

Ask Funding Limited

ABN 22 094 503 385

Annual report for the year ended 30 June 2011

CORPORATE DIRECTORY

Corporate and Registered Office Until 31 October 2011

Level 19, 10 Eagle Street
BRISBANE QLD 4000

Corporate and Registered Office From 1 November 2011

Level 3, 46 Edward Street
BRISBANE QLD 4000

PO Box 7111, Riverside Centre
BRISBANE QLD 4001

Telephone: (07) 3211 8000
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ABN

22 094 503 385

Websites

www.askfunding.com.au;
www.1800justask.com.au

Board of Directors

Kenneth Rich *B Com, MBA, PNA*
Chair and Independent Non-Executive Director

Russell Templeton *LLB*
Managing Director and Chief Executive Officer

Antony Love *BCom, FAPI, FAICD*
Deputy Chair and Independent Non-Executive
Director

Gavin Partridge *GAICD M.A. Hons (Cantab)*
Independent Non-Executive Director

Misha Collins *CFA*
Independent Non-Executive Director (appointed
11 October 2011)

Alison Hill *B Com, MBA, CA, FFin*
Alternate for Russell Templeton

Company Secretary

Alison Hill *B Com, MBA, CA, FFin*

Share Registry

Computershare Investor Services Pty Ltd
117 Victoria Street
West End
BRISBANE QLD 4101

Telephone: 1300 552 270 (within Australia)
+61 3 9415 4000 (outside Australia)

Facsimile: 1800 786 447 (within Australia)
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Auditor

KPMG
Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Corporate Lawyers

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Stock Exchange

Australian Securities Exchange
BRISBANE QLD 4000
ASX Code: AKF

Ask Funding Limited ABN 22 094 503 385
Annual Report - 30 June 2011

Lodged with the ASX under listing Rule 4.3A

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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 2011.

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, PNA

Chairperson and Independent Non-Executive Director. Age 66.

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 fellow of the Institute of Public Accountants and 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 55.

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 Antony Love BCom, FAPI, FAICD

Deputy Chairperson and Independent Non-Executive Director. Age 64.

Experience and expertise

Deputy chairperson and independent non-executive director since 17 May 2010.

Mr Love is a licensed real estate agent, auctioneer and qualified property valuer. He has gained a wealth of public company and commercial knowledge stemming from over 35 years serving as non-executive director for Australian Securities Exchange listed companies and has held a number of other board positions in large companies and associations. Mr Love is currently a member of the Brisbane Area Advisory Board for the Salvation Army and is President of the Board of Benevolence and Aged Masons and Orphans Fund (Masonic Care Queensland).

Other current listed company directorships

Nil

Former listed company directorships in last 3 years

Bank of Queensland Limited, 1995 to 2008.

Campbell Brothers Limited, 1986 to 2009.

AP Eagers Limited, 1994 to 2011.

Special responsibilities

Member of Audit and Risk Management Committee.

Mr Gavin Partridge GAICD, M A Hons (Cantab)

Independent Non-Executive Director. Age 55.

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.

1 Directors (continued)

Mr Misha Collins CFA

Independent Non-Executive Director. Age 37.

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.

Ms Alison Hill B Com, MBA, CA, FFin

Alternate Director for Mr Russell Templeton, Chief Financial Officer and Company Secretary. Age 45.

Experience and expertise

Alternate director for Mr Russell Templeton since 26 June 2009.

Ms Hill holds a Bachelor of Commerce (Accountancy) from Canterbury University, New Zealand, and an MBA from Griffith University, Queensland. She is a Chartered Accountant with more than 20 years experience in public and private companies in New Zealand, Europe, and Australia including positions as Group Treasurer with Evans Deakin Industries Limited and Deputy CFO of Collection House Limited. Ms Hill is also Chief Financial Officer and Company Secretary for the Group.

Other current listed company directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Nil.

2 Company Secretary

Ms Alison Hill, B Com, MBA, CA, FFin, was appointed to the position of Company Secretary on 19 December 2006. Ms Hill has a Graduate Diploma in Applied Corporate Governance and is an associate member of the Institute of Chartered Secretaries of Australia. Ms Hill is also the Chief Financial Officer for the Group and was appointed to the board as Alternate Director for Mr Russell Templeton on 26 June 2009.

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		Meetings of committees	
					Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr Kenneth Rich	16	16	7	7	-	-
Mr Russell Templeton	15	16	*	*	*	*
Mr Antony Love	15	16	7	7	*	*
Mr Gavin Partridge	16	16	7	7	-	-
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

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.

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 continued success 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.

The strategy ensures alignment 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 ensures alignment 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.

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

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

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 26 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.

The use of a profit target ensures the variable reward is only available when value has been created for shareholders and when profit generated is consistent with the business strategy. The maximum short-term incentive opportunity for the year ended 30 June 2011 was an amount equal to 25% of fixed compensation (2010: nil) per executive.

(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 8 - 9.

(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.

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

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 (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.

Name	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 % *
	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	2011 2010	60,000 36,697	- -	- -	5,400 3,303	- -	- -	- -	65,400 40,000	- % -	- % -
A Love (appointed 17 May 2010)	2011 2010	40,000 3,644	- -	- -	3,600 328	- -	- -	- -	43,600 3,972	- % -	- % -
G Partridge (appointed 1 September 2009)	2011 2010	43,996 51,608	- -	- -	- -	- -	- -	- -	43,996 51,608	- % -	- % -
M Collins (appointed 11 October 2010)	2011 2010	45,320 -	- -	- -	- -	- -	- -	- -	45,320 -	- % -	- % -
Executive directors											
R Templeton Managing Director and CEO	2011 2010	502,262 472,624	- -	9,139 5,600	43,560 45,235	- -	- -	6,695 27,413	561,656 550,872	1.2% 5.0%	1.2% 5.0%
A Hill Chief Financial Officer and Company Secretary (Alternate for R Templeton)	2011 2010	250,054 233,922	- -	9,139 5,135	22,979 20,750	54,010 -	- -	1,162 5,034	337,344 264,841	0.4% 1.9%	0.4% 1.9%
Other key management personnel											
B Gebauers General Manager, Compliance and Special Projects	2011 2010	199,194 195,593	- -	9,139 5,600	17,257 17,921	47,937 -	- -	930 4,027	274,457 223,141	0.4% 1.8%	0.4% 1.8%

4 Directors' and executive officers' remuneration report (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 redundancy provisions.

* 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 (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.

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 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 or in specific circumstances 30 months notice. 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. 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.

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 are 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, this 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	23/11/2009	23/11/2012	1.10
	50,000	23/11/2007	0.174	0.645	23/11/2010	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

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 (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 during the year	
	2011	2010	2011	2010
Executive directors				
R Templeton	-	-	370,000	370,000
A Hill	-	-	50,000	50,000
Other key management personnel				
B Gebauers	-	-	40,000	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 - non-audited

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 2011	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2008	Year ended 30 June 2007
	\$	\$	\$	\$	\$
Earnings					
Net interest and fee income	9,790,879	12,275,438	12,470,659	8,960,903	5,961,692
Net operating profit before tax *	(7,829,947)	3,144,386	4,993,814	3,950,431	2,511,126
EPS	(0.169)	0.015	0.054	0.030	(0.005)
Shareholder value					
Share price	0.145	0.245	0.180	0.495	0.665
Dividends (paid/declared)	0.0036	0.013	-	-	-

* Adjusted in 2011 for reversal of impairment of receivable from deferred settlement, impairment of intangibles and reversal of foreign currency translation adjustments and 2010 for impairment of receivable from deferred settlement of shares and options in Impact Holdings (UK) Plc and in 2008 and 2007 for gain / loss on sale and dilution and impairment relating to the Company's investment in Impact Holdings (UK) Plc.

Shareholder value and earnings history is provided only in respect of the financial years since the reverse acquisition of Ask Funding Limited.

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 (continued)

E Consequences of performance on shareholder wealth - non-audited (continued)

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 6 and 8, the percentage of the available bonus or 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.

Name	STI Cash bonus		LTI Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Number granted	Number of options vested during 2011
R Templeton	-	-	2008	100	-	2009	370,000	-
			2008	100	-	2010	370,000	-
			2008	100	-	2011	370,000	370,000
A Hill	-	100	2008	100	-	2009	50,000	-
			2008	100	-	2010	50,000	-
			2008	100	-	2011	50,000	50,000
B Gebauers	-	100	2008	100	-	2009	40,000	-
			2008	100	-	2010	40,000	-
			2008	100	-	2011	40,000	40,000

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.

