

Austock Group Limited Annual Report 2010

SECURITIES | CORPORATE FINANCE | LIFE | PROPERTY



Austock Group Limited
ABN 90 087 334 370

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Our History

Austock is a publicly-listed, diversified investment and financial services group. With high staff share ownership, the company remains one of the largest independent financial services firms in Australia.

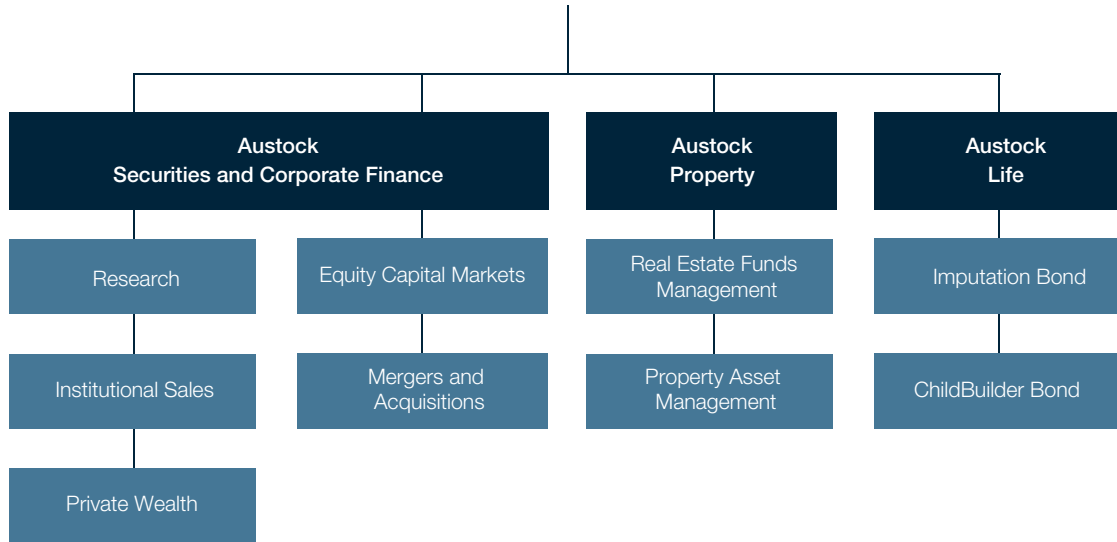
To recognise where Austock's business is positioned in the Australian market today is to understand the history of the Group.

Founded as a private stockbroking business in 1991, Austock has expanded over the past 19 years into a broadly-focused organisation employing 140 staff with offices in Sydney and Melbourne.

The core of Austock's business model is to invest in early stage financial services businesses, leveraging a highly tax-effective structure. Through this mechanism, the Group has provided capital to establish several businesses over 19 years; with the core focus now including Corporate & Securities and Investment Management operations. The Group's flexible operating structure has also provided opportunities to invest in minority stakes in emerging financial services businesses; for example the Registries Group of companies.

In its Corporate & Securities businesses, Austock's key point of difference remains its commitment to the Australian mid-cap and emerging companies' space. Through targeted and relevant research coverage, a broadly-skilled corporate team and well-networked institutional and retail trading desks; Austock consistently ranks as a leading house in the delivery of solutions to meet clients' financial needs.

Austock was registered as a Pooled Development Fund (PDF) in 1999. This status provides favourable tax benefits to the Group and its shareholders. Austock will continue to utilise this favourable taxation environment to identify opportunities and build on the strong platform that has already been established, with the goal of creating significant shareholder value.



Austock Group Limited

Austock Securities

Austock Securities is a full-service stockbroker with a focus on mid-cap and emerging growth companies. The Securities business consists of a research department, institutional and private client stockbroking, and financial planning.

Institutional grade research is prepared by a team of analysts recognised for their knowledge and experience in their specialist fields. Reports include angle-based blue chip research, coverage of emerging companies, a weekly summary earnings table and daily communiqués on topical events. With the help of high-quality research and significant equity capital markets activity, the institutional sales team provides a high standard of service to large and medium Australian and global institutions.

Our private client advisers provide a broad range of services to clients including equities advice, share portfolio structuring and access to IPOs. Austock's financial planners can assist with advice relating to retirement, investments, superannuation, life cover and other financial planning products and services.

Austock Corporate Finance

Austock Corporate Finance is a specialist corporate advisory services provider, focusing on mid-cap and emerging listed and unlisted companies.

Services include equity raising and stock exchange listings, organising initial public offerings, placements and rights issues, hybrid issues and private equity and pre-listing strategies for both our listed and unlisted clients, in addition to mergers, acquisitions and divestitures, takeovers and takeover defence and public to private transactions.

The corporate finance team works closely with Austock Securities to manage the marketing and distribution of equity raisings for our clients.

Austock Property

Austock Property Funds Management is a property funds management business built around non-traditional and niche sub-sectors of the property market.

Austock Property offers a mix of listed property, wholesale property and unlisted retail property funds to investors. Current market conditions require a conservative approach and Austock Property aims to ensure investments are secured with long-term cash flows, viable tenants, minimal risk and value growth. The experienced property team currently manages assets of approximately \$578 million.

Austock Life

Since commencing business in December 2002, Austock Life has grown its FUM to \$175 million, as of 30 June 2010. This growth has been underpinned by inflows into its successful Imputation Bond master fund platform, which saw the product's FUM surpass \$150 million by year end.

Austock Life operates as a registered life insurance company under the Life Insurance Act 1995 and also holds an Australian Financial Services Licence under the Corporations Act. As an emerging financial products provider, the company's business strategy is to use its life office structure to design, manufacture and distribute creative "tax-paid" investment products.

The company aims to become Australia's leading specialist issuer of insurance bonds. Its core Imputation Bond product offers investors an expansive investment menu and strategy-based avenues for incorporating "tax-paid" lump sums into financial plans to meet life-event objectives. These include education funding, home ownership and estate planning as an accessible alternative to superannuation.

“Austock is very well positioned
as the committed mid-cap market specialist”

Paul Masi, Chief Executive Officer

Board of Directors

Steven Gregg

Non-Executive Director, Chairman

Steven joined Austock Group Limited in November 2009 and brings with him over 27 years experience in investment banking and management consulting, 17 years of which were in London. He has held many senior positions, including Global Head of Investment Banking at ABN Amro. In 2005, upon returning to Australia, he joined McKinsey & Company where he served as a senior advisor and partner in corporate finance. He currently works with investment advisory firm Grant Samuel Group as a consultant and serves as a director on the Board of Goodman Fielder, William Inglis & Sons and Sunshine Homes.

Paul Masi

Chief Executive Officer

Paul has been a director of Austock Group Limited since March 2010 and has over 28 years experience in a distinguished international career in Investment Banking. Paul was formerly the CEO of Bank of America – Merrill Lynch Australia and prior to that he was head of Merrill Lynch's equity operations in Asia. He has also held senior management positions at BZW and ABN Amro in Australia and New York. Paul has sat on various Australian Securities Exchange committees since 1995. In 2003 he was elected to the Board of the Securities and Derivatives Industry Association (SDIA) and named Chairman of The Institutional Broking Committee.

Timothy Boyle

Non-Executive Director

Tim has been a Director of Austock Group Limited since May 2007 and has over 20 years financial services experience. Prior to joining Austock, Tim was an executive director and operating committee member for Fidelity Investments with responsibility for European sales, global relationship management and alternative investments. He has also held senior management roles within Bankers Trust International, based in London and New York, including being global chief of staff – corporate risk.

Kevin Clarke

Non-Executive Director

Kevin has been a director of Austock Group Limited since November 2009. Kevin brings 27 years industry experience, with an extensive background in manufacturing and distribution of branded industrial products. Kevin has a range of directorship experience, currently acting as chairman for mining and construction services company, Jeminex, the AMP controlled Focus Property Services, and National Fire Solutions. He was also a Director on the Australasian Retail Projects Board. Until 2006, Kevin was CEO of Alesco Corporation Limited for 11 years, a company that grew from a market capitalisation of less than \$100 million to almost \$1 billion at the time he departed.

Chris Sadler

Non-Executive Director

Chris has been a Director of Austock Group Limited since January 2008. Chris has over 20 years experience in international investment banking. He was formerly Managing Director of Deutsche Bank – Corporate Finance and has also worked for other leading investment banks, including JP Morgan, Citigroup, SG Warburg and Salomon Brothers. Externally, he is a director of Eastern Star Gas, Chairman of Alpha Asia Pacific Foundation and a director on the Alpha International Board in London.

Victor Cottren

Non-Executive Director

Vic has been a Director of Austock Group Limited since 1999 and has over 50 years industry experience. He has an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. He held various senior positions including chief executive and director within these companies and their subsidiaries. Since 1995, Vic has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning.

“We are continuing to create an outstanding team. Our ability to engage and attract premium staff who share our vision of building a unique financial services business is a critical aspect of our next phase. Paul Masi and the rest of the Board are all focused on building revenue and providing a quality service to our clients”

Steven Gregg, Chairman

Chairman's Report

Dear Shareholder,

I have the pleasure of reporting on the performance of Austock Group Limited (Austock) for the first time as Chairman of your company.

2010 has been a year of great change and transition for the Group during some of the most challenging economic times and market conditions in history.

Operating within these extraordinarily difficult conditions, the Group has reported an operating loss for the year. Although an operating loss is never acceptable it could have been significantly worse if not for the energy, diligence and commitment of the company's management and staff.

As we are aware, the Australian equity markets have rebounded from the lows of early 2009 when global markets were in the midst of the GFC. While positive from a macro perspective, the extraordinary volatility and continued economic uncertainty has resulted in a lack of confidence for many investors, both institutional and retail. This has been reflected through the year with the underperformance or cancellation of several high-profile IPOs, as well as depressed market-traded volumes.

Consequently, our Securities business has, like most brokers in the market, suffered declining volumes and revenues. The revenue of our Securities business is directly impacted by market swings so we anticipate that, with a return of confidence to the market, Austock will benefit.

Notwithstanding the difficult conditions, it is worth acknowledging an outstanding performance of the Corporate Finance and Securities operations through their achievement of a number 8 ranking for capital raisings in Australia, for the six months ending 30 June 2010. In this regard, it is worth noting that Austock was more highly rated for equity raisings than international securities houses such as Goldman Sachs, Morgan Stanley, Deutsche Bank and Citigroup, all of whom have the benefits of scale, international flows and capabilities.

Austock's annuity businesses, Life and Property Funds Management, continue to perform well and have partly shielded the company from adverse markets and the cyclical nature of the Corporate and Securities earnings. Life has achieved strong FUM and associated revenue growth through the year and we anticipate this business will become a highly valuable asset over the medium term. In 2010, the Property business has been restructured, is profitable, and now set for growth. Similarly, the Registries investment has performed strongly since Austock's initial investment in 2007 and this is reflected with a significantly increased balance sheet carrying value, which has now been realised.

Through internal restructures and the divestment of non-core or unprofitable businesses through 2009, the Group has no further investments that are a material drain on cashflow. Combined with the continued focus on expense management and no further significant impairments in 2010, Austock has passed through the bottom of the cycle and has few, if any, remaining hangovers from the GFC.

Notwithstanding this, Austock needs to continue focusing on growth and scale. The business is operating from an appropriate cost base and your Board is focused on leveraging this over the next 3 years through both organic and acquisitive growth propositions.

In addition to focusing and driving the company's operations, Austock has undergone a number of noteworthy changes over the past year, starting with your Directors. Apart from myself, we have welcomed Kevin Clarke to the Group Board in 2010. Kevin brings to the Group a wealth of industrial experience and wisdom.

There have also been significant changes within the senior management team, including the appointment of Paul Masi as Chief Executive Officer of the Group, with Tim Boyle moving into a non-executive director role.

Several other senior appointments have also been undertaken, predominantly within the Corporate and Securities businesses.

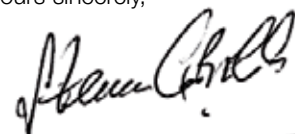
In this regard, I would like to acknowledge the contribution of Tim Boyle who has acted as the Group CEO over the past three years. The Board has appreciated Tim's leadership of the company as it undertook significant restructuring in 2008/2009. As time changes, so do the requirements of the Group. In this regard, I must comment that the Board and I are delighted to welcome Paul Masi to Austock. Paul brings a wealth of experience, talent and reputation to the Group. With his guidance and commitment, I believe that Austock has an exciting future.

Over the next 12 to 24 months we will be looking to capitalise on the strong potential of your company by consolidating behind our people and capabilities. To ratify this position, we have decided to refresh our image with new head office premises in Melbourne. These will be located at 15 William Street and we anticipate the move will occur in the first half of the new financial year.

Ladies and gentlemen, your company has a new Board, new senior management and has undertaken a significant restructuring of its operations over the last 12 months. The Group will go forward with minimal debt and a committed and talented work force.

This is a new era for Austock. I look forward to embracing exciting new opportunities, together with the Austock team, and creating a premium Australian-owned financial services group.

Yours sincerely,



Steven Gregg
Chairman

Summary of Results

Operating Performance

Year ended 30 June	2010 \$m	2009 \$m
Revenue		
Corporate and Securities	27.6	28.9
Investment Management	7.2	10.9
Other	0.7	0.2
	35.5	40.0
Expenses		
Personnel	23.9	27.7
Occupancy	1.5	1.5
Communication	0.8	0.9
Finance	0.5	0.6
Dealing and settlement	4.2	4.0
Marketing and promotion	1.2	1.3
Depreciation	0.7	1.0
General administration	3.4	3.7
	36.2	40.7
Underlying loss before tax	(0.7)	(0.7)
Termination, share based, bonus and retention payments	(6.3)	(0.6)
Income tax benefit	1.0	2.1
Impairment reversals/(charges)	0.2	(21.1)
Loss from discontinued operations	–	(0.6)
Reported loss after tax	(5.8)	(20.9)

The financial statements presented in this Annual Report include the consolidation of the life benefit funds, which are essentially managed by Austock Life. This results in the operating results, cash flows and balance sheet including the activities of \$175m funds under management. To better understand Austock's results, we have excluded the accounting for the life benefit funds in the commentary in this section.

In the year prior, Austock had gone through significant change in response to the GFC impacting capital raising activity relevant to our particular markets and a depressed stock market. The cost base had been significantly restructured and was highly scalable to take advantage of the expected growth in corporate activity and trading volumes into 2010.

Despite improvement in market indexes during the year to 30 June 2010, tough trading conditions remained. Corporate revenue remained flat at around \$10.7m with brokerage declining by \$1.5m or 9.2%. The decline in brokerage emanated from the institutional sales desk and was a result of a generally depressed trading environment.

Investment Management revenue declined as a result of a restructure of Austock Property Services from 1 July 2009, where some of this business was taken in house by the major tenant and some was outsourced to a third party real-estate agent. This resulted in a decline of revenue of \$2.8m. Property funds management income also declined as a consequence of a sales program undertaken by AET to provide funds for debt amortisation amounting to \$84m.

Life revenue increased by \$0.5m as a result of growing FUM by \$52m during the year.

On a comparable basis, expenses declined by 11%. Base labour costs, including commission, declined from \$27.7m to \$23.9m reflecting the restructuring initiatives undertaken in 2009 in response to the GFC. Other costs were kept broadly in line with the prior year.

Cash Flow

Year ended 30 June	2010 \$m	2009 \$m
Cash flows from operations		
Customer receipts	33.6	43.2
Supplier and employee payments	(35.1)	(49.8)
Interest paid	(0.4)	(0.6)
Tax refund	0.9	0.5
Operating cash flow	(1.0)	(6.7)
Interest received	0.7	1.1
Dividend received	0.4	–
Principal account	(1.7)	(0.3)
Related loans	(0.1)	2.1
Proceeds from borrowings	0.8	–
Repayment of borrowings	(3.4)	(2.0)
Guarantee payments	(1.8)	–
Dividends paid	–	(1.2)
Other	(0.3)	(0.7)
Total cash flow	(6.4)	(7.7)
Opening cash	20.9	28.6
Closing cash	14.5	20.9

Excludes cash held in trust on behalf of Securities clients

Although operating cash flow for the year was negative, it was a significant improvement on 2009. Operating cash outflow of \$1.0m in very tough conditions shows the business has resilience to tough operating conditions and remains highly scalable with increased activity.

Dividends received were from Austock's 16.7% interest in Newreg Pty Limited, the holding company for the Registries Group of companies. Guarantee payments were one-off in relation to arrangements with the School Development trusts managed by Austock Property.

Austock transferred its securities clearing and back office settlement operations to Penson Financial Services in May 2010. As a consequence, Austock ceased being an ASX clearing participant which has the effect of removing all trading receivables/payables and trust (client) cash positions from the balance sheet. In addition, Austock's ASX liquidity requirements have been effectively transferred to Penson.

Strategy and Outlook

Austock's vision is to become Australia's leading advisory and capital raising provider to the mid-cap and emerging companies and to complement this with quality, profitable and growing funds management businesses. The strategy to achieve this over the next three years is several-fold.

Austock will continue to position itself as the premium mid-cap focused corporate advisory house in Australia. This will encompass a high touch client service, integrating our research, equity capital markets, corporate finance and institutional trading teams. Austock will augment its specialist focus industry sector, which includes agribusiness, resources, infrastructure, mining services and emerging markets, to be the firm of choice for all ambitious mid-cap and emerging companies in the Australian market. In delivering quality investment options for clients, Austock will work to price product that is appropriate for both issuers and investors alike.

Too often, international institutions enter then exit the Australian market as the cycle moves from peak to trough. Austock clearly recognises the space in which it operates and holds a competitive advantage. Austock will seek to be recognised as the long-term established and committed player to the mid-cap and emerging companies market.

Austock will identify and establish long-term corporate relationships with mid-cap and emerging companies with expanding capital requirements.

Austock remains committed to its retail private client business and will use its strong research to help enhance the wealth of clients. Austock will continue to expand and geographically broaden this business through both acquisitive and organic means.

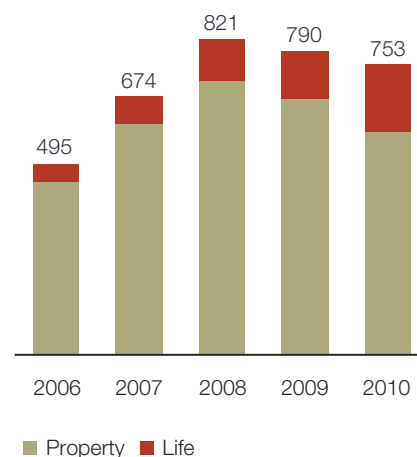
With regard to Austock's funds management and investment businesses, it will continue to focus on product enhancement and new product development within the Life business. This will include a broadening of the best-of-breed approach taken with respect to investment options through the Imputation Bond product. Austock will invest further in the distribution capabilities of the Life business.

Austock will utilise the experienced property team to identify and implement growth strategies via organic and non-organic means.

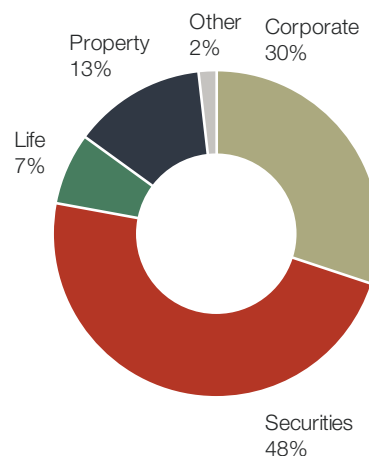
Finally, Austock will continue to identify and incubate financial services opportunities and businesses, leveraging the PDF structure and consistent with our heritage, that will add value to the Group over time.

Austock has undertaken a significant restructuring through one of the worst financial markets experienced in our time. There is always more work to do, but through the hard work of our staff and commitment of shareholders, we are now in a position to compete across all facets of our business.

Investment Management FUM (\$m)



Divisional Revenue Contribution



Business Review

Operational Highlights

Corporate Finance

Corporate Finance steadily improved deal flow through the period and nearly doubled the number of fee-paying mandates and transactions, to more than twenty five, compared to 2009. This reflects the focus on long-term client relationships with the team completing work for several new clients. The majority of larger fee-paying mandates and transactions occurred in the second half.

Austock anticipates corporate finance revenues to further strengthen in-line with increasing corporate activity in the market. Having finalised a restructure of the team through the 2010 year, the business is well positioned to take advantage of this growth. A core focus in 2011 will be positioning the business in the Australian market as the premium “go-to” house for mid-cap and emerging company deals.

Securities

Brokerage revenues were subdued through the period and, like many of our competitors in the mid-cap space, have yet to recover to pre-global financial crisis levels.

