recoverable amount of the assets. Following a strategic review of the business during the year ended 30 June 2011, the directors determined that an orderly run off of the Loan Book was the best alternative to maximise shareholder return. This decision triggered a review to assess if there was any impairment to the Group's intangible assets. Consequently, the recoverable amount of intangibles was estimated as nil and an impairment charge was recognised at 30 June 2011. On 29 November 2011, the Shareholders approved this run off strategy.

## 13 Other assets

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Deposits | **9,978** | - |
| Prepayments | **57,817** | 108,100 |
| Bank deposits | **-** | 1,433,681 |
| | **67,795** | 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.

These financial assets are measured at amortised cost.

### (a) Fair value

The fair value of other assets is equal to their carrying value.

### (b) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying value of other assets.

## 14 Trade and other payables

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Payables and accrued expenses | **336,437** | 1,035,230 |

These financial liabilities are measured at amortised cost.

### (a) Fair value

The fair value of trade and other payables is equal to their carrying value.

### (b) Risk exposure

Information about the Group's exposure to liquidity risk is provided in note 2.

## 15 Interest-bearing loans and borrowings

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| **Secured** | | |
| Commercial advance facility | **17,600,000** | 36,000,000 |
| Transaction costs | **(162,667)** | (517,832) |
| Accrued interest | **129,421** | 100,727 |
| Total interest bearing liabilities | **17,566,754** | 35,582,895 |

These financial liabilities are measured at amortised cost.

## 15 Interest-bearing loans and borrowings (continued)

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

### (a) Financing arrangements

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Total facilities | | |
| Multi option facility | **-** | 980,000 |
| Credit card facility | **-** | 20,000 |
| Commercial advance facility | **17,600,000** | 40,000,000 |
| | **17,600,000** | 41,000,000 |
| Used at balance date | | |
| Multi option facility | **-** | 352,477 |
| Credit card facility | **-** | 20,000 |
| Commercial advance facility | **17,600,000** | 36,000,000 |
| | **17,600,000** | 36,372,477 |
| Unused at balance date | | |
| Multi option facility | **-** | 627,523 |
| Commercial advance facility | **-** | 4,000,000 |
| | **-** | 4,627,523 |
| Total facilities | **17,600,000** | 41,000,000 |
| Used at balance date | **17,600,000** | 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. 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 $20.0m by 26 April 2012 in contemplation of additional financiers joining the Facility.

Interest rates were variable based on either the applicable BBSW (Australian Bank Bill Swap Rate) or the BBSY (Australian Bank Bill Swap Bid Rate) plus a 2.15% margin and were fixed at the date of each advance.

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 a further 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.

On 29 August 2011, the Company agreed, subject to final documentation, to vary the terms of the 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.

## 15 Interest-bearing loans and borrowings (continued)

- 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).

### (b) Fair value

The fair value of interest bearing loans and borrowings approximates their carrying value.

### (c) Risk exposure

Information about the Group's exposure to interest rate and liquidity risk is provided in note 2.

## 16 Employee benefits

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Liability for annual leave and long service leave | **47,576** | 88,666 |
| Salary and wages accrual | **14,560** | 7,930 |
| Redundancy and retention incentive accrual | **206,279** | 201,473 |
| | **268,415** | 298,069 |

The Group makes contributions to various defined contribution superannuation funds. The amount recognised as an expense was $127,807 for the financial year ended 30 June 2012 (2011: $196,488).

## 17 Capital and reserves

| | The Company | |
|---|---|---|
| | **2012** | 2011 |
| | **Shares** | Shares |
| **Share capital** | | |
| Ordinary shares | **65,955,515** | 65,955,515 |

### (a) Ordinary shares

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 2010 final dividend paid on 15 October 2010.

## 17 Capital and reserves (continued)

### (c) Executive option scheme

Information relating to the Ask Funding Limited Executive Option Scheme, including details of options issued during the financial year and options outstanding at the end of the financial year, is set out in note 25.

### (d) Capital risk management

The Directors' current objective in managing the Group's capital is to act in the best interests of stakeholders, which is to run off the Group's loan book in an orderly manner, repay amounts owing to its financier and maximise the net return to shareholders. The Directors have consequently prepared the financial statements on an orderly realisation of assets and settlement of liabilities basis as set out in note 1(a).

### (e) Reserves

***Translation reserve***
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

***Hedging reserve***
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

***Share based payments reserve***
The share based payments reserve is used to record the value of share based payments provided to executives under the Executive Option Scheme as part of their remuneration. Refer to note 25 for further details of this plan.

***Profits reserve***
The profits reserve represents current year profits transferred to a reserve to preserve the characteristic as a profit and not appropriate against prior year accumulated losses. Any such profits are available to enable payment of franked dividends in the future should the directors declare by resolution.