5 Principal activities

The principal activities of the Group during the course of the financial year were Disbursement Funding and Presettlement lending to claimants awaiting settlement of injuries, matrimonial or estate litigation in Australasia. However, the Matrimonial and Inheritance Funding loan books were suspended to new advances on 3 February 2011 as a result of the increasing focus on the higher return and lower risk products of Disbursement Funding and Personal Injury.

6 Review of operations

Overview of the consolidated entity

At the Company's Annual General Meeting on 18 November 2010 the Board advised that as a result of the combination of limited availability of debt funding and the Company's share price consistently trading below the value of net tangible assets, it was undertaking a review of the operations and strategic direction of the business to investigate the full range of options available for maximising shareholder value.

On 3 February 2011, the Company suspended its offering of its Matrimonial and Inheritance Funding products as the strategic review identified opportunities for increased shareholder value through cost reductions and the re-balancing to the Company's loan book to focus on higher return and lower risk products. The suspension of these products reflected the Board's continued caution about generally declining valuations in the property sector.

On 22 March 2011, the Board announced the strategic review and concluded that of the various options considered, the run off of the business and the removal of the Company from the official list of the Australian Securities Exchange (ASX), was considered to be in the best interest of all shareholders. The Company's financier, Bank of Western Australia Ltd (BankWest), provided in principle consent to this course of action.

The shareholder meeting called to approve the decision of the Board was cancelled on 30 May 2011 as the Company had received approaches from a number of Investment Banks pertaining to the refinancing of BankWest and expressions of interest in respect of the sale of parts of the Company's loan book and business which it considered to be opportunities potentially capable of producing a superior outcome for shareholders. On 19 August 2011, after due consideration of these opportunities, the Company granted Deutsche Bank AG (Sydney branch) an exclusivity period to enable it to conduct further due diligence in respect of the potential purchase of the Company's Disbursement Funding loan book and business, and determined the remaining loan books would proceed to run off.

6 Review of operations (continued)

On 29 August 2011, the Company agreed in principle, subject to final documentation, to vary the terms of its Senior Syndicated Facility Agreement with its financier BankWest in order to achieve an orderly run-off of the Company's Loan Book and repayment of the Facility. The key terms and conditions of this variation are detailed in note 25 of the financial statements. On this date the Company also suspended its Personal Injury product.

Given the intended run off of the loan books, the directors consider it appropriate to prepare the financial report for the year ended 30 June 2011 on an orderly realisation of assets and settlement of liabilities basis, rather than a going concern basis which was used for the financial year ended 30 June 2010 and the comparative information included in this financial report.

Loan Book Size and Split by Product

The gross loan book contracted by 4% to \$55.6 million from \$57.9 million in the previous corresponding year. This decrease reflects the suspension of lending of Matrimonial and Inheritance Funding products during the year, as a consequence of the Company's strategy to re-weight the loan book to higher return and lower risk products. The gross loan book by product and the underlying trend is highlighted in the following table:

	30 June 2011	31 December 2010	30 June 2010
Disbursement Funding	39%	31%	23%
Personal Injury	29%	33%	33%
Matrimonial	29%	33%	41%
Inheritance Funding	3%	3%	3%

Given the Potential Sale of the Disbursement Funding loan book and intended run off of the remaining loan books, the gross loan book will continue to contract and the revenue of the business will decline over time in line with this contraction.

Impairment of loans and advances

Impairment of loans and advances and the related recovery costs increased significantly in the current year to \$11.4 million.

The majority of the impairment is attributable to Matrimonial and Inheritance Funding loan books and substantially from those loans originated prior to June 2008. The cessation of these products in February 2011 has resulted in funding on a number of long standing matters being restricted and the likelihood of a successful outcome diminished. This combined with significant delays in the Family Court continue to extend the life of the underlying legal matters and values of relevant asset pools deteriorate in the face of the declines in the property and share markets and as broader economic conditions make it increasingly difficult for some borrowers to service and repay loans to the first mortgagees.

The nature of the Matrimonial and Inheritance Funding loan books, the underlying legal matters and security provided is such that it is difficult to group the loans on the basis of risk characteristics and overlay a general or collective provision having due regard to these risks. Accordingly impairment in respect of these loan books continues to be determined on an individual case by case basis after taking account of the likely time to settlement and potential further deterioration in asset pool values.

Impairment in the Personal Injury loan book has remained consistent with historical levels and as expected with the higher gross return and non-recourse nature of this product. The current year impairment includes a general provision of \$0.8 million which has been established in light of the intended run off of this loan book and the change in the underlying basis of the preparation of the current year financial statements.

Impairment in the Disbursement Funding loan book has remained low and reflects only those interest and fees not covered by law firm guarantees. The terms of the Potential Sale of this loan book do not anticipate a discount on net book value and accordingly no general provision has been raised against this loan book at 30 June 2011.

6 Review of operations (continued)

Debt facility

On 26 October 2010 the Company entered into a Facility with its existing financier, BankWest. This Facility was available for a 3 year term, expiring 31 October 2013, was subject to annual review, had higher margins, tightened covenants and required a reduction in BankWest's participation of \$20 million by 26 April 2012.

At 31 December 2010 the Company breached one of its obligations under the Facility being compliance with the interest cover financial covenant which is required to be no less than 2.0:1 on a rolling 12 month basis. On 28 February 2011 the Company received a waiver in respect of this breach from BankWest, a condition of which was the immediate reduction in the facility limit to \$40.0 million.

However the Company has continued to be in breach of this covenant and on 15 July 2011, although no further waivers had been granted, the Company accepted a variation to the Facility to further reduce the facility limit to \$35.0 million.

On 29 August 2011, the Company agreed, subject to final documentation, to vary the terms of the Facility in order to achieve an orderly run off of the Loan Book and repayment of the Facility. The variation 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 other than in respect of the Disbursement Funding loan book until such time as the Potential Sale is completed.

Staff

In the current year staff numbers decreased by 8.6 to 15.6 full time equivalent staff that are allocated across the Company as follows:

	30 June 2011	30 June 2010
Operations	4	6
Finance	5.6	5.6
Sales & Marketing	0	3
Legal	4	5.6
Administration & Compliance	2	4

This reduction in staff numbers has been driven primarily from the cessation of the Matrimonial and Inheritance Funding products. A redundancy program consistent with the intended run off has been implemented and accordingly the reduction in staff numbers will continue in the future broadly in line with the contraction in the gross loan book.

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 current 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 only partially been recognised in the current year employee benefits expense.

Outlook

On 19 August 2011 the Company granted an exclusivity period to Deutsche Bank AG (Sydney branch) to enable it to conduct further due diligence in respect of the potential purchase of the Company's Disbursement Funding Loan Book and business ("Potential Sale"). This process is on-going and is expected to conclude by the end of September 2011.

In the event the Potential Sale is successfully concluded shareholder approval will be sought for the closure of the remaining loan books to new loans and for the de-listing of the Company's shares from the Australian Securities Exchange (ASX).

In the event the Potential Sale does not proceed and in the absence of any other viable alternatives it is anticipated, subject to further discussions with BankWest, that shareholder approval would be sought for the placing of the business into full run off.

6 Review of operations (continued)

Review of financial performance and position

Consolidated operating profit / (loss) after tax

The consolidated results for the year ended 30 June 2011 attributable to the members of the Company are:

	30 June 2011	30 June 2010
	\$000	\$000
Revenue (net interest and fee income)	9,791	12,276
Expenses, excluding impairment and recovery expenses	(6,179)	(6,472)
Impairment of loans and advances	(11,212)	(2,450)
Impairment of receivable	150	(1,256)
Impairment of intangibles	(2,175)	-
Loan recovery expenses	(229)	(210)
Loss on reversal of foreign currency translation adjustments	(198)	-
Profit / (loss) before income tax	<u>(10,052)</u>	<u>1,888</u>
Income tax benefit / (expense)	<u>(1,107)</u>	<u>(932)</u>
Net profit / (loss) attributable to members	<u>(11,159)</u>	<u>956</u>

The net loss for the year of \$11.2 million represents a significant deterioration from the profit of \$1.0 million in the previous corresponding period. Earnings per share decreased from 1.5 cents to a loss of 16.9 cents.