Growth in 2011 will be achieved through several means.

The team will strengthen revenue generated from the existing client base by providing fresh ideas, as well as targeted and relevant mid-cap research coverage that leverages the research team’s current and historical track record in the mid-cap space.

It will also focus on new business generation through a revitalisation of old accounts and target clients where no relationship currently exists.

Property Funds Management

Property revenues declined through 2010 predominantly as a result of the part-discontinuation of the Austock Property Services (APS) business (as a direct outcome of the receivership of the major tenant). Several of the Funds also divested properties for the purposes of paying down bank debt, which collectively resulted in lower funds under management and, consequently, revenue.

The business remains healthy and profitable. With property asset values forecast to recover in 2012 across the Australian market, Austock Property is well-positioned to benefit from a rising market. In addition, the business now has a stronger tenant mix, providing the team with the capacity and certainty to focus on acquisitions and other organic business growth initiatives.

Life

The Life business recorded the strongest revenue growth of any business within the Austock stable in 2010. This was reflected in a record \$66.2 million sales result for Life’s Imputation Bond master fund platform, which pleasingly grew by 55% in a year marked by often difficult and uncertain market conditions.

During 2010 Austock Life focused on establishing an internal distribution capability and now has in place a dedicated sales team of four business development managers (BDMs). The twofold drivers of FUM growth are this maturing BDM capacity and the broadening support across financial planning Dealer Group networks for the Imputation Bond. Monthly inflows from Life’s primary BDM/Dealer Group channels averaged over \$5 million for 2010.

Dividend

Directors elected not to declare a dividend in 2010.

PDF Status

In 1999, Austock Group was registered as a Pooled Development Fund (PDF), a status that provides both Austock Group and our shareholders significant benefits with regard to taxation. PDFs are taxed at only 15% on the income and gains derived from equity investments in small to medium enterprises instead of the regular 30% corporate tax rate. PDFs are taxed 25% on other income and gains.

Shareholders are exempt from income and capital gains tax from the sale of their shares and are also exempt from income tax on unfranked dividends. For franked dividends, they can choose to be either exempt from income tax or assess the income in the customary manner.

The pooled development funds program closed to new applicants on 21 June 2007. However, existing PDFs are not affected.

Austock Corporate Finance and Equity Capital Markets

Austock's Corporate Finance and Equity Capital Markets group is now positioned to provide integrated financial services to our clients. These services include:

Strategic and tactical advice in relation to mergers, acquisitions, takeover defence, divestments and restructurings;

Advice, management and underwriting of IPOs, convertible bonds and hybrids; and secondary capital raisings;

Advice and arranging of senior and subordinated debt facilities; and

General corporate advice in relation to ASX reporting requirements, stakeholder communication plans and investor roadshows.

The Corporate Finance and Equity Capital Markets group provides a comprehensive and integrated service when combined with Austock's leading research and distribution divisions.

Our Corporate Finance and Equity Capital Markets group assisted our clients in more than 25 transactions or assignments during 2010.

Our focus is to provide a tier 1 integrated service to mid-market and emerging companies.

Austock now ranks in the top eight of Australian and New Zealand equity underwriters and holds a leading position for the execution of mid-market M&A transactions.











The team works alongside clients, at times over lengthy periods, to foster long-term relationships and build trust and confidence. Rather than being transactionally focused, the team will only work toward solutions that are aligned with the client's objectives and needs.

Equity Offerings

Rank	Underwriter	Market Share %	Amount US\$m
1	JP Morgan	20.4	729
2	UBS	17.2	614
3	BOA/ Merrill Lynch	9.6	341
4	Macquarie	8.0	284
5	Credit Suisse	5.1	183
6	RBS	3.5	125
7	Patersons Securities	3.5	124
8	Austock Group	3.4	120
9	Goldman Sachs & Co	3.3	119
10	Euroz Securities	2.4	87
11	BMO Capital Markets	2.3	80
12	Citi	2.1	76
13	Hartleys	1.9	68
14	Berndale Securities	1.9	66
15	Southern Cross	1.8	66

Source: Bloomberg

Note: AUS/NZ Equity & Equity linked offerings underwriter rankings for the period 1 January to 30 June 2010.

<p>June 2010</p>  <p>Slater & Gordon</p> <p>AU\$57.0 million Acquisition of Trilby Misso</p> <p>Corporate Advisor</p>	<p>June 2010</p>  <p>Slater & Gordon</p> <p>AU\$40.0 million Placement</p> <p>Lead Manager</p>	<p>May 2010</p>  <p>Gerard Lighting</p> <p>AU\$85.0 million Initial Public Offering</p> <p>Lead Manager</p>	<p>November 2009</p>  <p>Catalpa</p> <p>AU\$150.0 million Merger with Lion Selection</p> <p>Corporate Advisor</p>	<p>November 2009</p>  <p>Mineral Resources</p> <p>AU\$124.0 million Placement and Sell Down</p> <p>Joint Lead Manager</p>
<p>September 2009</p>  <p>Service Stream</p> <p>AU\$32.9 million Renounceable Rights Issue</p> <p>Lead Manager</p>	<p>October 2009</p>  <p>Pluton</p> <p>AU\$20.0 million Placement and SPP</p> <p>Lead Manager</p>	<p>June 2010</p>  <p>Dyesol</p> <p>AU\$12.0 million Placement</p> <p>Lead Manager</p>	<p>July 2009</p>  <p>Sims Metal Management</p> <p>Sale of various businesses</p> <p>Corporate Advisor</p>	<p>July 2009</p>  <p>Northern Energy</p> <p>AU\$12.0 million Placement and SPP</p> <p>Lead Manager</p>

“Slater & Gordon has had a long term relationship with Austock. They have helped us with our IPO in 2007, a capital raising, owner sell downs and M&A transactions”

Andrew Grech
Managing Director, Slater and Gordon

“Austock played a key role in structuring and executing a transaction that met all of our objectives”

Simon Gerard
Managing Director, Gerard Lighting

During 2010 our integrated services were utilised in a number of company and industry-transforming transactions including:

Lead Manager and Underwriter for the IPO of Gerard Lighting which listed with an enterprise value of \$177 million and raised \$85 million. The transaction was executed in difficult market conditions and is the only IPO in the Australian industrial sector to occur during the year;

Corporate Advisor to Slater & Gordon in relation to its \$57 million acquisition of Trilby Misso and Lead Manager and Underwriter for the \$40 million capital raising to partially fund the acquisition;

Corporate Advisor to the Australian Education Trust in relation to the acquisition of 246 centres by the GoodStart Consortium and the preservation of a capitalised income stream;

Corporate Advisor to Catalpa Resources in relation to the \$150 million merger with Lion Selection and Joint Lead Manager and Underwriter for Catalpa's capital raisings during the year;

Joint Lead Manager for the \$124 million capital raising and sell down by founding shareholders of Mineral Resources;

Corporate Advisor and Lead Manager in relation to the \$20 million capital raising by Pluton Resources;

Corporate Advisor, Lead Manager and Underwriter of the \$32 million renounceable rights issue by Service Stream;

Corporate Advisor to Sims Metal Management for the disposal of certain non-core Australian businesses;

Corporate Advisor, Lead Manager and Underwriter for the \$12 million placement and SPP for Northern Energy;

Corporate Advisor, Lead Manager and Underwriter in relation to the \$12 million capital raising by Dyesol.

Austock Securities

Research

In the Australian marketplace, Austock Research analysts are well regarded in our focus sectors. The team provides high quality investment research focused on mid-cap and emerging Australian companies.

As a large team that provides extensive coverage and service, Austock Research is rated one of the most highly resourced and credentialed research house of the non-globally aligned stockbrokers.

The team includes 14 analysts, with 6 senior members each having greater than 10 years experience in equities.

The team produced 1,180 reports in 2010, plus numerous notes and calls in response to investor queries. Many clients also pay for bespoke research. The team coordinated several well-respected and attended industry conferences – particularly in Resources, Mining Services and Agribusiness. Analysts worked closely with distribution teams locally and offshore, and also with the Austock Corporate Finance and Equity Capital Markets teams.

An award winning team, Austock Research is respected in the mid-cap and emerging company space, consistently rating highly in independent surveys such as Starmine (top 4 for the last 5 years), East Coles (2009 BRW / East Coles Survey, #2 mid-tier broking firm), Australia Stockbroker Awards and Asia Money (#2 Best Local Brokerage).

Other highlights in 2010 included the emergence of a high-quality Mining Services franchise and additions to our Resource and Retail analyst ranks.

Institutional Sales

The Institutional Sales team is one of the most experienced in its space. The institutional business has streamlined its approach as a leaner and more potent group that can better service clients, as well as provide a steady income stream to the Austock Group. While Institutional Sales has fine-tuned the business and retains strong account management, the outlook will remain highly-correlated to market-traded volumes.

The Austock Equity Capital Markets (ECM) team continues to complete corporate deals in a difficult environment thanks to the professionalism and hard-working approach of the team. The strengthening relationship between ECM and Institutional Sales will assist in the growth of both businesses, in addition to our clients.

The team includes 13 advisers and sales traders with an average of over 20 years market experience, as well as a hedge fund advisory team. Execution capabilities continue to perform above expectations. The team is spread between Sydney and Melbourne and services Australian and global institutions. This will be enhanced as Austock Securities seeks to grow its international presence.

Austock's Institutional Sales team has an extensive network of clients throughout Australia, Asia, North America and Europe. The team has the ability to mix its distribution skills and networks with strategic relationships in offshore jurisdictions to ensure these areas are serviced in a seamless manner.

Private Wealth

Austock Private Wealth continues to expand its influence, with the Sydney team growing the number of Private Client advisers and the Melbourne office recently establishing an Asian-focused Desk. The Asian Desk is targeting growth in its client base to gain a large foothold within the Australian Asian community, with several advisers fluent in various Asian languages.

The Private Client stockbroking team currently comprises 26 advisers. Advisers provide clients with full-service stockbroking advice, share portfolio structuring, access to new equity issues and portfolio management services as a means to increase client wealth. With access to our highly-rated institutional grade research, as well as consistently increased corporate deal flow, Austock Private Wealth offers its clients seamless advisory and execution service and opportunities.

As part of our Private Wealth offering, Austock Financial Planning provides first class advice that is personally tailored to meet individual's long term financial goals. Our financial planners can assist with retirement advice, investment, superannuation, life cover, income protection insurance, self-managed superannuation, permanent disability cover and other financial planning services. The Financial Planning team has now grown its funds under advice and management to over \$143 million.

Research coverage includes

Agribusiness, Chemicals & Sustainable Energy

AWB	AWB
Dyesol	DYE
Elders	ELD
Graincorp	GNC
Incitec Pivot.....	IPL
Linc Energy	LNC
Nufarm	NUF
Orica	ORI
Ridley Corporation.....	RIC
Select Harvests	SHV
Tassal Group	TGR
Warrnambool Cheese & Butter Factory Co	WCB

Energy

Carnarvon Petroleum	CVN
Cooper Energy Ltd	COE
Oil Search	OSH
Marion Energy	MAE

Gaming

Aristocrat Leisure.....	ALL
Crown	CWN
Tabcorp Holdings	TAH
Tatts Group	TTS

Healthcare

Ansell	ANN
Australian Pharmaceutical Industries.....	API
Blackmores	BKL
Healthscope	HSP
Primary Health Care	PRY
Ramsay Health Care.....	RHC
Sigma Pharmaceuticals	SIP
Sonic Healthcare	SHL

Infrastructure

Asciano Group	AIO
ConnectEast Group.....	CEU
Intoll Group.....	ITO
MApp Group	MAP
Spark Infrastructure Group	SKI
SP AusNet.....	SPN
Transurban Group	TCL
Viridis Clean Energy Group.....	VIR

Mining & Diversified Services

AJ Lucas	AJL
Ausenco	AAX
Boart Longyear.....	BLY
Decmil Group	DCG
Downer EDI.....	DOW
Emeco.....	EHL
Matrix Composites and Engineering	MCE
Mineral Resources.....	MIN
Service Stream.....	SSM
Tox Free Solutions	TOX
Transfield Services.....	TSE
UGL Limited	UGL
Worley Parsons	WOR

Miscellaneous Small Cap Industrials

Chandler MacLeod Group	CMG
CPT Global.....	CGO
DKN Financial Group.....	DKN
Gerard Lighting.....	GLG
Jumbuck Entertainment.....	JMB
MaxiTrans Industries.....	MXI
Slater & Gordon.....	SGH
Snowball Group.....	SNO

Online Commerce

Carsales.com	CRZ
Webjet Ltd.....	WEB
Wotif.com.....	WTF

Property

Abacus Property Group.....	ABP
Aevum.....	AVE
Aspen Group.....	APZ
Australian Education Trust	AEU
Becton Property Group	BEC
Bunnings Warehouse Property Trust.....	BWP
FKP Property Group.....	FKP
ING Real Estate Community Living Group.....	ILF
Sunland Group	SDG

Resources

Avoca Resources	AVO
Catalpa Resources	CAH
Clancy Exploration.....	CLY
Equinox Minerals	EQN
Energy & Minerals Australia	EMA
Gindalbie Metals.....	GBG
Gryphon Minerals	GRY
Kingsgate	KCN
Kangaroo Resources	KRL
Lihir Gold.....	LGL
Newcrest Mining.....	NCM
Northern Energy Corporation.....	NEC
Oceana Gold Corporation	OGC
OZ Minerals.....	OZL
Pluton Resources	PLV
Resolute Mining.....	RSG
Terramin Australia	TZN

Retail

Ardent Leisure Group	AAD
Kathmandu Holdings Limited.....	KMD
Pacific Brands	PBG
Retail Food Group	RFG
Specialty Fashion Group.....	SFH
The Reject Shop.....	TRS

Austock Life

For Austock Life, 2010 marked a year of solid FUM growth and new product development progress. The highlights included:

1. A record \$66.2 million sales result for the Imputation Bond master platform – taking it past the \$150 million FUM milestone (up 55%);
2. The Company’s overall balance sheet assets reaching \$175 million (up 42%);
3. Expansion of the Imputation Bond’s investment menu to 27 portfolio options - new fund appointments included MLC’s IncomeBuilder, Schroder Hybrid Securities Fund and the Fairview Emerging Companies Fund.

On the distribution front, 2010 completed the first full year of Austock Life managing its own dedicated sales team of four business development managers (BDMs). The coming year’s distribution plans centre on expanding the BDM sales team’s geographic footprint. Two new BDM appointments for New South Wales were made pre June 30, and the company is looking to establish a permanent distribution presence in the largely untapped and lucrative Queensland market.

Testament to the Imputation Bond’s status as a market-leading product is its rapidly increasing level of financial planner support. Its Approved Product List now exceeds 100 Dealer Groups with key supporting business writers including Interprac, Securitor, WHK Group, Apogee and Professional Investment Services. In 2011 the company will seek to capitalise on this growing momentum of financial adviser support.

The record \$66.2 million new inflows into the Imputation Bond defied the year’s difficult and often volatile market conditions, and also pleasing was the continued investor confidence with high quality lump sum investments averaging over \$100,000 per Bond.

The composition of the new Imputation Bond business exhibited a pronounced shift reflecting the increasing financial planner awareness of the Bond’s multitude of financial and estate planning applications, and also in response to Life targeting lawyers and accountants, especially those aligned to financial planning practices.

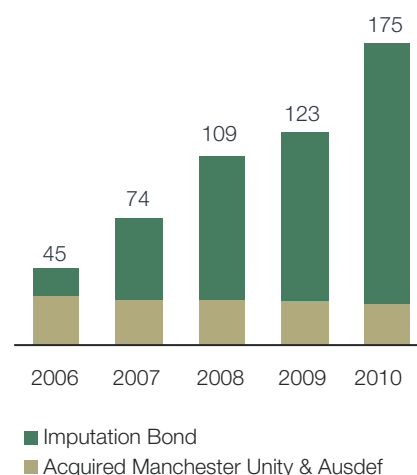
In 2010, using the Bond as an alternative to superannuation and private trust structures also began to gain momentum. Also pleasing was the level of existing investors using the product’s 125% add-on feature, which accounted for around 15% of the year’s sales.

In the coming year, Life’s product development program will link in with the significant Imputation Bond menu expansions undertaken in 2010 with ten new options being added. Various third-party joint distribution and co-branding alliance opportunities are being pursued with some of the major investment house brands on the Bond’s menu.

In August 2010, the Company has launched its ChildBuilder™ Bond. This is a special purpose investment with a flexible option for the ChildBuilder Bond (and its investment value) to automatically vest in a nominated child at a predetermined age between 10 and 25. It is designed for creating specific endowments for children, such as for a first home deposit, education funding and as a valuable estate planning tool. ChildBuilder is structured using the same taxation framework and expansive 27 optioned investment menu of the Imputation Bond.

During the year, the Imputation Bond retained its “Highly Recommended” rating from independent research house, Zenith Investment Partners.

Austock Life FUM (\$m)



The Imputation Bond’s menu takes a “fund-of-funds” approach by investing into wholesale underlying managed funds. It offers 27 choices allowing investors to tax-effectively invest across a menu of some of Australia’s best-performed funds with tax-freedom to switch between Investment Portfolios without personal tax or capital gains tax implications. The major inflows in 2010 were Macquarie’s Cash option (\$38 million), Perpetual’s tax-paid range (\$9.4 million) and Vanguard’s indexed funds (\$9.2 million).

Austock Property

Austock Property has approximately \$578 million in funds under management and is the Responsible Entity (RE) for three retail real estate funds; including the ASX-listed Australian Education Trust (ASX:AEU), The Australian Social Infrastructure Fund and the Austock Childcare Fund (the Funds). The Funds collectively represent over 5,000 institutional and retail unitholders and own 415 childcare properties, at 30 June 2010. As the RE, Austock Property manages the largest portfolio of childcare properties in Australia and New Zealand. Austock Property also manages the wholesale CIB Fund which owns a portfolio of police stations and law courts. The CIB Fund is underpinned by long-term leases to the Victorian State Government and has performed well throughout the period.

A total of 519 of the Funds' childcare properties were leased to ABC Learning Centres Limited (ABC), which appointed Administrators and was placed into Receivership on 6 November 2008.

The Corporations Act provides receivers and administrators with the right to vacate premises and disclaim the leases or remain in possession but disregard the majority of lease obligations. While an Administration period generally lasts for approximately 5 weeks, the ABC Administration was the longest in Australian corporate history and continued for 19 months. This effectively froze the rights of the Funds to deal with their properties and threatened the Funds' income and capital structure profile.

In order to meet financing covenants and minimise loss of rental income, properties no longer generating revenue and some non-ABC operating centres were either sold or leased to new tenants. Actions by management to 30 June 2010 included:

- The sale of 48 closed childcare properties, 25 development sites and 31 operating centres;
- Assignment of 246 properties to GoodStart Childcare Limited (a not for profit organisation which acquired the ABC business) from the Receiver of ABC; and
- Assignment of 95 properties to independent childcare operators.

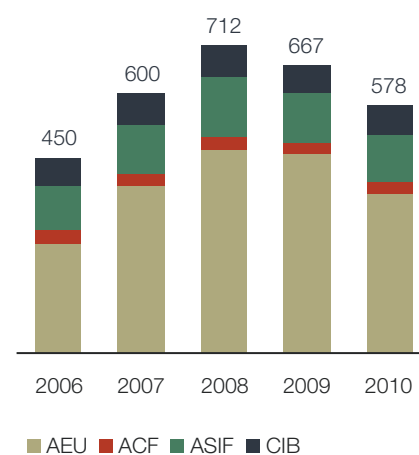
The active management approach adopted by Austock Property successfully protected and promoted unitholder interests in the majority of leases being assigned to new tenants on improved commercial terms.

Moving forward, the Weighted Average Lease Expiry of 11 years, low vacancy rates, renegotiated debt facilities and a diverse tenant base has ensured the property business has a stable platform upon which it can build in the future.

Austock Property is actively investigating opportunities to expand through acquisition and organic growth. It is well placed to take advantage of suitable opportunities that provide for scale and allow it to leverage its existing structure.

Austock Property has proven expertise within the Australian Real Estate Funds Management sector and is well positioned to capitalise on this expertise in 2011.

Austock Property FUM (\$m)



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Corporate governance statement

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Company has sought to comply with these recommendations for each.

Principle 1: Lay solid foundations for management and oversight

The Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and Management.

ASX recommendation / disclosure obligation

Company's response

1.1 Establish functions reserved to Board and those delegated to senior executives

The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management.