### (f) Dividends

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Ordinary shares | | |
| 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 |

### (g) Franking credits

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2011 - 30%) | **4,917,249** | 4,917,249 |

The above amounts represent the balance of the franking account as at the end of the financial year.

The consolidated amounts include franking credits that would be available to the Company if distributable profits of subsidiaries were paid as dividends.

The ability to utilise the franking credits is dependant upon the ability to declare dividends.

## 18 Deferred tax liabilities

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **The balance comprises temporary differences attributable to:** | | |
| *Amounts recognised in profit or loss* | | |
| Other items | **398** | 782 |
| | **398** | 782 |
| Set-off of deferred tax liabilities (note 11) | **(398)** | (782) |
| Net deferred tax liabilities | **-** | - |

## 19 Key management personnel disclosures

### (a) Key management personnel

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire year.

***(i) Non-executive directors***
K Rich (Chairperson)
A Love (Deputy Chairperson) - resigned 31 March 2012
G Partridge
M Collins
***(ii) Executive directors***
R Templeton (Managing Director and Chief Executive Officer)
A Hill (Chief Financial Officer and Company Secretary) - alternate Director for R Templeton - left the Company effective 29 June 2012 as this position became redundant due to run off strategy of the Company

***(iii) Executives***
B Gebauers (General Manager, Compliance and Special Projects)

### (b) Key management personnel compensation

The key management personnel compensation included in “employee benefits expense” in the Income Statement is as follows:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Short-term employee benefits | **1,093,441** | 1,155,922 |
| Post-employment benefits | **96,481** | 92,796 |
| Termination Benefits | **97,352** | 101,947 |
| Share-based payments | **-** | 8,787 |
| | **1,287,274** | 1,359,452 |

The Group has taken advantage of the relief provided by *Corporations Regulation* 2M.3.03 and has transferred the detailed remuneration disclosures to the directors’ report. The relevant information can be found in the Remuneration Report.

In addition to the key management personnel compensation included in "employee benefits expense", consulting services of $32,728 (2011: $12,320) were provided by Mr Misha Collins in relation to his role as Strategic and Shareholder Relations Officer. These services were billed based on normal market rates for such services and were due and payable under normal payment terms.

## 19 Key management personnel disclosures (continued)

### (c) Equity instrument disclosures relating to key management personnel

*(i) Options provided as remuneration*
Details of options provided as remuneration, together with the terms and conditions of the options can be found in the remuneration report section of the directors' report.

*(ii) Option holdings*
The Ask Funding Limited Executive Option Scheme was established during the financial year ended 30 June 2008.

The movement during the reporting period in the number of options over ordinary shares in Ask Funding Limited held, directly, indirectly or beneficially, by each key management person, is as follows:

| **2012** Name | Balance at start of the year | Granted as compen-sation | Forfeited | Balance at end of the year | Vested | Unvested |
|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | |
| R Templeton | 1,110,000 | - | - | 1,110,000 | 1,110,000 | - |
| A Hill | 150,000 | - | (150,000) | - | - | - |
| ***Other key management personnel of the Group*** | | | | | | |
| B Gebauers | 120,000 | - | - | 120,000 | 120,000 | - |

All vested options are not exercisable at the end of the year due to the qualifying company share price hurdle not being reached for exercising of the options. Refer to note 25 for further details.

| 2011 Name | Balance at start of the year | Granted as compen-sation | Forfeited | Balance at end of the year | Vested | Unvested |
|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | |
| R Templeton | 1,110,000 | - | - | 1,110,000 | 1,110,000 | - |
| A Hill | 150,000 | - | - | 150,000 | 150,000 | - |
| ***Other key management personnel of the Company*** | | | | | | |
| B Gebauers | 120,000 | - | - | 120,000 | 120,000 | - |

## 19 Key management personnel disclosures (continued)

*(iii) Share holdings*
The numbers of ordinary shares in the Company held by each director of Ask Funding Limited and other key management personnel, including their personally-related entities, are set out below.

