



ASX Release

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Release of Appendix 4E and Preliminary Final Report to 30 June 2011

Wednesday, 31 August, 2011. 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, 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, 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 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").

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 and Insurance offer 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.

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.

On behalf of the Board, we wish you and your families all the very best in these challenging financial times and look forward to reporting on our progress throughout the coming 12 months.

ENDS

Issued by Investorfirst Ltd (ASX: INQ).



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