Investorfirst Ltd

INVESTORFIRST LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

ABN 87 124 891 685

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CORPORATE INFORMATION

Directors
Mr. Otto Buttula (Executive Chairman)
Mr. Robert Bishop
Mr. Darren Pettiona
Mr. Robert Spano
Mr. Kim Hogan (appointed 1 September 2010)
Mr. Jason Entwistle (appointed 26 November 2010)
Mr. Hugh Robertson (appointed 20 April 2011)

Company Secretary
Ms. Andrea Steele
Mr. Ariel Sivikofsky

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Sydney NSW 2000

Investorfirst Limited shares are listed on the Australian Securities Exchange (ASX: INQ).

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525 Collins Street
Melbourne VIC 3000

MinterEllison
Aurora Place
88 Phillip Street
Sydney NSW 2000

Bankers
ANZ Bank
20 Martin Place
Sydney NSW 2000

Auditors
Ernst & Young
Level 33, Ernst & Young Centre
World Square
680 George Street
Sydney NSW 2000

Internet Address
www.investorfirst.com.au

CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

Investorfirst Limited (ASX: INQ) announces a consolidated net loss after income tax for the year ended 30 June 2011 of $4,451,241, after recognising all non-recurring items and provisions. The increased loss over the year, whilst always disappointing to report, is broadly in line with the Company's strategic plan and has been brought about by the Company's expansion into new areas of business, which are designed to bring about medium to longer term shareholder wealth. To this end, the business is expected to become much less reliant on variable stock market volumes and associated brokerage revenues, rather building a growing suite of asset based annuity revenue streams which carry a corresponding higher valuation by investors.

Although, the Company has been listed since 2007, this proven business model remains in its infancy in regard to Investorfirst and hence we expect to incur further charges before it develops into a profitable business activity. Despite this impost, the Board, founders and management remain committed to bringing your Company to profit as soon as practicable and remain well aligned with shareholder interests holding some 43% of the Company's shares.

Financial Year 2011 Business Synopsis

Investorfirst is a diversified wealth management services provider, spanning annuity revenue streams through its HUB24 Platform provider business and variable market activity based revenue streams through its Investorfirst Securities, Stockbroking activities, which also incorporates equity capital market activities.

Our aim, where possible, is to grow the business both organically and through targeted complementary business takeovers. Whilst, we continue to actively pursue further merger and acquisition activity, we also plan to embark on a period of rationalisation of the business, following the successful acquisition of HUB24 in December of 2010. This review will include an analysis of the ongoing viability of the Alert Trader Group as a standalone entity within the Group.

Hence, the Company has now repositioned itself solely as a Wealth Management Services provider encompassing the dual and combined provision of an Investment/Superannuation Platform Services along with a complementary Full Service and Wholesale Stockbroking Group.

Synopsis of Wealth Management Activities

Ongoing product development continues to be a feature relating to the platform business. The fully-integrated investment service is being extended to include retail super and other ancillary product features such as risk insurance and integrated, basic financial planning tools and a full online broking workbench, all of which is expected by the advisory market of a full service platform.

The ongoing developmental spend in terms of software development and legal structuring will continue to adversely impact upon the business's net financial performance throughout next year, however indications from clients are that such expenditures are warranted to further advance their support and grow revenues.

Therefore, whilst HUB24 has been very successful in gaining a broad client base of small and large market participants and fund inflows have been relatively consistent, they do remain below internal targets. Further impacting this has been the late repositioning of this business to that of an Investor Directed Portfolio Service (IDPS) provider which we believe is a stronger and more broadly accepted legal structure, which required additional licensing from ASIC, as well as slowing client transfers in until the structure was finalised. This was somewhat exacerbated by the uncertainty surrounding the Future of Financial Advice legislation ("**FOFA**").

Whilst this has resulted in higher costs, without significant corresponding revenues, the product is now widely used and has now been reviewed by several large financial institutions and we remain confident that we are on the cusp of potentially several significant transactions which will result in stronger, lump sum fund inflows.

The Company's associated stockbroking activities have dealt with the recent depressed market conditions fairly resiliently, still managing to improve its peer broker market ranking by two positions, despite brokerage income decreasing by single digit percentages over the previous corresponding period ("**pcp**").

CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

The stockbroking arm has expanded significantly in recent months, via the acquisition of a Melbourne based, specialist broking team which will add greatly to future brokerage income, corporate fees and research capacity. The ensuing set up cost associated with this acquisition has largely been realised in this year's results, without time for corresponding revenue increases. Looking ahead, next year we would expect this arm to meaningfully add to Group results and mitigate a large part of the ongoing costs of our medium to longer term platform business. This specialist team has reinvigorated the corporate business, with this already delivering a pleasing start with fees earned during the two months of May and June 2011 surpassing last year.

Brand rationalisation has also taken place within this business, with all full service, client facing activities now under the "Investorfirst" moniker.

Financial Year 2011 Results

As stated above, the financial year 2011 net loss amounted to $4.45 million, after recognising all non-recurring items and provisions, with a significant increase in amortisation and depreciation, as the Company's investments in Alert Trader Group and HUB24 are amortised according to accounting standards. Overall, revenues fell 6.8% over the pcp to $8.14 million, impacted by the small single digit decline in brokerage income, a double digit increase in corporate income, a significant decline in investment income (as legacy investments were realised) and a double digit increase in interest and other income, as interest increased due to higher cash holdings and HUB24 fees, which have begun to replace other recoveries achieved in the prior year.

Total operating expenses of $12.59 million represented a 28.5% increase on the pcp. The increase is largely attributable to the imposition of highly arguable accounting standards in regard to amortisation of our recent investments in HUB24 and Alert Trader Group, with this up 423.8% to $1.59 million, followed by higher personnel expenses associated with the HUB24 and the specialist broker team acquisition, with this up 40.5% to $3.152 million.
Additionally, the product development and infrastructure spend required for these two key acquisitions, inclusive of the need for new Sydney premises added additional short term and one-off costs in relation to property and services, without realising significant income gains as yet.

Whilst the overall cost base of the business has increased markedly over the period, it is reflective of the deliberate repositioning of the Company. The business will bear most of the cost of the repositioning and rationalisation strategy in the 2011-12 financial years, however we expect a strong improvement in revenues over financial year 2012, driven by both HUB24 fund inflows and our expanded stockbroking activities.

The business is now in an ideal position to capitalise on its strategic investments and move forward in an environment in which proposed legislative reforms will be very favourable to it, whilst also harnessing its strong balance sheet (with a net cash and unpaid buys position of $19.2 million as at 30 June 2011).

Achievements

During the course of the period, the business has successfully repositioned itself as a Wealth Management Group and achieved several significant milestones including:

- The successful acquisition and integration of the HUB24 Platform business and the Melbourne Specialist stockbroking and corporate advisory team;
- HUB24 Platform rated "strong" by Standard and Poor's and a top 10 rating from Investment Trends;
- HUB24 executed agreements with 13 dealer groups who represent in excess of $15billion in FUM;
- HUB24 product development continues in providing for a fully integrated service for investment and superannuation monies. Now focused on the development of the Retail Super, Insurance offer and an online broking workbench to be released in 2011, with financial planning tools in early 2012;
- A successful $12.5 million capital raising;
- Execution of a wholesale broking services agreements with Gamma Wealth, First Prudential and Avestra Asset Management; and
- Reinvigoration of the corporate advisory business with 4 deals completed within two months of the acquisition.

CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

Outlook

The business has undergone a significant transformation over the past twelve months, to position itself as an integrated Wealth Management business encompassing an independent Investment/Superannuation Platform and Stockbroking Group. The business is well capitalised and now has a single-minded focus upon harnessing growth opportunities and achieving net profitability within the newly augmented business structure.

The legislative changes contained within proposed Future Of Financial Advice ("**FOFA**") regime are forcing the adoption of new business models by dealer groups. To this end, considerable effort has been expended on product design and expansion to deliver a next generation platform for the sector. The business will also continue to explore complimentary business acquisitions that will directly contribute to the new strategy.

With regard to current operations, we remain cautious in our outlook given volatile investment markets, highly variable trading volumes and ongoing infrastructure investment as we prepare for the planned growth of the business.

Notwithstanding this, the primary focus moving into FY'12 and beyond will be to build the revenue base, consolidate and refine the existing business strategy and cost base and build a business not only with a unique position in the Australian financial services landscape, but one also that is highly regarded and valued and capable of recording sustainable profits well into the future.

Darren Pettiona
Chief Executive Officer

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows.

Names, qualifications, experience and special responsibilities:

Mr. Otto Buttula
B Ec., Grad Dip Applied Finance & Investments (SIA), FAICD
(Executive Chairman)

Mr. Buttula has an extensive and successful financial services management history spanning in excess of twenty years.

Before this appointment, Mr. Buttula co-founded and was Chief Executive Officer and Managing Director of IWL Limited (ASX: IWL), a company which listed on the ASX in 1999 at a market capitalisation of $48 million, before its takeover by the Commonwealth Bank of Australia (ASX: CBA) in 2007 at a market capitalisation of $372 million. He also founded Investors Mutual in 1999 and was a significant shareholder and Director of Lonsdale Securities before the sale of its parent company to Zurich Australia.

Mr. Buttula was appointed Executive Chairman on 15 August 2008. On 21 August 2009, he resigned as an Executive and was immediately reappointed as Non-Executive Chairman. Following the resignation of the former Chief Executive Officer, he was re-instated as Executive Chairman on 25 June 2010. Mr. Buttula is also a member of the Remuneration Committee.

Mr. Darren Pettiona
LLB, AICD
(Chief Executive Officer)

Mr. Pettiona's professional background includes over 15 years experience as a founding shareholder and executive Director building various financial services businesses.

Most notable of these have been Online Broker Holdings (Charles Schwab Australia) purchased by Ecorp Limited in 1998, Portfolio Management Systems purchased by Advent Pty Inc. (NASDAQ: ADVS) in 1998, Coin Software acquired by Macquarie Bank in 2005 and Hub24 Pty Limited an investment management and self managed superfund platform (current) purchased by Investorfirst Limited in 2010.

Mr. Pettiona is a Non-Executive Director of van Eyk Research Limited.

Mr. Pettiona was appointed to the Board on 15 August 2008 and was appointed as Chief Executive Officer on 1 December 2010. He is also a member of the Remuneration Committee.

DIRECTORS' REPORT

Mr. Robert Spano
(Non-Executive Director)

Mr. Spano is a management specialist with over 25 years experience in the finance industry. In addition to substantial hands on experience, he has completed a number of courses in management and holds a Management Diploma. He began his involvement in the finance and banking industry in 1981. He established Integrated Asset Management (IAM) as a dynamic and innovative finance company. The company has formed a joint venture with the Toshiba Corporation to form Toshiba Australia Finance. In 2008 Mr. Spano, with the assistance of CHAMP Private Equity, purchased the Alleasing Group and sold IAM into the same group. He is now a Non-Executive Director at the Alleasing Group. Alleasing is the largest independent Operating lease company in Australia, with a portfolio of $1.4 billion in receivables and 24,000 customers ranging from Government clients to small commercial enterprises.

Mr. Spano was Chairman at Aequs Capital Limited from 2004 up until its takeover by Investorfirst. He has assisted management with a smooth transition. He is currently a Director of a number of smaller private investment companies.

Mr. Spano was appointed to the Board on 12 January 2009 and is a member of the Audit, Risk and Compliance Committee.

Mr. Robert Bishop
B Ec, MAICD
(Non-Executive Director)

Mr. Bishop has extensive experience in financial services, with a particular expertise in cards, payments, retail banking and distribution having held senior executive positions at National Australia Bank, Westpac and Citibank.

Mr. Bishop was previously a Director of Keycorp Limited and IWL Limited.

Mr. Bishop was appointed to the Board on 8 October 2008 and is the Chairman of the Audit, Risk & Compliance Committee.

Mr. Kim Hogan
B Bus
(Non-Executive Director)

Mr. Hogan has extensive experience in financial services, with a particular expertise in all facets of full service stockbroking. Specifically, this has included advice and portfolio construction, including derivatives, retail desk construction and management, in addition to supervision of risk exposures and compliance.

Mr. Hogan is currently an Executive Director of Forrest Capital Pty Ltd.

Mr. Hogan has been appointed to the Board effective from 1 September 2010 and is a member of the Remuneration Committee.

Mr. Jason Entwistle
(Non-Executive Deputy Chairman)

Mr. Entwistle has over 20 years experience in the financial services industry. During that time he established a number of successful wealth management related businesses. In 1990, he was part of a small team that created the successful Navigator master trust (now owned by National Australia Bank). Following his departure from Navigator in 1994, Mr Entwistle established a consulting practice and consulted extensively on Portfolio Administrative Platforms to over 20 leading financial institutions throughout Asia Pacific and the U.K.

Mr. Entwistle was the co-founder of Avanteos, which was launched in 2001 and became Australia's first online Wrap Platform. Avanteos was later purchased by the Commonwealth Bank of Australia.

Mr. Entwistle is currently the Managing Director of Westoria Capital Pty Ltd, a Non-Executive director of Techdrill Services Pty Ltd and was also a founding Director of Centaurus Resources Limited, an ASX listed resources company.

Mr. Entwistle has been appointed to the Board effective from 26 November 2010 and is a member of the Audit, Risk and Compliance Committee and Remuneration Committee.

Mr. Hugh Robertson
(Executive Director)

Mr. Robertson has over 25 years experience in the financial services industry, commencing his stockbroking career in 1983. During that time he has been involved in a number of successful stockbroking and equity capital markets businesses including Falkiners Stockbroking and most recently Bell Potter Securities.

Mr. Robertson is currently a Director at Wentworth Holdings Limited and Rattoon Limited.

Previously, Mr. Robertson has also held directorships with NSX Ltd, OAMPS Ltd, Catalyst Recruitment Ltd and Bell Potter Ltd (pre-IPO).

Mr. Robertson has been appointed to the Board effective from 20 April 2011.