The Board has adopted a charter that sets out the role, composition and responsibilities reserved by the Board, those delegated to the Managing Director, and those specific to the Chairman. The conduct of the Board is also governed by the Constitution of the Company. The Board has also adopted a Delegations Policy which formalises and discloses the functions delegated to senior management outside the Board.

1.2 Process for evaluating performance of senior executives

There are 4 components to evaluating the performance of senior executives. Prior to the commencement of the financial year, a Budget/strategy session is held involving the Managing Director/Chief Executive Officer ("CEO") and all department heads and a business plan for each department for the forthcoming year is agreed with the CEO. Annual performance appraisals of each department head are conducted by the CEO in July and KPIs that have been agreed by the department head and CEO are filtered down to individual team members. Bi-annual reviews are conducted to provide formal feedback to department heads regarding their individual and team's performance and to plan for the next 6 months. Performance is regularly reviewed at monthly meetings between department heads and the CEO.

Adopting this process, the performance of senior executives was evaluated during the financial year.

1.3 Availability of information

A copy of the Board Charter and Constitution is available on the Company's website. A copy of the Delegations Policy can be made available upon request.

Principle 2: Structure the Board to add value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Board considers that individually and collectively the directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities and duties. All directors have extensive experience spanning a diverse range of activities and industries. The effectiveness of the Board has recently been enhanced with the appointment during the year of Mr Steven Gregg, Mr Kevin Clarke and Mr Paul Masi.

ASX recommendation / disclosure obligation

Company's response

2.1 Majority of Board should be independent directors

The current Board comprises six directors, of whom four – Mr Steven Gregg, Mr Kevin Clarke, Mr Vic Cottren and Mr Chris Sadler - are independent. The other two members of the Board are the Managing Director/Chief Executive Officer Mr Paul Masi, who holds an executive role, and Mr Tim Boyle who until 9 July 2010 held an executive role, and are not considered independent.

2.2 Chair should be an independent director

Mr Steven Gregg was appointed Chairman on 27 November 2009 and is considered independent.

Mr Bill Bessemer retired as Chairman and director on 29 October 2009 and was not considered independent. Mr Chris Sadler, an independent director, was Chairman for the period following Mr Bessemer's retirement until Mr Gregg's appointment.

**ASX recommendation /
disclosure obligation**

Company's response

2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual

The roles of Chairman and Chief Executive Officer are not held by the same individual.

2.4 Establish a Nomination Committee

The Company's Remuneration and Nomination Committee was established on 29 August 2007 with the purpose of ensuring that the Board has an appropriate structure and composition and that the Company attracts and retains the right people by offering competitive remuneration packages. The Committee's responsibilities are governed by its Charter.

On 26 May 2009, the Committee was stood down and its functions assumed by the full Board until such time as the size of the Board increased to justify a formal committee structure. The Committee was reinstated on 14 December 2009 and presently comprises Mr Chris Sadler as Chairman, Mr Steven Gregg, Mr Kevin Clarke and Mr Vic Cottren.

The number of meetings held during the year and attendance by committee members is set out in the Directors' Report.

2.5 Process for performance evaluation of Board, its committees and individual directors

A Board and Committee Performance Evaluation Policy was adopted by the Board on 29 September 2009. This policy outlines the process for evaluating the performance of the Board, its committees and individual directors.

It is anticipated that a performance evaluation will be undertaken during 2011 once the existing Board (of which half the Directors have only recently been appointed) has been in office for some period of time.

2.6 Information on Directors

Details of each Director's relevant skills, experience and expertise, as well as their independence status and period in office are set out in the Directors' Report. The number of meetings held and attended during the year is also set out in the Directors' Report.

In determining the independence of directors, the Board has had regard to the criteria set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition). The Board also has regard to AASB 1031 Materiality to determine levels of materiality. Accordingly, a relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10%, of group revenue during a 12 month period in the absence of evidence or convincing argument to the contrary. The Board takes into account the strategic value and other aspects, including non-quantitative aspects, of the relationship in question. For the purpose of assessing the materiality of relationships between a non-executive director and Austock (other than as a director), the threshold is set according to the significance of that relationship to the director in the context of their activities as a whole.

2.6 Independent professional advice

In fulfilling their duties, each Director and committee member may obtain independent professional advice at the expense of the Company, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

2.6 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors

A Selection and Appointment of Non-Executive Directors' Policy was adopted by the Board on 29 September 2009. This policy outlines the procedure for selecting and appointing non-executive directors and for re-appointing incumbent non-executive directors.

2.6 Availability of information

A copy of the Remuneration and Nomination Committee Charter, Board and Committee Performance Evaluation Policy and Selection and Appointment of Non-Executive Directors' Policy is available on the Company's website.

Principle 3: Promote ethical and responsible decision making

The Principle requires that the Board should actively promote ethical and responsible decision making.

ASX recommendation / disclosure obligation	Company's response
3.1 Establish a Code of Conduct	The Board believes that the success of the Company will be enhanced by a strong ethical culture within the organisation. As the Company grows, the need to ensure that ethical standards remain has led the Board to adopt a code of conduct to ensure that all directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.
3.2 Establish a Share Trading Policy	The Board has adopted a Share Trading policy which governs dealing in shares of the Company by staff and directors. This includes restricting dealings in the Company's shares without prior approval and in addition not in the period following year-end or half year-end until release of full year or half year results (as applicable).
3.3 Availability of information	A copy of the Code of Conduct and Share Trading Policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

This Principle requires that the Company have a structure in place to independently verify and safeguard the integrity of its financial reporting.

ASX recommendation / disclosure obligation	Company's response
4.1 Establish an Audit Committee	<p>The Company's Audit Committee was established on 29 August 2007 to review and monitor the Company's financial affairs and has operated since that time. The current members of the Committee are Mr Vic Cottren (Chairman), Mr Chris Sadler and Mr Warner Bastian, all of whom are considered independent. Mr Bastian was appointed a member of the Committee on 6 July 2009. He is not a member of the Board but is considered to be independent and to possess a level of technical expertise appropriate for audit committee membership.</p> <p>Mr Bill Bessemer resigned as a member on 28 July 2009.</p>
4.2 Structure of Audit Committee	<p>The Board notes that as the Company was not included in the top 300 of the S&P All Ordinaries Index at the beginning of the financial year it is not required to follow the recommendations on the composition, operation and responsibilities of an audit committee.</p> <p>During the year the Committee had, at all times, at least 3 members, the majority of whom were independent. However, not all members were non-executive directors. Mr Bastian is a member of the Committee but is not a director of the Company. In addition, Mr Bill Bessemer, a former executive director of the Company, was a member of the Committee until 28 July 2009.</p>
4.3 Formal Charter	The Audit Committee has a formal charter which sets out its responsibilities.
4.4 Information on Audit Committee members	The names and qualifications of the Audit Committee members and details of meetings held and attended during the year are set out in the Directors' Report.
4.4 Selection and appointment of external auditor and for rotation of external audit engagement partner	<p>The Board is responsible for appointing the external auditor, subject to confirmation by shareholders at the Company's annual general meeting.</p> <p>The Audit Committee is directly responsible for making recommendations to the Board on the appointment, termination and oversight of the external auditor. In selecting an auditor, the Committee implements a selection process and makes a recommendation to the Board based on their assessment of the potential external auditor. The assessment takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost.</p> <p>The Audit Committee is required to annually review the external auditor's performance and independence.</p> <p>In line with current professional standards, the external auditor is required to rotate Austock audit and review partners at least once every 5 years.</p>
4.4 Availability of information	A copy of the Audit Committee Charter is available on the Company's website. Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners will be made available on the website shortly.

Principle 5: Make timely and balanced disclosure

The Principle requires the Company to promote timely and balanced disclosure of all material aspects concerning the Company.

ASX recommendation / disclosure obligation

Company's response

5.1 Continuous Disclosure Policy

A Continuous Disclosure Policy has been adopted by the Board. This policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Company's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

5.2 Availability of information

A copy of the Continuous Disclosure Policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

The Principle requires the Company to respect the rights of shareholders and facilitate the exercise of those rights.

ASX recommendation / disclosure obligation

Company's response

6.1 Communications Policy

A Communications Policy has been adopted by the Board, reflecting its policy that shareholders be informed of all significant developments affecting the Company's affairs.

Information is communicated by:

- dispatching annual reports to shareholders who request to receive a copy; and
- maintaining a dedicated investor relations section on the Company's website to which it posts copies of all ASX announcements, Annual Reports, Half Yearly Reports, details of corporate governance practices, presentations to shareholders and other information of interest to shareholders.

Shareholders are encouraged to attend the annual general meeting of the Company at which the external auditor (having been requested by the Company to attend) will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

6.2 Availability of information

A copy of the Communications Policy is available on the Company's website.

Principle 7: Recognise and manage risk

This Principle requires the Company to establish a sound system of risk oversight and management and internal control.

ASX recommendation / disclosure obligation

Company's response

7.1 Establish policies for the oversight and management of material business risks

The Board has adopted a Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:2004). The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities.

Since 30 June 2010, the Company has begun work on implementing a new Risk Management Program which complies with the requirements of the new Australian Standard on Risk Management (AS/NZ ISO 31000). It is expected that implementation of the new program will be completed during the 2010/2011 financial year.

7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board

Day to day responsibility for risk management has been delegated to Management, with review occurring at both Audit Committee and Board level. In accordance with the Risk Management Plan, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk. Management's risk management process is reviewed by an external consultant every two years – the last review was commenced in early 2010 and is yet to be finalised.

Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Company's management of its material business risks.

ASX recommendation / disclosure obligation**Company's response****7.3 Assurance from Chief Executive Officer and Chief Financial Officer**

The Managing Director/Chief Executive Officer and Chief Financial Officer have certified in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act 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.

7.4 Availability of information

A copy of the Risk Management Plan is available on the Company's website.

Principle 8: Remunerate fairly and responsibly

This Principle requires that the Company ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

ASX recommendation / disclosure obligation**Company's response****8.1 Establish a Remuneration Committee**

The Company's Remuneration and Nomination Committee was established on 29 August 2007 to assist the Board with developing sound remuneration policies and practices. The Committee's responsibilities are governed by its Charter.

On 26 May 2009, the Committee was stood down and its functions assumed by the full Board until such time as the size of the Board increased to justify a formal committee structure. The Committee was reinstated on 14 December 2009 and presently comprises Mr Chris Sadler as Chairman, Mr Steven Gregg, Mr Kevin Clarke and Mr Vic Cottren.

8.2 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives

The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. They do not receive options or bonus payments from the Company, although they may receive shares. Non-executive directors do not normally participate in schemes designed solely for the remuneration of executives. However, an exception has been made in the case of the non-executive Chairman, Mr Steven Gregg, who participates in the Company's employee share plan. The Board decided to make this exception to give Mr Gregg a significant parcel of shares in the Company so as to align his personal financial interests with those of shareholders.

Executive directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components.

A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year, is included in the Directors' Report.

8.3 Information on Remuneration Committee members

The names and qualifications of the Remuneration and Nomination Committee members and details of meetings held and attended during the year are set out in the Directors' Report.

8.3 Schemes for retirement benefits

The Company does not pay retirement benefits, other than superannuation, for its non-executive directors.

8.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes

The Company's Share Trading Policy prohibits directors from entering into transactions that are designed or intended to hedge their exposure to a security in the Company that is subject to retention arrangements and/or unvested options.

8.3 Availability of information

A copy of the Remuneration and Nomination Committee Charter and Share Trading Policy is available on the Company's website.

Directors' report

The directors of Austock Group Limited (the "Company") present the annual financial report for the Group, being the parent entity and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Steven Gregg

Independent Non-Executive Chairman (appointed 27 November 2009)

Steven joined Austock Group Limited in November 2009 and brings with him over 27 years experience in investment banking and management consulting, 17 years of which were in London. He has held many senior positions, including Global Head of Investment Banking at ABN Amro. In 2005, upon returning to Australia, he joined McKinsey & Company where he served as a senior advisor and partner in corporate finance. He currently works with investment advisory firm Grant Samuel Group as a consultant and serves as a director on the Board of Goodman Fielder, William Inglis & Sons and Sunshine Homes. Steven has been a director of Austock Group Limited since 27 November 2009 and is a member of the Remuneration and Nomination Committee.

Mr Christopher Alan Sadler

Independent Non-Executive Director (Chairman from 29 October to 27 November 2009)

Chris has over 20 years experience in international investment banking. Chris was formerly Managing Director of Deutsche Bank – Corporate Finance and has also worked for other leading investment banks, including JP Morgan, Citigroup, SG Warburg and Salomon Brothers. He has an extensive track record of leading major mergers and acquisitions and corporate restructurings including equity and debt financing. Chris is also a director of Austock Securities Limited. Externally, he is a director of Eastern Star Gas; Chairman of Opportunity International Australia; Chairman of Alpha Asia Pacific Foundation; and a director on the Alpha International Board in London. Chris has an MBA from the University of Rochester, New York and has studied at the Victoria University of Wellington, New Zealand. Chris has been a director of Austock Group Limited since 18 January 2008, is Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee.

Mr Paul Masi

Managing Director and Chief Executive Officer (appointed 1 March 2010)

Paul brings over 28 years experience in a distinguished international career in Investment Banking. Paul was formerly the CEO of Bank of America – Merrill Lynch Australia and prior to that he was head of Merrill Lynch's equity operations in Asia and held many other senior roles at Merrill Lynch over an eight year period in Australia and Asia. Paul has also held senior management positions at BZW and ABN Amro in Australia and New York. Paul holds a Bachelor of Economics from Macquarie University and completed the Accelerated Management Programme at the AGSM. Paul has sat on various Australian Securities Exchange committees since 1995. In 2003, Paul was elected to the Board of the Securities and Derivatives Industry Association (SDIA) and named Chairman of The Institutional Broking Committee. Paul is also a Governor of the Cerebral Palsy Foundation and a director of the Girls and Boys Brigade Limited. Paul has been a director of Austock Group Limited since 1 March 2010.

Mr Timothy David Boyle

Non-Executive Director (resigned from position of Managing Director and Chief Executive Officer on 1 March 2010 and appointed Chairman, Investments on same date. Resigned from position of Chairman, Investments on 9 July 2010)

Tim has over 20 years financial services and significant international investment banking and asset management experience. Prior to joining Austock, Tim was an executive director and operating committee member for Fidelity Investments with responsibility for European sales, global relationship management and alternative investments. Whilst with Fidelity, Tim also had specific responsibility for Switzerland, Luxembourg, Belgium and the Netherlands, as well as a \$100 billion mutual fund business in Luxembourg. Tim has also held senior management roles within Bankers Trust International, based in London and New York, including being global chief of staff – corporate risk. He was previously on the advisory board of Unisuper and was Chairman of the Self Insurance Association of Australia, as well as being on the capital steering committee for the European Asset Managers Association and secretary of the London Bankers Risk Forum. Tim has been a director of Austock Group Limited since 29 May 2007.

Mr Victor David Cottren

Independent Non-Executive Director

Vic has over 50 years industry experience, with an extensive background in share broking, financial planning, life insurance, superannuation and investment management gained with AMP, Australian Eagle Insurance Company, Norwich Union, The Investors Life Group and National Australia Bank. He held various senior posts including chief executive and director within these companies and their subsidiaries. Since 1995, Vic has worked as a consultant to financial services companies in relation to investment, superannuation and financial planning. Within the Group he is also a director of Austock Life Limited and Austock's property companies. Vic has been a director of Austock Group Limited since 29 April 1999, is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr Kevin Franklin Clarke

Independent Non-Executive Director (appointed 27 November 2009)

Kevin brings 27 years industry experience, with an extensive background in manufacturing and distribution of branded industrial products. Kevin has a range of directorship experience, currently acting as chairman for mining and construction services company, Jeminex; the AMP controlled Focus Property Services; and National Fire Solutions. He was also a Director on the Australasian Retail Projects Board. Until 2006, Kevin was CEO of Alesco Corporation Limited for 11 years; a company that grew from a market capitalisation of less than \$100 million to almost \$1 billion at the time he left. Prior to that, he was CEO of Hudaco Industries Limited, a publicly listed manufacturer and distributor of branded industrial products servicing the industrial and mining sectors in South Africa. Kevin has been a director of Austock Group Limited since 27 November 2009 and is a member of the Remuneration and Nomination Committee.

Mr William Eric Bessemer

Non-Executive Chairman (resigned 29 October 2009)

Bill has over 40 years experience in banking and finance, specifically in the areas of debt and equity structuring, mergers and acquisitions and business recoveries. Bill joined Austock in 1995 and became Executive Chairman of the Group in 1999. Prior to this, Bill was a shareholder and director of a boutique corporate advisory business, involved in all areas of investment banking. Previously, Bill held several senior management roles and directorships with companies owned by the ANZ Bank. Bill was a director of Austock Group Limited from 29 April 1999 until his resignation.

Directorships of other listed companies

Directorships of other listed companies held by directors in the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period from	Period to
S Gregg	Goodman Fielder Limited	23 Feb 2010	Current
C A Sadler	AMA Group Limited	28 Feb 2008	30 Nov 2009
C A Sadler	Gloucester Coal Limited	16 Apr 2008	16 Jun 2009
C A Sadler	Eastern Star Gas Limited	15 Oct 2009	Current
W E Bessemer	A.B.C. Learning Centres Limited	13 Mar 2001	22 Apr 2008

Directors' shareholdings

The following table sets out the number of each director's relevant interest in shares and options over shares or interest in contracts relating to shares of the Company or a related body corporate as at the date of this report.

Director	Fully paid ordinary shares	Partly paid ordinary shares	Indirect interest in shares	Share options
S Gregg	-	1,105,740	2,000,000	1,000,000
C A Sadler	111,100	-	-	-
P Masi	475,000	-	4,000,000	-
T D Boyle	661,700	-	-	-
V D Cottren	27,700	-	-	-
K F Clarke	-	737,160	-	700,000

Remuneration of directors and senior management

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on page 31.

Share options granted to directors and senior management

There were no options granted by the Group during the year. A share based payment expense of \$90,831 was recognised during the year for options acquired from existing shareholders by two non-executive directors. The options allow the holders to acquire 1,700,000 existing shares at an exercise price of \$0.50 per share. Although these options were not issued by the Group and will not result in the issuance of additional shares, the transaction is captured by AASB 2 Share Based Payments.

Company Secretaries

Ms Amanda Jane Gawne

Company Secretary

Amanda was appointed Company Secretary in July 2003. Amanda has over 17 years legal and company secretarial experience gained from working in private legal practice and large private and publicly listed organisations.

Mr Adrian Seamus Hill

General Counsel and Company Secretary

Adrian was appointed joint Company Secretary in May 2009 while Ms Gawne was on maternity leave and he has continued in a supporting role since her return from leave. Adrian is a qualified solicitor with over 19 years legal experience, including 12 years at Austock Group as General Counsel. During that time he has held office as director and/or Company Secretary on various subsidiary boards.

Principal activities

The Group's principal activity in the course of the financial year was as a pooled development fund. No significant change in the nature of this activity occurred during the year. More details on the Group's principal activities are included in the Chairman's Report on page 9 of this annual report.

Review of operations

The consolidated operating net loss after income tax attributable to members is \$5.846 million (2009: \$20.931 million). A review of operations for the Group is set out on pages 9 to 19 of this annual report, commencing with the Chairman's Report.

Change in the state of affairs

There has been no significant change in the state of affairs during or since the end of the financial year.

Subsequent events

Other than the subsequent events as disclosed in note 35 to the financial statements, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulation and performance

The Group's operations are not involved in any activities that have a marked influence on the environment. As such, the directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

Dividends

There have been no dividends paid or provided for (2009: nil).

Share options

As at the date of this report, there are nil (2009: 500,000) unissued ordinary shares of Austock Group Limited under options.

Indemnification and insurance of officers and auditors

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

During the year, the Company entered into a Deed of Indemnity, Insurance and Access with each of its directors Messrs Boyle, Bessemer, Clarke, Cottren, Gregg, Masi and Sadler. The purpose of the Deed is to:

- confirm the indemnity provided by the Company in favour of Directors under the Company's Constitution;
- include an obligation upon the Company to maintain adequate Directors and Officers liability insurance; and
- confirm the right of access to certain documents under the Corporations Act 2001.

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, there were 14 Board meetings held.

Director	Eligible to attend	Attended
S Gregg (a)	8	8
W E Bessemer (b)	6	6
C A Sadler (c)	14	14
P Masi (d)	4	4
T D Boyle	14	14
K F Clarke (e)	8	7
V D Cottren	14	14

(a) Mr S Gregg was appointed on 27 November 2009 and was Chairman of the Board of Directors from this date.