The result for the year was significantly affected by:

- reduction in revenue consistent with the decrease in the average gross loan book;
- increase in impairment of loans and advances;
- increase in interest expense;
- increase in depreciation and amortisation expense; and
- impairment of intangible assets.

These losses were partially offset by the reversal of impairment of \$0.15 million as a result of the partial recovery of the \$1.256 million receivable relating to the sale of shares in Impact Holdings UK Plc which was fully impaired in the previous year.

Loss from operations

The protracted nature of the debt refinancing and the on-going uncertainty as to availability of capital which initially led to the Company's strategic review then, in February 2011, to the cessation of lending in Matrimonial and Inheritance Funding products and ultimately, in March 2011, to the decision of the Board to recommend the closure and run off of the remaining loan books resulted in minimal sales and marketing activity being undertaken during the course of the year to stimulate demand. Accordingly the contraction in the gross loan book, which commenced in the previous year, continued.

The average gross loan book for the year was \$56.8 million compared to \$62.4 million in the previous year and gross interest margins per product have remained relatively constant. Fee income, which reflects accounts servicing and re-assessment fees, has also decreased over last year largely due to the re-balancing of the loan book to Disbursement Funding and a corresponding reduction in the average size of eligible loans.

This reduction in gross interest and fee income will continue as the loan book continues to contract as a result of the Potential Sale of the Disbursement Funding loan book and the intended run off of the remaining loan books.

Interest expense increased by 13% to \$3.1 million reflecting an increase in the average cost of funds to 7.9% from 6.2% in the previous year. This increase reflects the increased margin on the new debt facility and the expiry of interest rate swaps which had been in place since early 2009. Gross debt decreased to \$36.0 million from \$37.0 million at the end of the previous year.

Cash expenses decreased by 10% to \$5.8 million from \$6.4 million in the previous year due to a reduction in marketing expenses of \$1.2 million as no direct consumer advertising campaigns were conducted or new marketing strategies implemented in the current year. IT development expenses also decreased by \$0.3 million. However these reductions have been partially offset by:

- an increase of \$0.4 million in employee benefits expense as a result of additional contract staff required in the first half of the year to support scheduled system enhancements and the redundancy programme consistent with the intended run off strategy implemented in the second half of the year.

6 Review of operations (continued)

- an increase of \$0.2 million in occupancy costs as a result of the relocation of the Brisbane office.

The significant increase in impairment of loans and advances is primarily attributable to the Matrimonial and Inheritance Funding loan books and substantially from those loans originated prior to June 2008 as the continuing decline in values of underlying security and increasingly difficult broader economic conditions adversely impact recoverability. Additionally the cessation of these products in February 2011 has resulted in funding on a number of these long standing matters being restricted and the likelihood of a successful outcome diminished.

The current year expense also includes the establishment of a general provision for the Personal Injury loan book of \$0.8 million in light of the intended run off strategy.

Depreciation and amortisation expense increased by 136% to \$0.7 million as a result of the first full year of amortisation of the AIMS loan management system. This system, together with Goodwill, has been fully impaired at 30 June 2011 as a result of the intended run off strategy and associated change in basis of preparation of financial statements.

The income tax expense for the year reflects the derecognition of income tax benefits previously recognised as it is no longer probable that the Company will derive future taxable profits against which the underlying differences, to which these benefits relate, can be utilised.

Financial position

Consolidated net assets have decreased by 45% since the end of the previous year to a total of \$13.7 million with the 2010 final dividend of \$0.2 million declared and paid during the year. The decrease is reflected in the decrease in net loans and advances, intangible assets including deferred tax assets and cash / cash equivalents.

At 30 June 2011 the Company's liabilities include gross borrowings of \$36.0 million, trade payables of \$1.0 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.

Cash flows

Consolidated cash flows from operations have decreased to \$1.7 million compared to \$2.2 million in the previous year as a result of a decrease in interest and fee income received. The cash flows from operations have been offset by an increase in new advances, a reduction in gross debt, payment of borrowing costs and transfer to a restricted use bank deposit.

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

During the year ended 30 June 2011 and subsequent to the year end, the Company has made a number of public announcements in respect of its strategic review, the various options available and the decisions of directors to sell the Company's Disbursement Funding loan book and to run off its remaining loan books with proceeds initially used to settle liabilities and with residual funds paid to shareholders.

The Company has also advised that it has breached its financial covenant obligations under the Senior Syndicated Debt Facility which has resulted in all amounts due under the facility being immediately repayable. While negotiations have been entered into with its financier, BankWest, and subsequent to year end a Variation has been agreed in principle which anticipates an extension of existing facilities subject to certain conditions, at the date of these financial statements no extension of the facility has been granted.

Notwithstanding the above, the directors and management of the Company have prepared the financial statements on the basis of orderly realisation of assets and settlement of liabilities over a period of approximately 3 years ("orderly realisation basis") rather than the going concern basis which was used for the financial year ended 30 June 2010 and the comparative information included in this financial report. In the event that the Group does not obtain an extension to the bank facility to allow the orderly realisation of assets to achieve the run-off strategy, the Group may need to be liquidated and accordingly not realise its assets and settle its liabilities at the amounts stated in this financial report.

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:

	2011	2010
	\$	\$
Final ordinary dividend for the year ended 30 June 2010 of 0.36 cents (2009 - 1.3 cents) per fully paid share paid on 15 October 2010 (2009: 19 November 2009)	234,770	846,991
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 and disclosed in note 25 of the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly 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 Potential Sale of the Disbursement Funding loan book and business and intended run off of the remaining 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.

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	270,000
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
A Love	100,000	-
G Partridge	200,000	-
M Collins	265,306	-
A Hill (Alternate for R Templeton)	179,784	150,000

13 Earnings per share

	2011	2010
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	(16.9)	1.5
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	(16.9)	1.5

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.

15 Non-audit services (continued)

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	
	2011	2010
	\$	\$
1. Audit services		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of financial reports	140,373	150,522
Total remuneration for audit services	140,373	150,522
2. Services other than statutory audit		
Other assurance services		
<i>KPMG Australia:</i>		
Compliance assurance services	22,000	22,000
Other services		
<i>KPMG Australia:</i>		
Taxation compliance services	9,416	3,550
Corporate advisory services	187,326	-
<i>Overseas KPMG firms:</i>		
Taxation compliance services	4,984	4,096
Other advisory services	-	-
Total remuneration for audit-related services	223,726	29,646

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 18.

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



Kenneth R Rich
Director

Brisbane, 12 September 2011

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 2011, there have been:

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



KPMG



Stephen Board
Partner

Brisbane, 12 September 2011

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 Chair 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 four non-executive directors, two of whom have no relationship adversely affecting independence as set out in the principles above. Mr Collins and Mr Partridge have had dealings with the Company as disclosed in note 20(b) to the financial report however these were not of a value or significance that adversely affects their independence.

Chair and Managing Director

The Chair 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

The annual 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 currently proposed changes to 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.

The Managing Director is responsible for undertaking an annual 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 Chair'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 20 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 (Chair)
Mr Kenneth Rich

The remuneration committee meets at least twice per year or as otherwise required. The committee did not meet at all in the current year as a consequence of the proposed changes to the Company and its business activities.

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 (Chair)

Mr Gavin Partridge - appointed 1 September 2009

Mr Antony Love

Details of these director's qualifications and attendance at audit and risk committee meetings are set out in the Directors' report on pages 1 to 4.

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 and risk 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. Accordingly the first rotation of audit engagement partner has occurred in this financial year.

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 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 the Chief Financial Officer 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 communication 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 and the Company Secretary as being responsible for communications with the Australian Securities Exchange (ASX) and media. They, 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.