COMPANY SECRETARIES

The names and details of the Company's Secretaries in office during the financial year and at the date of this report are as follows:

Names, qualifications, experience and special responsibilities

Ms. Andrea Steele
LLB B Com LLM

Ms. Steele is the Director of Capital Markets and Strategy for Investorfirst, joining the Company on 18 August 2008.

Prior to this position, Ms. Steele held the position of Corporate Strategy Analyst at IWL Limited ("IWL"), where she was closely involved in various acquisitions and divestments. Prior to joining IWL, Ms. Steele spent the previous +8 years as a Strategy Consultant and Project Manager, with the majority of this consulting tenure served in Europe working on detailed strategic business and competitive intelligence projects with major chemical & life science companies.

Ms. Steele was appointed Joint Company Secretary on 13 March 2009.

DIRECTORS' REPORT

Mr. Ariel Sivikofsky
B Com, CA, Grad Dip Applied Finance & Investments (SIA), MAICD

Mr. Sivikofsky is the Chief Financial Officer, joining the Company on 6 December 2010.

Prior to this position, Mr. Sivikofsky was European Financial Controller – Infrastructure & Corporate Finance at Babcock & Brown. Prior to joining Babcock & Brown, Mr. Sivikofsky, a chartered accountant, began his career at KPMG, following which he worked in contract positions for several world-respected financial organisations both in London and Australia, including Rabo Bank, Credit Suisse, CBA, BT and Macquarie Bank.

Mr. Sivikofsky was appointed Joint Company Secretary on 6 December 2010.

Director's interests

As at the date of this report, the interests of the Directors in the shares of Investorfirst Limited were:

Director	Number of ordinary shares
Otto Buttula	31,900,000
Robert Spano	7,431,932
Darren Pettiona	65,122,987
Jason Entwistle	22,641,917
Kim Hogan	10,000,000

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated Group were the provision of financial market services including stockbroking, administration platform, sponsoring of share issues, secondary placements, investment research and advice, corporate structuring and corporate finance.

There have been no significant changes in the nature of these activities during the year.

GROUP OVERVIEW

Investorfirst Limited (the Company or "Investorfirst") is a company limited by shares that was incorporated in NSW Australia on 13 April 2007. It has prepared a consolidated financial report incorporating the entities that it controlled during the year. Further details are included in notes 23 and 29.

OPERATING RESULTS FOR THE YEAR

Investorfirst recorded a consolidated net loss after income tax for the year ended 30 June 2011 of $4.451 million, after recognising all non-recurring items and provisions (2010: $1.068 million).

Result Constituents

- Total revenue amounted to $8.139 million for the year, a decrease of 6.8% over the pcp figure of $8.729 million.
- Wealth management income decreased by 3.2% over the pcp to $7.35 million.
- Total operating expenses of $12.585 million represented a 28.5% increase on the pcp figure of $9.797 million. This is primarily a result of higher employee costs due to increasing headcount as the group continues to grow combined with the amortisation of intangible assets acquired as part of the acquisition of the Alert Trader and Hub24 Groups.

Achievements

During the course of the period, the Group achieved several significant milestones including:

- The successful acquisition and integration of the HUB24 Platform business and the Melbourne Specialist stockbroking and corporate advisory team;
- HUB24 Platform rated "strong" by Standard and Poor's and a top 10 rating from Investment Trends;
- HUB24 executed agreements with 13 dealer groups who represent in excess of $15billion in FUM;
- HUB24 product development continues in providing for a fully integrated service for investment and superannuation monies. Now focused on the development of the Retail Super, Insurance offer and an online broking workbench to be released in 2011, with financial planning tools in early 2012;
- A successful $12.5 million capital raising;
- Execution of a wholesale broking services agreements with Gamma Wealth, First Prudential and Avestra Asset Management; and
- Reinvigoration of the corporate advisory business with 4 deals completed within two months of the acquisition.

RISK MANAGEMENT

Investorfirst takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

To this end, Investorfirst has an Audit, Risk & Compliance Committee, the Charter of which includes responsibility to identify risk, assess and monitor risk and conduct oversight of internal controls. The Committee is chaired by Robert Bishop who as at 30 June 2011 was an independent, Non-Executive Director. The committee examines issues, risks and opportunities identified and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board, including the implementation of Board approved operating plans.
More information is provided in the Company's Corporate Governance Statement that follows.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has not been any significant change in the nature or state of affairs of the Company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No significant events have occurred since balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

With regard to current operations, we remain cautious in our outlook given volatile investment markets, highly variable trading volumes and ongoing infrastructure investment as we prepare for the planned growth of the business.

Notwithstanding this, the primary focus moving into FY'12 and beyond will be to build the revenue base, consolidate and refine the existing business strategy and cost base and build a business not only with a unique position in the Australian financial services landscape, but one also that is highly regarded and valued and capable of recording sustainable profits well into the future.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to significant environmental regulation under Australian legislation in relation to the conduct of its operations.

DIRECTORS INDEMNITY

During the financial year the Group paid a premium, in respect of a contract, insuring all the Directors and officers against liability, except willful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with commercial practice, the amount of the premium has not been disclosed.

CONTINGENT ASSETS AND LIABILITIES

As at reporting date the Group is the subject of ongoing regulatory inquiries in the course of its ordinary business from which it may derive sanctions, including fines. However, Directors anticipate that any fines or penalties (if any) will be insubstantial as steps and precautions have been put in place and undertaken to ensure a high level of compliance and recovery at all times.

ROUNDING OF AMOUNTS

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' and financial reports. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases to the nearest thousand dollars.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings	
	Attended	Held	Attended	Held
O. Buttula	12	12	-	-
R. Bishop	11	12	2	2
D. Pettiona	10	12	-	-
R. Spano	10	12	2	2
K. Hogan	6	9	-	-
J. Entwistle	4	5	1	1
H. Robertson	1	1	-	-

The Remuneration Committee did not meet during the financial year.

REMUNERATION REPORT – AUDITED

Policy for determining the nature and amount of key management personnel remuneration

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration (where applicable). For the purposes of this report, the terms Company, Group or Investorfirst are interchangeable, unless otherwise specified.

Remuneration philosophy

The performance of the Group depends upon the quality of its Directors and Executives (collectively hereafter 'Key Management Personnel'). To prosper, Investorfirst must attract, motivate and retain highly skilled Key Management Personnel. To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre individuals; and
- Link rewards to shareholder value.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors and management. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and management team.

The current members of the Remuneration Committee are Mr. Otto Buttula, Mr. Darren Pettiona, Mr. Jason Entwistle and Mr. Kim Hogan. Their qualifications and experience are set out earlier in this report.

In reviewing performance, the Remuneration Committee conducts an evaluation based on specific criteria, including the Group's business performance, whether strategic objectives are being achieved and the development and performance of management and personnel.

DIRECTORS' REPORT

In determining compensation arrangements, the Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of the Key Management Personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality team.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and other key management personnel remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective and Structure

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Current remuneration consists only of Fixed Remuneration. The amount of fixed remuneration is established for individual Non-Executive Directors by resolution of the full Board, at its discretion. The annual aggregate non executive remuneration may not exceed the amount fixed by the Company in general meeting for that purpose (currently fixed at a maximum of $400,000 per annum).

No additional fees are paid for each Board committee on which a Director sits, however Directors are also entitled to be reimbursed reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Share Based Remuneration

Non-Executive Directors may be eligible to participate as recipients in the Employee Share Plan (ESP) of the Company, which was established by the Board during the year ended 30 June 2007.

The remuneration of Non-Executive Directors for the financial years ending 30 June 2011 and 30 June 2010 respectively are detailed in Table 1 of this Report.

The ESP is currently suspended, however it is anticipated this will be reactivated in the coming financial year.

Executive Remuneration

Objective

Investorfirst aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities to:

- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board of Directors primarily relies upon internal surveying of prevailing market conditions.

Remuneration may consist of the following key elements:

- Fixed Salary
- Cash / Equity Bonus - Short Term Incentive Plan ('STIP')
- Cash / Equity Bonus - Ongoing Incentive Plan - ('OIP')
- Long Term Incentive Plan ('LTIP')
- Share based incentives

Fixed Salary

Objective and Structure

The level of fixed remuneration / salary is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed salaries are reviewed annually by the Board of Directors and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. Key Management Personnel receive their fixed remuneration / salary in cash.

Cash / Equity Bonus - Short Term Incentive Plan (STIP)

Objective and Structure

The objective of the STIP is to reward Key Management Personnel who are remunerated with fixed remuneration in a manner that focuses them on achieving personal and business goals which contribute to the creation of sustained shareholder value.

Bonus differential reflects performance against these goals.

The STIP facilitates annual cash / equity opportunities that reflect performance. Details of the STIP bonuses earned for each Key Management Personnel (if any) are detailed below.

Cash / Equity Bonus - Ongoing Incentive Plan (OIP)

Objective and Structure

The objective of the OIP is to reward Key Management Personnel who are remunerated with fixed remuneration in a manner that focuses them on achieving personal and business goals which contribute to the creation of sustained shareholder value.

Bonus differential reflects performance against these goals.

The OIP facilitates annual cash / equity opportunities that reflect performance. Details of the OIP bonuses earned for each Key Management Personnel (if any) are detailed below.

Equity Bonus - Long Term Incentive Plan (LTIP)

Objective and Structure

Key Management Personnel may be eligible to participate as recipients in the Employee Share Plan (ESP) of the Company, which was established by the Board during the financial year ended 30 June 2007, for the purposes of issuing ordinary shares. Additionally, the Board of Directors may, at their discretion and with the approval of shareholders, (as required) elect to remunerate Key Management Personnel through the issue of share options.

The ESP is currently suspended, however it is anticipated this will be reactivated in the coming financial year.

Share based incentives

Objective

The objective of share based remuneration is to reward Key Management Personnel and staff (where applicable) in a manner that aligns this element of remuneration with the creation of shareholder value. As such ordinary share and share option grants may be made to executive Key Management Personnel that are able to influence the generation of shareholder wealth and thus have an impact on the company's performance.

Structure

Share based remuneration to Key Management Personnel may be delivered in the form of shares, partly-paid shares, or grants under the Employee Share Plan or as share option grants, as the Board recommends in its discretion, on a case by case basis. Recipients of share based remuneration may be required to meet vesting or issue conditions, including length-of-service, and market and non-market performance based criteria, including sustained share price targets.

Summary of Key Terms of Chief Executive Officer's Employment Agreement

Darren Pettiona was appointed as Chief Executive Officer on 1 December 2010.

Mr. Pettiona's employment arrangement was established by taking into account the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations as well as industry practice.

(a) Duration of the Contract

Mr. Pettiona is employed under a continuing contract with no fixed term.

(b) Remuneration

- <u>Fixed Salary</u> - An annual package of $150,000 plus superannuation contributions in line with the Superannuation Guarantee legislation fixed until 30 November 2013.

Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of Key Management Personnel of Investorfirst for the financial year, follows. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Investorfirst, directly or indirectly, including any Director (whether executive or otherwise).

The company is currently in the process of formulating and implementing short term and long term incentive schemes that will be closely tied to the creation of shareholder value and the achievement of individual and corporate key performance measurements.

All executives have rolling agreements. The Company may generally terminate the executive's employment agreement by providing one month's written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration).

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Bonuses paid are discretionary and are not dependent on the satisfaction of a particular performance condition.

Remuneration of Key Management Personnel

			Short term			Post employment	Share based payments		Total
			Salary & Fees	Cash Bonus	Termination payment	Superannuation	Shares	Options	
			$	$	$	$	$	$	$
Non-executive directors									
Robert Bishop		**2011**	**36,697**	-	-	**3,303**	-	-	**40,000**
		2010	36,697	-	-	3,303	-	-	40,000
Robert Spano		**2011**	**40,000**	-	-	-	-	-	**40,000**
		2010	40,000	-	-	-	-	-	40,000
Kim Hogan	(i)	**2011**	**30,275**	-	-	**2,202**	-	-	**32,477**
		2010	-	-	-	-	-	-	-
Jason Entwistle	(ii)	**2011**	**23,871**	-	-	-	-	-	**23,871**
		2010	-	-	-	-	-	-	-
Sub-total non-executive directors		**2011**	**130,843**	-	-	**5,505**	-	-	**136,348**
		2010	76,697	-	-	3,303	-	-	80,000
Executive directors									
Brett Spork	(iii)	**2011**	-	-	-	-	-	-	-
		2010	192,270	-	70,000	23,604	-	-	285,874
Otto Buttula		**2011**	**76,296**	-	-	-	-	-	**76,296**
		2010	75,291	-	-	-	-	-	75,291
Darren Pettiona	(iv)	**2011**	**102,791**	-	-	**9,251**	-	-	**112,042**
		2010	36,697	-	-	3,303	-	-	40,000
Hugh Robertson	(v)	**2011**	**107,158**	-	-	-	-	**87,273**	**194,431**
		2010	-	-	-	-	-	-	-
Sub-total executive directors		**2011**	**286,245**	-	-	**9,251**	-	**87,273**	**382,769**
		2010	304,258	-	70,000	26,907	-	-	401,165
Key Management Personnel									
Andrea Steele		**2011**	**174,312**	**13,761**	-	**16,927**	-	-	**205,000**
Chief Operating Officer & Joint Company Secretary		2010	151,376	15,000	-	13,624	25,000	-	205,000
Paul Clarke		**2011**	**116,314**	-	-	**10,468**	-	-	**126,782**
General Manager Transaction Services	(vi)	2010	129,705	20,000	-	11,673	-	-	161,378
Grant Henderson	(vii)	**2011**	**101,634**	-	-	**8,596**	-	-	**110,230**
Compliance Manager		2010	100,000	-	-	9,000	-	-	109,000
Mark Zworestine		**2011**	-	-	-	-	-	-	-
Chief Financial Officer & Joint Company Secretary	(viii)	2010	144,646	-	-	12,593	-	-	157,239
Dilash Hargovind		**2011**	-	-	-	-	-	-	-
Chief Financial Officer & Joint Company Secretary	(ix)	2010	52,991	-	-	1,950	-	-	54,941
Ariel Sivikofsky		**2011**	**100,917**	-	-	**9,083**	-	-	**110,000**
Chief Financial Officer & Joint Company Secretary	(x)	2010	-	-	-	-	-	-	-
Matthew Press		**2011**	**61,868**	-	-	**5,568**	-	-	**67,436**
Chief Operating Officer - Stockbroking and Operations	(xi)	2010	-	-	-	-	-	-	-
Therese Taylor	(xii)	**2011**	**16,364**	-	-	**1,473**	-	-	**17,837**
Compliance & Legal		2010	-	-	-	-	-	-	-
Sub-total key management personnel		**2011**	**571,409**	**13,761**	-	**52,115**	-	-	**637,285**
		2010	578,718	35,000	-	48,840	25,000	-	687,558
Total		**2011**	**988,497**	**13,761**	-	**66,871**	-	**87,273**	**1,156,402**
		2010	959,673	35,000	70,000	79,050	25,000	-	1,168,723

(i) Kim Hogan appointed to the Board 1 September 2010

(ii) Jason Entwistle appointed to the Board 26 November 2010

(iii) Brett Spork resigned 11 June 2010

(iv) Darren Pettiona appointed Chief Executive Officer 1 December 2010

(v) Hugh Robertson appointed to the Board 20 April 2011

(vi) Paul Clarke resigned 30 April 2011

(vii) Grant Henderson resigned 8 June 2011

(viii) Mark Zworestine resigned 27 May 2010

(ix) Dilash Hargovind resigned 13 August 2009

(x) Ariel Sivikofsky appointed 6 December 2010

(xi) Matthew Press appointed 28 February 2011

(xii) Therese Taylor appointed 30 May 2011

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have substantially adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this Annual Report.