(b) Mr W E Bessemer resigned on 29 October 2009 as Director and Chairman of the Board of Directors.

(c) Mr C A Sadler was Chairman of the Board of Directors from 29 October 2009 until 27 November 2009.

(d) Mr P Masi was appointed on 1 March 2010.

(e) Mr K F Clarke was appointed on 27 November 2009.

Audit Committee

The names and particulars of the Audit Committee members during or since the end of the financial year that are not disclosed elsewhere in this Directors' Report are as follows:

Mr Warner Kenneth Bastian

Committee Member (appointed 6 July 2009)

Warner is the former Managing Director of The Pharmacy Guild of Australia's insurance and financial services subsidiaries with over 50 years experience in insurance and financial services. Warner has been a member of the Audit Committee since 6 July 2009. Also within the Group, Warner is a director of Austock Funds Management Limited and an alternate director of Austock Life Limited. He is also a member of the Audit and Compliance Committee for Austock Property Group.

During the financial year, there were four Audit Committee meetings held.

Member	Eligible to attend	Attended
V D Cottren (a)	4	4
C A Sadler	4	4
W K Bastian (b)	4	4
W E Bessemer (c)	-	-

(a) Mr V D Cottren was Chairman of the Audit Committee throughout the year.

(b) Mr W K Bastian was appointed on 6 July 2009.

(c) Mr W E Bessemer resigned on 28 July 2009.

Remuneration and Nomination Committee

Effective 14 December 2009, the Remuneration and Nomination Committee has been re-established. During the year there were three meetings held.

Member	Eligible to attend	Attended
C A Sadler (a)	3	3
V D Cottren	3	3
S Gregg	3	3
K F Clarke	3	3

(a) Mr C A Sadler was Chairman of the Remuneration and Nomination Committee from 14 December 2009 throughout the year.

Non-audit services

For a company of the size and complexity of Austock Group Limited, it is often in the interests of the Group to engage the services of its external auditor to assist in a range of related projects. The directors are aware of the issues relating to auditor independence and have in place policies and procedures to address actual, potential and perceived conflicts of interests in relation to the provision of non-audit related services by its external auditor.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 9 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 35 of the financial report and forms part of the Directors' Report for the year ended 30 June 2010.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Austock Group Limited's directors and other key management personnel for the financial year ended 30 June 2010.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and other executives for the Group, and include the five most highly remunerated Group executives.

The prescribed details of each person covered by this report are detailed below under the following headings:

- (a) Director and senior management details
- (b) Remuneration policies
- (c) Remuneration of directors and senior management
- (d) Key terms of employment contracts

a) Director and senior management details

The following persons acted as directors of the Company during and since the end of the financial year:

- Mr Steven Gregg, Non-Executive Chairman (appointed 27 November 2009)
- Mr William Eric Bessemer, Non-Executive Chairman (resigned 29 October 2009)
- Mr Christopher Alan Sadler, Non-Executive Director
- Mr Victor David Cottren, Non-Executive Director
- Mr Kevin Franklin Clarke, Non-Executive Director (appointed 27 November 2009)
- Mr Paul Masi, Managing Director and Chief Executive Officer (appointed 1 March 2010)
- Mr Timothy David Boyle, Non-Executive Director (resigned from position of Managing Director and Chief Executive Officer on 1 March 2010 and appointed Chairman, Investments on same date. Resigned from position of Chairman, Investments on 9 July 2010)

In addition to the directors noted above, the following persons represent the senior management of the Group during or since the end of the year:

- Mr Craig Thompson, Chief Financial Officer
- Mr Ryan James Whitelegg, Chief Operating Officer (resigned 19 February 2010)
- Mr Jeremy David Kirkwood, Managing Director, Austock Corporate Finance (resigned 7 September 2009)
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Nicholas James Anagnostou, Chief Operating Officer, Austock Property (appointed 1 July 2009)

b) Remuneration policies

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. During the year, a review of the reward structures was conducted and as a result, a number of changes have been incorporated into the remuneration arrangements for existing directors and executives.

The Board of Directors accepts responsibility for determining and reviewing compensation arrangements for the directors, chief executive officer (CEO) and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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 board and executive team.

Remuneration structure

In line with good corporate governance principles, the structure of non-executive director, executive director and senior management remuneration is separate and distinct. In 2010, an exception was made for a non-executive director, the details of which are disclosed in the Corporate Governance Statement.

i) Non-Executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on the directors in fulfilling their responsibilities. Non-executive director fees are reviewed annually by the Board. The Constitution of the Company provides that the non-executive directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting.

ii) Senior management and executive director remuneration

The executive remuneration program comprises the following components:

- Fixed remuneration component
- Variable remuneration component including short term incentive (STI) and long term incentive (LTI)

Fixed remuneration

Fixed compensation consists of base compensation as well as employer contributions to superannuation. Compensation levels are reviewed annually through a process that considers individual performance and that of the overall Group.

Variable remuneration – short term incentive (STI)

A short term incentive (STI) pool is available to executives who achieve revenue and/or profit targets. The Board is responsible for determining who is eligible to participate in STI arrangements as well as the structure of those arrangements. The aggregate of annual STI payments available for executives is usually delivered in the form of a combination of cash and shares. Cash bonuses are payable throughout the next financial year. The vesting period for any shares granted is 3 years.

Variable remuneration – long term incentive (LTI)

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

In 2010, a total of 6,000,000 (2009: 3,123,685) shares and nil options (2009: 2,400,000) have been allocated under the LTI program to key management personnel.

c) Remuneration of directors and senior management

Remuneration shown below relates to the period in which the director or executive was a member of key management personnel.

	Short term employee benefits			Post employment benefits	Termination benefits	Share based payments			Total	Performance based proportion	Option value as a percent of total
	Salary & fees	Cash bonus	Other benefits	Super-annuation		Shares	Options (a)	Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
2010											
<i>Director</i>											
S Gregg	102,081	-	-	-	-	12,777	53,430	-	168,288	7.6%	31.7%
W E Bessemer	46,488	-	-	16,668	474,392	-	-	-	537,548	-	-
C A Sadler	117,704	-	-	9,244	-	-	-	-	126,948	-	-
V D Cottren	59,004	-	-	42,780	-	-	-	-	101,784	-	-
K F Clarke	50,648	-	-	-	-	-	37,401	-	88,049	-	42.5%
P Masi	145,180	-	-	4,820	-	133,332	-	-	283,332	47.1%	-
T D Boyle	354,512	-	5,046	14,460	400,000	-	-	-	774,018	-	-
Sub total	875,617	-	5,046	87,972	874,392	146,109	90,831	-	2,079,967	7.0%	4.4%
<i>Senior Executive</i>											
C Thompson	289,464	50,000	-	24,996	-	50,229	-	-	414,689	24.2%	-
R J Whitelegg	200,000	-	-	9,640	478,873	-	-	-	688,513	-	-
J D Kirkwood	55,833	-	-	2,935	675,692	216,385	-	-	950,845	22.8%	-
R J Higgins	279,996	50,000	-	14,460	-	3,516	-	-	347,972	15.4%	-
N J Anagnostou	236,871	56,250	-	14,460	-	24,045	-	-	331,626	24.2%	-
Sub total	1,062,164	156,250	-	66,491	1,154,565	294,175	-	-	2,733,645	16.5%	-
Total	1,937,781	156,250	5,046	154,463	2,028,957	440,284	90,831	-	4,813,612	12.4%	1.9%

	Short term employee benefits			Post employment benefits	Termination benefits	Share based payments (b)			Total	Performance based proportion	Option value as a percent of total
	Salary & fees	Cash bonus	Other benefits	Super-annuation		Shares	Options	Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
2009											
<i>Director</i>											
W E Bessemer	145,000	-	-	99,995	-	-	7,697	-	252,692	3.0%	3.0%
C A Sadler	100,625	-	-	6,581	-	-	-	-	107,206	-	-
V D Cottren	36,624	-	-	100,522	-	-	-	-	137,146	-	-
T D Boyle	475,308	59,375	1,704	13,745	-	-	37,440	-	587,572	16.5%	6.4%
Sub total	757,557	59,375	1,704	220,843	-	-	45,137	-	1,084,616	9.6%	4.2%
<i>Senior Executive</i>											
C Thompson	65,936	-	-	12,500	-	1,508	-	-	79,944	1.9%	-
R J Whitelegg	347,636	21,875	2,364	13,745	-	-	(1,275)	-	384,345	5.4%	(0.3%)
J D Kirkwood	363,000	125,375	-	-	-	83,333	(1,500)	-	570,208	36.3%	(0.3%)
R J Higgins	326,667	-	-	13,745	-	1,508	(375)	-	341,545	0.3%	(0.1%)
Sub total	1,103,239	147,250	2,364	39,990	-	86,349	(3,150)	-	1,376,042	16.7%	(0.2%)
Total	1,860,796	206,625	4,068	260,833	-	86,349	41,987	-	2,460,658	13.6%	1.7%

(a) There were no options issued by Austock Group Limited in the current year. However a share based payment expense of \$90,831 was recognised during the year for options acquired from existing shareholders by two non-executive directors. The options allow the holders to acquire 1,700,000 existing shares at an exercise price of \$0.50 per share. Although these options were not issued by the Company and will not result in the issuance of additional shares, the transaction is captured by AASB 2 Share Based Payments.

(b) The share based payment expense in 2009 has a number of credit entries for some key management personnel due to the reversal of share based payments expensed in prior years. In the case of options, management assessed there is a zero probability that the performance conditions will be met and accordingly, no options will vest. These options have subsequently been cancelled creating the need for a reversal.

Bonus and share based payments granted as compensation

In 2010, provision is made for performance incentives comprising a cash and equity component. The cash component is disclosed in the 2010 table on page 33 with the equity component to be disclosed as a share based payment in future years over the vesting period.

The following table provides information for the prior year:

Name	Option series	Options held on 1 Jul 2008	During the year					% of compensation comprising options (a)
			Number granted	Number vested	Number cancelled	% of grant vested	% of grant forfeited	
2009								
W E Bessemer	Series 7b	600,000	-	-	600,000	-	-	3.0%
T D Boyle	Series 8a	600,000	2,400,000	-	3,000,000	-	-	6.4%
R J Whitelegg	Series 7b, 8c, 12	850,000	-	-	850,000	-	-	(0.3%)
J D Kirkwood	Series 8b, 12	1,000,000	-	-	1,000,000	-	-	(0.3%)
R J Higgins	Option series 12	250,000	-	-	250,000	-	-	(0.1%)

(a) The option percentage is negative for some key management personnel due to the reversal of previously expensed share based payments. Management assessed that there was zero probability that any options would vest as the performance conditions would not be met. These options were subsequently cancelled.

As at 30 June 2010, no directors or senior management hold any options issued by Austock Group Limited.

d) Key terms of employment contracts

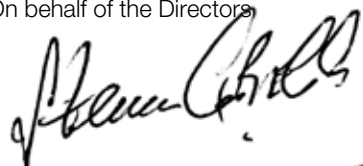
The Company has entered into service contracts with each key management person, excluding non-executive directors, that are capable of termination with a notice period of between 3 to 6 months. The Company retains the right to terminate a contract immediately by making payment equal to the relevant 3 to 6 month period pay in lieu of notice. The key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified from year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Mr Paul Masi, chief executive officer, has a contract of employment with the Company dated 1 March 2010. The basis of employment provides that the duties and obligations to be fulfilled by the chief executive officer will be agreed upon between the board and chief executive officer culminating in performance objectives for achievement during the year. The service contract is for an unlimited term and is capable of termination by either the Company or the chief executive officer providing six month's notice.

The directors' report is signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Mr Steven Gregg

Chairman

Sydney, 27 August 2010

Auditor's independence declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Austock Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

A handwritten signature in black ink that reads 'Mitch Craig'.

KPMG

A handwritten signature in black ink that reads 'Mitch Craig'.

Mitch Craig
Partner

Melbourne

27 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Independent audit report



Independent auditor's report to the members of Austock Group Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Austock Group Limited (the "Company") and the entities it controlled at the year-end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010 and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Independent audit report (continued)



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its 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 report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 31 to 34 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Austock Group Limited for the year ended 30 June 2010 complies with Section 300A of the Corporations Act 2001.

KPMG

Mitch Craig
Partner

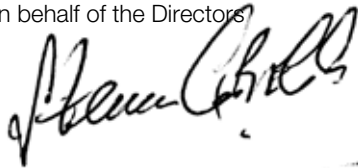
Melbourne
27 August 2010

Directors' declaration

1. In the opinion of the directors of Austock Group Limited (the "Company"):
 - a) the consolidated financial statements and notes and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2010.
3. The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

On behalf of the Directors



Mr Steven Gregg

Chairman

Sydney, 27 August 2010

Statement of comprehensive income for the financial year ended 30 June 2010

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
<i>Continuing operations:</i>			
Revenue	5	49,170	45,384
Personnel expenses	6(a)	(30,172)	(28,312)
Occupancy expenses	6(b)	(1,514)	(1,552)
Communication expenses	6(c)	(825)	(893)
Finance expenses	6(d)	(469)	(645)
Dealing and settlement expenses	6(e)	(4,786)	(4,426)
Marketing and promotional expenses	6(f)	(1,161)	(1,326)
Depreciation and amortisation	6(g)	(738)	(1,005)
General administrative expenses	6(h)	(4,449)	(4,564)
Loss on assets at FV through profit or loss	6(i)	(265)	(110)
Policyholder loss on assets at FV through profit or loss	6(i)	(3,418)	(12,233)
Member withdrawals attributable to policyholders		(158)	(152)
Impairment reversals/(charges)	6(j)	154	(21,141)
Share of profit of equity accounted investees, net of tax	15(b)	-	16
Profit/(Loss) before income tax expense		1,369	(30,959)
Income tax (expense)/benefit	7(a)	(204)	3,139
Profit/(Loss) after income tax		1,165	(27,820)
<i>Discontinued operations:</i>			
Profit/(Loss) from discontinued operations, net of tax	34	28	(597)
Profit/(Loss) for the year		1,193	(28,417)
(Profit)/Loss attributable to policyholders		(7,039)	7,486
Net loss attributable to members of the company		(5,846)	(20,931)
Other comprehensive income			
Gain on available for sale investments taken to equity		4,954	288
Income tax on items of other comprehensive income		(743)	(43)
Other comprehensive income for the year (net of tax)		4,211	245
Total comprehensive income attributable to members of the company		(1,635)	(20,686)
Earnings per share			
<i>Continuing and discontinued operations:</i>			
Basic (cents per share)	26	(5.07)	(17.60)
Diluted (cents per share)	26	(5.07)	(17.60)
<i>Continuing operations:</i>			
Basic (cents per share)	26	(5.10)	(17.10)
Diluted (cents per share)	26	(5.10)	(17.10)

The accompanying notes 1 to 38 form part of these financial statements.

Statement of financial position as at 30 June 2010

	Notes	Consolidated	
		2010 \$'000	2009(a) \$'000
Assets			
Cash and cash equivalents	32(a)	23,801	29,705
Trade and other receivables	12	2,117	1,584
Income tax receivable	7(d)	530	1,051
Other assets	13	3,575	2,589
Financial assets	14	168,789	114,469
Investments - equity accounted	15(a)	-	-
Property, plant and equipment	16	946	1,328
Deferred tax assets	7(d)	10,128	10,871
Intangible assets	17	5,391	5,296
Total assets		215,277	166,893
Liabilities			
Trade and other payables	18	2,164	5,447
Borrowings	22	2,600	5,167
Other liabilities	20	5,906	2,359
Provisions	19	2,867	5,152
Deferred tax liabilities	7(e)	871	112
Policyholder liability - life investment contracts	21	166,516	114,586
Policyholder liability - life insurance contracts	21	7,848	6,713
Total liabilities		188,772	139,536
Net assets		26,505	27,357
Equity			
Issued capital	23	43,926	43,044
Reserves	24	(1,746)	(6,553)
Retained earnings	25	(15,685)	(9,981)
Policyholder equity - life insurance contracts	21	10	847
Total equity		26,505	27,357

(a) The 2009 balances have been restated following the change in accounting policy as disclosed in note 1(z).

The accompanying notes 1 to 38 form part of these financial statements.

Statement of changes in equity for the financial year ended 30 June 2010

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Policyholder equity \$'000	Total \$'000
Year end 30 Jun 2010					
Balance at 1 Jul 2009	43,044	(6,553)	(9,981)	847	27,357
Total comprehensive income for the year					
Net profit/(loss) for the year	-	-	(5,846)	-	(5,846)
Revaluation of investments, net of tax	-	4,211	-	-	4,211
<i>Total comprehensive income for the year</i>	-	4,211	(5,846)	-	(1,635)
Transactions with owners, recorded directly in equity					
Policyholder net loss for the year	-	-	-	(837)	(837)
Equity settled benefits	1,081	647	-	-	1,728
Transfer to/(from) retained earnings/reserves	(199)	57	142	-	-
Acquisition of treasury shares	-	(108)	-	-	(108)
<i>Total transactions with owners</i>	882	596	142	(837)	783
Balance at 30 Jun 2010	43,926	(1,746)	(15,685)	10	26,505
Year end 30 Jun 2009					
Balance at 1 Jul 2008	43,343	(5,272)	11,201	419	49,691
Total comprehensive income for the year					
Net profit/(loss) for the year	-	-	(20,931)	-	(20,931)
Revaluation of investments, net of tax	-	245	-	-	245
<i>Total comprehensive income for the year</i>	-	245	(20,931)	-	(20,686)
Transactions with owners, recorded directly in equity					
Policyholder net profit for the year	-	-	-	428	428
Equity settled benefits	565	28	-	-	593
Capital raising costs, net of tax	75	-	-	-	75
Dividends provided for or paid	-	-	(1,190)	-	(1,190)
Transfer to/(from) retained earnings	(939)	-	939	-	-
Acquisition of treasury shares	-	(1,554)	-	-	(1,554)
Share trust contribution	-	(86)	-	-	(86)
Granting of treasury shares	-	86	-	-	86
<i>Total transactions with owners</i>	(299)	(1,526)	(251)	428	(1,648)
Balance at 30 Jun 2009	43,044	(6,553)	(9,981)	847	27,357

The accompanying notes 1 to 38 form part of these financial statements.

Statement of cash flows

for the financial year ended 30 June 2010

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		38,332	48,455
Payments to suppliers and employees		(41,911)	(52,287)
Proceeds from sale of trading shares		2,215	22,549
Payments for trading shares		(3,926)	(22,806)
Finance and borrowing costs		(390)	(627)
Income tax received/(paid)		1,076	(354)
Net cash flows used in operating activities	32(b)	(4,604)	(5,070)
Cash flows from investing activities			
Interest received		1,920	1,674
Dividends received		417	-
Payment for property, plant and equipment		(68)	(41)
Payment for intangibles		(42)	(17)
Payment for benefit fund investments		(43,447)	(23,157)
Payment for treasury shares		(811)	(819)
Proceeds from sale of property, plant and equipment		-	35
Proceeds from sale of investments		703	298
Payment for sale of business		(75)	-
Amounts advanced to related entities		(189)	(1,286)
Repayments from related entities		97	3,410
Gain of control of subsidiary		-	37
Loss of control of subsidiary		-	(192)
Net cash flows used in investing activities		(41,495)	(20,058)
Cash flows from financing activities			
Dividends paid		-	(1,190)
Proceeds from borrowings		798	-
Repayment of borrowings		(3,393)	(1,995)
Payment of guarantee obligation		(1,803)	-
Contributions by investors in benefit funds		65,617	45,823
Withdrawals by investors in benefit funds		(21,024)	(23,951)
Net cash flows from financing activities		40,195	18,687
Net decrease in cash held		(5,904)	(6,441)
Cash at beginning of the year		29,705	36,146
Cash at end of the year	32(a)	23,801	29,705

The accompanying notes 1 to 38 form part of these financial statements.

Notes to the financial statements

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1. Summary of significant accounting policies

This financial report for the year ended 30 June 2010 was authorised for issue by the directors on 27 August 2010.

Austock Group Limited (the "Company") is a public company listed on the Australian Securities Exchange (ASX: ACK) incorporated in Australia. The Company's registered office and principal place of business is Level 1, 350 Collins Street, Melbourne, Victoria, Australia, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Group has adopted the amendment to the Corporations Act 2001 introduced by the Corporations Amendments (Corporate Reporting Reform) Bill 2010 and is only preparing a consolidated financial report.

Basis of accounting

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise stated, all amounts are presented in Australian dollars, which is the Company's functional currency and the functional currency of the entities comprising the Group.