| **2012** Name | Balance at the start of the year | Purchases / (Sales) | Other changes | Balance at the end of the year |
|---|---|---|---|---|
| ***Directors*** | | | | |
| K Rich | 104,414 | - | - | 104,414 |
| R Templeton | 2,029,652 | - | - | 2,029,652 |
| A Love - resigned 31 March 2012 | 100,000 | - | (100,000) | - |
| G Partridge | 200,000 | - | - | 200,000 |
| M Collins | 265,306 | - | - | 265,306 |
| A Hill - position redundant 29 June 2012 | 179,784 | (179,784) | - | - |
| ***Other key management personnel of the Group*** | | | | |
| B Gebauers | 602,000 | - | - | 602,000 |

| 2011 Name | Balance at the start of the year | Purchases/ (Sales) | Other changes | Balance at the end of the year |
|---|---|---|---|---|
| ***Directors*** | | | | |
| K Rich | 104,414 | - | - | 104,414 |
| R Templeton | 2,029,652 | - | - | 2,029,652 |
| A Love | 100,000 | - | - | 100,000 |
| G Partridge | 200,000 | - | - | 200,000 |
| M Collins (appointed 11 October 2010) | - | - | 265,306 | 265,306 |
| A Hill | 179,784 | - | - | 179,784 |
| ***Other key management personnel of the Group*** | | | | |
| B Gebauers | 602,000 | - | - | 602,000 |

No shares were granted to key management personnel as compensation during the financial year or the previous financial year.

No shares were issued on the exercise of options during the financial year or the previous financial year.

### (d) Other transactions with key management personnel

There were no other transactions with key management personnel or their related parties during the current or previous financial year, apart from the consulting services provided by Mr Misha Collins as disclosed in note 19(b).

As at 30 June 2012, an amount of $3,820 was payable to Mr Misha Collins for consultancy services (2011: $8,800).

## 20 Other related party transactions

### (a) Parent entities

The ultimate parent entity within the Group is Ask Funding Limited. Ask Funding Limited has a related party relationship with its subsidiaries and associates.

## 21 Consolidated entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note1.

| Name of entity | Country of incorporation | Class of shares | Equity holding 2012 % | 2011 % |
|---|---|---|---|---|
| **Parent entity** | | | | |
| Ask Funding Limited | | | | |
| **Subsidiaries** | | | | |
| ACN 109 006 126 Pty Ltd * | Australia | Ordinary | **-** | 100 |
| Just Ask Pty Ltd * | Australia | Ordinary | **-** | 100 |
| ARC Legal Pty Ltd | Australia | Ordinary | **100** | 100 |
| Impact Capital Pty Ltd * | Australia | Ordinary | **-** | 100 |
| Impact Funding Pty Ltd * | Australia | Ordinary | **-** | 100 |
| Impact Capital (Aust) Pty Ltd * | Australia | Ordinary | **-** | 100 |
| Inheritance Funding Pty Ltd * | Australia | Ordinary | **-** | 100 |
| Ask Funding (NZ) Limited * | New Zealand | Ordinary | **-** | 100 |
| Impact Funding (NZ) Limited * | New Zealand | Ordinary | **-** | 100 |

* These subsidiaries were deregistered during the year.

The above ownership interest reflects the legal structure of the consolidated entity.

## 22 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.

## 23 Commitments

### (a) Lease commitments

*Operating leases*

The Group leases office premises under non-cancellable operating leases expiring within twelve months. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases office equipment under non-cancellable operating leases expiring within five years. The leases have no escalation clauses or renewal terms.

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **108,137** | 443,516 |
| Later than one year but not later than five years | **35,903** | 1,863,326 |
| | **144,040** | 2,306,842 |

## 23 Commitments (continued)

The amounts recognised as an expense in the income statement are as follows:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Operating lease payments | **264,514** | 591,692 |

## 24 Events occurring after the balance date

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2012.

## 25 Share-based payments

### (a) Executive Option Scheme

The establishment of the Ask Funding Limited Executive Option Scheme was approved by shareholders at the annual general meeting held on 21 November 2007. The Executive Option Scheme is designed to provide long-term incentives for executives, including executive directors, to deliver long-term shareholder returns. Under the plan, executives are granted options which only vest if the executive completes a specified period of service. Once vested the options remain exercisable for a period of between 2 and 4 years. However the options issued can only be exercised in the event of the Company's share price reaching certain qualifying prices which range from $0.80 to $1.50. When exercised each option is converted into one ordinary share of the Company. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

The exercise price of options is determined by the directors but is no less than the volume weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted or such other price as approved by shareholders at a general meeting.

Set out below are summaries of options granted under the plan:

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Forfeited during the year Number | Balance at end of the year Number | Vested at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| **Consolidated and the company - 2012** | | | | | | | | |
| 23 November 2007 | 23 November 2012 | $- | 270,000 | - | - | (150,000) | 120,000 | 120,000 |
| 23 November 2007 | 23 November 2012 | $- | 1,110,000 | - | - | - | 1,110,000 | 1,110,000 |
| Total | | | 1,380,000 | - | - | (150,000) | 1,230,000 | 1,230,000 |
| Weighted average exercise price | | | $0.609 | $- | $- | $0.645 | $0.604 | $0.604 |
| **Consolidated and the company - 2011** | | | | | | | | |
| 23 November 2007 | 23 November 2012 | $- | 270,000 | - | - | - | 270,000 | 270,000 |
| 23 November 2007 | 23 November 2012 | $- | 1,110,000 | - | - | - | 1,110,000 | 1,110,000 |
| Total | | | 1,380,000 | - | - | - | 1,380,000 | 1,380,000 |
| Weighted average exercise price | | | $0.609 | $- | $- | $- | $0.609 | $0.609 |

## 25 Share-based payments (continued)

No options expired during the period.