NON-AUDIT SERVICES

Tax, compliance and consulting services of $52,337 (2010: $12,000) was paid to Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors 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 Group, acting as an advocate for the Group or jointly sharing rights and rewards.

Refer to Note 28: Auditors Remuneration of the financial statements for details of the remuneration that the auditors received or are due to receive for the provision of audit and other services.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received an Independence Declaration from the auditors of Investorfirst which follows on the following page.

Darren Pettiona
Chief Executive Officer
Sydney, 6 September 2011

Ernst & Young Centre
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Auditor's Independence Declaration to the Directors of Investorfirst Limited

In relation to our audit of the financial report of Investorfirst Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Price
Partner
6 September 2011

CORPORATE GOVERNANCE (CONTINUED)

The Board of Directors of Investorfirst is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The table below summarises the Company's compliance with the CGS's recommendations:

Recommendation		Comply Yes/No
Principle 1 - Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
Principle 2 - Structure the Board to add value		
2.1	A majority of the Board should be independent Directors.	Yes
2.2	The chair should be an independent Director. *(Mr. Buttula is employed as an executive in the Company and is technically therefore not classified as independent)*	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
Principle 3 - Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity. • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. *(The Group is in the process of establishing a diversity policy)*	No
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. *(Refer to 3.2)*	No
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. *(Proportion of Women in the whole organisation: 25.3%(18 of 71),Women in senior executive positions: 28.6% (2 of 7), Women on Board: Nil)*	Yes

CORPORATE GOVERNANCE (CONTINUED)

Recommendation		Comply Yes/No
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
Principle 4 - Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it:	
	• Consists only of non-executive Directors	Yes
	• Consists of a majority of independent Directors	Yes
	• Is chaired by an independent chair, who is not chair of the Board.	Yes
	• Has at least 3 members	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 - Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
Principle 6 - Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes
Principle 7 - Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes

Recommendation		Comply Yes/No
Principle 8 – Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	Yes
8.2	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes

Board functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. The responsibility for the operation and administration of the Group is delegated, by the Board, to the Executive Chairman and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Executive Chairman and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established an Audit, Risk and Compliance Committee, Chaired by Mr. Robert Bishop, an independent Director.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk.
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the Company.
- Development of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- Reporting to shareholders.

CORPORATE GOVERNANCE (CONTINUED)

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report are included in the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the Group and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Group's loyalty. In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Investorfirst are considered to be independent:

Name	Position
Mr. Robert Bishop	Non-Executive Director
Mr. Robert Spano	Non-Executive Director
Mr. Kim Hogan	Non-Executive Director (appointed 1 September 2010)
Mr. Jason Entwistle	Non-Executive Deputy Chairman (appointed 26 November 2010)

Whilst the Board notes the Corporate Governance Council's recommendation that the Chair should be an independent Director, the Board further recognises that given Mr. Buttula's experience and track record of achievements in the industry, he is best placed to be the Company's Chairman.

The Board further believes that Mr. Buttula is the most appropriate person to lead the Board and that he is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of Chairman and that the Group as a whole, benefits from his long standing experience of its operations and business relationships. The reason that Mr. Buttula is technically classified as not independent is due to the fact he is employed in an executive capacity in the Company.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The Board will conduct self performance evaluations that involve an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria.

The performance criteria against which Directors and executives are assessed are aligned with the financial and non-financial objectives of the Company.

Directors whose performance is consistently unsatisfactory may be asked to retire.

CORPORATE GOVERNANCE (CONTINUED)

Trading policy

All Staff, including Directors and Designated Staff, must obtain approval prior to trading in securities of the Company. In addition, Investorfirst encourages its Staff and Directors to be long term holders of the Company's securities, and therefore, short-term trading is discouraged.

All Staff must observe the following when trading in INQ securities:

Trading Blackout Period

All Directors and Staff are prohibited from trading in the Company's securities in the six week period prior to the release of the half year results (end of February) and the full year results (the end of August). There is also an information 'blackout' period for briefings with institutional investors, individual investors or stockbroking analysts to discuss financial information concerning the Investorfirst Group. During the 'blackout' period, approval will not be given to trade in Investorfirst securities unless there is an exceptional circumstance. An application may be made to the Executive Chairman or Company Secretary who may, in their absolute discretion, reject an application to trade in a blackout period. Approval to trade during the blackout period may be allowed, for example, where an earnings guidance has been released to the market and the company is satisfied that the market is sufficiently informed.

Staff Trading Approval Required for All Staff

All Staff, including Directors and Designated Staff, must complete a Staff Trading Approval Form prior to dealing in Investorfirst securities. Directors and Staff must not deal in Investorfirst securities before a Staff Trading Approval Form is approved or where authorisation is not given.

The Staff Trading Approval Form must be authorised by any one of the following officers: In the first instance by the Executive Chairman. If the Executive Chairman is not available, the Chief Executive Officer, Chief Financial Officer or the Company Secretaries of Investorfirst. It is the preference that such approvals be given by the Executive Chairman in the first instance. Additionally, for Hub24 Custodial Services, Investorfirst Securities, Alert Trader or Hub24 Operations staff, the trade must then be authorised by the Responsible Executive or Compliance Manager in accordance with the ASX market and operating rules.

Nomination Committee

The Board has not established a separate nominations committee. The Board considers that it is appropriate this important function is to be carried out by the Board as a whole given the size of the company and the current number of Directors.

Audit, Risk and Compliance Committee (ARCC)

Purpose

The primary function of the ARCC is to assist the Board of Directors of Investorfirst in fulfilling its oversight responsibilities to shareholders by reviewing the:

- Integrity of the financial statements of the Group, including:
    - Reviewing and reporting to the Board on the half yearly and annual reports and financial statements of the Company and associated entities;
    - Monitoring and reviewing the reliability of financial reporting;
    - Monitoring and reviewing mandatory statutory requirements;
- External auditor's qualifications, performance and independence, including
    - Nominating the external auditor;
    - Reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory review;
- Management of financial and operational risk, including a review of the:
    - Effectiveness of the Group's internal control systems;
    - Business continuity and Risk Plan and Disaster Recovery Plan;
    - Group's insurance policy and coverage;
- Group's compliance with legal and regulatory requirements;
    - Occupational Health and Safety;
    - AFS Licence conditions.

Composition

Investorfirst is committed to the principle that its ARCC should be of sufficient size, independence and technical expertise to discharge its mandate effectively.

The ARCC shall be comprised of two or more Directors, the majority whom shall be independent, non-executive Directors, free from any business or other relationship which would materially interfere with their exercise of duties as a member of the ARCC. The Chairman of the ARCC will be an independent director and not the Chairman of the main holding entity, Investorfirst Limited.

All members of the ARCC shall have a working familiarity with basic finance and accounting practices, and at least one member must have financial expertise or at a minimum considerable financial experience. The members of the ARCC are expected to have an understanding of the industries in which Investorfirst operates. Where the member does not have the requisite expertise upon initial appointment, financial literacy should be should be attained within a reasonable period of time after his or her appointment. New members will receive induction training upon commencement and shall be able to apply to the Board for continuing training

Membership should be periodically assessed and if necessary rotated to ensure the injection of new ideas. ARCC members should not serve on the audit committees of more than two other public companies unless the Board determines that such service does not impair the member's ability to serve on the Committee.

The Audit Committee should be given the necessary power and resources to meet its charter. This will include rights of access to management and to auditors (external and internal) without management present and rights to seek explanations and additional information.

Meetings

The ARCC meetings take place as often as required to undertake its role effectively. In general, the Executive Chairman, Company Secretary and CFO are invited to attend the ARCC meetings. A quorum of any meeting will be two members.

The ARCC meets at least twice per year with the external auditor, including at least one meeting without management present to discuss any matters which may be unresolved with management. The ARCC must report, follow up and resolve any differences of view between the internal auditors and management.

Minutes of meetings shall be taken by the Company Secretary or their delegate. The agenda and supporting documentation will be circulated to the ARCC members within a reasonable period in advance of each meeting. The minutes shall be circulated and approved by the ARCC members, and included in the papers for the next full Board meeting after each ARCC meeting.

Ensuring the Effectiveness of the ARCC

In order to ensure that the ARCC is able to effectively carry out its duties, the ARCC shall:

- have unlimited access to both internal and external auditors and to all senior management and all employees;
- have available to it resources sufficient to engage outside expertise if needed i.e., legal and technical consultants; and
- be provided with a status report for all recommendations provided by the auditors for which agreed action is required, which reports include accountable officers and implementation dates.

Limitation of Audit, Risk and Compliance Committee's Role

While the Audit, Risk and Compliance Committee has the responsibilities and powers set out in its Charter, it is not the duty of the Audit, Risk and Compliance Committee to plan or conduct audits or to determine that the Group's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.

These are the responsibilities of management and the external auditor.

Charter and Performance Review

The Charter will be reviewed and updated at least annually and changes required will be recommended to the Board for approval. The Committee annually reviews its own performance.

The current members of the ARCC are Mr. Robert Bishop, Mr Jason Entwistle and Mr. Robert Spano. Their qualifications and experience are set out earlier in this report.

Risk

The Board acknowledges the *Revised Supplementary Guidance to Principle 7* issued by the ASX in June 2008 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the company's approach to creating long-term shareholder value.

In recognition of this, the Board, in concert with the Audit, Risk and Compliance Committee (ARCC), determines the company's risk profile and is responsible for overseeing and approving appropriate risk management strategy and policies, internal compliance and internal controls.

CORPORATE GOVERNANCE (CONTINUED)

The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Executive Chairman, including responsibility for the day to day design and implementation of the company's risk management and internal control system.

Management is required by the Board to carry out risk specific management activities in four core areas:

- strategic risk;
- operational risk;
- reporting risk; and
- compliance risk.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy;
- statements, designed to meet stakeholders' needs and manage business risk; and
- Development of Board approved operating plans and budgets and Board monitoring of these, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

For the purpose of assisting investors to understand better the nature of the risks faced by the Company, the Board has prepared a list of operational risks as part of these Principle 7 disclosures. However the Board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events such as:

- Increasing costs of operations; and
- Changed operating, market or regulatory environments.

A copy of the Company’s risk management policy follows.

Purpose

Risk is inherent in all of day-to-day activities of Investorfirst and its controlled entities (‘Investorfirst’) and every manager and staff member continuously manages risk, whether realised or not. Risk is defined as the chance of something happening that will have an impact upon objectives.

Formal and systematic approaches to managing risk have evolved over time and are regarded as good management and corporate governance practice. Accordingly, Investorfirst has adopted a strategic and formal approach to risk management that will improve decision-making, enhance outcomes and accountability. The aim of risk management is not to eliminate risk entirely, but rather to identify and manage risks to maximise opportunity and minimise adversity.

Areas / Persons Affected

Risk affects every person and is embedded in every aspect of Investorfirst’s daily business. Every employee / staff member must be educated as to the risk management process so that they can assist in identifying risk items and engage in proper reporting and escalation procedures so risk items can be properly addressed.

It is important to note that Investorfirst needs to consider risks that may directly or indirectly impact our clients as well.

Various policies / procedures, as well as day-to-day processes, address risk in their own way. This document does not try to duplicate these, but rather provide an overall framework by which they are governed.

Policy

The Investorfirst Group of companies maintains procedures to provide a systematic view of the risks faced in the course of its business activities. Where appropriate, these procedures will be consistent with the Standards Australia risk management standard, AS / NZS 4360:1999 - Risk Management.

Definitions

Risk management definitions can be found in the definitions section of the Standards Australia risk management standard, AS / NZS 4360:1999 - Risk Management. The key definitions are as follows:

Risk

The chance of something happening that will have an impact upon Investorfirst's objectives. Risk is measured in terms of consequences and likelihood.

Risk Assessment

The overall process of risk analysis and evaluation.

Risk Identification

The process of determining what can happen, why and how.

Risk Management

The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within Investorfirst's environment.

Risk Management Process

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

Responsibilities

Investorfirst Board of Directors

The Board is ultimately responsible for overall risk management within Investorfirst.

The Board is also responsible for:

- Adopting and supporting this policy
- Providing sufficient resources to address risk management
- Ensuring management implements risk management systems and that the systems meet Board requirements
- Ensuring proper reporting of risks

The Board has formally delegated oversight of risk management to the Audit, Risk & Compliance Committee (a Board Sub-Committee). The Audit, Risk & Compliance Committee reports directly to the Board.