Use of estimates and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods. Refer to note 2 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period. Details of these new accounting standards that impacted the Group's financial report are included within the individual accounting policy notes set out below.

Standards and Interpretations issued but not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. The Group has not yet determined the potential effect of the revised standard.

1. Summary of significant accounting policies (continued)

Standards and Interpretations issued but not yet adopted (continued)

AASB 124 Related Party Disclosures (revised December 2009)

The revised AASB 124 simplifies and clarifies the intended meaning of the definition of a related party. The amendments will become mandatory for the Group's 30 June 2012 financial statements. The Group has not yet determined the potential effect of the revised standard.

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process

These amendments will result in minor changes to presentation, disclosure, recognition and measurement requirements. The amendments, which become mandatory for the Group's 30 June 2011 financial statements are not expected to have a significant impact on the financial statements.

AASB 2009-8 Amendments to AAS – Group Cash-settled Share-based Payment Transactions

These amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group Treasury Share Transactions will be withdrawn from the application date. These amendments will become mandatory for the Group's 30 June 2011 financial statements. The Group has not yet determined the potential effect of these amendments.

AASB 2009-10 Amendments to AAS – Classification of Rights Issue [AASB 132] (October 2010)

This amendment clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments will become mandatory for the Group's 30 June 2011 financial statements. The Group has not yet determined the potential effect of these amendments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation on the Group's financial report.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report.

The following significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of Austock Group Limited (the "Company") and the entities controlled by the Company (referred to as the "Group" in these financial statements).

Control is achieved where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of control or up to the effective date of disposal, as appropriate.

1. Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

A list of controlled entities appears in note 30 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. This involves identifying the acquirer, which is the entity that obtains control of the other combining entities or businesses.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. Transaction costs incurred by the Group in connection with a business combination, such as finders' fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Any intra-group business combinations ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Consolidation of benefit funds

Friendly Societies are required to comply with Accounting Standard AASB 1038 Life Insurance Contracts. This means that the benefit funds and the management fund are presented on a single set of financial statements, with some additional information being presented in a disaggregated format in note 38. Where the total for each fund type is presented certain, items have been presented as their aggregate net position rather than an addition of each benefit fund. As AASB 1038 is an aggregation standard rather than a consolidation standard, some transactions between the management fund and the benefit funds are presented on the face of the financial statements, rather than being eliminated as would be expected on consolidation.

This general purpose financial report includes Austock Life Management Fund and 33 benefit funds. The benefit funds have been classified as either life investment or life insurance contracts according to the rules of the benefit funds. There are 31 life investment contract funds and 2 life insurance contract funds. The assets of each benefit fund are regarded as assets backing either life investment or life insurance contract liabilities according to the classification of the fund to which they belong.

The operating expenses of the benefit funds have been apportioned between contract acquisition, contract maintenance, investment management and other expenses according to the descriptions given in the Product Disclosure Statement (PDS) and the fund rules.

1. Summary of significant accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks (net of outstanding bank overdrafts) that are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a specific provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due.

(d) Impairment (excluding goodwill)

Financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the financial asset reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The carrying amount of the financial asset including uncollectable trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Non financial assets

At each reporting date, the Group reviews the carrying amounts of its non financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash-generating units. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher 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 the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1. Summary of significant accounting policies (continued)

(d) Impairment (excluding goodwill) (continued)

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on property, plant and equipment and is calculated on either a straight line or diminishing value basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

The rates used in the calculation of depreciation for the current and comparative period are as follows:

Category	Rate
Leasehold improvements	14% to 16%
Computer equipment	30% to 40%
Plant and equipment	12% to 40%
Office equipment	12% to 40%

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Financial instruments

Financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. Settlement date accounting is adopted within the Securities business for all trading related financial assets, and all other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group has the following financial asset categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets.

1. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as “financial assets at fair value through profit or loss” where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- is a derivative that is not designated effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 33.

All benefit fund assets represent assets backing life insurance and life investment liabilities. The financial assets belonging to the life insurance or life investment contracts are classified as financial assets at fair value through the profit or loss.

(ii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and other receivables include trade and other receivables.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Certain investments held by the Group are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (as determined in the manner described in note 33) and changes in fair value are recognised in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on monetary assets. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

1. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Settlement date accounting is adopted within the Securities business for all trading related financial liabilities, and all other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

- Financial liabilities 'at fair value through profit or loss'

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 33.

- Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(g) Goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs). An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

1. Summary of significant accounting policies (continued)

(h) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Management rights

Management rights recognised by the Group are assessed to determine their useful life to the Group. Where management rights have a finite life, they are amortised over that life. Where management rights have been assessed to have an indefinite useful life, they are not amortised. Management rights that have been assessed to have an indefinite life have been assessed that way on the basis that they are not attributable to amounts invested in closed funds and are expected to continue in operation with no foreseeable limit to the period with which they are expected to generate future net cash flows for the Group.

Each period, management rights (both those with finite and indefinite useful lives) are reviewed to determine whether events and circumstances continue to support this assessment of useful life. Management rights are tested for impairment in accordance with the accounting policy stated in note 1(d) above.

A period of 7-8 years has been used in the calculation of amortisation for finite life management rights for both the current and comparative periods.

Software

Software is capitalised by the Group and amortised over its useful life. It is recorded at cost less accumulated amortisation and impairment. A period of 3-5 years has been used in the calculation of amortisation for software for both the current and comparative periods.

(i) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held For Sale and Discontinued Operations. Under the equity method, investments in associates are carried on the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

(j) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods or services.

(k) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

1. Summary of significant accounting policies (continued)

(l) Issued capital

Ordinary issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity (in the Treasury Shares Reserve). When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of services is recognised in the statement of comprehensive income when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the sales consideration.

Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributable to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

1. Summary of significant accounting policies (continued)

(n) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(o) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(p) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(q) Share based payments

Equity-settled share based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. With respect to options, fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to equity.

1. Summary of significant accounting policies (continued)

(q) Share based payments (continued)

Equity-settled share based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Goods and service tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. 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 operating cash flows.

(s) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Austock Group Limited and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1. Summary of significant accounting policies (continued)

(u) 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation, its carrying amount and the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be recovered and the amount of the receivable can be measured reliably.

(v) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been discontinued. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Group's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (adjusted for shares held by the Company's sponsored employee share plan trust) for the effects of all dilutive potential ordinary shares. There are currently no potential ordinary shares in existence.

(x) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(y) Classification of benefit funds

Benefit funds are classified as either Life Insurance or Life Investment contracts according to the benefit fund rules. Criteria considered in the classification process include the level of insurance risk accepted under the contract and the existence of discretionary participation features (such as discretion by the board over the level of bonus).

Restrictions on the use of assets invested for policyholders in benefit funds include:

- Benefit fund rules;
- Life Insurance Act requirements;
- Prudential Standards;
- Actuarial Standards; and
- Company policies and procedures.

1. Summary of significant accounting policies (continued)

(y) Classification of benefit funds (continued)

Assets belonging to the life insurance funds back life insurance liabilities, and assets belonging to all other benefit funds back life investment contract liabilities. The assets of one benefit fund cannot be used to support the liabilities of another.

(i) Life insurance contracts

The Oddfellows Funeral and Assurance funds, being risk products, have been classified as life insurance contracts under the meaning given in AASB 1038 Life Insurance Contracts. Consequently, contributions to the funds are disclosed as premiums and benefits paid from the funds are disclosed as claims.

In accordance with the Life Insurance Act 1995, Austock Life Limited has appointed an actuary to determine the value of policyholder liabilities and solvency. These have been determined using methods and assumptions consistent with actuarial standards and the Life Insurance Act 1995.

The key assumptions for the policyholder liability calculation are a discount rate based on the expected future earnings on the assets and future mortality, resignations and retirements. Details of these key assumptions are disclosed in note 2.

(ii) Life Investment contracts

The following funds are classified as investment products:

- Heritage Investment Bond Fund
- Investment Bond Fund
- Cash Achiever Bonds
- Deferred Annuity Achiever (DA39)
- Funeral Plan Fund
- Select Mortgage Annuity (DA46)

For these investment account products, the policyholder liability is the accumulation of amounts invested by policyholders less fees specified in the policy plus investment earnings allocated as a bonus. Where exit fees are payable, no reduction in the accumulation is made because exit fees are a liability to the management fund. No annuity in possession has become payable from either of the deferred annuity funds.

The 25 unit linked funds are also classified as investment products. For these investment linked products, the policyholder liability is the accumulation of amounts invested by policyholders less fees specified in the policy plus investment earnings allocated. Where exit fees are payable, no reduction in the accumulation is made, because exit fees are a liability to the management fund.

No investment linked policy is subject to any investment guarantee. Surrender value of investment account policies is \$15.261 million (2009: \$15.519 million).

(z) Change in accounting policy

The Austock Securities business has adopted settlement date accounting from 17 May 2010, which is the date from which the clearing of transactions has been outsourced to a third party clearing organisation.

Settlement date accounting refers to the recognition of payables and receivables resulting from client transactions on settlement date. The application of settlement date accounting means that payables and receivables that are settled simultaneously on settlement date are effectively not recognised on the statement of financial position. The Group believes that this policy provides a more accurate reflection of its economic interest in the transactions. Brokerage earned on these transactions continues to be recognised on trade date as that is the day on which services are performed and revenue recognition criteria are satisfied.

Prior year comparatives have been restated to adopt this change in accounting policy. There is no impact on the statement of comprehensive income or on EPS. The impact on the statement of financial position is set out below:

Line item	2009 reported \$'000	2009 restated \$'000
Trade and other receivables	51,238	1,584
Trade and other payables	55,101	5,447

2. Use of estimates and judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following are the significant areas of estimation uncertainty and critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Financial assets

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied, including using discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supportable by observable market prices or rates. As disclosed in note 14, the carrying amount of such shares is \$7.835 million (2009: \$2.880 million). Note 33 provides more detail on fair values.

Intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated in note 1(d). The recoverable amounts have been determined based on fair value less costs to sell. In the absence of a binding sale agreement or an active market, fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the entity could obtain from the disposal of these intangible assets in an arm's length transaction between a knowledgeable and willing buyer and seller. As disclosed in note 17, the carrying amount of such intangible assets is \$5.391 million (2009: \$5.296 million).

Employee benefits

The liability for employee benefits (annual leave and long service leave) is recognised and measured as the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. A discount rate equal to the 10 year government bond rate has been used in determining the present value of the obligation.

Share based payments

The Group calculates the value of share based payments in accordance with the accounting policy stated in note 1(q). The value of the share based payment is measured at fair value of the equity instrument at the grant date. In determining fair value, these calculations require the use of assumptions to estimate future economic conditions and management judgement to determine key variables. Further details on share based payments are included in note 10.

Deferred tax assets

Management uses its judgement in determining the value of carry forward tax losses. Reference is made to forecasts and budgets to ensure the recoverability of tax losses remains probable over the foreseeable future. Tax losses have only been recognised as deferred tax assets to the extent that management considers it is probable that there will be future taxable profit available against which the tax losses can be utilised.

2. Use of estimates and judgement (continued)

Policyholder liability calculation for life insurance contracts

As disclosed in note 1(y), the key assumptions for the policyholder liability calculation are a discount rate based on the expected future earnings on the assets and the future mortality, resignations and retirements. As at year end, these assumptions are detailed below.

	Oddfellows Fund		Assurance Fund	
	2010	2009	2010	2009
Discount rate	5.11%	5.52%	5.11%	5.52%
Mortality	Australian Life Tables 2000-2002 less 45%	Australian Life Tables 2000-2002 less 45%	Australian Life Tables 2000-2002 less 45%	Australian Life Tables 2000-2002 less 45%
Future maintenance and investment management expense	2.21%	2.21%	2.00%	2.00%
Taxation rates	0%	0%	30%	30%
Rates of discontinuance	0%	0%	0%	0%
Surrender values	n/a	n/a	Not provided for in rules	Not provided for in rules
Rates of future supportable participating benefits	Terminal bonus at \$147 per member Bonus on sum assured at 2.73% p.a. compound	Terminal bonus at \$147 per member Bonus on sum assured at 2.07% p.a. compound	Terminal bonus at \$147 per member Bonus on sum assured at 2.22% p.a. compound	Terminal bonus at \$147 per member Bonus on sum assured at 0.39% p.a. compound
Crediting policy adopted in determining future supportable participating benefits	Allocation of surplus above statutory requirements as non guaranteed terminal bonus	Allocation of surplus above statutory requirements as non guaranteed terminal bonus	Allocation of surplus above statutory requirements as non guaranteed terminal bonus	Allocation of surplus above statutory requirements as non guaranteed terminal bonus

Sensitivity Analysis

Policyholder liabilities are not sensitive to changes in variables within a moderate range.

3. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk, refer to note 37(a)

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has adopted a Risk Management Plan, developed in accordance with the Australian Standard on Risk Management (AS/NZS 4360:2400). The policy reflects the Board's commitment to identifying, monitoring and mitigating risks as well as capturing opportunities.

Day to day responsibility for risk management has been delegated to executive management, with review occurring at both the Audit Committee and Board level. The Managing Director and Chief Financial Officer are required to provide to the Board an annual certification that the Group's risk management system is operating efficiently and effectively in all material respects.

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 principally from the Group's receivables from customers.

Trade and other receivables

The credit risk for trade receivables for the Group is the risk that financial assets recognised on the statement of financial position exceed their carrying amount, net of any provisions for doubtful debts.

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 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares rolling cash projections which assists in monitoring cash flow requirements and optimising its cash return on investments. To further reduce liquidity risk, the Group maintains the following additional finance facilities:

- \$10 million bill acceptance/discount facility (2009: \$10 million overdraft facility) that is secured to be used for capital liquidity requirements. Interest is payable at the floating rate;
- Bank guarantee facility totaling \$810,000 (2009: \$810,000) in respect of the lease of the Company's business premises;
- Bank guarantee facility totaling \$2,000,000 (2009: \$nil) in respect of a third party clearer for Austock Securities; and
- Direct debit facility of \$50,000 (2009: \$50,000) to be used for client's accounts as part of the Austock Life business.

These facilities are due to expire on 30 November 2010. As disclosed in the half year report at 31 December 2009, the Group was in technical breach of its loan covenants with BankWest as part of its quarterly assessments for September 2009 and December 2009 pertaining to required levels of funds under management (FUM). At each of these assessment dates, the FUM subject to the loan covenants was 96% in September 2009 and 93% in December 2009 of the required \$750 million level, based on a 12 month rolling average.

3. Financial risk management (continued)

The balance of the borrowing outstanding was \$4,500,000 and \$4,100,000 at the end of September 2009 and December 2009 respectively, noting that a principal repayment of \$400,000 was made at the end of each quarter.

Upon the conclusion of the BankWest facility term on 2 March 2010, the Group initiated a new arrangement to extend the lending facilities for a further four month period. BankWest was satisfied with this new arrangement and on 9 July 2010, the borrowings were repaid in full.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on monetary assets and liabilities held in a currency other than the respective currency of the Group, which is Australian dollars (AUD). The Group monitors currency movements to ensure there is no material impact on the Group's activities.

Interest rate risk

Interest rate risk arises from the potential for change in interest rates to have an adverse effect on the net earnings of the Group. The Group's earnings are affected by movements in market interest rates due to funds borrowed and/or held in high interest deposit accounts. Interest on borrowings is based on a margin above the negotiated bank base rate. The Group is subject to changes to interest rates to the extent that they impact upon changes to the bank base rate. The Group monitors the movements in interest rates and is in regular communication with borrowers whenever there is a change in the Company's rate of interest charged.

Equity price risk

The Group is exposed to equity price risk arising from movements in equity investments. Other than equity investments held at fair value through profit or loss, equity investments are generally held for strategic rather than trading purposes. The Group monitors equity price movements to ensure there is no material impact on the Group's activities.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of debt, which comprises borrowings as disclosed in note 22, cash and cash equivalents as disclosed in note 32, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively.

External capital requirements

From 17 May 2010, Austock Securities Limited commenced using a third-party clearing organisation to clear its trades. On 30 June 2010, Austock Securities ceased being an Australian Clearing House ("ACH") participant and is no longer subject to the ACH rules requiring minimum core liquid capital of \$2 million (increasing to \$5 million on 1 July 2010) to be held at all times. On the same date, Austock Securities became subject to the ASX Market Rules, which require a minimum core liquid capital of \$100,000 to be maintained at all times.

Austock Securities Limited has been in compliance with all ACH and ASX requirements throughout the year ended 30 June 2010.

The ASX defines core liquid capital as the sum of:

- (i) all ordinary issued shares to the extent they are paid up;
- (ii) all non cumulative preference shares;
- (iii) all reserves excluding revaluation reserves; and
- (iv) opening retained profits/losses adjusted for all current year movements.

4. Operating segments

The Group operates in a number of business areas that are aggregated and reported upon as operating segments. These operating segments form the basis of decision making within the Group for the allocation of resources and assessing performance. These operating segments have been determined based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker. The principal products and services within each segment are as follows:

(a) Corporate and Securities

This operating segment provides an integrated range of stockbroking, research and corporate advisory services in the equity capital markets for emerging growth enterprises. The focus on emerging companies in both a listed and unlisted corporate environment allows this operating segment to grow with their client base by providing a specifically tailored service approach to solving client needs.

(b) Investment Management

This operating segment provides specialised investment management services in direct and indirect property funds management; and life insurance based products within a tax paid investment environment. The focus of this operating segment is to build a platform of funds under management as the basis for solid and sustainable returns using innovative and proven management investment strategies.

(c) Benefit Funds

This operating segment covers the operating performance of the underlying benefit funds in the Austock Life business, the results of which are all attributable to policyholders, not shareholders.

(d) Unallocated services

This operating segment represents those operations within the Group that do not belong to any of the above key business segments.

For year ended 30 June 2010	Corporate & Securities \$'000	Investment Management \$'000	Benefit Funds \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000	Discontinued operations \$'000	Continuing operations \$'000
Revenue								
External revenue	27,627	7,247	13,675	621	-	49,170	-	49,170
Inter-segment revenue	-	-	-	4,733	(4,733)	-	-	-
Segment revenue	<u>27,627</u>	<u>7,247</u>	<u>13,675</u>	<u>5,354</u>	<u>(4,733)</u>	<u>49,170</u>	-	<u>49,170</u>
Result								
Segment result	<u>(2,750)</u>	<u>721</u>	<u>8,238</u>	<u>(4,812)</u>	<u>-</u>	<u>1,397</u>	<u>28</u>	<u>1,369</u>
Income tax expense						(204)	-	(204)
Profit attributable to policyholders						(7,039)	-	(7,039)
Consolidated net profit/(loss) after tax						<u>(5,846)</u>	<u>28</u>	<u>(5,874)</u>
Assets and liabilities								
Segment total assets (a)	23,011	33,737	174,870	73,216	(89,557)	215,277	-	215,277
Segment total liabilities	(13,795)	(36,347)	(174,860)	(19,481)	55,711	(188,772)	-	(188,772)
Segment net assets	<u>9,216</u>	<u>(2,610)</u>	<u>10</u>	<u>53,735</u>	<u>(33,846)</u>	<u>26,505</u>	-	<u>26,505</u>
Other segment information								
Depreciation and amortisation	-	111	-	627	-	738	-	738
Realised losses & revaluations	265	-	3,418	-	-	3,683	-	3,683
Impairment loss reversals	-	154	-	-	-	154	-	154
Equity settled benefits	<u>1,261</u>	<u>43</u>	<u>-</u>	<u>424</u>	<u>-</u>	<u>1,728</u>	<u>-</u>	<u>1,728</u>

(a) Included in total assets are investments in controlled entities that are subsequently eliminated.

4. Operating segments (continued)

For year ended 30 June 2009	Corporate & Securities \$'000	Investment Management \$'000	Benefit Funds \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000	Discontinued operations \$'000	Continuing operations \$'000
Revenue								
External revenue	28,891	10,860	5,398	1,116	-	46,265	881	45,384
Inter-segment revenue	-	-	-	5,342	(5,342)	-	-	-
Segment revenue	<u>28,891</u>	<u>10,860</u>	<u>5,398</u>	<u>6,458</u>	<u>(5,342)</u>	<u>46,265</u>	<u>881</u>	<u>45,384</u>
Result								
Segment result	(5,447)	(12,349)	(8,484)	(5,548)	-	(31,828)	(869)	(30,959)
Income tax benefit						3,411	272	3,139
Loss attributable to policyholders						7,486	-	7,486
Consolidated net loss after tax						(20,931)	(597)	(20,334)
Assets and liabilities								
Segment total assets (a)	20,621	51,307	122,343	101,182	(128,560)	166,893	-	166,893
Segment total liabilities	(9,447)	(32,809)	(121,496)	(15,255)	39,471	(139,536)	(29)	(139,507)
Segment net assets	<u>11,174</u>	<u>18,498</u>	<u>847</u>	<u>85,927</u>	<u>(89,089)</u>	<u>27,357</u>	<u>(29)</u>	<u>27,386</u>
Other segment information								
Share of profit from associates	-	-	-	16	-	16	-	16
Depreciation and amortisation	403	222	-	380	-	1,005	-	1,005
Realised losses & revaluations	110	-	12,233	-	-	12,343	-	12,343
Impairment losses	3,262	17,879	-	324	-	21,465	324	21,141
Equity settled benefits	595	(6)	-	4	-	593	-	593

(a) Included in total assets are investments in controlled entities that are subsequently eliminated.