No vested options are exercisable at the end of the year due to the qualifying share price hurdle not being met.

*Fair value of options granted*
No options were granted during the year ended 30 June 2011.

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was an average of 16 cents per option. The fair value at grant date is determined using Black-Scholes and Binomial option pricing models that take 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.

The model inputs for options granted during the year ended 30 June 2008 included:

(a) options are granted for no consideration and vest based on the completion of a specified period of service.

(b) options are exercisable only in the event of the Company's share price reaching certain qualifying prices during the life of the options with such prices ranging between $0.80 and $1.50. Options are exercisable for a period of between two and four years after vesting.

(c) exercise price: $0.60 or $0.645

(d) grant date: 23 November 2007

(e) expiry date: 23 November 2012

(f) share price at grant date: $0.69

(g) expected price volatility of the Company’s shares: 32%

(h) expected dividend yield: nil

(i) risk-free interest rate: 6.115%

### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Options issued under Executive Option Scheme | - | 8,787 |
| | - | 8,787 |

## 26 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | The Company | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| **Balance sheet** | | |
| Assets | **31,363,344** | 54,989,522 |
| Liabilities | **20,990,063** | 45,627,561 |
| *Shareholders' equity* | | |
| Contributed equity | **24,815,175** | 24,815,175 |
| Reserves | | |
| Profits Reserve | **1,011,320** | - |
| Share-based payments reserve | **184,886** | 215,308 |
| Retained earnings | **(15,638,100)** | (15,668,522) |
| | **10,373,281** | 9,361,961 |
| **Profit or loss for the year** | **1,011,320** | (10,611,723) |
| **Total comprehensive income** | **1,011,320** | (10,665,116) |

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

### (c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2011: nil).

## 27 Reconciliation of profit / (loss) after income tax to net cash flow from operating activities

| | Consolidated | |
|---|---|---|
| | **2012** | 2011 |
| | **$** | $ |
| Profit / (loss) for the year | **(551,601)** | (11,159,305) |
| *Adjustments for:* | | |
| Depreciation and amortisation | **-** | 654,226 |
| Foreign exchange (gain) loss | **303** | (5,782) |
| Loss on liquidation of foreign subsidiary | **-** | 197,729 |
| Gain on sale of property, plant and equipment | **-** | - |
| Impairment of loans and advances | **4,515,537** | 11,211,577 |
| Impairment of receivable | **-** | (150,000) |
| Interest income | **(8,943,248)** | (11,732,540) |
| Fee income | **(1,016,295)** | (1,128,759) |
| Interest expense | **2,726,748** | 3,070,420 |
| Non-cash employee benefits expense - employee share options | **-** | 8,787 |
| Impairment of intangible assets | **-** | 2,174,757 |
| Income tax expense / (benefit) | **-** | 1,106,872 |
| Change in operating assets and liabilities | | |
| Decrease (Increase) in other assets | **50,283** | 5,769 |
| Increase (decrease) in trade and other payables | **(169,660)** | (366,816) |
| Increase (decrease) in provisions and employee benefits | **(29,654)** | 237,884 |
| Interest paid | **(2,234,739)** | (2,879,768) |
| Interest and fees received | **9,416,532** | 10,718,799 |
| Income tax paid | **380,995** | (280,731) |
| Net cash inflow from operating activities | **4,145,201** | 1,683,119 |

In the directors' opinion:

(a) the financial statements and notes, and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and the staff members performing the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001.*

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

Kenneth R Rich
Director

Brisbane
31 August 2012

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

### Report on the financial report

We have audited the accompanying financial report of Ask Funding Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 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 year's end or from time to time during the financial year.

*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 is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

*Independence*

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

*Auditor's opinion*

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a)

*Material uncertainty regarding basis of preparation and carrying value of assets*

Without modifying our opinion, we draw attention to note 1(a) (i) to the financial report which indicates that the financial report of the Group for the year ended 30 June 2012 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 1(a) (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 values 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 report at 30 June 2012 and the amounts that are actually realised, and such differences may be material.

**Report on the remuneration report**

We have audited the Remuneration Report included in Section 4 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Ask Funding Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

SBoard

Stephen Board
Partner

Brisbane
31 August 2012