Audit, Risk & Compliance Committee

The Audit Risk & Compliance Committee:

- is comprised of a majority of non-executive Directors and by invitation the Executive Chairman, Company Secretary and CFO;
- meets on a quarterly basis or more regularly as required; and
- provides direction for risk management and reports to the Board on significant matters.

CORPORATE GOVERNANCE (CONTINUED)

Risk and Compliance Committee

Investorfirst, through its subsidiary Hub24 Custodial Services Limited, has a dedicated Risk and Compliance Committee which operates across the business. Investorfirst's Committee has stakeholders from the following areas of the business:

- Compliance Manager (Chair)
- GM – Transaction Services (Operations)
- Responsible Executive (Operations / Advisor Services)
- CFO (Finance)

The Risk and Compliance Committees meet on a monthly basis or more regularly as required. These meetings are chaired by the Compliance Manager. The agenda is circulated at least 5 days prior to the meeting to facilitate additional items to be included. Minutes are taken and action plans are developed as a result of these meeting. Minutes are provided to the Audit Risk & Compliance Committee.

Key members of these Committees report on the status of existing as well as any new risks. The Risk and Compliance Committees regularly monitor the key business risks identified by each business area of the company. The following information is recorded in the risk register, analysed, prioritised and relevant action taken: the source; nature, existing controls, consequence and likelihood rating; initial risk rating and vulnerability to external / internal factors.

Senior Management

It is the responsibility of management to implement and drive the risk management system as well as promote a culture of risk management and compliance. Each Senior Manager (defined as being at the Manager level or higher) is accountable for the risks and resulting actions for their respective divisions or departments.

Senior Management who are also Responsible Executives will be asked to report on a monthly basis by providing an attestation to the Risk and Compliance Committee. The Risk and Compliance Committee then provides quarterly risk and compliance attestations to the ARCC.

Legal & Compliance Department

Investorfirst has an internal Compliance Department who is responsible for reviewing the business and working with business to identify and address compliance risks. External compliance advice is also sought from time to time as is legal advice in respect of the overall Company's risk management system.

CORPORATE GOVERNANCE (CONTINUED)

Procedures

Risk Management Framework

Investorfirst has a risk management framework in place to ensure that key risks are identified, assessed and action taken across the Company. The key benefits to the risk management framework are to minimise loss to the business and maximise opportunities.

The overall process is to:

- Establish the context
- Identify Risks
- Analyse Risks
- Evaluate Risks
- Treat Risks
- Monitor and Review
- Communication and Consultation.

The risk management framework has been implemented throughout the Investorfirst Group of companies and has management and executive support. Ongoing risk management is driven by the Risk and Compliance Committee, who report to the Board via its Sub-Committee - the Audit, Risk and Compliance Committee.

In developing this framework Investorfirst has taken into consideration the Company's strategic context, its goals, objectives and the nature of its business.

Risk Management Process

Investorfirst uses the following methodology for its risk management framework.

Establishing the context

This is the strategic, organisational and risk management context against which the rest of the risk management process in Investorfirst will take place.

Strategic Context

Investorfirst defines the relationship between the Company and its environment by performing a detailed SWOT analysis [strengths, weaknesses, opportunities and threats] for each business division.

The executive has committed to continually drive management workshops to continually update the SWOT analysis for each business unit. The results of these workshops will be communicated back to the Risk and Compliance Committee to further review and evaluation against the Risk Management framework.

Organisational Context

The organisational context is formed and communicated from our Senior Executive team and Board. We clearly identify our Company's capabilities, goals and objectives going forward. The Executive Chairman and senior executive team will present a detailed strategic plan to the Board of Directors. This plan has will also be communicated to the Executive Team.

Risk Management Context

The risk management context is primarily driven as a result of the organisational and strategic context with further identification and refinement from the relevant business divisions who quarterly review their Top 10 business risks. The Risk and Compliance Committee has been formed with the clear initiative to identify, assess, prioritise and report relevant business risks to the Investorfirst Board via the Audit, Risk and Compliance Committee.

Developing Risk Evaluation Criteria

Risks within Investorfirst Group are entered into the risk register and allocated relevant risk classifications. Risks are measured against operational, technical, financial, legal and social criteria where appropriate.

Identifying the risk

Essentially the Risk and Compliance Committees and Senior Management identify all risks within the business. The Investorfirst risk identification criteria considers:

- what can happen
- why it can happen
- how things happen (possible causes or scenarios).

This then becomes the fundamental framework for further analysis. All risks are identified at this stage without severity classification or whether the risks are within the control of the Company.
Criteria used to identify risks in our business include checklists, judgments based on experience, management workshops and systems analysis.

Some generic examples of risks for Investorfirst's business are:
(This list is purely an illustration of the types of risks Investorfirst could be subject to. This list should not be taken as a checklist as to the only elements we could be exposed to).

- Commercial and legal relationships. (e.g. between Investorfirst and other organisations, this could include suppliers, clients, sub contractors, lessees).
- Economic circumstances of the organisation, country, internationally, as well as factors contributing to those circumstances. (e.g. exchange rates, interest rates, share market volatility).
- Human behaviour – both internally and externally to Investorfirst.
- Natural events.
- Political circumstances – including legislative changes, financial services guidelines and factors which may influence other sources of risk.
- Technology and technical issues – both internal and external to the organisation.
- Management activities and controls.
- Individual activities.
- Financial – contractual risks, misappropriation of funds, fraud, fines, tax, insurance etc.
- Human – riots, strikes, sabotage, etc.
- Occupational health and safety – inadequate safety measures, poor safety management.
- Producer liability – design error, substandard poor quality control or inadequate testing.
- Professional liability – wrong advice, negligence or design error.
- Property damage – fire, water damage, earthquakes, etc.
- Reputation.
- Regulatory.
- Security – cash arrangements, credit card violation, vandalism, theft, misappropriation of information or illegal entry.
- Technological – innovation, explosions and dependability.
- Competitor analysis.

Analysing the risk

Once the risks are identified, the existing controls should be determined so that the risk can be analysed in terms of consequences and likelihood in the context of those controls (e.g. isolate the minor risks from major risks and provide data to assist in the evaluation and measurement of the risks).

Risks may be analysed using a variety of methods, including:

- ***Qualitative Analysis*** - using words or a descriptive scale to describe the magnitude of potential consequences and the likelihood that those consequences will occur.
- ***Semi-quantitative analysis*** – In semi-quantitative analysis, the qualitative scales are given values. This is to provide a more detailed prioritisation than is possible with a qualitative analysis, not to suggest any realistic values for risk.
- ***Quantitative analysis*** – This uses numerical values (rather than a descriptive scale) for both consequences and likelihood using data from a variety of sources.

For further information on the types of analysis, refer to AS / NZS 4360.

Investorfirst uses a semi quantitative analysis to prioritise its risks, which it analyses by combining estimates of consequences and likelihood in the context of existing control measures.

CEO and CFO certification

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer, as defined under sections 295A(4) and 295A(6) have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management; and
- internal compliance and control which implements the financial policies adopted by the Board, and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Safeguard integrity in financial reporting

The Group has established an Audit, Risk and Compliance Committee. It has a formal charter which outlines the primary responsibilities of the Committee.

The Audit, Risk and Compliance Committee is composed of Robert Bishop (Independent Chairman), Jason Entwistle and Robert Spano. The Committee's charter is available on Investorfirst's website.

Make timely and balanced disclosure and respect the rights of shareholders

The Board strives to ensure that shareholders are provided with sufficient information to assess the performance of the Group and to make well-informed investment decisions.

CORPORATE GOVERNANCE (CONTINUED)

Information is communicated to shareholders through:

- Annual and half-yearly financial reports;
- Annual and other general meetings convened for shareholder review and approval of Board proposals;
- Continuous disclosure of material changes to ASX for open access to the public; and
- Investorfirst maintains a website where all ASX announcements, notices and financial reports can be accessed.

The Group has adopted formal policies and procedures with regard to the ASX Listing Rules disclosure requirements.

The auditor will be requested to attend the Annual General Meeting of shareholders. Shareholders may ask questions of the auditor about the conduct of the audit and the preparation and content of the audit report.

The Financial Report of Investorfirst Limited commences on the following page

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
Continuing Operations	**Notes**	**$**	**$**	**$**	**$**
Revenue					
Wealth management income		7,350,448	7,592,603	-	660,032
Interest and other income	6(a)	788,203	1,136,317	462,218	95,853
		8,138,651	**8,728,920**	**462,218**	**755,885**
Expenses					
Dealer commissions		(2,558,293)	(3,077,647)	-	-
Employee benefits expenses	6(b)	(3,152,165)	(2,242,846)	-	-
Broking expenses		(1,060,897)	(696,418)	-	-
Information services costs		(128,925)	(86,177)	-	-
Licenses and regulatory		(40,433)	(91,605)	(7,880)	-
Professional services expenses	6(c)	(980,179)	(825,132)	(24,100)	-
Public company costs		(296,873)	(277,141)	(5,901)	-
Insurances		(350,211)	(331,140)	-	-
Loss on sale of subsidiaries		-	-	(357,933)	-
Property & occupancy expenses	6(d)	(1,049,849)	(720,970)	(156,280)	-
Administration & marketing expenses		(419,699)	(274,262)	(18,933)	(12,133)
Other expenses	6(e)	(958,218)	(870,165)	(122,277)	-
Depreciation, amortisation and impairment	6(f)	(1,589,562)	(303,480)	-	(1,670,984)
		(12,585,304)	**(9,796,983)**	**(693,304)**	**(1,683,117)**
Loss before income tax		**(4,446,653)**	**(1,068,063)**	**(231,086)**	**(927,232)**
Income tax expense	7	(4,588)	-	-	(323,691)
Loss after income tax		**(4,451,241)**	**(1,068,063)**	**(231,086)**	**(1,250,923)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**(4,451,241)**	**(1,068,063)**	**(231,086)**	**(1,250,923)**
Basic loss per share (cents per share) for the period, attributable to ordinary equity holders of the parent	27	(0.009)	(0.005)		
Diluted loss per share (cents per share) for the period, attributable to ordinary equity holders of the parent	27	(0.009)	(0.005)		

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
	Notes	$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	22(b)	17,384,300	8,540,584	7,687,066	3,794,945
Trade and other receivables	8	10,795,791	9,661,938	162,800	5,968
Financial assets	9	-	267,101	-	-
Other current assets	10	65,786	12,981	-	-
Total Current Assets		**28,245,877**	**18,482,604**	**7,849,866**	**3,800,913**
Non-Current Assets					
Trade and other receivables	11	-	-	8,127,573	618,827
Investments in subsidiaries	12	-	-	30,619,533	8,861,893
Office equipment	13	210,276	114,177	-	-
Deferred tax assets	7	1,353,114	1,348,497	1,298,836	1,298,836
Intangible assets	14	24,781,010	2,692,440	-	-
Total Non-Current Assets		**26,344,400**	**4,155,114**	**40,045,942**	**10,779,556**
Total Assets		**54,590,277**	**22,637,718**	**47,895,808**	**14,580,469**
LIABILITIES					
Current Liabilities					
Trade and other payables	15	10,500,358	7,197,523	459,977	-
Provisions	16	241,851	35,993	-	-
Total Current Liabilities		**10,742,209**	**7,233,516**	**459,977**	**-**
Non-Current Liabilities					
Trade and other payables	17	-	-	248,371	56,326
Provisions	16	12,838	12,134	-	-
Total Non-Current Liabilities		**12,838**	**12,134**	**248,371**	**56,326**
Total Liabilities		**10,755,047**	**7,245,650**	**708,348**	**56,326**
Net Assets		**43,835,230**	**15,392,068**	**47,187,460**	**14,524,143**
EQUITY					
Issued capital	18	54,301,655	21,843,726	54,301,655	21,843,726
Equity reserve	19	634,860	198,386	634,860	198,386
Accumulated losses	20	(11,101,285)	(6,650,044)	(7,749,055)	(7,517,969)
Total Equity		**43,835,230**	**15,392,068**	**47,187,460**	**14,524,143**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

Consolidated Entity	Issued Capital $	Employee Equity Benefits Reserve $	Accumulated Losses $	Owners of the Parent $
As at 1 July 2010	**21,843,726**	**198,386**	**(6,650,044)**	**15,392,068**
Total comprehensive income for the year	-	-	(4,451,241)	**(4,451,241)**
Share buy-back	(52,522)	-	-	**(52,522)**
Issue of shares to Alert Trader Group shareholders	763,250	-	-	**763,250**
Issue of shares to HUB24 Group shareholders	20,000,000	-	-	**20,000,000**
Issued on 1 December 2010 for Share Placement	12,500,000	-	-	**12,500,000**
Shares issued – placements costs	(508,325)	-	-	**(508,325)**
Options granted	(244,474)	436,474	-	**192,000**
As at 30 June 2011	**54,301,655**	**634,860**	**(11,101,285)**	**43,835,230**
As at 1 July 2009	**14,064,408**	**198,386**	**(5,581,981)**	**8,680,813**
Total comprehensive income for the year	-	-	(1,068,063)	**(1,068,063)**
Shares issued – placements	8,049,709	-	-	**8,049,709**
Shares issued – placements costs	(270,391)	-	-	**(270,391)**
As at 30 June 2010	**21,843,726**	**198,386**	**(6,650,044)**	**15,392,068**