5. Revenue

	Consolidated	
	2010	2009
	\$'000	\$'000
Revenue		
Operating activities		
<i>Rendering of services</i>		
Corporate activities	10,731	10,560
Brokerage and commission	15,967	17,462
Property management	4,142	7,662
Fund management	249	1,131
Life office	2,411	1,876
Management fees	-	51
	33,500	38,742
<i>Interest revenue</i>		
Interest income on bank deposits	686	1,060
Interest income from other related parties	8	10
<i>Other revenue</i>		
Dividend income	417	-
Revaluation increase of investments	-	61
Realised gains	35	-
Sale of investments	-	468
Other income	849	508
<i>Benefit Funds revenue</i>		
Interest income	1,248	604
Distribution income & contribution – policyholders	5,743	4,583
Revaluation increase of investments – policyholders	6,684	151
Realised gains investments – policyholders	-	78
Total revenue	49,170	46,265
<i>Attributable to:</i>		
Continuing operations	49,170	45,384
Discontinued operations	-	881
	49,170	46,265

6. Expenses and losses/(gains) included in profit/(loss)

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Personnel expenses		
Staffing costs	27,192	27,865
Defined contribution superannuation expense	1,252	1,516
Equity settled share based payments	1,728	593
	30,172	29,974
<i>Attributable to:</i>		
Continuing operations	30,172	28,312
Discontinued operations	-	1,662
	30,172	29,974
(b) Occupancy expenses		
Occupancy costs	1,514	1,556
<i>Attributable to:</i>		
Continuing operations	1,514	1,552
Discontinued operations	-	4
	1,514	1,556
(c) Communication expenses		
Communication costs	825	896
<i>Attributable to:</i>		
Continuing operations	825	893
Discontinued operations	-	3
	825	896
(d) Finance expenses		
Interest paid	260	454
Bank and other financing expenses	209	192
	469	646
<i>Attributable to:</i>		
Continuing operations	469	645
Discontinued operations	-	1
	469	646
(e) Dealing and settlement expenses		
Dealing and settlement costs	4,786	4,513
<i>Attributable to:</i>		
Continuing operations	4,786	4,426
Discontinued operations	-	87
	4,786	4,513

6. Expenses and losses/(gains) included in profit/(loss) (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(f) Marketing and promotional expenses		
Marketing and promotional costs	1,161	1,389
<i>Attributable to:</i>		
Continuing operations	1,161	1,326
Discontinued operations	-	63
	<u>1,161</u>	<u>1,389</u>
(g) Depreciation and amortisation		
<i>Depreciation of non current assets</i>		
Computer equipment	189	256
Furniture and fittings	120	159
Office equipment	23	35
Leasehold improvements	117	168
	<u>449</u>	<u>618</u>
<i>Amortisation of non current assets</i>		
Software intangibles	236	270
Management rights	53	117
	<u>289</u>	<u>387</u>
	<u>738</u>	<u>1,005</u>
<i>Attributable to:</i>		
Continuing operations	738	1,005
Discontinued operations	-	-
	<u>738</u>	<u>1,005</u>
(h) General administrative expenses		
General administrative costs	4,421	4,333
<i>Attributable to:</i>		
Continuing operations	4,449	4,564
Discontinued operations	(28)	(231)
	<u>4,421</u>	<u>4,333</u>

6. Expenses and losses/(gains) included in profit/(loss) (continued)

	Consolidated	
	2010 \$'000	2009 \$'000
(i) Loss on assets at FV through profit or loss		
<i>Attributable to members:</i>		
Realised losses	-	110
Revaluation decrease	265	-
	265	110
<i>Attributable to policyholders:</i>		
Change in fair value of benefit fund financial assets	-	10,721
Realised losses	3,418	1,512
	3,418	12,233
<i>Attributable to:</i>		
Continuing operations	3,683	12,343
Discontinued operations	-	-
	3,683	12,343
(j) Impairment charges/(reversals)		
Trade and other receivables	(3)	4,796
Available-for-sale financial assets	-	104
Investment in associates	-	477
Loan to associates	2	2,300
Loan to other related parties	189	1,159
Provision for closure costs	-	570
Provision for guarantee obligation	-	1,803
Intangible assets	(342)	10,256
	(154)	21,465
<i>Attributable to:</i>		
Continuing operations	(154)	21,141
Discontinued operations	-	324
	(154)	21,465

Impairment

During the year, the Group conducted a review of the carrying amounts of its assets to determine whether there was any indication that the assets have suffered an impairment loss, or whether there have been any reversals of impairment losses recorded in prior years.

The recoverable amount of an asset has been determined as the higher of its fair value less cost to sell and its value in use.

In the absence of a binding sale agreement or an active market, fair value less costs to sell has been based on an assessment of the best information available to reflect the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between a knowledgeable and willing buyer and seller.

6. Expenses and losses/(gains) included in profit/(loss) (continued)

The following impairments and reversals of impairment have been recorded.

(i) Trade and other receivables

The Group reviewed the recoverable amount of its debtors and concluded an impairment loss of nil (2009: \$4,796 thousand) be recorded. The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the capacity of the debtor to repay such debts and further considering that a number of debtors are either in liquidation or have ceased operations with no remaining assets. In the prior year, the total impairment of \$4,796 thousand was written off with the exception of a provision for impairment of \$468 thousand recognised as a reduction from trade receivables in note 12.

During the year an impairment reversal of \$3 thousand (2009: \$nil) was recorded due to the partial recovery from one debtor.

(ii) Available-for-sale financial assets

There have been no impairments or reversals of impairments of available for sale financial assets in the current year. In the prior year, the Group reviewed all investments in available-for-sale financial assets and concluded their recoverable amount was nil, resulting in an impairment loss of \$104 thousand. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing any potential value of the investment in a company currently remains in liquidation.

(iii) Investment in associates

There have been no impairments or reversals of impairments of investments in associates in the current year. In the prior year, the Group reviewed all investments in associated companies and concluded their recoverable amount was nil, resulting in an impairment loss of \$477 thousand. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing the value of the underlying assets of the associate company. A provision for impairment of \$477 thousand was recognised as a reduction from investments accounted for using the equity method in note 15.

(iv) Loan to associates

The Group reviewed all loans made to associated companies and concluded their recoverable amount is nil, resulting in an impairment loss of \$2 thousand (2009: \$2,300 thousand). The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the value of the underlying assets of the associate company. A provision for impairment of \$2,302 thousand (2009: \$2,300 thousand) is recognised as a reduction from the loans to associated entities balance in note 14.

(v) Loans to other related entities

The Group reviewed all loans made to other related entities and concluded their recoverable amount is nil, resulting in an impairment loss of \$189 thousand (2009: \$1,159 thousand). The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the value of the underlying assets of the other related entity. The impairment of \$189 thousand (2009: \$640 thousand) has been recognised as a further reduction from the loans to other related entities balance in note 14. An amount of \$nil (2009: \$1,159 thousand) has been written off.

(vi) Provision for closure costs

There was no impairment or reversal of impairment in the current year. In the prior year, the Group acted as responsible entity to the API Fund and was entitled to be indemnified by the Fund for all liabilities incurred. The activities of the API Fund resulted in it being in a trust deficiency position unable to honour its indemnity, resulting in the Group having to record an impairment loss of \$570 thousand, representing the value of the shortfall in the Fund's assets and the remaining outstanding liabilities that require settlement to bring closure to the Fund.

6. Expenses and losses/(gains) included in profit/(loss) (continued)

(vii) Provision for guarantee obligations

There was no impairment or reversal of impairment in the current year. In the prior year the Group agreed to act as guarantor to an associate company to honour a liability of the associate in the event of a payment default. The Group reviewed the guarantee and concluded an impairment loss of \$1,803 thousand be recorded. The assessment was made based on the likelihood of payment default and the underlying asset values of the associate company. As it was probable that this guarantee would be called upon, a provision was recognised separately in note 19. This provision was utilised in the current year.

(viii) Intangible assets

The Group reviewed the recoverable amount of its property funds management rights to equal \$2,050 thousand as at year end (2009: \$1,761 thousand), resulting in an impairment loss of \$nil (2009: \$10,256 thousand) and an impairment reversal of \$342 thousand (2009: \$nil). This reversal of impairment is reflected in the Investment Management segment in note 4. The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of determining the appropriate valuation technique involving FUM multiples used within the property funds management industry and further considering any recent transactions for similar assets.

7. Income tax

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Income tax recognised in profit or loss		
Income tax expense/(benefit) comprises:		
<i>Current tax</i>		
Current income tax expense	(280)	111
Adjustments in relation to current tax of prior years	(275)	120
<i>Deferred tax</i>		
Origination and reversal of temporary differences	759	(3,642)
Total tax expense/(benefit) in the statement of comprehensive income	<u>204</u>	<u>(3,411)</u>
Attributable to:		
Continuing operations	204	(3,139)
Discontinued operations	-	(272)
	<u>204</u>	<u>(3,411)</u>

7. Income tax (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(loss) from continuing operations	1,369	(30,959)
Profit/(loss) from discontinued operations	28	(869)
Profit/(loss) from operations	<u>1,397</u>	<u>(31,828)</u>
Income tax expense/(benefit) calculated at 30% (2009: 30%)	419	(9,548)
Non deductible expenses	1,417	5,676
Non assessable income	(697)	(752)
Assessable income	306	630
Deductible items	(201)	(199)
Utilisation of franking credits	(852)	(1,604)
Change in tax losses recognised as deferred tax assets	(431)	2,104
Effect of reduced tax rates	518	368
Under/over provision for income tax of prior years	(275)	(86)
Income tax expense/(benefit)	<u>204</u>	<u>(3,411)</u>
(c) Income tax recognised directly in equity		
Financial assets	743	-
Capital raising costs	-	75
Total tax expense recognised in equity	<u>743</u>	<u>75</u>

Neither Austock Group Limited nor any of its controlled entities are members of a tax consolidated group.

(d) Tax assets

	Consolidated	
	2010	2009
	\$'000	\$'000
Current tax assets comprise:		
Income tax receivable	<u>530</u>	<u>1,051</u>
Deferred tax assets comprise:		
Fair value adjustment	3,340	5,191
Provisions	803	943
Accrued expenses	942	116
Tax losses	4,708	4,286
Intangibles	194	245
Other	141	90
	<u>10,128</u>	<u>10,871</u>

7. Income tax (continued)

The movement in deferred tax assets for each temporary difference is as follows:

	Consolidated				
	Opening balance	Charged to income	Charged to equity	Other	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
2010					
Fair value adjustment	5,191	(1,851)	-	-	3,340
Provisions	943	(140)	-	-	803
Accrued expenses	116	826	-	-	942
Tax losses	4,286	422	-	-	4,708
Intangibles	245	(51)	-	-	194
Other	90	51	-	-	141
	10,871	(743)	-	-	10,128
2009					
Fair value adjustment	4,252	939	-	-	5,191
Provisions	1,016	(71)	-	(2)	943
Accrued expenses	1,547	(1,426)	-	(5)	116
Tax losses	1,206	3,995	-	(915)	4,286
Intangibles	-	245	-	-	245
Other	44	(29)	75	-	90
	8,065	3,653	75	(922)	10,871

(e) Tax liabilities

	Consolidated	
	2010	2009
	\$'000	\$'000
Deferred tax liabilities comprise:		
Unrealised fair value gains	871	108
Accrued interest income	-	4
	871	112

7. Income tax (continued)

The movement in deferred tax liabilities for each temporary difference is as follows:

	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2010				
Fair value gain	108	20	743	871
Accrued interest income	4	(4)	-	-
	112	16	743	871
2009				
Fair value gain	55	11	42	108
Accrued interest income	4	-	-	4
	59	11	42	112

8. Key management personnel

The directors and other members of key management personnel of the Group during the 2010 year were as follows.

Directors

- Mr Steven Gregg, Non-Executive Chairman (appointed 27 November 2009)
- Mr William Eric Bessemer, Non-Executive Chairman (resigned 29 October 2009)
- Mr Christopher Alan Sadler, Non-Executive Director
- Mr Victor David Cottren, Non-Executive Director
- Mr Kevin Franklin Clarke, Non-Executive Director (appointed 27 November 2009)
- Mr Paul Masi, Managing Director and Chief Executive Officer (appointed 1 March 2010)
- Mr Tim David Boyle, Non-Executive Director (resigned from position of Managing Director and Chief Executive Officer on 1 March 2010 and appointed Chairman, Investments on same date. Resigned from position of Chairman, Investments on 9 July 2010)

Key Management Personnel

- Mr Craig Thompson, Chief Financial Officer
- Mr Ryan James Whitelegg, Chief Operating Officer (resigned 19 February 2010)
- Mr Jeremy David Kirkwood, Managing Director, Austock Corporate Finance (resigned 7 September 2009)
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Nicholas James Anagnostou, Chief Operating Officer, Austock Property (appointed 1 July 2009)

8. Key management personnel (continued)

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2010	2009
	\$	\$
Short term employee benefits	2,099,077	2,669,568
Post employment benefits	154,463	362,316
Termination benefits	2,028,957	412,516
Equity settled benefits	531,115	84,295
	4,813,612	3,528,695

Group totals in respect of the year ended 30 June 2009 do not necessarily equal the sums of amounts disclosed in this year's Remuneration Report on page 31 as there were different individuals that comprised key management personnel.

The compensation of each member of the Group's 2010 key management personnel for the current and prior year is as set out in the Remuneration Report on page 31 as part of the Director's Report.

9. Remuneration of auditors

	Consolidated	
	2010	2009
	\$	\$
Auditor of the parent company		
Remuneration of the auditor for:		
<i>Audit services</i>		
Auditing financial report of the Group	229,000	213,450
<i>Other services</i>		
Taxation services	22,500	87,492
	251,500	300,942

The auditor of the Group is KPMG (2009: KPMG).

10. Share based payments

The Group has an ownership based compensation scheme for executives and senior employees. In accordance with the provisions of the scheme, the following share based payments were made during the year.

Fully paid ordinary shares

- On 5 September 2009, a total number of 2,678,000 fully paid ordinary shares were granted to key employees for nil consideration. The ordinary shares have an effective 36 month vesting period commencing from grant date to 4 September 2012. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.32 per ordinary share. The shares have service conditions attached.
- On 1 March 2010, a total number of 4,000,000 fully paid ordinary shares were granted to a key employee for nil consideration. The ordinary shares have an effective 36 month vesting period commencing from grant date to 28 February 2013. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.30 per ordinary share. The shares have service conditions attached.
- On 22 March 2010, a total number of 200,000 fully paid ordinary shares were granted to a key employee for nil consideration. The ordinary shares have an effective 36 month vesting period commencing from grant date to 21 March 2013. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.28 per ordinary share. The shares have service conditions attached.
- On 14 May 2010, a total number of 250,000 fully paid ordinary shares were granted to a key employee for nil consideration. The ordinary shares have an effective 36 month vesting period commencing from grant date to 13 May 2013. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.20 per ordinary share. The shares have service conditions attached.
- On 19 May 2010, a total number of 250,000 fully paid ordinary shares were granted to a key employee for nil consideration. The ordinary shares have an effective 36 month vesting period commencing from grant date to 18 May 2013. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.20 per ordinary share. The shares have service conditions attached.
- On 30 June 2010, a total number of 2,000,000 fully paid ordinary shares were granted to a key employee for nil consideration. The ordinary shares vest in three equal tranches, on 28 May 2011, 28 May 2012 and 28 May 2013 and have share price hurdles and service conditions attached. The fair value of the shares has been determined based on the ASX closing market price on grant date, adjusted for market conditions. The value ascribed to each tranche is \$0.1350, \$0.1200 and \$0.1050 respectively per ordinary share.

Included under personnel expenses in the statement of comprehensive income is \$1,637,299 (2009: \$567,614) relating to equity settled share based payment transactions in the form of ordinary shares.

10. Share based payments (continued)

Options over ordinary shares

There were no options granted by the Group during the year. A share based payment expense of \$90,831 was recognised during the year for options acquired from existing shareholders by two non-executive directors. The options allow the holders to acquire 1,700,000 existing shares at an exercise price of \$0.50 per share. Although these options were not issued by the Group and will not result in the issuance of additional shares, the transaction is captured by AASB 2 Share Based Payments.

	Consolidated 2010		Consolidated 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	1,025,000	\$0.8744	8,797,440	\$0.8730
Granted during the financial year	-	-	7,710,000	\$0.6976
Cancelled during the financial year (a)	(1,025,000)	\$0.8744	(15,482,440)	\$0.7870
Balance at the end of the financial year	-	-	1,025,000	\$0.8744
Exercisable at the end of the financial year	-	-	-	-

(a) Refer to note 11 for the option series that were cancelled during the year.

The price of the above options acquired from existing shareholders that resulted in a share based payment during the year was calculated by using the binominal valuation option pricing model applying the following inputs:

Exercise price	:	\$0.5000
Life of options	:	22 months
Underlying share price	:	\$0.3250
Expected share price volatility	:	60%
Risk free interest rate	:	10 year T-bond rate at the time of issue

Included under personnel expenses in the statement of comprehensive income is \$90,831 (2009: \$26,208) relating to equity settled share based payment transactions in the form of options over ordinary shares.

There were no options issued by the Company outstanding at 30 June 2010. The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.8744 and a weighted average remaining contractual life of 2.71 years. The weighted average fair value of the options granted during the prior year was \$0.0100.

11. Option plans

The following reconciles the outstanding options granted by the Company at the beginning and end of the financial year.

	2010 Number	2009 Number
Balance at beginning of the financial year (i)	1,025,000	8,797,440
Equity settled based payments during the financial year (ii)	-	7,710,000
Cancelled during the year (iii)	(1,025,000)	(15,482,440)
Balance at the end of the financial year (iv)	-	1,025,000

(i) Balance at beginning of the financial year

Option series	Number	Grant date	Expiry date	Exercise price
Option series 1	15,000	7 Jul 2005	30 Jun 2010	\$1.0000
Option series 11	300,000	1 Nov 2006	31 Oct 2010	\$1.2500
Option series 12	500,000	17 May 2008	after 30 Jun 2012	\$0.7131
Option series 15	210,000	10 Sep 2008	after 30 Jun 2012	\$0.7131
2010 total	1,025,000			

Option series	Number	Grant date	Expiry date	Exercise price
Option series 1	234,000	7 Jul 2005	30 Jun 2010	\$1.0000
Option series 2	147,600	7 Jul 2005	30 Jun 2010	\$0.6768
Option series 4	255,000	22 Jul 2006	30 Jun 2010	\$1.0000
Option series 5	166,440	22 Jul 2006	30 Jun 2010	\$1.2083
Option series 6	44,400	22 Jul 2006	30 Jun 2010	\$1.2083
Option series 7a	600,000	30 Jan 2007	31 Dec 2010	\$1.2083
Option series 7b	600,000	31 Jan 2007	31 Dec 2010	\$1.2083
Option series 8a	600,000	29 May 2007	31 Dec 2010	\$1.4000
Option series 11	300,000	1 Nov 2006	31 Oct 2010	\$1.2500
Option series 12	5,350,000	17 May 2008	after 30 Jun 2012	\$0.7131
Option series 13	500,000	30 Jun 2008	after 30 Jun 2012	\$0.7131
2009 total	8,797,440			

(ii) Equity settled share based payments during the financial year

There were no equity settled share based payments in the form of options granted by the Company during the current financial year. The following table is provided for comparative purposes.