Ask Funding Limited
Income Statement
For the year ended 30 June 2011

	Notes	Consolidated	
		2011	2010
		\$	\$
Interest income		11,732,540	13,113,706
Interest expense		<u>(3,070,420)</u>	<u>(2,710,161)</u>
Net interest income		8,662,120	10,403,545
Fee income		1,128,759	1,871,893
Expenses			
Employee benefits expense		(3,208,512)	(2,829,244)
Depreciation and amortisation expense		(654,226)	(277,758)
Loan documentation expenses		(39,473)	4,540
Loan recovery expenses		(228,759)	(210,476)
Marketing expenses		(310,809)	(1,465,572)
Occupancy expenses		(525,400)	(364,999)
General and administrative expenses		(925,158)	(896,856)
IT development expenses		(24,952)	(386,447)
Other expenses		(491,960)	(254,462)
Impairment of loans and advances	9	(11,211,577)	(2,449,778)
Reversal of impairment / (impairment) of receivable	10	150,000	(1,256,000)
Impairment of intangible assets	13	(2,174,757)	-
Loss on reversal of foreign currency translation adjustments due to wind up of foreign subsidiary		<u>(197,729)</u>	<u>-</u>
Profit / (loss) before income tax		(10,052,433)	1,888,386
Income tax expense	6	<u>(1,106,872)</u>	<u>(932,148)</u>
Profit / (loss) for the year		<u>(11,159,305)</u>	<u>956,238</u>
		Cents	Cents
Earnings / (loss) per share			
Basic earnings / (loss) per share	7	(16.9)	1.5
Diluted earnings / (loss) per share	7	(16.9)	1.5

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

Ask Funding Limited
Statement of Comprehensive Income
For the year ended 30 June 2011

		Consolidated	
		2011	2010
Notes		\$	\$
	Profit / (loss) for the year	(11,159,305)	956,238
	Other comprehensive income		
	Effective portion of changes in fair value of cash flow hedges	(76,276)	93,925
	Exchange differences on translation of foreign operation	(54,437)	9,636
	Exchange differences on wind up of foreign subsidiary transferred to the income statement	197,729	-
6(c)	Income tax relating to components of other comprehensive income	<u>22,883</u>	<u>(28,178)</u>
	Other comprehensive income / (loss) for the period, net of tax	<u>89,899</u>	<u>75,383</u>
	Total comprehensive income / (loss) for the year	<u>(11,069,406)</u>	<u>1,031,621</u>

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

Ask Funding Limited
Statement of changes in equity
For the year ended 30 June 2011

Consolidated	Contributed equity \$	Translation reserve \$	Hedging reserve \$	Share based payments reserve \$	Retained earnings / (losses) \$	Total \$
Balance at 1 July 2009	18,361,097	(152,928)	(12,354)	194,696	6,219,701	24,610,212
Profit / (loss)	-	-	-	-	956,238	956,238
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	65,747	-	-	65,747
Exchange differences on translation of foreign operation	-	9,636	-	-	-	9,636
Total comprehensive income for the year	-	9,636	65,747	-	956,238	1,031,621
Transactions with owners in their capacity as owners:						
Share issues via dividend reinvestment plan, net of costs	234,731	-	-	-	-	234,731
Dividends provided for or paid	-	-	-	-	(846,991)	(846,991)
Employee share options - value of employee services	-	-	-	11,825	-	11,825
Balance at 30 June 2010	18,595,828	(143,292)	53,393	206,521	6,328,948	25,041,398
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

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

Ask Funding Limited
Statement of financial position
As at 30 June 2011

		Consolidated	
	Notes	2011	2010
		\$	\$
ASSETS			
Cash and cash equivalents	8	1,051,348	3,172,979
Net loans and advances	9	47,168,663	55,056,489
Current tax receivables		381,299	163,056
Derivative financial instruments	11	-	76,276
Deferred tax assets	12	-	1,064,988
Property, plant and equipment		516,442	114,025
Intangible assets	13	-	2,567,884
Other assets	14	1,541,781	844,268
Total assets		50,659,533	63,059,965
LIABILITIES			
Trade and other payables	15	1,035,230	838,489
Interest-bearing loans and borrowings	16	35,582,895	37,056,195
Income tax payable		-	46,241
Employee benefits	17	298,069	77,642
Total liabilities		36,916,194	38,018,567
Net assets		13,743,339	25,041,398
EQUITY			
Contributed equity	18	18,595,828	18,595,828
Reserves		215,308	116,622
Retained profits/(losses)		(5,067,797)	6,328,948
Total equity		13,743,339	25,041,398

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

Ask Funding Limited
Statement of cash flows
For the year ended 30 June 2011

	Notes	Consolidated 2011 \$	2010 \$
Cash flows from operating activities			
Interest and fees received		10,718,799	12,949,256
Interest paid		(2,879,768)	(2,498,747)
Payments to suppliers and employees		<u>(5,875,181)</u>	<u>(6,216,864)</u>
		1,963,850	4,233,645
Income taxes paid		<u>(280,731)</u>	<u>(2,046,203)</u>
Net cash (outflow) inflow from operating activities	28	<u>1,683,119</u>	<u>2,187,442</u>
Cash flows from investing activities			
Payments for leasehold improvements, plant and equipment		(11,416)	(36,816)
Payments for intangible assets		(106,270)	(1,499,979)
Proceeds from repayment of receivable		150,000	-
Net funds advanced to clients			
Loans advanced to clients		(25,742,948)	(23,637,741)
Loans repaid by clients		24,459,888	33,012,376
Transfer of funds to restricted use bank deposits		<u>(728,333)</u>	<u>-</u>
Net cash (outflow) inflow from investing activities		<u>(1,979,079)</u>	<u>7,837,840</u>
Cash flows from financing activities			
Proceeds from borrowings		38,000,000	1,500,000
Repayment of borrowings		(39,000,000)	(9,500,000)
Payment of borrowing costs		(587,604)	(43,263)
Dividends paid to company's shareholders		<u>(237,440)</u>	<u>(610,658)</u>
Net cash inflow (outflow) from financing activities		<u>(1,825,044)</u>	<u>(8,653,921)</u>
Net increase (decrease) in cash and cash equivalents		(2,121,004)	1,371,361
Cash and cash equivalents at the beginning of the financial year		3,172,979	1,801,409
Effects of exchange rate changes on cash and cash equivalents		<u>(627)</u>	<u>209</u>
Cash and cash equivalents at end of year	8	<u>1,051,348</u>	<u>3,172,979</u>

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

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1 Significant accounting policies

(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 12 September 2011.

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

The financial statements for the year ended 30 June 2011 have not been prepared on a going concern basis and have been prepared on an alternate basis of an orderly realisation of the Group's assets and settlement of its liabilities over a period of approximately 3 years.

During the year ended 30 June 2011, the directors completed a strategic review of the business. This has been the subject of a number of announcements on ASX. Following the strategic review and negotiations with a number of parties, it is the directors' current intention in the absence of any viable alternatives to:

- Delist the Company from ASX
- Cease making new loans
- Sell part or all of the Group's loan book
- Recover all other loans in accordance with the loan contracts and realise other assets in an orderly manner
- Repay amounts owing to Bank of Western Australia Ltd ("BankWest")
- Settle all creditors and other liabilities
- Return net proceeds to shareholders

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

Accordingly, the annual financial statements have been prepared on the basis of a realisation of assets and settlement of liabilities over a period of approximately 3 years ("orderly realisation basis"), rather than the going concern basis which was used for the financial year ended 30 June 2010 and the comparative information included in this financial report.

To enable a run-off to occur in accordance with the strategy of the directors, it will be necessary for the Group to enter into an agreement with BankWest to provide ongoing finance for a period until assets can be realised to achieve the run-off strategy of the directors, and the BankWest loans repaid. During the year ended 30 June 2011, the Group has been in default of certain conditions of the BankWest facility resulting in all debt finance being immediately repayable. While negotiations have been entered into with BankWest, and subsequent to year end a Variation has been agreed in principle which anticipates an extension of existing facilities subject to certain conditions, at the date of these financial statements no extension of the facility has been granted. In addition, notwithstanding the efforts of the directors, suitable debt or equity finance for the Group to replace the existing BankWest facilities has been unable to be obtained.

In the event that the Group does not obtain ongoing finance from BankWest to allow the realisation of assets to achieve the run-off strategy of the directors, the Group may need to be liquidated and accordingly not realise its assets and settle its liabilities at the amounts stated in this 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.

1 Significant accounting policies (continued)

(a) Statement of compliance (continued)

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

Given the uncertainties involved in assessing asset carrying values on an orderly realisation basis, it is likely that there may be differences between the amounts at which assets are recorded in the financial statements at 30 June 2011 and the amounts that are actually realised, and such differences may be material.

The directors have not prepared the financial statements for the year ended 30 June 2011 on a going concern basis as without appropriate ongoing finance in place the Group will be unable to continue as a going concern.

(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.

(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 majority 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 2011.

(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.

1 Significant accounting policies (continued)

(d) Financial instruments (continued)

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.

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.

1 Significant accounting policies (continued)

(f) Fair value measurement (continued)

(vi) Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counter party when appropriate.

(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.

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.