Parent Entity	Issued Capital $	Reserves $	Accumulated Losses $	Total $
As at 1 July 2010	**21,843,726**	**198,386**	**(7,517,969)**	**14,524,143**
Total comprehensive income for the year	-	-	(231,086)	**(231,086)**
Share buy-back	(52,522)	-	-	**(52,522)**
Issue of shares to Alert Trader Group shareholders	763,250	-	-	**763,250**
Issue of shares to HUB24 Group shareholders	20,000,000	-	-	**20,000,000**
Issued on 1 December 2010 for Share Placement	12,500,000	-	-	**12,500,000**
Shares issued – placements costs	(508,325)	-	-	**(508,325)**
Options granted	(244,474)	436,474	-	**192,000**
As at 30 June 2011	**54,301,655**	**634,860**	**(7,749,055)**	**47,187,460**
As at 1 July 2009	**14,064,408**	**198,386**	**(6,267,046)**	**7,995,748**
Total comprehensive income for the year	-	-	(1,250,923)	**(1,250,923)**
Shares issued – placements	8,049,709	-	-	**8,049,709**
Shares issued – placements costs	(270,391)	-	-	**(270,391)**
As at 30 June 2010	**21,843,726**	**198,386**	**(7,517,969)**	**14,524,143**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
	Note	$	$	$	$
Cash flows from operating activities					
Receipts from customers		7,416,083	7,742,256	298,307	-
Payments to suppliers and employees		(11,627,835)	(10,456,499)	(636,071)	(10,518)
Interest received		636,505	330,762	161,903	95,853
Net receipts/(payments) in relation to client and dealer balances		1,182,115	(3,891,620)	-	-
Net cash (outflow) / inflow from operating activities	22(a)	**(2,393,132)**	**(6,275,101)**	**(175,861)**	**85,335**
Cash flows from investing activities					
Net purchases and disposals of office equipment		(130,410)	(69,118)	-	-
Proceeds from sale of investments		355,458	930,499	-	392,931
Net movement from related entities		-	-	(6,718,571)	(2,394,557)
Payment for acquisition of shares in subsidiaries, net of cash acquired	23	(927,353)	-	(1,152,600)	(2,121,915)
Net cash (outflow) / inflow from investing activities		**(702,305)**	**861,381**	**(7,871,171)**	**(4,123,541)**
Cash flows from financing activities					
Share buy-back		(52,522)	-	(52,522)	-
Payment of share issue costs		(508,325)	(270,391)	(508,325)	(270,391)
Share placement proceeds		12,500,000	8,049,709	12,500,000	8,049,709
Net cash inflow from financing activities		**11,939,153**	**7,779,318**	**11,939,153**	**7,779,318**
Net increase in cash and cash equivalents		**8,843,716**	**2,365,598**	**3,892,121**	**3,741,112**
Cash and cash equivalents at beginning of period		8,540,584	6,174,986	3,794,945	53,833
Cash and cash equivalents at end of period	22(b)	**17,384,300**	**8,540,584**	**7,687,066**	**3,794,945**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The Annual Report of Investorfirst Limited (the "Company" or "Investorfirst") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 6 September 2011 and covers Investorfirst as an individual entity as well as the consolidated entity consisting of Investorfirst and its subsidiaries as required by the *Corporations Act 2001.*

Investorfirst is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company is described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial instruments classified as held for trading which have been measured at fair value. Investorfirst has applied ASIC Class Order 10/654. Accordingly, parent entity financial statements are presented in addition to consolidated financial statements.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows.

From 1 July 2010, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,107,117,118,136 & 139]*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]*

A number of new and amended Australian Accounting Standards have been issued but are not yet effective for the year ended 30 June 2011. The Group has not elected to early adopt any new standards or amendments. None of these are expected to have a material impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Investorfirst Limited and its subsidiaries (the Group) as at 30 June each year. There are no interests in associates.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation. There are no special purpose entities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. There were no transfers out of the Group during the year.

Investments in subsidiaries held by Investorfirst are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at the acquisition date fair values (see Note 2(e)). The difference between the above items and the fair value of the consideration is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Business combinations

Subsequent to 1 July 2010

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Prior to 1 July 2010

In the prior period, the purchase method of accounting was used to account for business combinations. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. There was no non-controlling interest (formerly known as minority interest). There were no stages in the business combination, nor were there any embedded derivatives or contingent consideration.

(f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Investorfirst and its Australian subsidiaries is Australian dollars.

(g) Revenue and income recognition

Brokerage revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable on the execution of trades to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Corporate revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable on the completion of contract terms or over the service period to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group recognises revenue once it has discharged its contractual obligations.

Share Trading income

Changes in the net fair value of investments are recognised as income and are determined as the difference between the net fair values at the beginning of the financial period or cost if acquired during the financial period and the net fair value at the end of the financial year or sale proceeds if sold during the financial period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Revenue and income recognition (Cont'd)

Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(h) Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 30 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income taxes and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

  Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Directors believe it is more likely than not that the deferred tax assets at 30 June 2011 will be realised based on the strategy to build the revenue base, consolidate and refine the existing business model and cost base and build a Company capable of recording sustainable profits.

The Company now has a single-minded focus upon harnessing growth opportunities and profitably augmenting the current business. To this end, considerable effort has been expended on analysing a number of acquisition opportunities and it is expected that a number of these will be completed over the near term.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income taxes and other taxes (Cont'd)

Tax consolidation legislation

Investorfirst and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

Investorfirst and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included (UIG 1031.8). The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(l) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Plant and equipment (Cont'd)

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Office furniture and fittings - over 2.5 to 5 years
- Computer equipment – 3 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and 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 risks specific to the asset.

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(m) Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows 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. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or are cancelled.

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 equivalents for the purpose of the statement of cash flows.

Held to maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial Instruments (Cont'd)

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Other financial assets

Investment in a controlled entity is carried at the lower of cost or recoverable amount and reviewed at each reporting date to reflect the Company's interest in the underlying net asset value of the controlled entity.

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The amount of the loss is recognized in the statement of comprehensive income.

(n) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Goodwill and intangibles (Cont'd)

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits

Short-term benefits

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

Long-term benefits

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

Pensions and other post employment benefits

All Australian employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Group of up to 9% of employees' wages and salaries are legally enforceable in Australia.

(r) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees (including Directors) in the form of share-based payments, whereby services are rendered in exchange for shares or rights over shares (equity settled transactions).

There are currently three plans in place to provide these benefits:
- The Employee Share Option Plan ('ESOP')
- The Employee Share Plan ('ESP')

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the active market for the shares which trade on the Australian Securities Exchange, at grant date.

In valuing equity settled transactions, no account is taken of any vesting conditions, other than (if applicable):
- Non-vesting conditions that do not determine whether the Group or Company receives services that entitle the employee to receive payment in equity or cash
- Conditions that are linked to the price of the shares of Investorfirst Limited

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the entity's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Employee benefits expense" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Share-based payment transactions (Cont'd)

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met
- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity settled awards granted by Investorfirst Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Investorfirst Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company or employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms of had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designed as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The ESP is currently suspended however it is anticipated this will be reactivated in the coming financial year.

(s) Contributed equity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit attributable to members of Investorfirst, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted EPS is calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, finance leases and equity securities at fair value through profit and loss, financial instruments classified as held for trading and cash and cash equivalents. The Company and Group do not have debt facilities and do not trade in derivative instruments, other than where listed and unlisted options over ordinary shares may be received as a part consideration for corporate fees earned.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;

This note presents information about the company's and the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the company and the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees and consultants understand their roles and obligations.

The Group Audit, Risk and Compliance Committee oversees how management monitors compliance with the Company's and the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced. The Committee is assisted by external professional advisors from time to time.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the financial assets of the Group, which comprise cash and cash equivalents and principally, trade receivables. For the Company it arises from receivables due from subsidiaries.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Exposure at reporting date is addressed at each particular note. The Group does not hold any credit derivatives to offset its credit exposure.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit worthiness, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, credit risk exposures and receivable balances are monitored on an ongoing basis with the intended result that the Group's exposure to bad debts is not significant.

The Group also has credit risk in respect of its corporate income debtors. In the case of most transactions involving corporate income, revenue is generally earned over a period of several months due to the complexity and size of the work involved. The Group manages this risk by entering into contractual agreements with its counterparties, obtaining external legal advice where necessary, at the start of each transaction. The Board has direct involvement with the counterparties during the engagement phase of each transaction in order to assess their suitability.

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group typically ensures that it has sufficient cash on demand to meet operational expenses for a period of 90 days, excluding the potential impact of extreme circumstances that cannot be reasonably predicted. The Group has no debt facilities or credit lines.

Refer to Note 31: Financial Instruments for a sensitivity analysis of the Group's financial assets and liabilities maturity.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income and include price risk. The Company no longer carries on principal trading activities.

Capital management

The Board's policy is to maintain a sufficient capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is noted that the Company, through its subsidiary Hub24 Custodial Services Limited (formally ANZIEX Limited), fully complied with the minimum capital requirements of the ASX and ACH Market Rules as a market participant. Subsidiaries are also required where they operate under an Australian Financial Service Licence, to maintain base level financial requirements so as to ensure ongoing capital adequacy.

There were no changes in the Group's approach to capital management during the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets
Deferred tax assets are recognised for carried forward income tax losses and deductible temporary differences as the Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Estimation of bad debts and provisioning
Receivables are assessed by management for recoverability based on days past due or pending legal actions and other counter party information.

Intangible assets
The carrying value of intangible assets (including goodwill) is assessed for indications that the asset has been impaired as disclosed elsewhere in these financial statements.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a binomial method. The accounting estimates and assumptions relating to the equity-settled share-based payments would have no impact on the carrying amounts of assets or liabilities within the next annual reporting period but may impact expenses and equity.

5. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The Group has identified two distinct operating segments as follows:

Alert Trader Group
On 9 September 2010, Investorfirst Limited purchased a majority interest in the shares in each of the companies within the Alert Trader Group. The Alert Trader Group conducts a business of advising and providing trading services to clients, Managed Discretionary Investment services and investment management services as well as publishing general investment information for the benefit of subscribers.

Wealth Management Group
Consists of those INQ entities which made up the Group prior to the Alert Trader Group. This segment consists of entities which provide financial market services including stockbroking, sponsoring of share issues, secondary placements, investment research and advice, corporate structuring and corporate finance.

On 1 December 2010, Investorfirst Limited purchased the Hub24 Group. The Hub24 Portfolio Service is a single platform solution which enables clients to benefit from cost effective executions and management of trades whilst still retaining full beneficial ownership of securities for improved tax efficiencies. The platform offers full transaction and reporting capability on more than 600 wholesale managed funds, 500 listed securities, 35 exchanged traded funds, 65 non-unitised portfolios (SMA's), term deposits, bonds, cash and margin lending. These entities are also included in the Wealth Management Group.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2.

Major customers

The Group had one external client from which it derived more than 10% of revenue. The amount of revenue derived from that client in 2011 was $1,238,206.

5. OPERATING SEGMENTS (CONT'D)

Operating Segment Financial Information

Year ended 30 June 2011	Wealth Management Group	Alert Trader Group	Consolidation entries	Total
Revenue				
Wealth management income	5,886,546	1,463,902		7,350,448
Interest and other income	935,746	1,392	(148,935)	788,203
	6,822,292	**1,465,294**	**(148,935)**	**8,138,651**
Expenses				
Dealer commissions	(1,991,942)	(566,351)	-	(2,558,293)
Employee benefits expenses	(2,800,593)	(351,572)	-	(3,152,165)
Broking expenses	(950,998)	(258,834)	148,935	(1,060,897)
Information services costs	(128,925)	-	-	(128,925)
Licenses and regulatory	(40,433)	-	-	(40,433)
Professional services expenses	(901,609)	(78,570)	-	(980,179)
Public company costs	(296,873)	-	-	(296,873)
Insurances	(336,166)	(14,045)	-	(350,211)
Property & occupancy expenses	(943,905)	(105,944)	-	(1,049,849)
Administration & marketing expenses	(448,377)	28,678	-	(419,699)
Other expenses	(954,418)	(3,800)	-	(958,218)
Depreciation and amortisation	(75,504)	(15,459)	(1,498,599)	(1,589,562)
	(9,869,743)	**(1,365,897)**	**(1,349,664)**	**(12,585,304)**
Profit/(loss) before income tax	**(3,047,451)**	**99,397**	**(1,498,599)**	**(4,446,653)**
Income tax benefit / (expense)	35,348	(39,936)	-	(4,588)
Profit/(loss) after income tax	**(3,012,103)**	**59,461**	**(1,498,599)**	**(4,451,241)**

.

5. OPERATING SEGMENT (CONT'D)

Operating Segment Financial Information (Cont'd)

	Wealth Management Group	Alert Trader Group	Consolidation entries	Total
ASSETS				
Current Assets				
Cash and cash equivalents	16,908,545	475,755	-	17,384,300
Trade and other receivables	10,786,692	9,099	-	10,795,791
Other current assets	65,786	-	-	65,786
Total Current Assets	**27,761,023**	**484,854**	**-**	**28,245,877**
Non-Current Assets				
Office equipment	192,073	18,203	-	210,276
Investment in subsidiaries	30,619,533	-	(30,619,533)	-
Deferred tax assets	1,353,114	-	-	1,353,114
Intercompany	150,049	(150,049)	-	-
Intangible assets	139,777	-	24,641,233	24,781,010
Total Non-Current Assets	**32,454,546**	**(131,846)**	**(5,978,300)**	**26,344,400**
Total Assets	**60,215,569**	**353,008**	**(5,978,300)**	**54,590,277**
LIABILITIES				
Current Liabilities				
Trade and other payables	10,311,130	189,228	-	10,500,358
Provisions	241,851	-	-	241,851
Total Current Liabilities	**10,552,981**	**189,228**	**-**	**10,742,209**
Non-Current Liabilities				
Provisions	12,838	-	-	12,838
Total Non-Current Liabilities	**12,838**	**-**	**-**	**12,838**
Total Liabilities	**10,565,819**	**189,228**	**-**	**10,755,047**
Net Assets	**49,649,750**	**163,780**	**(5,978,300)**	**43,835,230**
EQUITY				
Issued capital	78,144,399	300	(23,843,044)	54,301,655
Equity reserve	826,860	-	(192,000)	634,860
Accumulated profit/(losses)	(29,321,509)	163,480	18,056,744	(11,101,285)
Total Equity	**49,649,750**	**163,780**	**(5,978,300)**	**43,835,230**

5. OPERATING SEGMENTS (CONT'D)

Operating Segment Financial Information (Cont'd)

Cash Flow Information	Wealth Management Group	Alert Trader Group	Total
Net cash inflow / (outflow) from operating activities	(2,614,295)	221,163	**(2,393,132)**
Net cash inflow / (outflow) from investing activities	(702,305)	-	**(702,305)**
Net cash inflow from financing activities	11,789,104	150,049	**11,939,153**

The group operates in one geographical area being Australia and thus all revenues are derived in Australia.

