

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
APPENDIX 4D – Half Year Report to Australian Stock Exchange

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 31 DECEMBER 2008

		\$A'000			\$A'000
Revenues from ordinary activities	down	(15,956)	(39)%	to	25,125
Profit from ordinary activities before tax attributable to members	down	(38,416)	(1,024)%	to	(34,664)
Profit from ordinary activities after tax attributable to members	down	(38,548)	(1,569)%	to	(36,091)
Net profit for the period attributable to members	down	(38,548)	(1,569)%	to	(36,091)
					Amount per
Dividends paid				security	% Franked
Final dividend paid in respect of the financial year ended 30 June 2008, paid on 27 October 2008				0.25 cent	100%
Dividends proposed					
No dividends are proposed					
					Dec 08
Earnings per share (cents per share)					Dec 07
Basic earnings per share (cents)				(21.46)	1.82
Diluted earnings per share (cents)				(21.46)	1.80

Brief explanation of results

Refer to the Highlights Summary on the following page.

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TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES
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HIGHLIGHTS SUMMARY

HALF-YEAR ENDED 31 DECEMBER 2008

Selected financial information		Dec 08	Dec 07	% change
Revenue	\$	25,125,447	41,081,453	(39)%
Profit before interest, tax, depreciation and amortisation	\$	(4,130,605)	5,312,692	(178)%
Profit before tax	\$	(34,663,733)	3,752,545	(1,024)%
EBITDA per share	cents	(2.46)	3.93	(163)%
Diluted earnings per share	cents	(21.46)	1.80	(1,292)%
Dividend proposed per share	cents	0.00	1.80	(100)%

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

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

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

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

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

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

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HIGHLIGHTS SUMMARY (continued)

HALF-YEAR ENDED 31 DECEMBER 2008

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

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

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

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

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

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TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

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

	Consolidated Group	
	31 Dec 08	31 Dec 07
	\$	\$
Revenue	25,125,447	41,081,453
Other income	-	122,479
Dealers rebates	(10,648,797)	(13,310,826)
Sub-underwriting expense	(222,616)	(4,124,652)
Administration costs	(4,881,415)	(3,937,031)
Depreciation, amortisation and impairment expense	(29,924,660)	(1,175,857)
Finance costs	(608,468)	(384,290)
Employee benefits expense	(10,483,141)	(11,916,559)
Occupancy costs	(1,516,937)	(1,308,196)
Communication costs	(1,364,047)	(1,217,441)
Net unrealised gain/(loss) from investments	(139,099)	(76,535)
Profit/(Loss) before income tax expense	(34,663,733)	3,752,545
Income tax credit/(expense)	(1,426,827)	(1,295,169)
Profit/(Loss) after income tax expense	(36,090,560)	2,457,376
Profit/(Loss) attributable to members of the parent entity	(36,090,560)	2,457,376
EBITDA Earnings per share (cents per share)	(2.46)	3.93
Basic earnings per share (cents)	(21.46)	1.82
Diluted earnings per share (cents)	(21.46)	1.80

The accompanying notes form part of these financial statements

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TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

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

	Consolidated Group	
	31 Dec 08	30 Jun 08
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	16,369,991	24,588,468
Trade and other receivables	25,032,971	54,575,833
Other current assets	1,721,676	1,120,798
Financial assets	148,574	350,468
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TOTAL CURRENT ASSETS	43,273,212	80,635,567
NON-CURRENT ASSETS		
Financial assets	1,235,703	1,296,450
Investments accounted for using the equity method	-	-
Property, plant and equipment	5,131,100	5,210,094
Intangible assets	9,439,647	42,585,796
Deferred tax assets	-	1,203,612
Other non-current assets	109,649	83,202
	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	15,916,099	50,379,154
	<hr/>	<hr/>
TOTAL ASSETS	59,189,311	131,014,721
CURRENT LIABILITIES		
Trade and other payables	35,796,332	58,771,884
Financial liabilities	10,958,000	16,313,678
Current tax liabilities	(254,451)	342,861
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	46,499,881	75,428,423
NON-CURRENT LIABILITIES		
Financial liabilities	1,585,628	1,832,564
Deferred tax liabilities	3,180,905	3,241,190
Long-term provisions	438,149	352,450
	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	5,204,682	5,426,204
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TOTAL LIABILITIES	51,704,563	80,854,627
NET ASSETS	7,484,748	50,160,094
EQUITY		
Issued capital	50,904,028	57,182,347
Accumulated losses	(45,185,409)	(8,674,480)
Reserves	1,766,129	1,652,227
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TOTAL EQUITY	7,484,748	50,160,094
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The accompanying notes form part of these financial statements

TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

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

	Consolidated Group	
	31 Dec 08	31 Dec 07
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	30,335,269	43,358,363
Payments to suppliers and employees	(34,459,371)	(38,909,336)
Dividends received	71,407	29,027
Interest received	681,271	1,021,317
Finance costs	(608,468)	(384,290)
Income tax paid	(505,282)	(1,650,827)
	(4,485,174)	3,464,254
Net Trust bank account movements	4,108,064	(1,888,970)
Net cash provided by / (used in) operating activities	(377,110)	1,575,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	22,758
Purchase of investments	-	(21,445,601)
Net cash acquired from purchase of subsidiaries	38,921	5,078,199
Acquisition of subsidiary	(1,202,925)	-
Acquisition of intangibles	(171,318)	-
Acquisition of property, plant & equipment	(570,310)	(1,565,678)
Net cash used in investing activities	(1,905,632)	(17,910,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	11,756,610
Repayment of borrowings	(5,515,365)	(103,439)
Dividends paid by parent entity	(420,370)	(1,192,751)
Proceeds from share issues	-	10,930,833
Net cash provided by / (used in) financing activities	(5,935,735)	21,391,253
Net increase in cash held	(8,218,476)	5,056,215
Cash at beginning of period	24,588,467	24,012,564
Cash at the end of period	16,369,991	29,068,779

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TOLHURST GROUP LIMITED AND CONTROLLED ENTITIES

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

	Issued capital \$	Retained earnings \$	Option reserve \$	Financial assets reserve \$	Total equity \$
Balance at 1 July 2007	29,334,238	(7,075,720)	368,728	576,659	23,203,905
Profit attributable to members of the parent entity	-	2,457,376	-	-	2,457,376
Dividends paid or provided for	-	(1,768,047)	-	-	(1,768,047)
Option reserve on recognition of bonus element of options	-	-	392,907	-	392,907
Revaluation of financial assets	-	-	-	63,700	63,700
Share capital issued - placement	7,963,460	-	-	-	7,963,460
Share capital issued - rights issue	2,149,333	-	-	-	2,149,333
Share capital issued - options exercised	818,040	-	-	-	818,040
Share capital issued - acquisition of subsidiary	3,180,000	-	-	-	3,180,000
Share capital to be issued - acquisition of subsidiary	6,333,900	-	-	-	6,333,900
Estimate of share capital to be issued - deferred consideration element of subsidiary acquisition	9,140,269	-	-	-	9,140,269
Share capital issued - dividend reinvestment plan	575,296	-	-	-	575,296
Balance at 31 December 2007	<u>59,494,536</u>	<u>(6,386,391)</u>	<u>761,635</u>	<u>640,359</u>	<u>54,510,139</u>
Balance at 1 July 2008	57,182,347	(8,674,479)	991,568	660,659	50,160,094
Profit attributable to members of the parent entity	-	(36,090,560)	-	-	(36,090,560)
Dividends paid or provided for	-	(420,370)	-	-	(420,370)
Option reserve on recognition of bonus element of options	-	-	156,602	(42,700)	113,902
Revaluation of financial assets	-	-	-	-	-
Share capital issued - placement	-	-	-	-	-
Share capital issued - rights issue	-	-	-	-	-
Share capital issued - options exercised	-	-	-	-	-
Share capital issued - acquisition of subsidiary	-	-	-	-	-
Share capital to be issued - acquisition of subsidiary	-	-	-	-	-
Estimate of share capital to be issued - deferred consideration element of subsidiary acquisition	(6,278,318)	-	-	-	(6,278,318)
Share capital issued - dividend reinvestment plan	-	-	-	-	-
Balance at 31 December 2008	<u>50,904,028</u>	<u>(45,185,409)</u>	<u>1,148,170</u>	<u>617,959</u>	<u>7,484,748</u>

The accompanying notes form part of these financial statements

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

Note: 1 Basis of preparation

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

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

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

Reporting basis and conventions

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

Note: 2 Dividends

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

Note: 3 Net tangible asset backing

	Consolidated Group	
	31 Dec 08	31 Dec 07
	cents	cents
Net tangible asset backing		
Net tangible asset backing per ordinary share (cents)	(1.16)	5.13

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

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

Note: 4 Acquisition of Subsidiaries

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

	Consolidated Group	
	31 Dec 08	31 Dec 07
	\$	\$
Assessment of purchase consideration	2,200,000	-
Cash consideration	1,100,000	-
Estimate of deferred cash consideration	1,100,000	-
Total provisional assessment of purchase consideration	2,200,000	-
Assessment of fair value of assets acquired (see below)	68,802	-
Provisional calculation of goodwill	2,131,198	-
	<u>2,200,000</u>	<u>-</u>
Assessment of assets & liabilities held at acquisition date:		
Cash and cash equivalents	38,921	-
Receivables	8,149	-
Property, plant & equipment	117,348	-
Intangible assets	1,079	-
Payables	(48,597)	-
Borrowings	(49,874)	-
Provisions	1,776	-
Net assets acquired	<u>68,802</u>	<u>-</u>
Purchase consideration settled in cash	1,100,000	-
Cash outflow on acquisition	<u>1,100,000</u>	<u>-</u>

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

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

Note: 5 Events after balance sheet date

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

Tolhurst Group Limited noted that the process that was instigated for the sale of ComCorp has already yielded bids that, subject to due diligence, are acceptable to the Board.

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

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

Audit Statement

This report is based on the half year financial accounts, which is in the process of being reviewed by Tolhurst's auditors.

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