1 Significant accounting policies (continued)

(h) Intangible assets (continued)

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

Computer software	2.5 to 5 years
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(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.

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").

1 Significant accounting policies (continued)

(i) Impairment (continued)

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.

(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.

1 Significant accounting policies (continued)

(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.

(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. 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.

1 Significant accounting policies (continued)

(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 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.

(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. The Group's primary format for segment reporting is based on geographic segments.

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 2010, 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 27 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.

1 Significant accounting policies (continued)

(s) Parent entity financial information (continued)

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.

(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

The Group's exposure to foreign currency exchange differences is 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. In view of this, no foreign currency hedging is undertaken. The risk is monitored on an ongoing basis for change in exposure of foreign currency risk. The quantum of the Group's exposure to movement in foreign exchange translation is not material.

(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. Interest rate risk is minimised by the Group adjusting the fixed interest rate charged on new loans and advances to maintain net interest margin.

In the current financial year the Group ceased utilising derivative instruments to manage interest rate risk. In the previous year, between 55% and 95% of its exposure to changes in interest rates on borrowings was on a fixed rate basis which was achieved by entering into interest rate swaps. Refer to note 16.

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

	Carrying amount	
	Consolidated	
	2011	2010
	\$	\$
Bank balances and deposits	2,485,029	3,878,327
Commercial advance facility	(36,000,000)	(37,000,000)
Interest rate swap (notional principal amount)	<u>-</u>	<u>35,000,000</u>
Net exposure to cash flow interest rate risk	<u>(33,514,971)</u>	<u>1,878,327</u>

2 Financial risk management (continued)

The table below summarises the impact of an increase and decrease of 50 basis points (2010: 100 basis points increase) from year end variable interest rates, with all other variables held constant on the Group's post tax profit for the year and on equity, calculated on the net interest bearing financial instruments and interest rate swap contracts held at the reporting date. This sensitivity has been selected based on the current level of both short term and long 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		Impact on equity	
	+ 0.5% (2010: 1%) \$	- 0.5% (2010: 0%) \$	+ 0.5% (2010: 1%) \$	- 0.5% (2010: 0%) \$
30 June 2011				
Variable rate instruments	(117,302)	117,302	-	-
Interest rate swap	-	-	-	-
Cash flow sensitivity (net)	<u>(117,302)</u>	<u>117,302</u>	-	-
30 June 2010				
Variable rate instruments	12,971	-	-	-
Interest rate swap	-	-	(83,300)	-
Cash flow sensitivity (net)	<u>12,971</u>	-	<u>(83,300)</u>	-

(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 are 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. As a further mitigant to credit risk the principal amount advanced is 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 effected by consumer sentiment, market or economic conditions.

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. In response to this credit risk, the Group has closed the Matrimonial and Inheritance Funding loan books to new advances on 3 February 2011.

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 2011 these loans total \$6.9 million (2010: \$3.0 million) of which \$0.8 million (2010: \$0.35 million) is past due but not impaired, \$1.3 million (2010: nil) is impaired but not past due, \$2.8 million (2010: nil) 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 Company 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 note 1(i)(ii) for further details of impairment of loans and advances.

Sensitivity

At 30 June 2011, the total provision for impairment of loans and advances recognised represents 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 \$731,000 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 2011 and 30 June 2010.

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

	Consolidated	
	2011	2010
	\$	\$
Floating rate		
- Expiring within one year (Commercial advance facility)	-	17,558,379
- Expiring beyond one year (Commercial advance facility)	<u>4,627,523</u>	<u>-</u>
	4,627,523	17,558,379

Subsequent to the reporting date the Group accepted an Amendment to its Finance Facility Agreement to reduce the facility limit from \$40.0m to \$35.0m. Refer notes 16 and 25 for further details in relation to the Group's financing facilities.

The Group maintains cash deposits as detailed in notes 8 and 14.

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.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings. Given the continued breach of loan covenants as disclosed in note 16, the commercial advance facility is considered repayable on demand and consequently the repayment of principal, despite no demand having been issued by the financier, has been included as payable within 6 months. Interest repayments have been included on a contractual maturity basis.

The amounts disclosed in the tables are the contractual undiscounted cash flows.

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
Derivative financial liabilities						
Interest rate swaps used for hedging (net settled)	-	-	-	-	-	-
Total financial liabilities	<u>38,049,314</u>	<u>1,536,000</u>	<u>3,072,000</u>	<u>1,225,775</u>	<u>43,883,089</u>	<u>36,101,683</u>

At 30 June 2010	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	838,489	-	-	-	838,489	838,489
Commercial advance facility	37,310,080	-	-	-	37,310,080	37,056,195
Derivative financial liabilities						
Interest rate swaps used for hedging (net settled)	(76,276)	-	-	-	(76,276)	(76,276)
Total financial liabilities	<u>38,072,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,072,293</u>	<u>37,818,408</u>

2 Financial risk management (continued)

(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 following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Group - as at 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Total assets	-	-	-	-
Liabilities				
Total liabilities	-	-	-	-

Group - as at 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Derivatives used for hedging	-	76,276	-	76,276
Total assets	-	76,276	-	76,276
Liabilities				
Total liabilities	-	-	-	-

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 13 for details of these assumptions and the potential impact of changes to the 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).

It is the directors' intention that the run off of the loan books will be achieved by the sale of the Disbursement Funding loan book to Deutsche Bank AG (Sydney branch) as disclosed in note 25 and the orderly collection of the remaining loan books over a period of approximately 3 years. Accordingly, no additional impairment has been recognised for the discount likely to be required if the remaining loan book was sold to third parties.

(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	
	2011	2010
	\$	\$
Audit services		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of financial reports	140,373	150,522
Total remuneration for audit services	140,373	150,522
Other services		
Auditors of the Company		
<i>KPMG Australia:</i>		
Compliance assurance services	22,000	22,000
Taxation compliance services	9,416	3,550
Corporate advisory services	187,326	-
<i>Overseas KPMG Firms:</i>		
Taxation services	4,984	4,096
Total remuneration for non-audit services	223,726	29,646

6 Income tax expense

	Consolidated	
	2011	2010
	\$	\$
(a) Income tax expense		
Current tax	-	1,095,788
Adjustments for current tax of prior periods	20,512	5,662
Deferred tax	1,086,360	(169,302)
	<u>1,106,872</u>	<u>932,148</u>
(b) Income tax recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Deferred tax - (credited) directly to equity	-	686
	<u>-</u>	<u>686</u>
(c) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	(22,883)	28,178
	<u>(22,883)</u>	<u>28,178</u>
(d) Numerical reconciliation between income tax expense and pre-tax accounting profit		
Profit / (loss) before tax	(10,052,433)	1,888,386
Tax at the Australian tax rate of 30% (2010 - 30%)	(3,015,730)	566,516
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Non-deductible expenses	6,147	5,444
Non-deductible impairment of receivable	-	376,800
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	3,548
Non-assessable interest income	-	(20,302)
Derecognition of deferred tax assets	3,232,501	-
Current year losses for which no deferred tax asset was recognised	494,661	-
	<u>1,086,632</u>	<u>932,006</u>
Under / (over) provided in prior years	20,240	142
Income tax expense	<u>1,106,872</u>	<u>932,148</u>
(e) Deferred tax asset not brought to account		
Unused tax losses for which no deferred tax asset has been recognised	6,084,470	4,246,703
Deductible temporary differences	10,775,003	-
	<u>16,859,473</u>	<u>4,246,703</u>
Potential tax benefit @ 30%	<u>5,057,842</u>	<u>1,274,011</u>

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	
	2011 Cents	2010 Cents
(a) Basic earnings / (loss) per share		
Profit / (loss) for the period	(16.9)	1.5
Profit / (loss) attributable to the ordinary equity holders of the company	(16.9)	1.5
(b) Diluted earnings / (loss) per share		
Profit / (loss) from continuing operations	(16.9)	1.5
Profit / (loss) attributable to the ordinary equity holders of the company	(16.9)	1.5
(c) Reconciliation of earnings / (loss) used in calculating earnings / (loss) per share		
	Consolidated	
	2011 \$	2010 \$
<i>Basic earnings / (loss) per share</i>		
Profit / (loss) for the period	(11,159,305)	956,238
(d) Weighted average number of shares used as the denominator		
	Consolidated	
	2011 Number	2010 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share</i>	65,955,515	65,153,118
Adjustments for calculation of diluted earnings / (loss) per share:		
Options (i)	-	-
Effect of shares issued in November 2009	-	492,430
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings / (loss) per share</i>	65,955,515	65,645,548

(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 2011 however, these options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in note 26.