Prior period comparative

In the year ended 30 June 2010, the Group had only one operating segment, being the financial market services (i.e the Group as a whole). No other operating results or discrete financial information was provided to the executive management team or Directors in the running of the Group's business. The Group had one external client from which it derived more than 10% of revenue. The amount of revenue derived from that client in 2010 was $875,577.

As a result of the above, no comparative operating segment note has been presented.

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
6. INCOME AND EXPENSES				
(a) Interest and other income				
Interest	636,505	330,762	254,181	95,853
Other income	151,698	805,555	208,037	-
	788,203	**1,136,317**	**462,218**	**95,853**
Expenses				
(b) Employee benefits expenses				
Wages and salaries (incl super and payroll tax)	2,936,747	2,113,179	-	-
Share based payments expense	192,000	25,000	-	-
Other employee benefits expense	23,418	104,667	-	-
	3,152,165	**2,242,846**	**-**	**-**
(c) Professional services expenses				
Legal expenses	360,417	256,975	3,180	-
Accounting and audit fees	138,060	144,409	-	-
Consulting expenses	455,136	380,293	20,920	-
Other	26,566	43,455	-	-
	980,179	**825,132**	**24,100**	**-**
(d) Occupancy expenses				
Rent	632,006	470,918	149,926	-
Other	417,843	250,052	6,354	-
	1,049,849	**720,970**	**156,280**	**-**
(e) Other expenses				
Systems costs	272,460	304,255	-	-
Customer Related costs	563,481	565,910	-	-
Stamp Duty	122,277	-	122,277	-
	958,218	**870,165**	**122,277**	**-**
(f) Depreciation, impairment and amortisation				
Depreciation	90,963	46,999	-	-
Amortisation of intangibles	1,498,599	256,481	-	-
Impairment of investments	-	-	-	1,670,984
	1,589,562	**303,480**	**-**	**1,670,984**

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
7. INCOME TAX				
(a) Income tax (benefit)/expense				
Current income tax				
Tax (receivable) / payable	(30,731)	-	-	-
Deferred income tax				
Originating difference due to current year tax loss	(1,035,502)	(356,987)	(99,755)	192,394
Relating to origination and reversal of temporary differences	(4,617)	114,488	-	30,730
Adjustment to prior year deferred tax asset	-	-	-	(256,420)
Non-recognition of deferred tax asset	1,075,438	242,499	99,755	356,987
Income tax expense	**4,588**	**-**	**-**	**323,691**
(b) Reconciliation of income tax expense to pre tax accounting profit				
Loss before income tax expense	(4,446,653)	(1,068,063)	(231,086)	(927,232)
Prima facie income tax at 30%	(1,333,996)	(320,419)	(69,326)	(278,170)
Expenditure not allowed for income tax purposes	203,054	77,920	300	501,294
Reversal of accrual and other deductible expenses	29,360	-	(30,729)	-
Tax refund	30,732	-	-	-
Deferred tax asset				
Adjustment to prior year deferred tax asset	-	-	-	(256,420)
Non-recognition of deferred tax asset	1,075,438	242,499	99,755	356,987
Income tax expense	**4,588**	**-**	**-**	**323,691**

The deferred tax assets have been recognised on the basis that the Group will be profitable in future. Based on future company developments and current cash flow forecasts the directors consider that the deferred tax assets meet the recognition criteria.

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
7. INCOME TAX (CONT'D)				
(c) Reconciliations				
Deferred Income Tax:				
Opening balance	1,348,497	1,348,497	1,298,836	1,073,146
Charged to income	-	(114,488)	-	(30,730)
Current tax losses	1,035,502	356,987	99,755	-
Adjustment to prior year deferred tax asset	4,617	-	-	256,420
Non-recognition of deferred tax asset	(1,035,502)	(242,499)	(99,755)	-
Closing balance recognised in balance sheet	**1,353,114**	**1,348,497**	**1,298,836**	**1,298,836**
Reconciliations of Deferred Tax Assets:				
Annual and long service leave provision	23,693	14,438	-	-
Accrued expenses	61,312	18,221	-	-
Share issue costs	30,730	61,459	61,457	61,459
Provision for doubtful debts	-	17,002	-	-
Other	(17,400)	(17,400)	(17,400)	(17,400)
Carry forward tax losses	2,942,548	1,867,110	2,942,548	1,867,110
Non-recognition of deferred tax asset	(1,687,769)	(612,333)	(1,687,769)	(612,333)
Deferred income tax assets	**1,353,114**	**1,348,497**	**1,298,836**	**1,298,836**

(d) Tax consolidation

(i) Members of the tax consolidated Group and the tax sharing arrangement

Investorfirst and its 100% owned Australian resident subsidiaries formed a tax consolidated Group. Investorfirst is the head entity of the tax consolidated Group. Members of the Group have not entered into a tax sharing agreement.

(ii) Tax effect accounting by members of the tax consolidated Group

The head entity and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts as per UIG 1052 Tax Consolidation Accounting. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

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

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES				
Client receivables	10,634,954	9,672,735	-	-
Trade receivables	217,002	23,999	162,800	-
Allowance for impairment loss (i)	(56,673)	(56,673)	-	-
	10,795,283	**9,640,061**	**162,800**	**-**
Other	508	21,877	-	5,968
	10,795,791	**9,661,938**	**162,800**	**5,968**

(i) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Impairment losses on trade and client debt receivables totalling nil (2010: $47,023) has been recognised by the Group and nil (2010: nil) by the Company in the current year. These amounts have been included in the statement of comprehensive income as an impairment expense.

Movements in the provision for impairment loss were as follows:				
Opening balance	56,673	240,049	-	-
Charge for the year	-	47,023	-	-
Amounts written off	-	(230,399)	-	-
Closing balance	**56,673**	**56,673**	**-**	**-**

At 30 June, the ageing analysis of receivables is as follows:

	0-30 days	31-60 days	61-90 days PDNI *	90 + days PDNI *	90 + days CI *
2011 Consolidated	**10,701,486**	**33,595**	**1,658**	**59,052**	**56,673**
2011 Parent	**162,800**	**-**	**-**	**-**	**-**
2010 Consolidated	9,486,618	116,692	21,755	36,873	56,673
2010 Parent	5,968	-	-	-	-

* PDNI - Past due not impaired
CI - Considered impaired

For PDNI, management has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(ii) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
9. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Listed securities held for trading	-	267,101	-	-
	-	**267,101**	**-**	**-**
10. CURRENT ASSETS - OTHER				
Prepayments	23,499	-	-	-
Other receivables	42,287	12,981	-	-
	65,786	**12,981**	**-**	**-**
11. NON-CURRENT ASSETS - TRADE AND OTHER RECEIVABLES				
Loans to controlled entities	-	-	8,127,573	618,827
	-	**-**	**8,127,573**	**618,827**
12. NON-CURRENT ASSETS - INVESTMENT IN SUBSIDIARIES				
Investments in controlled entities – at cost	**-**	**-**	**30,619,533**	**8,861,893**
13. NON CURRENT ASSETS - OFFICE EQUIPMENT				
Computer Equipment				
At cost	338,854	225,972	-	-
Accumulated depreciation	(276,715)	(158,730)	-	-
	62,139	**67,242**	**-**	**-**
Office Furniture and Fittings				
At cost	264,398	89,352	-	-
Accumulated depreciation	(130,261)	(42,417)	-	-
	134,137	**46,935**	**-**	**-**
Leased Assets				
At cost	17,500	-	-	-
Accumulated depreciation	(3,500)	-	-	-
	14,000	**-**	**-**	**-**
Total Plant and Equipment				
Cost	620,752	315,324	-	-
Accumulated depreciation	(410,476)	(201,147)	-	-
Total Net Carrying Amount	**210,276**	**114,177**	**-**	**-**

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
14. NON-CURRENT ASSETS - INTANGIBLE ASSETS				
Goodwill				
At cost	3,278,353	2,076,274	-	-
Accumulated amortisation and impairment	-	-	-	-
	3,278,353	**2,076,274**	**-**	**-**
Advisor Client Relationship				
At cost	2,560,557	890,344	-	-
Accumulated amortisation	(626,228)	(274,178)	-	-
	1,934,329	**616,166**	**-**	**-**
Website				
At cost	-	100,000	-	-
Accumulated amortisation and impairment	-	(100,000)	-	-
	-	**-**	**-**	**-**
Investment Platform				
At cost	19,655,133	-	-	-
Accumulated amortisation and impairment	(1,146,549)	-	-	-
	18,508,584	**-**	**-**	**-**
Platform Development				
At cost	1,055,638	-	-	-
Accumulated amortisation and impairment	-	-	-	-
	1,055,638	**-**	**-**	**-**
Trademark & Formation expenses				
At cost	5,286	-	-	-
Accumulated amortisation and impairment	(1,180)	-	-	-
	4,106	**-**	**-**	**-**
Total Net Carrying Amount	**24,781,010**	**2,692,440**	**-**	**-**

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
14. NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONT'D)				
Reconciliations of the carrying amounts at the beginning and end of the financial year:				
Goodwill				
Carrying amount at beginning	2,076,274	2,076,274	-	-
Additions - Acquisition of businesses	1,202,079	-	-	-
Impairment	-	-	-	-
Net Carrying Amount	**3,278,353**	**2,076,274**	**-**	**-**
Advisor Client Relationship				
Carrying amount at beginning	616,166	794,236	-	-
Additions - Acquisition of businesses	1,670,214	-	-	-
Amortisation	(352,051)	(178,070)	-	-
Net Carrying Amount	**1,934,329**	**616,166**	**-**	**-**
Website				
Carrying amount at beginning	-	78,411	-	-
Additions - Acquisition of businesses	-	-	-	-
Amortisation and impairment	-	(78,411)	-	-
Net Carrying Amount	**-**	**-**	**-**	**-**
Investment Platform				
Carrying amount at beginning	-	-	-	-
Additions - Acquisition of businesses	19,655,133	-	-	-
Amortisation and impairment	(1,146,549)	-	-	-
Net Carrying Amount	**18,508,584**	**-**	**-**	**-**
Platform Development				
Carrying amount at beginning	-	-	-	-
Additions	1,055,638	-	-	-
Amortisation and impairment	-	-	-	-
Net Carrying Amount	**1,055,638**	**-**	**-**	**-**
Trademark & Formation expenses				
Carrying amount at beginning	-	-	-	-
Additions - Acquisition of businesses	5,286	-	-	-
Amortisation and impairment	(1,180)	-	-	-
Net Carrying Amount	**4,106**	**-**	**-**	**-**
Total Net Carrying Amount	**24,781,010**	**2,692,440**	**-**	**-**

14. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT'D)

The amortisation period for Advisor Client Relationship and website was initially determined as five years based on the estimated finite useful lives.

The Investment Platform is the Hub24 Portfolio Service Platform which is a web-based proprietary system. The amortisation period for the Investment Platform has been determined as 10 years based on the estimated useful life.

The Platform Development are costs incurred in additional development of the Hub24 Portfolio Service Platform. The Platform Development costs are not currently being amortised as these additions are not yet available for use.

In the prior year, Directors assessed the carrying value of the website acquired as part of the Aequs acquisition and determined that it had been impaired as the asset was no longer of use to the Group. Accordingly, it was written down to nil.

		CONSOLIDATED		PARENT	
		2011	2010	2011	2010
	Note	$	$	$	$
15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES					
Client payables		8,342,296	6,197,963	-	-
Trade creditors		766,327	-	-	-
Sundry creditors		981,807	999,560	50,049	-
Put/Call option	23(a)	409,928	-	409,928	-
		10,500,358	**7,197,523**	**459,977**	**-**
16. PROVISIONS					
CURRENT LIABILITIES - ANNUAL LEAVE PROVISION					
Opening balance		35,993	74,436	-	-
Net movement during the year		205,858	(38,443)	-	-
Closing balance		**241,851**	**35,993**	**-**	**-**
NON-CURRENT LIABILITIES - LONG SERVICE LEAVE PROVISION					
Opening balance		12,134	13,101	-	-
Net movement during the year		704	(967)	-	-
Closing balance		**12,838**	**12,134**	**-**	**-**
17. NON-CURRENT LIABILITIES – TRADE AND OTHER PAYABLES					
Intercompany payables		**-**	**-**	**248,371**	**56,326**

	Note	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $	PARENT 2011 $	PARENT 2010 $
18. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Shares, fully paid		**54,301,655**	**21,843,726**	**54,301,655**	**21,843,726**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There were no un-issued shares at year end.

(b) Movement in fully paid ordinary shares on issue (Consolidated and Parent)

	2011 Number	2010 Number	**2011 $**	2010 $
Beginning of the financial year	243,117,462	162,620,373	21,843,726	14,064,408
Issued on 24 December 2009 for Share Placement	-	24,393,060	-	2,439,306
Placement costs 24 December 2009	-	-	-	(67,179)
Issued on 12 February 2010 for Share Purchase Plan - shareholders	-	10,320,000	-	1,032,000
Issued on 12 February 2010 for Share Purchase Plan - shortfall taken up by underwriters	-	45,784,029	-	4,578,403
SPP transaction costs	-	-	-	(203,212)
Share buy-back	(656,528)	-	(52,522)	-
Issue of shares to Alert Trader Group shareholders	10,750,000	-	763,250	-
Issue of shares to HUB24 Group shareholders	266,666,667	-	20,000,000	-
Issued on 1 December 2010 for Share Placement	166,666,667	-	12,500,000	-
Placement costs 1 December 2010	-	-	(508,325)	-
Options granted	-	-	(244,474)	-
End of the financial year	**686,544,268**	**243,117,462**	**54,301,655**	**21,843,726**

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
19. EQUITY RESERVE				
Share based payments share reserve	634,860	198,386	634,860	198,386

Represents the share based payments expense under the employee and directors share plans.