Option series	Number	Grant date	Expiry date	Exercise price	Consideration received
Option series 14	2,400,000	5 Aug 2008	after 30 Jun 2012	\$0.7131	-
Option series 15	4,660,000	10 Sep 2008	after 30 Jun 2012	\$0.7131	-
Option series 16	600,000	19 Nov 2008	after 30 Jun 2012	\$0.5500	-
Option series 17	50,000	19 Nov 2008	after 30 Jun 2012	\$0.7131	-
2009 total	7,710,000				

11. Option plans (continued)

(iii) Cancelled during the financial year

Option series	2010 Number	2009 Number
Option series 1	15,000	219,000
Option series 2	-	147,600
Option series 4	-	255,000
Option series 5	-	166,440
Option series 6	-	44,400
Option series 7a	-	600,000
Option series 7b	-	600,000
Option series 8a	-	600,000
Option series 11	300,000	-
Option series 12	500,000	4,850,000
Option series 13	-	500,000
Option series 14	-	2,400,000
Option series 15	210,000	4,450,000
Option series 16	-	600,000
Option series 17	-	50,000
Total	1,025,000	15,482,440

(iv) Balance at the end of the financial year

There were no options issued by the Company outstanding at the end of the current financial year. The following table is provided for comparative purposes.

Option series	Total number	Vested number	Unvested number	Grant date	Expiry date	Exercise price
Option series 1	15,000	15,000	-	7 Jul 2005	30 Jun 2010	\$1.0000
Option series 11	300,000	300,000	-	1 Nov 2006	31 Oct 2010	\$1.2500
Option series 12	500,000	-	500,000	17 May 2008	after 30 Jun 2012	\$0.7131
Option series 15	210,000	-	210,000	10 Sep 2008	after 30 Jun 2012	\$0.7131
2009 total	1,025,000	315,000	710,000			

Consideration received on the exercise of options is recognised in issued capital. During the current financial period, an amount of \$nil (2009: \$nil) was recognised in issued capital arising from the exercise of options.

12. Trade and other receivables

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Trade receivables		2,400	1,838
Less provision for impairment	6(j)	(445)	(468)
Net trade receivables		1,955	1,370
Other receivables		2	50
Amounts receivable from other related parties		160	164
		2,117	1,584

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 33.

13. Other assets

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Accrued income		747	830
Distributions receivable		2,359	1,346
Prepaid expenses		469	413
		3,575	2,589

14. Financial assets

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
(a) Financial assets at fair value through profit or loss			
House positions		1,791	313
		<u>1,791</u>	<u>313</u>
<i>Benefit Funds</i>			
Bills, deposits and bonds		17,427	19,013
Investments		141,254	91,649
Mortgages		482	612
		<u>159,163</u>	<u>111,274</u>
(b) Available-for-sale financial assets			
Investment in other related entities		7,835	2,880
		<u>7,835</u>	<u>2,880</u>
(c) Loans and receivables			
Loans to associates		2,302	2,302
Impairment loss on loans to associates	6(j)	(2,302)	(2,300)
Loans to other related entities		829	640
Impairment loss on loans to other related entities	6(j)	(829)	(640)
		<u>-</u>	<u>2</u>
Total financial assets at fair value through profit or loss		160,954	111,587
Total available-for-sale financial assets		7,835	2,880
Total loans and receivables		-	2
Total financial assets		<u>168,789</u>	<u>114,469</u>
Current		165,194	108,113
Non current		3,595	6,356
Total financial assets		<u>168,789</u>	<u>114,469</u>

15. Investments accounted for using equity method

Name of entity	Principal activity	Country of incorporation	Ownership interest		Investment book value	
			2010 %	2009 %	2010 \$'000	2009 \$'000
AG Fund Pty Ltd	Investment services	Australia	50%	50%	-	-
Pemeca Pty Ltd	Investment services	Australia	25%	25%	-	-
Pemeca No. 2 Pty Ltd	Holding company	Australia	20%	20%	-	-
State Equity Group Pty Ltd	Trustee company	Australia	-	33%	-	-

(a) Movements during the year in equity accounted investment in associated companies

Notes	Consolidated	
	2010 \$'000	2009 \$'000
Balance at beginning of the year	-	511
add Share of associate's profit after income tax	-	16
less Investment value no longer equity accounted	-	(50)
less Provision for impairment charges	6(j)	(477)
Balance at end of the year	-	-

(b) Equity accounted associates profits/(losses) are broken down as follows

	Consolidated	
	2010 \$'000	2009 \$'000
Share of associate's profit before income tax	-	23
Share of associate's income tax expense	-	(7)
Share of associate's profit after income tax	-	16

(c) Summarised presentation of aggregate assets, liabilities and performance of associates

	Consolidated	
	2010 \$'000	2009 \$'000
<i>Financial position</i>		
Current assets	13	15
Non current assets	4,188	5,827
Total assets	4,201	5,842
Current liabilities	-	3,940
Non current liabilities	2,301	-
Total liabilities	2,301	3,940
Net assets	1,900	1,902
<i>Financial performance</i>		
Total revenue	1,803	63
Net profit after income tax expense	-	34

16. Property, plant and equipment

	Consolidated				Total \$'000
	Computer equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Leasehold improvement \$'000	
<i>Gross carrying amount</i>					
Balance at 1 Jul 2008	1,822	1,456	243	483	4,004
Additions	7	-	12	206	225
Disposals	-	-	-	(87)	(87)
Balance at 30 Jun 2009	1,829	1,456	255	602	4,142
Additions	59	-	8	-	67
Disposals	-	-	-	-	-
Balance at 30 Jun 2010	1,888	1,456	263	602	4,209
<i>Accumulated depreciation</i>					
Balance at 1 Jul 2008	(949)	(912)	(153)	(182)	(2,196)
Depreciation expense	(256)	(159)	(35)	(168)	(618)
Balance at 30 Jun 2009	(1,205)	(1,071)	(188)	(350)	(2,814)
Depreciation expense	(189)	(120)	(23)	(117)	(449)
Balance at 30 Jun 2010	(1,394)	(1,191)	(211)	(467)	(3,263)
<i>Net book value</i>					
As at 30 Jun 2009	624	385	67	252	1,328
As at 30 Jun 2010	494	265	52	135	946

17. Intangible assets

Notes	Consolidated			Total \$'000
	Software \$'000	Goodwill \$'000	Management rights \$'000	
<i>Gross carrying amount</i>				
Balance at 1 Jul 2008	1,631	2,962	12,325	16,918
Additions	17	-	-	17
Impairment charge	6(j) -	-	(10,256)	(10,256)
Disposals	(131)	-	-	(131)
Balance at 30 Jun 2009	1,517	2,962	2,069	6,548
Additions	42	-	-	42
Impairment reversal	6(j) -	-	342	342
Balance at 30 Jun 2010	1,559	2,962	2,411	6,932
<i>Accumulated amortisation</i>				
Balance at 1 Jul 2008	(793)	-	(191)	(984)
Amortisation expense	(270)	-	(117)	(387)
Disposals	119	-	-	119
Balance at 30 Jun 2009	(944)	-	(308)	(1,252)
Amortisation expense	(236)	-	(53)	(289)
Balance at 30 Jun 2010	(1,180)	-	(361)	(1,541)
<i>Net book value</i>				
As at 30 Jun 2009	573	2,962	1,761	5,296
As at 30 Jun 2010	379	2,962	2,050	5,391

18. Trade and other payables

	Consolidated	
	2010	2009
	\$'000	\$'000
Trade payables	2,047	5,360
Amounts payable to other related parties	117	87
	2,164	5,447

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 33.

19. Provisions

	Consolidated	
	2010	2009
	\$'000	\$'000
Employee entitlements (a)	2,288	2,728
Claims (b)	57	70
Office leasehold restoration (c)	522	522
Business closure (d)	-	29
Closure costs (e)	-	-
Guarantee obligation (f)	-	1,803
	2,867	5,152

- (a) Employee entitlements
The provision for employee entitlements represents the total benefits accrued to employees for annual leave and long service leave. The calculation of this provision has been performed in accordance with accounting policy note 1(o).
- (b) Claims
The provision for claims relates to the acquisition by Austock Life Limited of Manchester Unity Limited in the 2006 financial year. When Austock Life acquired Manchester Unity, Manchester Unity members were entitled to a \$330 once off demutualisation benefit. The provision represents the estimated amounts owing to members who have not claimed their demutualisation benefit at balance date, as calculated by the independent appointed actuary.
- (c) Office leasehold restoration
The provision for office restoration represents the estimated cost to vacate and return the leased office premises to the property landlord in satisfaction of its lease agreement. It is expected that the provision will be utilised at lease expiry.
- (d) Business closure
The provision represents the estimated cost to close the business of the discontinued operations as disclosed in note 34 in an orderly and planned manner. This estimate reflects the costs as determined by the extinguishment of existing obligations and settling of other commitments made.
- (e) Closure costs
The provision was raised and utilised during the prior year in relation to closure costs of a fund for which a Group entity acted as the responsible entity. Costs incurred by the fund and borne by the Group were unable to be recovered from the fund.
- (f) Guarantee obligation
This provision was raised in the prior year in response to the Group agreeing to act as guarantor to an associate company to honour a liability of the associate in the event of a payment default. The guarantee was called on in the current year.

19. Provisions (continued)

	Consolidated						Total \$'000
	Employee entitlements \$'000	Claims \$'000	Office restoration \$'000	Business closure \$'000	Closure costs \$'000	Guarantee obligation \$'000	
2010							
Balance at 1 Jul 2009	2,728	70	522	29	-	1,803	5,152
Made during the year	1,845	-	-	-	-	-	1,845
Used during the year	(2,190)	(13)	-	(1)	-	(1,803)	(4,007)
Written back during the year	(95)	-	-	(28)	-	-	(123)
Balance at 30 Jun 2010	2,288	57	522	-	-	-	2,867
Current	1,972	13	409	-	-	-	2,394
Non current	316	44	113	-	-	-	473
	2,288	57	522	-	-	-	2,867
2009							
Balance at 1 Jul 2008	2,892	87	424	895	-	-	4,298
Made during the year	1,762	-	98	-	753	1,803	4,416
Used during the year	(1,926)	(17)	-	(506)	(570)	-	(3,019)
Written back during the year	-	-	-	(360)	(183)	-	(543)
Balance at 30 Jun 2009	2,728	70	522	29	-	1,803	5,152
Current	2,338	17	-	29	-	1,803	4,187
Non current	390	53	522	-	-	-	965
	2,728	70	522	29	-	1,803	5,152

20. Other liabilities

	Consolidated	
	2010 \$'000	2009 \$'000
Accrued expenses	5,450	1,982
GST liability	456	377
	5,906	2,359

21. Life investment and insurance contracts

	Life investment		Life insurance	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Policyholder liabilities	166,516	114,586	7,848	6,713
Reconciliation of movement				
Opening balance	114,586	101,030	6,713	6,903
Contributions	65,618	45,845	-	-
Withdrawals	(21,554)	(24,342)	-	-
Regulation 27	(1)	(2)	-	-
Unallocated surplus movement	(1)	24	-	-
Terminal bonus payments	(7)	(10)	(40)	(39)
Actuarial revaluation	-	-	1,175	(151)
Allocation of surplus/(loss) during the year	7,875	(7,959)	-	-
Total policyholder liabilities	166,516	114,586	7,848	6,713
Policyholder equity	-	-	10	847

22. Borrowings

	Consolidated	
	2010 \$'000	2009 \$'000
Bank loans	2,490	4,900
Hire purchase liabilities	110	267
	2,600	5,167

On 2 March 2007, Austock Property Funds Management Limited entered into a Facility Agreement with Bank of Western Australia Limited (BankWest) for a facility limit of \$7,000,000 of which the total amount was drawn down on that date. The Facility Agreement expired on 2 March 2010, at which time a new arrangement was entered into. The full amount has been repaid on 9 July 2010.

23. Issued capital

	Consolidated 2010		Consolidated 2009	
	Number	\$'000	Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares (a)	133,928,412	43,584	133,928,412	42,594
Partly paid ordinary shares (b)	5,153,580	342	5,153,580	342
Options (c)	-	-	1,025,000	108
Share rights (d)	-	-	-	-
		43,926		43,044

Changes in the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated 2010		Consolidated 2009	
	Number	\$'000	Number	\$'000
(a) Fully paid ordinary shares				
Balance at beginning of financial year	133,928,412	42,594	119,702,129	41,980
Issue of new shares	-	-	13,272,185	-
Equity settled benefits	-	990	954,098	539
Capital raising costs	-	-	-	75
Balance at end of the financial year	133,928,412	43,584	133,928,412	42,594

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated 2010		Consolidated 2009	
	Number	\$'000	Number	\$'000
(b) Partly paid ordinary shares				
Balance at beginning of financial year	5,153,580	342	5,153,580	342
Balance at end of the financial year	5,153,580	342	5,153,580	342

Partly paid ordinary shares carry one vote per share and have rights to dividends in the same proportion as to the amounts paid up on the ordinary share. The call on the partly paid shares is due on 30 June 2012.

	Consolidated 2010		Consolidated 2009	
	Number	\$'000	Number	\$'000
(c) Options				
Balance at beginning of the financial year	1,025,000	108	8,797,440	791
Equity settled benefits	-	91	7,710,000	26
Cancelled during the year	(1,025,000)	-	(15,482,440)	-
Transfer to retained earnings	-	(199)	-	(709)
Balance at end of the financial year	-	-	1,025,000	108

There were no options issued by the Company outstanding at 30 June 2010.

	Consolidated 2010		Consolidated 2009	
	Number	\$'000	Number	\$'000
(d) Share rights				
Balance at beginning of the financial year	-	-	9,220,000	230
Lapse of rights	-	-	(9,220,000)	-
Transfer to retained earnings	-	-	-	(230)
Balance at end of the financial year	-	-	-	-

24. Reserves

	Consolidated	
	2010	2009
	\$'000	\$'000
Financial asset reserve (a)	4,517	306
Share buy back reserve (b)	(4,325)	(4,325)
Treasury shares reserve (c)	(2,551)	(2,476)
Share based payments reserve (d)	613	(58)
Balance at end of the financial year	(1,746)	(6,553)

(a) Financial asset reserve

Balance at beginning of financial year	306	61
Revaluation movement on investments, net of tax	4,211	245
Balance at end of financial year	<u>4,517</u>	<u>306</u>

The financial asset reserve records revaluations of financial assets held as available for sale.

	Consolidated	
	2010	2009
	\$'000	\$'000
(b) Share buy back reserve		
Balance at beginning of financial year	(4,325)	(4,325)
Movement during the financial year	-	-
Balance at end of financial year	<u>(4,325)</u>	<u>(4,325)</u>

The share buy back reserve records the portion of share buy back payments not funded from retained earnings.

(c) Treasury shares reserve

Balance at beginning of financial year	(2,476)	(1,008)
Acquired during financial year	(108)	(1,554)
Transfer to share based payments reserve	-	86
Transfer to retained earnings	33	-
Balance at end of financial year	<u>(2,551)</u>	<u>(2,476)</u>

The treasury shares reserve represents the cost of shares held by the trustee of an equity compensation plan that the Group is required to include in the consolidated financial statements. At 30 June 2010 the Group held 20,560,792 fully paid (2009: 17,382,405) and 1,280,160 partly paid (2009: 1,280,160) shares in the Company. During the year 3,178,387 (2009: 16,819,491) fully paid and nil (2009: 1,280,160) partly paid shares were acquired and nil (2009: 157,086) fully paid shares were granted as share based payments. This reserve will be reversed with any surplus or deficit on sale shown as an adjustment to share capital when the underlying shares are no longer held. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

24. Reserves (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(d) Share based payments reserve		
Balance at beginning of financial year	(58)	-
Shares allocated from Employee Share Trust	-	(86)
Share based payment	647	28
Transfer to retained earnings	24	-
Balance at end of financial year	<u>613</u>	<u>(58)</u>

The share based payments reserve represents the accumulative difference between the total share based payment expense in the statement of comprehensive income and the cash outflow made to acquire the underlying equity instruments. Once the equity instruments have been fully vested and are released from the equity compensation plans, any difference remaining is transferred to retained earnings.

25. Retained earnings

	Consolidated	
	2010	2009
	\$'000	\$'000
Opening retained earnings/(accumulated losses)	(9,981)	11,201
Net loss attributable to members of the parent entity	(5,846)	(20,931)
Dividends provided for or paid (note 27)	-	(1,190)
Transfer from issued capital and reserves	142	939
Closing retained earnings/(accumulated losses)	<u>(15,685)</u>	<u>(9,981)</u>

26. Earnings per share

	Consolidated	
	2010	2009
	Cents per share	Cents per share
Basic earnings per share		
Continuing operations	(5.10)	(17.10)
Discontinued operations	0.03	(0.50)
Total basic earnings per share	<u>(5.07)</u>	<u>(17.60)</u>
Diluted earnings per share		
Continuing operations	(5.10)	(17.10)
Discontinued operations	0.03	(0.50)
Total diluted earnings per share	<u>(5.07)</u>	<u>(17.60)</u>
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	\$'000	\$'000
<i>Earnings used in basic EPS calculation</i>		
Earnings used for basic earnings per share calculation	(5,846)	(20,931)
Exclude the (profit)/loss for the period from discontinued operations	(28)	597
Earnings for the period from continuing operations	<u>(5,874)</u>	<u>(20,334)</u>
	Number '000	Number '000
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares for the purposes of basic EPS	<u>115,234</u>	<u>118,933</u>
Diluted earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:		
	\$'000	\$'000
<i>Earnings used in diluted EPS calculation</i>		
Earnings used for basic earnings per share calculation	(5,846)	(20,931)
Exclude the loss for the period from discontinued operations	(28)	597
Earnings for the period from continuing operations	<u>(5,874)</u>	<u>(20,334)</u>
	Number '000	Number '000
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares for the purposes of basic EPS	115,234	118,933
Adjustments to the weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares for the purposes of diluted EPS	<u>115,234</u>	<u>118,933</u>

27. Dividends

	Consolidated	
	2010	2009
	\$'000	\$'000
Recognised amounts		
Unfranked dividend of 1.0 cent per share declared on 28 August 2008 and paid on 30 September 2008.	-	1,190
	-	1,190

28. Capital and leasing commitments

(a) Leased premises

	Consolidated	
	2010	2009
	\$'000	\$'000
Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable not later than 1 year	1,504	1,431
Payable later than 1 year but not later than 5 years	3,910	1,606
Payable later than 5 years	813	-
	6,227	3,037

The property lease in respect of the Group's current Melbourne premises is a non cancellable lease with a six year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require minimum lease payments to be increased by 3.75% per annum. The current lease expires in November 2010, and new premises have been secured with a term of 5 years and 8 months. A rent review is due to occur on 31 May 2011 for the new premises.

The property lease in respect of the Group's Sydney premises is a non cancellable lease with a five year term, with rent payable in advance. Contingent rental provisions within the lease agreement require minimum lease payments shall be increased by 4% per annum. The current lease will expire in July 2012. No option exists to renew the lease at the end of the current lease period.

28. Capital and leasing commitments (continued)

(b) Hire purchase liabilities

	Consolidated	
	2010 \$'000	2009 \$'000
Payable not later than 1 year	60	253
Payable later than 1 year but not later than 5 years	63	26
	123	279

(c) Investment commitments

Austock Group Limited has an investment commitment with one of its controlled entities, Austock Securities Limited. Part of the Company's investment in its 100% owned subsidiary, Austock Securities Limited, is 432,090 partly paid shares that are paid up to \$0.01 per share. The issue of the partly paid shares is governed by an investment agreement between the Company and investee company such that any calls made on the uncalled capital must be by mutual agreement and consent. The amount of the uncalled capital is \$29.996 million (2009: \$29.996 million) that is payable at a time that is mutually agreeable between the parent entity and investee company.

(d) ASX capital commitments

Austock Securities Limited is a market participant on the Australian Securities Exchange ("ASX"). ASX requirements dictate that minimum core liquid capital is \$100,000.

The ASX defines core liquid capital as the sum of:

- (i) all ordinary issued shares to the extent they are paid up;
- (ii) all non cumulative preference shares;
- (iii) all reserves excluding revaluation reserves; and
- (iv) opening retained profits/losses adjusted for all current year movements.

29. Contingent liabilities

Banking facilities

A registered mortgage debenture has been given to National Australia Bank Limited over the whole of the assets and undertakings of the Company. The registered mortgage secures the following financing facilities:

- Bank guarantee facility totaling \$810,000 (2009: \$810,000) in respect of the lease of the Company's business premises;
- Bank guarantee facility totaling \$2,000,000 (2009: \$nil) in respect of a third party clearer for Austock Securities;
- Direct debit facility of \$50,000 (2009: \$50,000) to be used for client's accounts as part of the Austock Life business; and
- \$10,000,000 bill acceptance/discount facility (2009: \$10 million overdraft facility) that is secured to be used for capital liquidity requirements.