8 Cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Cash in hand	300	150
Cash at bank	<u>1,051,048</u>	<u>3,172,829</u>
	<u>1,051,348</u>	<u>3,172,979</u>

(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	
	2011	2010
	\$	\$
Net loans and advances		
Pre-settlement	20,641,869	30,505,881
Disbursement Funding	18,281,319	11,259,639
Other	253,489	58,108
Capitalised interest	16,437,414	16,119,048
Provision for impairment	<u>(8,445,428)</u>	<u>(2,886,187)</u>
Total other assets	<u>47,168,663</u>	<u>55,056,489</u>

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 2011, loans and advances of \$6,035,146 (2010: \$6,350,706) 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	
	2011	2010
	\$	\$
Past due 0-45 days	1,470,109	346,687
Past due 46-90 days	744,347	37,717
Past due 91-150 days	1,364,612	318,388
More than 150 days	<u>2,456,078</u>	<u>5,647,914</u>
	<u>6,035,146</u>	<u>6,350,706</u>

(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 2011 loans and advances of \$10,589,366 (2010: \$5,953,851) 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 \$7,660,643 (2010: \$2,886,187).

The ageing of these loans and advances is as follows:

	Consolidated	
	2011	2010
	\$	\$
Not past due	2,869,169	1,563,039
Past due 0-45 days	262,991	19,408
Past due 46-90 days	473,217	693
Past due 91-150 days	370,546	164,932
More than 150 days	<u>6,613,443</u>	<u>4,205,779</u>
	<u>10,589,366</u>	<u>5,953,851</u>
Interest forgone on impaired assets	<u>265,911</u>	<u>1,055,630</u>
Interest taken to profit on impaired assets	<u>2,147,343</u>	<u>691,022</u>

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	
	2011	2010
	\$	\$
Specific provision		
Opening balance	2,886,187	1,992,123
Charge to operating profit	10,426,792	2,449,778
Write-offs	<u>(5,652,336)</u>	<u>(1,555,714)</u>
Closing balance	<u>7,660,643</u>	<u>2,886,187</u>
Collective provision		
Opening balance	-	-
Charge to operating profit	<u>784,785</u>	<u>-</u>
Closing balance	<u>784,785</u>	<u>-</u>
Total provision for impairment	<u>8,445,428</u>	<u>2,886,187</u>

The collective provision has been recognised during the year ended 30 June 2011 in respect of one part of the pre-settlement loan book, based on the historical loss rate experienced on that particular group of loans and advances, together with an additional overlay representing the risk arising from the intended run off as disclosed in note 1(a)(i).

(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	
	2011	2010
	\$	\$
Other receivables		
Other receivables	1,106,000	1,256,000
Provision for doubtful receivable	(1,106,000)	(1,256,000)
	-	-

Included in other receivables is an amount of \$1,106,000 (2010: \$1,256,000), 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.

During the current year an amount of \$150,000 has been 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.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2011	2010
	\$	\$
Opening balance	1,256,000	-
Charge to operating profit	-	1,256,000
Impairment loss recovered	(150,000)	-
	1,106,000	1,256,000

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

11 Derivative financial instruments

	Consolidated	
	2011	2010
	\$	\$
Assets		
Interest rate swaps - cash flow hedges (a)	-	76,276
Total derivative financial instrument assets	-	76,276
Liabilities		
Total derivative financial instrument liabilities	-	-

(a) Instruments used by the Company

The Group was party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

The Group ceased utilising derivative financial instruments to minimise interest rate risk exposure during the current financial year.

(b) Fair value

The fair value of the derivative financial instruments was equal to their carrying value.

(c) Risk exposure

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

12 Deferred tax assets

	Consolidated	
	2011	2010
	\$	\$
The balance comprises temporary differences attributable to:		
Net loans and advances	2,705,726	1,027,482
Accrued expenses	60,790	31,241
Employee benefits	87,041	38,570
Amortisable expenditure	53,538	25,847
Intangible assets	307,010	-
Property, plant and equipment	18,766	13,759
Current year tax losses for which no deferred tax asset was recognised	494,661	-
	3,727,532	1,136,899
 <i>Amounts recognised directly in equity</i>		
Share issue expenses	412	549
Total deferred tax assets	3,727,944	1,137,448
 Set-off of deferred tax liabilities (note 19)	(782)	(72,460)
Derecognition of deferred tax assets	(3,727,162)	-
Net deferred tax assets	-	1,064,988

13 Intangible assets

	Goodwill \$	Computer software \$	Total \$
At 1 July 2009			
Cost	954,370	746,829	1,701,199
Accumulated amortisation and impairment	<u>-</u>	<u>(114,121)</u>	<u>(114,121)</u>
Net book amount	<u>954,370</u>	<u>632,708</u>	<u>1,587,078</u>
Year ended 30 June 2010			
Opening net book amount	954,370	632,708	1,587,078
Additions	-	1,198,023	1,198,023
Impairment charge	-	-	-
Amortisation charge *	<u>-</u>	<u>(217,217)</u>	<u>(217,217)</u>
Closing net book amount	<u>954,370</u>	<u>1,613,514</u>	<u>2,567,884</u>
At 30 June 2010			
Cost	954,370	1,944,852	2,899,222
Accumulated amortisation and impairment	<u>-</u>	<u>(331,338)</u>	<u>(331,338)</u>
Net book amount	<u>954,370</u>	<u>1,613,514</u>	<u>2,567,884</u>
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**	<u>(954,370)</u>	<u>(1,220,387)</u>	<u>(2,174,757)</u>
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2011			
Cost	954,370	1,916,018	2,870,388
Accumulated amortisation and impairment	<u>(954,370)</u>	<u>(1,916,018)</u>	<u>(2,870,388)</u>
Net book amount	<u>-</u>	<u>-</u>	<u>-</u>

* 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

The following units have significant carrying amounts of goodwill:

	Consolidated	
	2011	2010
	\$	\$
Australasia	<u>-</u>	<u>954,370</u>

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

Where an indicator of impairment exists, the Group then makes a formal estimate of the recoverable amount of the assets. Following a strategic review of the business the directors have determined that an orderly run off of the Loan Book is the best alternative to maximise shareholder return. This decision has triggered a review to assess if there is any impairment to the Group's intangible assets.

13 Intangible assets (continued)

The recoverable amount of the Australasian cash-generating unit ("CGU") was estimated based on value-in-use calculations. Under the intended run off of the Loan Book, value-in-use is no longer applicable for the calculation of recoverable amount. As no economic benefit is expected from the future disposal of the CGU, fair value less cost to sell is also not applicable. Consequently, the recoverable amount of intangibles has been estimated as nil and an impairment charge has been recognised at 30 June 2011.

In the prior year, cash flow projections based on forecasts for the 5 years ended 30 June 2015 with an amount included in respect of a terminal value for the business were calculated based on cash flows for the year ended 30 June 2015 and a terminal growth rate of 2%. The forecasts reflected strong cash flow growth by the Group however the discount rate applied to the cash flows was calculated to include a significant company risk premium associated with these cash flows and accordingly a discount rate of 22.86% was used in discounting the projected cash flows.

14 Other assets

	Consolidated	
	2011	2010
	\$	\$
Deposits	-	6,257
Prepayments	108,100	132,663
Bank deposits	<u>1,433,681</u>	<u>705,348</u>
	<u>1,541,781</u>	<u>844,268</u>

The bank deposits are 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.

15 Trade and other payables

	Consolidated	
	2011	2010
	\$	\$
Payables and accrued expenses	<u>1,035,230</u>	<u>838,489</u>

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.

16 Interest-bearing loans and borrowings

	Consolidated	
	2011	2010
	\$	\$
Secured		
Commercial advance facility	36,000,000	37,000,000
Transaction costs	(517,832)	(46,441)
Accrued interest	100,727	102,636
Total interest bearing liabilities	<u>35,582,895</u>	<u>37,056,195</u>

These financial liabilities are measured at amortised cost.