20. (ACCUMULATED LOSSES) / RETAINED EARNINGS				
Movement in (accumulated losses) / retained earnings were as follows:				
Opening balance	(6,650,044)	(5,581,981)	(7,517,969)	(6,267,046)
Net loss attributable to members	(4,451,241)	(1,068,063)	(231,086)	(1,250,923)
Closing balance	**(11,101,285)**	**(6,650,044)**	**(7,749,055)**	**(7,517,969)**

21. DIVIDEND FRANKING ACCOUNT

Franking credits available to shareholders of the Company for subsequent financial years are $311,934 (2010: $341,726). These available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities

(b) franking debits that will arise from the payment of dividends recognised as a liability at year end

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year end, and

(d) franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available reserves to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated Group has also assumed the benefit of franking credits.

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
22. CASH AND CASH EQUIVALENTS				
(a) Reconciliation of the net loss after tax to cash flow from operations				
Net (loss) / profit	**(4,451,241)**	**(1,068,063)**	**(231,086)**	**(1,250,923)**
Non-cash items:				
Bad and doubtful debts	-	47,023	-	-
Intercompany Management fee	-	-	16,333	
Depreciation and amortisation	1,589,562	303,480	-	-
Share trading gain	(88,356)	(919,740)	-	(660,032)
Share-based payment expense	192,000	-	-	-
Capitalised development costs	(1,055,638)	-	-	-
Loss on sale of subsidiary	-	-	357,933	-
Impairment of investment	-	-	-	1,670,984
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(148,261)	264,153	5,968	(5,968)
(Increase)/decrease in client receivables	(962,218)	(1,902,323)	-	-
(Increase)/decrease in deferred tax	-	-	-	(225,690)
(Increase)/decrease in prepayments	(23,499)	47,687	-	8,002
Increase/(decrease) in sundry creditors	372,134	(1,018,617)	(325,009)	(420)
Increase/(decrease) in current tax	-	-	-	549,382
Increase/(decrease) in client payables	2,144,332	(1,989,291)	-	-
Increase/(decrease) in provisions	38,053	(39,410)	-	-
Net cash flow from operating activities	**(2,393,132)**	**(6,275,101)**	**(175,861)**	**85,335**
(b) Reconciliation of cash				
Cash balance comprises:				
- Cash on hand and at bank	16,342,427	6,879,827	7,687,066	3,794,945
- Cash at bank - trust account	1,041,873	1,660,757	-	-
Closing cash balance	**17,384,300**	**8,540,584**	**7,687,066**	**3,794,945**

The net cash position from unpaid buys and cash held on behalf of clients is $1,828,843 (2010: $1,757,340).

- Cash on hand and at bank	17,384,300	8,540,584	7,687,066	3,794,945
- Unpaid buys	2,870,717	3,418,097	-	-
- Cash at bank - trust account	(1,041,873)	(1,660,757)	-	-
	19,213,143	**10,297,925**	**7,687,066**	**3,794,945**

(c) Terms and conditions

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

23. BUSINESS COMBINATIONS

(a) Alert Trader Group

On 9 September 2010, Investorfirst Limited acquired an 81% interest in the Alert Trader Group of companies ("ATG") which was paid via a combination of cash and new Investorfirst Limited shares, with Investorfirst Limited maintaining the ability to acquire 100% ownership of ATG by either 2 March 2012 or 1 July 2012, via respective Put and Call Options. The financial liability associated with these Put and Call options is valued at $409,928, based on the present value of the Call Option purchase consideration of $429,400 at a discount rate of 4.75%. The terms of the transaction allow for Investorfirst Limited to account for 100% of the results of ATG from the effective date of the acquisition.

ATG conducts a business of advising and providing trading services to clients, Managed Discretionary Investment services and investment management services as well as publishing general investment information for the benefit of subscribers.

The acquisition of ATG by Investorfirst Limited is calculated as being for a total consideration of $2,325,778. In accordance with AASB 3, Investorfirst Limited has been identified for accounting purposes as the acquirer in the business combination of Investorfirst Limited and ATG. Accordingly the fair value of the consideration has been determined by Investorfirst Limited and it has measured the ATG identifiable assets, liabilities and contingent liabilities at their fair value as at the date of acquisition that is 9 September 2010. The fair value of the shares issued was based on the market rate as at the date acquisition.

The acquired business did not contribute to the revenue or net profit of the Company for the period from 1 July 2010 to 31 August 2010 – the effective date of the acquisition was 1 September 2010. The consolidated statement of comprehensive income includes revenue and net loss for the year ended 30 June 2011 of $1,465,294 and $59,461 respectively as a result of the acquisition of the ATG. Had the acquisition of ATG occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $2,070,794 and $36,015 respectively.

Calculation of Goodwill on Acquisition of ATG

For the purposes of the preparation of the consolidated statement of financial position:

The Directors have allocated the excess of the fair value of the consideration over the fair value of the identifiable tangible and intangible assets, liabilities and contingent liabilities acquired to goodwill. At 30 June 2011, intangible assets have been identified and recorded separately to goodwill with a finite life.

The goodwill is attributable to the expected future cash flows of the business associated with the collective experience and skills of management and staff and the synergies expected to be achieved as a result of the full integration of ATG with Investorfirst Limited. None of the goodwill is expected to be deductible for income tax purposes.

23. BUSINESS COMBINATIONS (CONT'D)

The net assets acquired in this business combination are as follows:

	Carrying amount before business Combination $	Fair Value Adjustments $	Fair Value $
Net assets acquired			
Cash and cash equivalents	104,541	-	104,541
Receivables	161,789	-	161,789
Property, plant and equipment	33,720	-	33,720
Value attributed to Advisor/Client relationships	-	1,670,213	1,670,213
Trade and other payables	(133,576)	-	(133,576)
Current tax liabilities	(40,923)	-	(40,923)
Provision for employee liabilities	(21,511)	-	(21,511)
Total fair value	104,040		1,774,253
Goodwill			551,525
			2,325,778
Satisfied by:-			
- Cash			1,152,600
- Shares in Investorfirst Limited			763,250
Consideration for 81% interest			1,915,850
Consideration for 19% via put/call option			409,928
Total consideration			2,325,778
The cash outflow on acquisition is as follows:			
Consideration paid, satisfied by in cash			1,152,600
Cash acquired			(104,541)
Net consolidated cash outflow			1,048,059

(b) HUB24 Group

On 1 December 2010, Investorfirst Limited acquired 100% of HUB24 Pty Ltd and its subsidiaries ("Hub24 Group") by way of scrip based acquisition. The shares issued are subject to an escrow period of 12, 18 and 24 months, in 3 separate but unequal tranches.

The Hub24 Group owns the Hub24 Portfolio Service which is a single platform solution that enables clients to benefit from cost effective executions and management of trades whilst still retaining full beneficial ownership of securities for improved tax efficiencies.

The acquisition of Hub24 Pty Ltd by Investorfirst Limited is calculated as being for a total consideration of 266,666,667 new shares in INQ at a fair value of $0.075 per share based on the listed share price discounted to reflect the restriction placed on the stock for 100% ownership interest. In accordance with AASB 3, Investorfirst Limited has been identified for accounting purposes as the acquirer in the business combination of Investorfirst Limited and Hub24 Pty Ltd. Accordingly the fair value of the consideration has been determined by Investorfirst Limited and Investorfirst Limited is required to measure Hub24's identifiable assets, liabilities and contingent liabilities at their fair value as at the date of acquisition that is 1 December 2010.

23. BUSINESS COMBINATIONS (CONT'D)

The acquired business did not contribute to the revenue or net profit of the Company for the period from 1 July 2010 to 30 November 2010. The consolidated statement of comprehensive income includes revenue and a net loss for the year ended 30 June 2011 of $48,454 and $510,065 respectively as a result of the acquisition of the Hub24 Group. Had the acquisition of the Hub24 Group occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and a net loss of $51,391 and $1,561,621 respectively.

Calculation of Goodwill on Acquisition of Hub24 Pty Ltd

For the purposes of the preparation of the consolidated statement of financial position:

The Directors have allocated the excess of the fair value of the consideration over the fair value of the identifiable tangible and intangible assets, liabilities and contingent liabilities acquired to goodwill. At 30 June 2011, intangible assets have been identified and recorded separately to goodwill.

The goodwill is attributable to the expected future cash flows of the business associated with the collective experience and skills of management and staff and the synergies expected to be achieved as a result of the full integration of Hub24 Pty Ltd with Investorfirst Limited. None of the goodwill is expected to be deductible for income tax purposes.

The net assets acquired in this business combination are as follows:

	Carrying amount before business Combination $	Fair Value Adjustments $	Fair Value $
Net assets acquired			
Cash and cash equivalents	120,706	-	120,706
Receivables	14,723	-	14,723
Property, plant and equipment	27,476	-	27,476
Intangible assets	4,181	19,655,131	19,659,312
Other assets	32,689	-	32,689
Trade and other payables	(248,831)	-	(248,831)
Provision for employee liabilities	(106,075)	-	(106,075)
Total fair value	(155,131)		19,500,000
Goodwill			500,000
			20,000,000
Satisfied by:-			
- Shares in Investorfirst Limited			20,000,000
The cash outflow on acquisition is as follows:			
Consideration paid, satisfied by in cash			-
Cash acquired			(120,706)
Net consolidated cash inflow			(120,706)

24. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Future minimum rentals payable under non-cancellable operating leases:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
Within 1 year	481,597	328,119	-	-
After 1 year but not more than 5 years	928,395	-	-	-
Total minimum lease payments	**1,409,992**	**328,119**	**-**	**-**

(b) Contingencies

Contingent Assets and Liabilities

Nil (2010: nil)

Guarantees

The Group has issued the following guarantees:

Findlay & Co Stockbrokers (Underwriters) Pty Ltd				
Australian Securities & Investments Commission	**-**	**20,000**	**-**	**-**
Hub24 Custodial Services Limited (formerly ANZIEX Limited)				
Australian Securities & Investments Commission	20,000	20,000	-	-
Rental bond Level 11, 7-15 Macquarie Place, Sydney	132,211	132,211	-	-
Rental bond Level 45, Governor Phillip Tower, 1 Farrer Place, Sydney NSW, 2000	270,347	-	270,347	-
	422,558	**152,211**	**270,347**	**-**

25. SHARE BASED PAYMENTS PLAN

a) Recognised share-based payment expenses

The expense recognised from equity-settled share-based payment transactions during the year is $192,000 (2010: $25,000).

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2011 and 2010.

b) Types of share-based payment plans

Employee Share Option Plan ('ESOP')

Share options have been issues to certain employees as a key component of each individual staff member's overall remuneration as part of the acquisition of the new stockbroking, research and advisory team headed by Mr Hugh Robertson and the retention of existing staff members. The key terms and conditions of the options are as follows:

Number of Options Issued	66,000,000
Expiry Date	31 January 2015
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is $0.13 per Option.
Vesting conditions for all options	Subject to a determination of the board of directors to the contrary, it is a condition of the exercise of an Option that the Option Holder is an employee of or engaged as a consultant to the Company unless the Option Holder's employment or consultancy has ceased due to permanent disability, incapacity, illness, redundancy or death.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Specific Terms for 60,000,000 options	<u>Upfront Component (30,000,000 options):</u> The Upfront Component options are available to be exercised at any time after grant date being 19 April 2011. Investorfirst will fund $0.03 per share in 10 million option tranches over 3 years with the option holder paying up the remaining $0.10 per share provided the Team generate specific gross revenue targets per annum ($10million gross revenue per annum) or in total specific gross revenue targets over the 3 year period commencing on 1 January 2012 and ending on 1 January 2015 ($30million gross revenue over the 3 year period). <u>Performance-based Component (30,000,000 options)</u> The exercise period for the Performance-based Component is over the same 3 year period as the Upfront Component options and are based on the Team generating specific gross revenue targets each year during the 3 year period ($10million gross revenue per annum) or total specific gross revenue targets over the 3 year period ($30million gross revenue over the 3 year period).

25. SHARE BASED PAYMENTS PLAN (CONT'D)

b) Types of share-based payment plans (Cont'd)

Specific Terms for 6,000,000 options	Upfront Component (3,000,000 options): The Upfront Component options are available to be exercised at any time after grant date being 1 June 2011. Investorfirst will fund $0.05 per share in 1 million option tranches over 3 years with the option holder paying up the remaining $0.8 per share provided the staff member generates specific gross revenue targets per annum ($2million gross revenue per annum) or in total specific gross revenue targets over the 3 year period commencing on 1 January 2012 and ending on 1 January 2015 ($6million gross revenue over the 3 year period). Performance-based Component (3,000,000 options) The exercise period for the Performance-based Component is over the same 3 year period as the Upfront Component options and are based on the staff member generating specific gross revenue targets each year during the 3 year period ($1.5million gross revenue per annum) or total specific gross revenue targets over the 3 year period ($4.5million gross revenue over the 3 year period).

There are no cash-settlement alternatives.

No employee share options were granted in 2010.

Options issued to Southern Cross Equities Limited

On 1 December 2010, Investorfirst issued 12,500,000 options to Southern Cross Equities Limited as a component of placement fees to Southern Cross Equities Limited as lead manager on the capital raising undertaken in December 2010. The key terms and conditions of the options are as follows:

Number of Options Issued	12,500,000
Expiry Date	1 December 2013
Exercise Price	The exercise price for each Option (which is payable immediately upon exercise) is $0.12 per Option.
Voting	Option holders are not entitled to vote.
Dividends	The options do not provide any entitlement to dividends or other distributions paid to ordinary shareholders.
Vesting	Options are fully vested as at grant date, being 1 December 2010.

There are no cash-settlement alternatives.

Employee Share Plan ('ESP')

An Employee Share Plan ('ESP') has been established, pursuant to which Investorfirst may, at the discretion of the Board, grant shares of Investorfirst to Directors, employees, advisors and consultants of the consolidated entity as fair value consideration of services provided.

At the date of this report, there are no grants under the plan as the plan has been suspended.

25. SHARE BASED PAYMENTS PLAN (CONT'D)

c) Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	78,500,000	$0.128	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at end of the year	**78,500,000**	**$0.128**	**-**	**-**
Exercisable at the end of the year	45,500,000	$0.127	-	-

The outstanding balance as at 30 June 2011 is represented by:

- 33,000,000 options over ordinary shares with an exercise price of $0.13 each, fully vested.
- 33,000,000 options over ordinary shares with an exercise price of $0.13 each, exercisable upon meeting the above vesting conditions.
- 12,500,000 options over ordinary shares with an exercise price of $0.12 each, fully vested.

d) Range of exercise price and remaining contractual life

12,500,000 options have an exercise price of $0.12 per share and an expiry date of 1 December 2013.

66,000,000 options have an exercise price of $0.13 per share and an expiry date of 31 January 2015.

e) Option pricing model

The fair value of the equity-settled options granted under the ESOP is estimated as at the date of granting using a Binomial Model taking into account the terms and conditions upon which the options were granted.

The fair value of the equity-settled options granted to Southern Cross Equities Limited is estimated as at the date of granting using the Black-Scholes-Merton option formula.

25. SHARE BASED PAYMENTS PLAN (CONT'D)

The following table lists the inputs to the models used:

	Employee Share Option Plan (ESOP)	Options issued to Southern Cross Equities Ltd
Dividend yield (%)	-	-
Expected volatility (%)	20.00	30.00
Risk-free interest rate (%)	4.41	5.28
Expected life of options (months)	22.7	36
Option exercise price ($)	0.13	0.12
Average share price at measurement date ($)	0.10	0.10
Model used	Binomial	Black-Scholes

26. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since balance date.

	CONSOLIDATED	
	2011 $	2010 $
27. EARNINGS / (LOSS) PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
Net (loss)/profit	**(4,451,241)**	**(1,068,063)**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**502,348,532**	**196,703,823**
Basic earnings per share	**(0.009)**	**(0.005)**
Diluted earnings per share	**(0.009)**	**(0.005)**

There are no instruments (e.g., share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti dilutive for either of the periods presented.

	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
28. AUDITORS' REMUNERATION		
Amounts received or due and receivable by Ernst & Young for:		
- Audit services - financial Statements and regulatory returns (ASX, ASIC)	165,507	113,417
- Underaccrual relating to prior financial year	-	13,286
- Tax and other services	52,337	12,000
Total audit and other fees	**217,844**	**138,703**

29. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Investorfirst and the Australian subsidiaries listed in the following table.

Name	% Equity Interest 2011	% Equity Interest 2010	Date of change in control
Hub24 Custodial Services Limited (formerly ANZIEX Ltd)	100	100	
HUB24 International Nominees Pty Ltd (formerly ANZIEX Nominees Ltd)	100	100	
Capfirst Securities Ltd	100	100	
Firstfunds Ltd	100	100	
INQ Management Services Ltd	100	100	
Investorfirst Securities Ltd	100	100	
HUB24 Nominees Pty Ltd (formerly Kardinia Nominees Pty Ltd)	100	100	
Researchfirst Ltd	100	100	
Captain Starlight Nominees Pty Ltd	100	100	
Findlay & Co Stockbrokers Ltd	100	100	
Aequs Capital Ltd	100	100	
HUB24 Pty Ltd	100	-	1/12/2010
Utrade Securities Pty Ltd (formerly HUB24 Operations Pty Ltd)	100	-	1/12/2010
HUB24 Services Pty Ltd	100	-	1/12/2010
Alert Trader Pty Ltd	81	-	9/09/2010
Alert Trader Investment Management Pty Ltd	81	-	9/09/2010
Alert Trader Publishing Pty Ltd	81	-	9/09/2010
Alert Trader Securities Pty Ltd	81	-	9/09/2010
Aequs Corporate Pty Ltd	-	100	
Findlay & Co Stockbrokers (Underwriters) Pty Ltd	-	100	
H.T.H Nominees Pty Ltd	-	100	

29. RELATED PARTY DISCLOSURES (CONT'D)

(b) Ultimate parent

Investorfirst Limited is the ultimate parent entity of the Group.

(c) Hub24 Pty Ltd Acquisition

On 1 December 2010, as part of Investorfirst's acquisition of Hub24 Pty Ltd, Vitel Interactive Pty Ltd of which Darren Pettiona is a director and shareholder received 56,450,987 INQ shares in consideration for the disposal of its interest in Hub24 Pty Ltd.

30. KEY MANAGEMENT PERSONNEL

(a) Key management personnel compensation

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
Short-term employee benefits	1,002,258	1,064,673	-	-
Post-employment benefits	66,871	79,050	-	-
Share-based payment	87,273	25,000	-	-
Total compensation	**1,156,402**	**1,168,723**	**-**	**-**

(b) Option holdings of Key Management Personnel

Options held in Investorfirst (number)

	Balance at 1 July 2010	Granted as remuneration	Balance at 30 June 2011	Exercisable	Not Exercisable
Hugh Robertson	-	30,000,000	30,000,000	15,000,000	15,000,000
Total Option Holdings	**-**	**30,000,000**	**30,000,000**	**15,000,000**	**15,000,000**

As at 30 June 2010, there were no options issued to any Key Management Personnel.

30. KEY MANAGEMENT PERSONNEL

(c) Share holdings of Key Management Personnel

Shares held in Investorfirst (number)

2011	Balance at 1 July 2010	Share Based Payment	On and off market purchases	Net Change	Balance at 30 June 2011
Otto Buttula	24,150,000	-	7,750,000	7,750,000	31,900,000
Darren Pettiona	-	56,450,987*	8,672,000	65,122,987	65,122,987
Robert Spano	6,731,932	-	700,000	700,000	7,431,932
Kim Hogan	2,500,000	-	7,500,000	7,500,000	10,000,000
Jason Entwistle	-	-	22,641,917	22,641,917	22,641,917
Andrea Steele	500,000	-	-	-	500,000
Matthew Press	-	-	180,000	180,000	180,000

* Refer to Note 29(c)

2010	Balance at 1 July 2009	Share Based Payment	On and off market purchases	Net Change	Balance at 30 June 2010
Otto Buttula	22,000,000	-	2,150,000	2,150,000	24,150,000
Robert Spano	6,581,932	-	150,000	150,000	6,731,932
Andrea Steele	-	500,000	-	500,000	500,000
Grant Henderson	160,250	-	-	-	160,250

31. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, receivables, listed securities and payables. For the year ended 30 June 2011, the Group does not utilise derivatives, holds no debt and has not traded in financial instruments including derivatives other than listed and unlisted securities and options over listed and unlisted securities, where received as corporate fee income. The Company has other financial assets and liabilities such as trade receivables and trade and other payables, which arise directly from its operations and are non-interest bearing.

Interest rate risk

The Group is not materially exposed to movements in short-term variable interest rates on cash and cash equivalents. All other financial assets and liabilities are non-interest bearing. The Directors believe a 50 basis point decrease is a reasonable sensitivity given current market conditions. A 100 basis point increase and a 50 basis point decrease in interest rates would increase/decrease profit and loss in the Group and the Company by:

31. FINANCIAL INSTRUMENTS (CONT'D)

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
Cash and cash equivalents at end of period	**17,384,300**	**8,540,584**	**7,687,066**	**3,794,945**
100 basis points increase in interest rate	173,843	85,406	76,871	37,949
50 basis points decrease in interest rate	(86,921)	(42,703)	(38,435)	(18,975)
Net impact on loss after tax				
Loss for the year	**(4,451,241)**	**(1,068,063)**	**(231,086)**	**(1,250,923)**
100 basis points increase in interest rate	**(4,329,550)**	**(1,008,279)**	**(177,277)**	**(1,224,359)**
50 basis points decrease in interest rate	**(4,512,086)**	**(1,097,955)**	**(257,991)**	**(1,264,206)**

Liquidity risk

The table below reflects all contractually fixed pay-offs and receivables for settlement, resulting from recognised financial assets and liabilities. Cash flows are undiscounted. The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	CONSOLIDATED		PARENT	
	2011	2010	2011	2010
	$	$	$	$
Not later than one month	10,090,430	7,197,523	50,049	-
Later than 1 month not later than 3 months	-	2,505	-	-
Later than 3 months not later than 1 year	409,928	15,767	409,928	-
Later than 1 year	-	-	248,371	56,326
	10,500,358	**7,215,795**	**708,348**	**56,326**

Maturity Analysis of Financial Assets and Liabilities

The risk implied from the values shown in the table below are based on best estimates and reflect a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as plant and equipment and investments in working capital e.g. receivables. These assets are considered in the Group's overall liquidity risk.

31. FINANCIAL INSTRUMENTS (CONT'D)

30 June 2011	0-1 month	1-3 months	4-12 months	1-5 years	Total
Consolidated Financial assets					
Receivables	10,852,465	-	-	-	10,852,465
	10,852,465	**-**	**-**	**-**	**10,852,466**
Consolidated Financial liabilities					
Payables	9,108,624	-	-	-	9,108,624
Sundry creditors	981,806	-	409,928	-	1,391,734
	10,090,430	**-**	**409,928**	**-**	**10,500,358**
Net maturity	**762,035**	**-**	**(409,928)**	**-**	**352,108**
30 June 2010					
Consolidated Financial assets					
Receivables	9,718,611	-	-	-	9,718,611
Financial assets at fair value through profit or loss	-	-	267,101	-	267,101
	9,718,611	**-**	**267,101**	**-**	**9,985,712**
Consolidated Financial liabilities					
Payables	6,197,963	-	-	-	6,197,963
Sundry creditors	999,560	2,505	15,767	-	1,017,832
	7,197,523	**2,505**	**15,767**	**-**	**7,215,795**
Net maturity	**2,521,088**	**(2,505)**	**251,334**	**-**	**2,769,917**

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow and aims to maintain a minimum equivalent of 90 days worth of operational expenses in cash reserves.

Market Risk

The listed share trading assets at fair value through the profit and loss at 30 June 2011 is $Nil (2010: $267,101), which, as it is reasonably representative of the average balance during the year has been used as the basis for a sensitivity analysis. The Group is not materially exposed to movements in market prices. The price risk for listed securities may vary in terms of a possible impact on profit and loss. Although markets can be volatile, the Directors believe that a high and low sensitivity analysis estimate reflecting +/- 10% is reasonable based on average annual movements in the S&P/ASX200 index.

31. FINANCIAL INSTRUMENTS (CONT'D)

	2011	Profit and Loss impact	
	$	$	
		High	Low
Listed securities held for trading	-	-	-
	-	**-**	**-**

	2010	Profit and Loss impact	
	$	$	
		High	Low
Listed securities held for trading	267,101	26,710	(26,710)
	267,101	**26,710**	**(26,710)**

The fair value of listed securities is based on quoted prices (unadjusted) in active markets which is defined as "Level 1" in the fair value hierarchy.

The net fair value of other financial assets and liabilities approximates their carrying values and the methods for estimating fair values are outlined in the relevant notes to the financial statements.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2011

In accordance with a resolution of the Directors of Investorfirst Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2(b).

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2011.

On behalf of the Board

Darren Pettiona
Chief Executive Officer
Sydney, 6 September 2011

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Independent auditor's report to the members of Investorfirst Limited

Report on the financial report

We have audited the accompanying financial report of Investorfirst Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Investorfirst Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2011 and of their 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 2 (b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 15 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Investorfirst for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
6 September 2011

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 26 August 2011.

Distribution of equity securities

Ordinary share capital – 686,544,268 fully paid ordinary shares are held by 1,110 individual security holders.

	Fully paid ordinary shares - Holdings Ranges	Holders	Total Units	%
All issued ordinary shares carry one vote per share without restriction and carry the rights to dividends. The number of security holders, by size of holding, in each class are:	1-1,000	95	10,812	0.002
	1,001-5,000	36	117,555	0.017
	5,001-10,000	101	930,303	0.135
	10,001-100,000	470	22,615,988	3.294
	100,001 and over	408	662,869,610	96.552
	Totals	**1,110**	**686,544,268**	**100.000**

Holding less than a marketable parcel of shares, based on the closing price $0.07 on 26 August 2011, are 141 shareholders.

Options

78,500,000 options are held by 10 individual option holders. Options do not carry a right to vote.

Substantial shareholders – quoted ordinary securities

	Number fully paid	%
Litster & Associates Pty Ltd	67,584,113	9.84
Vitel Interactive Pty Ltd	65,122,987	9.49
SKYLYX Pty Ltd	52,391,720	7.63
Tiga Trading Pty Ltd	52,303,781	7.62
White Outsourcing Pty Ltd	40,848,878	5.95

ASX ADDITIONAL INFORMATION

Twenty largest holders of quoted ordinary equity securities		
	Balance at 26 August 2011	**%**
Litster & Associates Pty Ltd	67,584,113	9.84
Vitel Interactive Pty Ltd	65,122,987	9.49
SKYLYX Pty Ltd and related parties	52,391,720	7.63
White Outsourcing Pty Ltd	40,848,878	5.95
Webinvest Pty Ltd	31,900,000	4.65
Egg Au Pty Ltd	21,941,917	3.20
UBS Nominees Pty Ltd	19,089,014	2.78
JP Morgan Nominees Australia	16,774,088	2.44
Jasforce Pty Ltd	16,548,101	2.41
Arkwright Developments Pty Ltd	15,000,000	2.18
Rojo Green Pty Ltd	12,157,404	1.77
Mr Kimberley Gillis Hogan	10,000,000	1.46
Equity Trustees Limited	9,254,746	1.35
Tolly & Lilla Sakellariou	8,876,274	1.29
Wavet Fund No 2 Pty Ltd	8,400,000	1.22
Mr Simon Bishop	7,294,443	1.06
RBC Dexia Investor Services	6,507,115	0.95
Spanson Investments Pty	6,276,932	0.91
F & H Halim Investments Pty	6,144,474	0.89
Bell Potter Nominees Ltd	5,750,000	0.84
Total	427,862,206	62.32
Total Issued Capital	**686,544,268**	