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

(a) Financing arrangements

	Consolidated	
	2011	2010
	\$	\$
Total facilities		
Multi option facility	980,000	-
Bank overdraft and guarantee facility	-	500,000
Credit card facility	20,000	110,000
Commercial advance facility	40,000,000	54,500,000
	<u>41,000,000</u>	<u>55,110,000</u>
Used at balance date		
Multi option facility	352,477	-
Bank overdraft and guarantee facility	-	476,621
Credit card facility	20,000	75,000
Commercial advance facility	36,000,000	37,000,000
	<u>36,372,477</u>	<u>37,551,621</u>
Unused at balance date		
Multi option facility	627,523	-
Bank overdraft and guarantee facility	-	23,379
Credit card facility	-	35,000
Commercial advance facility	4,000,000	17,500,000
	<u>4,627,523</u>	<u>17,558,379</u>
Total facilities	41,000,000	55,110,000
Used at balance date	<u>36,372,477</u>	<u>37,551,621</u>
Unused at balance date	<u>4,627,523</u>	<u>17,558,379</u>

Due to the breach of loan covenants during the year, the unused balance is unlikely to be available for drawdown.

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 \$20m by 26 April 2012 in contemplation of additional financiers joining the Facility.

Interest rates are 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 are fixed at the date of each advance.

16 Interest-bearing loans and borrowings (continued)

As a result of the waiver received from its financier (refer Note (b)), on 28 February 2011 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 Group agreed in principle, subject to final documentation, to vary the terms of the Senior Syndicated Facility Agreement in order to achieve an orderly run-off of the Group's Loan Book and repayment of the Facility. The variation has amended the expiry date of the facility to 15 December 2012, has removed all of the financial covenants, requires regular monthly repayments based upon excess cash and requires the cessation of all new lending. Refer to note 25 for further detail of the variation.

(b) Covenants

At 31 December 2010 the Company breached one of its obligations under the Debt Facility being compliance with the interest cover ratio which is required to be no less than 2.0:1 on a rolling 12 month basis. The Company received a waiver from its Financier in respect of this breach. This breach of the interest cover financial covenant has continued to 30 June 2011 and the Group has requested further waivers from its Financier in respect of these breaches, however waivers have not been provided.

As referred to in note (a) above, the Company has agreed in principle, subject to final documentation, to vary the terms of the Senior Syndicated Facility Agreement and as part of this variation, all financial covenants are to be removed.

(c) Fair value

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

(d) Risk exposure

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

17 Employee benefits

	Consolidated	
	2011	2010
	\$	\$
Liability for annual leave and long service leave	88,666	77,642
Salary and wages accrual	7,930	-
Redundancy and retention incentive accrual	201,473	-
	<u>298,069</u>	<u>77,642</u>

The Group makes contributions to various defined contribution superannuation funds. The amount recognised as an expense was \$196,488 for the financial year ended 30 June 2011 (2010: \$198,368).

18 Capital and reserves

	The Company	
	2011	2010
	Shares	Shares
Share capital		
Ordinary shares		
Opening balance at 1 July	65,955,515	65,153,118
Dividend reinvestment plan issues	-	802,397
	<u>65,955,515</u>	<u>65,955,515</u>

18 Capital and reserves (continued)

(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. The dividend reinvestment plan was exercised in respect of dividends paid on 19 November 2009.

(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 26.

(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 26 for further details of this plan.

(f) Dividends

Ordinary shares

Final dividend for the year ended 30 June 2010 of 0.36 cents (2009: 1.3 cents) per fully paid share paid on 15 October 2010 (2009: 19 November 2009)

Fully franked based on tax paid @ 30%

	Consolidated	
	2011	2010
	\$	\$
	237,440	846,991

18 Capital and reserves (continued)

(g) Franking credits

	Consolidated	
	2011	2010
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	4,917,249	4,998,563

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking debits that will arise from the refund of the amount of the current tax receivable.

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

19 Deferred tax liabilities

	Consolidated	
	2011	2010
	\$	\$
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Intangible assets	-	47,674
Other items	782	1,903
<i>Amounts recognised directly in equity</i>		
Cash flow hedges	-	22,883
	782	72,460
Set-off of deferred tax liabilities (note 12)	(782)	(72,460)
Net deferred tax liabilities	-	-

20 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)
G Partridge
M Collins - appointed 11 October 2010

(ii) Executive directors

R Templeton (Managing Director and Chief Executive Officer)
A Hill (Chief Financial Officer and Company Secretary) - alternate Director for R Templeton

(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	
	2011	2010
	\$	\$
Short-term employee benefits	1,155,922	1,114,197
Post-employment benefits	92,796	97,200
Termination Benefits	101,947	-
Share-based payments	8,787	11,825
	<u>1,359,452</u>	<u>1,223,222</u>

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 \$12,320 (2010: nil) were provided by Mr Misha Collins in relation to his role as Strategic and Shareholder Relations Officer. No marketing consultancy services were provided by The Company Whisperer Pty Ltd, a company controlled by Mr G Partridge, during the current year (2010: \$25,025). These services were billed based on normal market rates for such services and were due and payable under normal payment terms.

20 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:

2011					
Name	Balance at start of the year	Granted as compensation	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 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 26 for further details.

2010					
Name	Balance at start of the year	Granted as compensation	Balance at end of the year	Vested	Unvested
Directors					
R Templeton	1,110,000	-	1,110,000	740,000	370,000
A Hill	150,000	-	150,000	100,000	50,000
Other key management personnel of the Company					
B Gebauers	120,000	-	120,000	80,000	40,000

20 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.

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

2010				
Name	Balance at the start of the year	Purchases/ (Sales)	Other changes	Balance at the end of the year
Directors				
K Rich	100,000	4,414	-	104,414
R Templeton	1,944,270	85,382	-	2,029,652
A Love	-	100,000	-	100,000
G Partridge	-	200,000	-	200,000
A Hill	162,607	17,177	-	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 20(b).

As at 30 June 2011, an amount of \$8,800 was payable to Mr Misha Collins for consultancy services (2010: nil).

21 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.

22 Consolidated entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Parent entity				
Ask Funding Limited				
Subsidiaries				
ACN 109 006 126 Pty Ltd	Australia	Ordinary	100	100
Just Ask Pty Ltd	Australia	Ordinary	100	100
ARC Legal Pty Ltd	Australia	Ordinary	100	100
Impact Capital Pty Ltd *	Australia	Ordinary	100	100
Impact Funding Pty Ltd*	Australia	Ordinary	100	100
Impact Capital (Aust) Pty Ltd*	Australia	Ordinary	100	100
Inheritance Funding Pty Ltd*	Australia	Ordinary	100	100
Ask Funding (NZ) Limited**	New Zealand	Ordinary	100	100
Impact Funding (NZ) Limited*	New Zealand	Ordinary	100	100

* These subsidiaries are dormant companies.

** This subsidiary ceased trading in June 2011 and is being wound up.

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

23 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.

24 Commitments

(a) Lease commitments

Operating leases

The Group leases office premises under non-cancellable operating leases expiring within five years. 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	
	2011 \$	2010 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	443,516	617,883
Later than one year but not later than five years	1,863,326	1,795,780
Later than five years	-	466,270
	<u>2,306,842</u>	<u>2,879,933</u>

On 30 August 2011 the Company has entered into an agreement to assign the operating lease in respect of the office premises effective from 1 November 2011. This agreement is subject to the approval of the landlord and if completed will release the Company from its commitments for the remaining period of the lease in its entirety.

24 Commitments (continued)

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

	Consolidated	
	2011	2010
	\$	\$
Operating lease payments	591,692	328,175

25 Events occurring after the balance date

On 15 July 2011, in recognition of its continuing breach of financial covenants, the Company agreed to an Amendment to the Senior Syndicated Facility Agreement to reduce its Debt Facility Limit to \$35,000,000.

On 19 August 2011, the Company granted Deutsche Bank AG (Sydney branch) an exclusivity period to enable further due diligence in respect of the potential purchase of the Company's Disbursement Funding Loan Book and business. Completion of any sale remains subject to certain conditions precedent including Deutsche Bank AG (Sydney branch) internal approvals, due diligence on terms satisfactory to Deutsche Bank AG (Sydney branch) and release of the relevant assets as security currently held by the Company's financier, BankWest, who have provided in principle support for the potential sale. It is anticipated that the potential sale will likely settle in October 2011.

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

- Expiry date amended from 26 October 2013 to 15 December 2012.
- Removal of financial covenants.
- Monthly repayments to commence by 31 August 2011. A repayment of \$750,000 was made by the Company on 26 August 2011.
- Suspension of dividend or capital distributions.
- Cessation of new lending on all products except Disbursement Funding with the latter to continue for the period until completion of the Potential Sale to Deutsche Bank AG (Sydney branch).
- No change to pricing under the Facility.

For further details of the debt facility refer to note 16.

In the event that the BankWest Facility is not repaid by the expiry date, a further extension may be required to achieve the run off strategy as set out in note 1(a)(i).

Other than referred to above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

26 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 - 2011								
23 November 2007	23 November 2012	\$-	270,000	-	-	-	270,000	270,000
23 November 2007	23 November 2012	\$-	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110,000</u>	<u>1,110,000</u>
Total			<u>1,380,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380,000</u>	<u>1,380,000</u>
Weighted average exercise price			\$0.609	\$-	\$-	\$-	\$0.609	\$0.609
Consolidated and the company - 2010								
23 November 2007	23 November 2012	\$-	420,000	-	-	(150,000)	270,000	180,000
23 November 2007	23 November 2012	\$-	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110,000</u>	<u>740,000</u>
Total			<u>1,530,000</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>1,380,000</u>	<u>920,000</u>
Weighted average exercise price			\$0.612	\$-	\$-	\$0.645	\$0.609	\$0.609

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.

26 Share-based payments (continued)

- (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	
	2011	2010
	\$	\$
Options issued under Executive Option Scheme	8,787	11,825
	8,787	11,825

27 Parent entity financial information

(a) Summary financial information

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

	The Company	
	2011	2010
	\$	\$
Balance sheet		
Assets	54,989,522	66,859,595
Liabilities	45,627,561	46,603,874
<i>Shareholders' equity</i>		
Contributed equity	24,815,175	24,815,175
Reserves	215,308	259,914
Retained earnings	(15,668,522)	(4,819,368)
	9,361,961	20,515,635
 Profit or loss for the year	(10,611,723)	(150,194)
 Total comprehensive income	(10,665,116)	(84,446)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

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

As at 30 June 2011, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2010: nil).

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

	Consolidated	
	2011	2010
	\$	\$
Profit / (loss) for the year	(11,159,305)	956,238
<i>Adjustments for:</i>		
Depreciation and amortisation	654,226	277,758
Foreign exchange (gain) loss	(5,782)	-
Loss on liquidation of foreign subsidiary	197,729	-
Impairment of loans and advances	11,211,577	2,449,779
Impairment of receivable	(150,000)	1,256,000
Interest income	(11,732,540)	(13,113,706)
Fee income	(1,128,759)	(1,871,893)
Interest expense	3,070,420	2,710,161
Non-cash employee benefits expense - employee share options	8,787	11,825
Impairment of intangible assets	2,174,757	-
Income tax expense / (benefit)	1,106,872	932,147
Change in operating assets and liabilities		
Decrease (Increase) in intangible assets.	-	60,000
Decrease (Increase) in other assets	5,769	(36,897)
Increase (decrease) in trade and other payables	(366,816)	332,904
Increase (decrease) in provisions and employee benefits	237,884	(181,180)
Interest paid	(2,879,768)	(2,498,747)
Interest and fees received	10,718,799	12,949,256
Income tax paid	(280,731)	(2,046,203)
Net cash inflow from operating activities	<u>1,683,119</u>	<u>2,187,442</u>

In the directors' opinion:

- (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 4 to 10 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 2011 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 Chief Financial Officer 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, 12 September 2011

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 2011, and consolidated income statement, 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 28 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 Ask Funding Limited 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the 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 qualifying our opinion, we draw attention to note 1 (a)(i) to the financial statements which indicates that the financial report of the Group for the year ended 30 June 2011 has not been prepared on a going concern basis and has been prepared on an alternate basis of an orderly realisation whereby the Group will realise its assets and settle its liabilities over a period of approximately 3 years. The Directors have indicated that this strategy is dependent upon the Group entering into an agreement with its current financier to enable an orderly run-off to occur. The note includes the status of these negotiations.

Independent auditor's report to the members of Ask Funding Limited (continued)

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 of approximately 3 years and at 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 assets are recorded in the financial statements at 30 June 2011 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 Sections 4A to 4D of the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the Corporations Act 2001.



KPMG



Stephen Board

Partner

Brisbane
12 September 2011

**Shareholder Information
At 15 September 2011**

Distribution of Holders in each class of equity securities

Analysis of numbers of equity security holders by size of holding:

		Ordinary Shares	
		Holders	Shares
1 -	1,000	195	108,803
1,001 -	5,000	247	592,231
5,001 -	10,000	44	332,807
10,001 -	100,000	70	2,764,393
100,001 -	and over	63	62,157,281
		619	65,955,515

There were 402 holders of less than a marketable parcel of ordinary shares.

Twenty largest holders of quoted equity securities

Shareholder	Ordinary shares	
	Number held	Percentage of issued shares
JP Morgan Nominees Australia Limited <Cash Income A/C>	8,000,001	12.13
Mr Anthony Edward Collins & Mrs Andrea Claudia Collins <Collins Family S/F A/C>	6,120,003	9.28
Mrs Jennifer Edna London & Mr James Graham London <Pacific Fire Protect S/F A/C>	4,060,941	6.16
National Nominees Limited	3,676,524	5.57
RBC Dexia Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	3,407,559	5.17
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,290,000	4.99
IMF (Australia) Limited	3,033,144	4.60
International Portfolios Ltd	2,080,000	3.15
UBS Nominees Pty Ltd	1,885,525	2.86
Blenheim Trust Company Limited <Vine A/C>	1,840,000	2.79
Weir River Consulting Pty Ltd <Weir River Grazing S/F A/C>	1,670,628	2.53
Mr Ian Turner <IB & HJ Turner Superfund A/C>	1,539,140	2.33
Ruminator Pty Ltd	1,486,520	2.25
Mr Bernard Joseph Fitzsimon & Ms Diane Therese Neve <Fitzsimon Family A/C>	1,277,508	1.94
Colin Loenard Howard Lewis	1,000,000	1.52
Rathjo Pty Ltd <Brian Smith Family A/C>	988,457	1.50
Dominion Credit Pty Ltd <Jade No 2 A/C>	918,845	1.39
Jalpont Pty Ltd <Templeton Family A/C>	918,845	1.39
Valamoon Pty Limited <Valamoon Pty Ltd S/F A/C>	909,558	1.38
Jalpont Pty Ltd <Templeton Super Fund A/C>	835,314	1.27
	48,938,512	74.20

Shareholder Information
At 15 September 2011

Unquoted equity securities

	Options	
	Number on issue	Number of holders
Options Issued under the Ask Funding Limited Executive Option Scheme	1,380,000	3

Substantial Holders

Shareholder	Ordinary shares	
	Number held	Percentage of issued shares
Thistle Custodians Pty Ltd	9,885,525	14.99
Insight Capital Management Pty Ltd	6,300,731	9.55
James Graham & Jennifer Edna London	4,060,641	6.16
Telstra Super Pty Ltd atf Telstra Superannuation Scheme	3,549,625	5.38
Wilson Management Group	3,495,684	5.30

Restricted Securities

All ordinary shares are quoted on the ASX and there are no shares subject to escrow or other regulated restrictions.

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

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

Options

Options do not carry a right to vote.

Shareholder Information At 15 September 2011

Other

Shareholder Enquiries

Shareholders with enquiries about their shareholdings should contact the Share Registry, Computershare Investor Services Pty Limited by telephone on 1300 552 270 within Australia or +61 3 9415 4000 outside Australia or by facsimile on 1800 743 447 within Australia or +61 3 8473 2555 outside Australia.

Change of Address

Shareholders should notify the Share Registry in writing immediately upon any change in their registered address. Sponsored holders ("CHESS") should notify their stockbroker of such change.

Change of Name

Shareholders who change their name should notify the Share Registry and attach a copy of a relevant marriage certificate, deed poll or other relevant documentation.

Removal from the Annual Report Mailing List

Shareholders who do not wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

Consolidation of Shareholdings

You may have received more than one Annual Report. If so, please check carefully the name and address printed on the Notice of Meeting in each Report. If these are identical, you may wish to combine the holdings into a single holding by writing to the Share Registry quoting each of the shareholder reference numbers.

CHESS

(Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertificated holdings under the Australian Stock Exchange CHESS system should contact their stockbroker.

Uncertificated Share Register

Shareholding statements are issued within five business days after the end of the month in which transactions alter the balance of your holding.

Website

Shareholders wishing to access specific information about their holding can visit the Share Registry's website at (www.computershare.com)

Tax File Numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