29. Contingent liabilities (continued)

Share of controlled entities' contingent liabilities

a) Austock Securities Limited

A registered mortgage debenture has been given to National Australia Bank Limited over the whole of the assets and undertakings of Austock Securities Limited.

This registered mortgage debenture secures:

- a \$1,000,000 within the day facility provided by the National Australia Bank Limited so as to meet the requirements of the CHESSE settlement system;
- a \$1,000,000 Direct Entry System limit in respect of the company's online banking facilities; and
- a bank guarantee of \$2,000,000 in relation to the use of a third party clearing organisation.

30. Controlled entities

Name of entity	Country of incorporation	2010 Ownership interest	2009 Ownership interest
Parent entity			
Austock Group Limited	Australia		
Controlled entities			
Austock Corporate Finance Pty Limited	Australia	100%	100%
Austock Employee Share Custodian Pty Limited	Australia	100%	100%
Austock Employee Share Trust (a)	Australia	-	-
Austock Financial Planning Pty Limited	Australia	100%	100%
Austock Funds Management Limited	Australia	100%	100%
Austock GET Management Pty Limited	Australia	100%	100%
Austock GET USA Management Pty Limited	Australia	100%	100%
Austock Insurance Brokers Pty Limited	Australia	100%	100%
Austock Life Limited	Australia	100%	100%
Austock Nominees Pty Limited	Australia	100%	100%
Austock Private Equity Pty Limited	Australia	100%	100%
Austock Property Funds Management Pty Limited	Australia	100%	100%
Austock Property Investment Management Pty Limited	Australia	100%	100%
Austock Property Management Limited	Australia	100%	100%
Austock Property Services Pty Limited	Australia	100%	100%
Austock RE Pty Limited (b)	Australia	100%	100%
Austock Real Estate Management Pty Limited	Australia	100%	100%
Austock Securities Limited	Australia	100%	100%
Austock Services Pty Limited	Australia	100%	100%

(a) The Company has effective control of this trust entity.

(b) Converted to a proprietary limited company on 25 February 2010.

31. Related parties

(a) Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 30 to the financial statements.

Details of the percentage of ordinary shares held in associated entities are disclosed in note 15 to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 8 to the financial statements.

(ii) Loans to key management personnel

The following loan balances are in respect of loans made to key management personnel of the Group or to their related entities. These balances do not include loans that are in substance options and are non-recourse to the Group. Key management personnel are charged interest on loans provided by the Group at 10.5% p.a. (2009: 10.5% p.a.), which is comparable to the average commercial rate of interest.

Loans to key management personnel	Balance at beginning \$	Interest charged \$	Repayment \$	Write off \$	Balance at end \$	Number in group
2010	-	-	-	-	-	-
2009	42,718	769	(43,487)	-	-	1

There were no key management personnel with loans above \$100,000 in the current or prior reporting period.

(c) Transactions within the wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly owned group; and
- Wholly owned controlled entities.

The ultimate parent company in the wholly owned group is Austock Group Limited. Amounts receivable from and payable to entities in the wholly owned group are included in the amounts in note 36 to the financial statements.

During the financial year, the following transactions occurred between the parent entity and its controlled entities:

- The parent entity has provided general management assistance to its controlled entities on normal commercial terms and conditions no more favourable than those available to other parties dealing on an arm's length basis. The total value of the management assistance services provided was \$5,557,383 (2009: \$7,664,659).
- The parent entity received dividends of \$nil (2009: \$1,581,156) from its controlled entities.
- The parent entity has made new investments of \$700,000 (2009: \$1,591,010) in controlled entities.
- The parent entity has sold investments of \$nil (2009: \$2,111,010) in controlled entities.
- The parent entity has advanced amounts totaling \$14,221,195 (2009: \$12,305,825) to controlled entities which are repayable on terms and conditions as determined by the parent entity.

31. Related parties (continued)

(d) Transactions with other related parties

Other related parties include:

- associates
- joint ventures in which the entity is a venturer
- director related entities
- other related parties

(i) Transaction between Austock Group Limited and its associates

During the current financial year, the following transactions occurred between the parent entity and its associates:

- Austock Group Limited has made new investments of \$nil (2009: \$6) in associates
- Austock Group Limited has disposed of investments in associates totalling \$6 (2009: \$nil).
- Austock Group Limited has advanced amounts totalling \$100 (2009: \$530,100) to associates which are repayable on terms and conditions as determined by Austock Group Limited.
- Austock Group Limited paid an amount of \$1,802,625 (2009: \$nil) to honour a guarantee to settle an associate's liability.

During the prior financial year, the following transactions occurred between the parent entity and its associates:

- Austock Group Limited provided general management assistance to its associated entities on normal commercial terms and conditions no more favourable than those available to other parties dealing on an arm's length basis. The total value of the management assistance services provided was \$51,342.
- Austock Group Limited sold its interest in Australia Pacific Exchange (an associate) on 3 October 2008 recording a consolidated profit of \$298,000.
- Austock Group Limited agreed to act as guarantor to an associate to honour a liability in the event of a payment default to the value of \$1,802,625.

(ii) Transaction with director related entities

There were no transactions with director related entities during the current or prior financial year.

(iii) Transactions with other related parties

During the current financial year, the following transactions occurred with other related parties:

- The Group derived interest income from loans provided to shareholders. Details of the interest income are included within note 5 to the financial statements. Amounts receivable from shareholders are included within note 12 to the financial statements.
- The parent received a dividend of \$416,667 from a related entity.

During the prior financial year, the following transactions occurred with other related parties:

- The Group derived interest income from loans provided to shareholders. Details of the interest income are included within note 5 to the financial statements. Amounts receivable from shareholders are included within note 12 to the financial statements.
- The Group provided a short term advance of \$114,071 to Pinnacle Agriculture Fund, a fund that was owned by an employee of the Group before its wind up. The fund repaid the Group \$2,717,046 during the year and the Group impaired \$300,371.
- The parent entity employed Mr Ryan Bessemer, the son of the Non-Executive Chairman, Mr William Bessemer, in the position of the company's Chief Information Officer on arm's length commercial terms. Mr Ryan Bessemer was employed until his resignation on 31 October 2008.

32. Notes to the statement of cash flows

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Reconciliation of cash		
Cash balance comprises:		
- cash at bank (a)	23,570	25,196
- cash held on trust	231	4,509
Closing cash balance	23,801	29,705

(a) \$9,330 thousand (2009: \$4,579 thousand) is restricted as it belongs to Austock Life Limited policyholders.

	Consolidated	
	2010	2009
	\$'000	\$'000
(b) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations		
Profit/(Loss) from ordinary activities after tax	1,193	(28,417)
Depreciation and amortisation	738	1,005
(Gain)/loss on benefit fund investments	(3,266)	10,491
Share of (profit)/loss of associated companies	-	(16)
Net proceeds/(payments) from trading shares	(1,711)	(257)
Equity settled share based payments	1,728	593
Impairment charges	(154)	21,465
Impairment charges related to operating activities	-	(7,166)
Policyholder deduction	(578)	(391)
Interest and dividend income	(2,337)	(1,674)
Loss on sale of investments	-	881
Profit on sale of assets	-	(20)
Gain upon control of subsidiary	-	(30)
Other	9	(14)
<u>Change in assets and liabilities</u>		
(Increase)/Decrease in receivables	(533)	46,803
(Increase)/Decrease in other assets	(986)	1,858
(Increase)/Decrease in financial assets	234	54
(Increase)/Decrease in income tax asset	521	(129)
(Increase)/Decrease in deferred tax assets	743	(3,728)
(Decrease)/Increase in payables	(3,283)	(39,611)
(Decrease)/Increase in provisions	(483)	861
(Decrease)/Increase in other liabilities	3,547	(7,639)
(Decrease)/Increase in deferred tax liabilities	14	11
Net cash flow used in operating activities	(4,604)	(5,070)

32. Notes to the statement of cash flows (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(c) Financing facilities		
Secured bank facility:		
• Amount used	-	-
• Amount unused	10,000	10,000
	10,000	10,000

33. Financial instruments

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2010	2009
	\$'000	\$'000
Cash and cash equivalents	23,801	29,705
Receivables	2,117	1,584
Financial assets at fair value through profit or loss	82,658	53,728
Loan financial assets	-	2
Total	108,576	85,019

The credit risk on liquid cash funds is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by reputable credit-rating agencies.

The credit risk on available-for-sale financial assets and loans is limited where such financial assets represent either shares listed on the ASX or investments with counterparties where the Group has undertaken a detailed assessment of their credit worthiness and set defined investment limits.

33. Financial instruments (continued)

Impairment losses

The aging of the Group's trade and other receivables and loan assets at reporting date was:

	Consolidated	
	2010 \$'000	2009 \$'000
Not past due	1,229	796
Past due 1 to 30 days	888	788
Past due 31 to 90 days	-	2
Past due more than 91 days	-	-
Total	2,117	1,586

In determining the recoverability of receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

A reconciliation of the movement in the provision for impairment of loans and other receivables is presented below:

	Consolidated	
	2010 \$'000	2009 \$'000
Opening balance	3,408	170
Impairment	189	8,415
Reversal of impairment	(3)	(330)
Write off	(20)	(4,847)
Total	3,574	3,408

(b) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 3 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments, at reporting date:

Consolidated	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6 to 12 months \$'000	1 to 2 years \$'000	2 to 5 years \$'000	More than 5 years \$'000	Investment linked \$'000
2010								
Secured bank loans	2,490	(2,490)	(2,490)	-	-	-	-	-
Finance lease liabilities	110	(123)	(33)	(27)	(34)	(29)	-	-
Trade and other payables	8,070	(8,070)	(8,070)	-	-	-	-	-
Policyholder liabilities - investment (a)	166,516	-	-	-	-	-	-	(166,516)
Policyholder liabilities - insurance (b)	7,848	(8,141)	(101)	(102)	(184)	(540)	(7,214)	-
Total	185,034	(18,824)	(10,694)	(129)	(218)	(569)	(7,214)	(166,516)
2009								
Secured bank loans	4,900	(5,041)	(898)	(4,143)	-	-	-	-
Finance lease liabilities	267	(279)	(158)	(95)	(26)	-	-	-
Trade and other payables	7,806	(7,806)	(7,806)	-	-	-	-	-
Policyholder liabilities - investment (a)	114,586	-	-	-	-	-	-	(114,586)
Policyholder liabilities - insurance (b)	6,713	(8,332)	(105)	(105)	(191)	(562)	(7,369)	-
Total	134,272	(21,458)	(8,967)	(4,343)	(217)	(562)	(7,369)	(114,586)

(a) Investment linked liabilities to policyholders are linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any risk in these assets. Therefore, the tables in this section show the policyholder liability without any maturity profile analysis.

(b) Policyholder liabilities relating to insurance products are mostly due upon the death of the policyholder and therefore, an estimate of maturity has been made.

33. Financial instruments (continued)

(c) Market risk

The Group's exposure is the financial risk of changes with respect to foreign currency rates, interest rates and equity prices. The Group manages market risks through sensitivity analysis.

(i) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within policy and set parameters.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows.

	Assets		Liabilities	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Carrying amounts in US dollars	2	-	-	23

Foreign currency sensitivity analysis

A change of +/- 10% in the exchange rates would have increased/(decreased) profit by the amounts shown below:

	Assets		Liabilities	
	Exchange rate 10% increase \$'000	Exchange rate 10% decrease \$'000	Exchange rate 10% increase \$'000	Exchange rate 10% decrease \$'000
30 June 2010				
Sensitivity to US dollar exposure	-	-	-	-
	-	-	-	-
30 June 2009				
Sensitivity to US dollar exposure	-	-	2	(2)
	-	-	2	(2)

33. Financial instruments (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk as entities in the Group invest and borrow at both fixed and floating interest rates.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated	
	2010	2009
	\$'000	\$'000
Fixed rate instruments		
Financial assets (a)	25,032	23,764
Financial liabilities	110	267
Net asset/(liability)	<u>24,922</u>	<u>23,497</u>
Variable rate instruments		
Financial assets	16,678	25,565
Financial liabilities	2,490	4,900
Net asset/(liability)	<u>14,188</u>	<u>20,665</u>

(a) \$23,032 thousand of the fixed rate financial assets belong to Austock Life Limited policyholders.

Cash flow sensitivity analysis for variable rate instruments

A change of +/- 1% in interest rates would have increased/(decreased) profit by the amounts shown below:

	Consolidated	
	1% increase	1% decrease
	\$'000	\$'000
30 June 2010		
Variable rate instruments	132	(132)
Fixed rate instruments	(424)	424
	<u>(292)</u>	<u>292</u>
30 June 2009		
Variable rate instruments	277	(277)
Fixed rate instruments	(248)	248
	<u>29</u>	<u>(29)</u>

(iii) Equity price risk

The Group is exposed to equity price risks arising from equity investments.

At the reporting date the carrying amount of the Group's assets exposed to equity price risk was:

	Consolidated	
	2010	2009
	\$'000	\$'000
Financial assets at fair value through profit or loss		
House positions	1,791	313
Units in managed funds (a)	78,864	58,892
	<u>80,655</u>	<u>59,205</u>
Available-for-sale financial assets		
Investment in other related entities	7,835	2,880
	<u>7,835</u>	<u>2,880</u>

(a) Units in managed funds belong to Austock Life Limited policyholders.

33. Financial instruments (continued)

(iii) Equity price risk (continued)

Equity price sensitivity analysis

A change of +/- 10% in equity prices would have the following impact on the statement of comprehensive income:

	Consolidated	
	Equity price 10% increase \$'000	Equity price 10% decrease \$'000
Financial assets at fair value through profit or loss		
<i>30 June 2010</i>		
Units in managed funds (a)	8,042	(8,042)
House positions	179	(179)
	8,221	(8,221)
<i>30 June 2009</i>		
Units in managed funds (a)	5,233	(5,233)
House positions	31	(31)
	5,264	(5,264)
Available-for-sale financial assets		
<i>30 June 2010</i>		
Investment in other related entities	783	(783)
	783	(783)
<i>30 June 2009</i>		
Investment in other related entities	288	(288)
	288	(288)

(a) All equity price risk relating to units in managed funds is borne by Austock Life Limited policyholders.

(d) Fair values

(i) Fair values versus carrying amounts

The directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair value.

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

33. Financial instruments (continued)

(ii) Fair value hierarchy

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

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

Consolidated

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2010				
<i>Financial assets at fair value through profit or loss</i>				
House positions	1,791	-	-	1,791
Benefit fund investments – bills, deposits and bonds	-	17,427	-	17,427
Benefit fund investments – investments	141,254	-	-	141,254
Benefit fund investments – mortgages	-	482	-	482
<i>Available-for-sale financial assets</i>				
Investment in other related entities	-	7,835	-	7,835
	143,045	25,744	-	168,789
30 June 2009				
<i>Financial assets at fair value through profit or loss</i>				
House positions	313	-	-	313
Benefit fund – bills, deposits and bonds	-	19,013	-	19,013
Benefit fund – investments	91,649	-	-	91,649
Benefit fund – mortgages	-	612	-	612
<i>Available-for-sale financial assets</i>				
Investment in other related entities	-	2,880	-	2,880
	91,962	22,505	-	114,467

Level 1

- House positions are valued using quoted market prices, excluding transaction costs.
- Benefit fund investments represent units in managed funds and are valued using quoted prices, excluding transaction costs.

Level 2

- Benefit fund bills, deposits, bonds and mortgages are valued using observable variables from underlying contracts.
- Investments in other related entities are valued based on prices observable in a sales contract.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

33. Financial instruments (continued)

(e) Collateral

2010

The Group has not pledged any financial assets as at 30 June 2010.

2009

The Group pledged financial assets with a carrying amount of \$1,803 thousand as collateral for a guarantee issued to an associate. This guarantee was to be called upon in November 2009 if the associate could not meet its liabilities. Management concluded that it was probable that the guarantee would be called upon resulting in an outflow of economic benefits and accordingly raised a provision as disclosed in note 19.

34. Discontinued operations

In 2010 the Group did not discontinue any operations. The information presented below relates to the following two operations that were discontinued in prior years.

Austock Asset Management Limited ("AAML")

On 1 May 2009 the Group disposed of its 100% interest in AAML, which was part of the investment management segment and represented a separate major line of business that has now been exited.

USA operations ("USA")

As at 30 June 2008, the Group decided to discontinue its property business in the USA. During the current year, a gain of \$28 thousand (2009: \$360 thousand) was recognised due to the expected exit costs being less than what was anticipated at 30 June 2008.

The combined results of the discontinued operations which have been included in the statement of comprehensive income are as follows. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations as discontinued in the current period.

34. Discontinued operations (continued)

Notes	2010			2009		
	USA \$'000	AAML \$'000	TOTAL \$'000	USA \$'000	AAML \$'000	TOTAL \$'000
Revenue	-	-	-	-	881	881
Expenses						
Personnel expenses	6(a)	-	-	-	(1,662)	(1,662)
Occupancy expenses	6(b)	-	-	-	(4)	(4)
Communication expenses	6(c)	-	-	-	(3)	(3)
Finance expenses	6(d)	-	-	-	(1)	(1)
Dealing and settlement	6(e)	-	-	-	(87)	(87)
Marketing and promotional	6(f)	-	-	-	(63)	(63)
Depreciation	6(g)	-	-	-	-	-
General administrative expenses	6(h)	-	-	-	(129)	(129)
Impairment charges	6(j)	-	-	-	(104)	(104)
Writeback of provision for business closure	6(h)	28	-	28	-	28
Profit/(loss) from operations before income tax		28	-	28	360	(1,172)
Profit/(loss) on disposal		-	-	-	-	(57)
Profit/(loss) before income tax		28	-	28	360	(1,229)
Income tax benefit		-	-	-	272	272
Profit/(loss) after income tax		28	-	28	360	(957)
Cash flow from discontinued operations:						
Net cash flows from operating activities		-	-	-	(1,089)	(931)
Net cash flows from investing activities		-	-	-	-	23
Net cash flows from financing activities		(29)	-	(29)	-	-
Net cash flows		(29)	-	(29)	(1,089)	(908)
Earnings per share						
Basic (cents per share)		0.03	-	0.03	0.31	(0.81)
Diluted (cents per share)		0.03	-	0.03	0.31	(0.81)

34. Discontinued operations (continued)

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Effect of disposal on the financial position of the Group			
Trade and other receivables		-	(151)
Other assets		-	(109)
Deferred tax asset		-	(922)
Trade and other payables		-	8
Provisions		-	6
Other liabilities		-	475
Net assets and liabilities		-	(693)
Total consideration		-	960
Received		-	(224)
Total receivable at balance date	24(c)	-	736
Received in cash		-	224
Cash disposed of		-	(416)
Net cash inflow/(outflow)		-	(192)

35. Subsequent events

The following events have occurred subsequent to balance date:

- On 9 July 2010, the Group repaid its borrowings in full to BankWest. At the date of this report, there are no further borrowings outstanding to BankWest.
- On 12 July 2010, the Group increased its bank guarantee facilities by \$1,045,106 for the purposes of satisfying its obligations under the lease agreement for the new Melbourne premises located at Level 12, 15 William Street.
- On 28 July 2010, Austock Group Limited became entitled to a fully franked dividend of \$0.5 million from Newreg Pty Limited, the holding company of the Registries Group of Companies. This will be recorded as dividend income in the statement of comprehensive income for the year ending 30 June 2011.
- On 27 August 2010, the Group announced the sale of its 16.7% shareholding in Newreg Pty Limited for a consideration of \$7.3 million (being the fair value at 30 June 2010 of \$7.8 million less the July 2010 dividend entitlement of \$0.5 million) to a subsidiary of Boardroom Limited. Completion and settlement of the transaction is expected in November 2010 and remains subject to Boardroom shareholder approval. The expected impact of this transaction on the statement of comprehensive income for the year ending 30 June 2011 will be a profit of \$4.8 million.

36. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was Austock Group Limited.

	Notes	Company	
		2010 \$'000	2009 \$'000
Result of the parent entity			
Profit/(loss) for the period		(6,775)	(19,623)
Other comprehensive income		(31,860)	(35,542)
Total comprehensive income for the period		(38,635)	(55,165)
Financial position of the parent entity at year end			
Current assets		4,402	4,479
Total assets (a)		54,726	95,130
Current liabilities		6,984	5,825
Total liabilities		12,102	16,302
Total equity of the parent entity comprising of:			
Share capital		43,926	43,044
Financial asset reserve		23,301	55,162
Treasury shares reserve		-	(736)
Share based payments reserve		613	(58)
Accumulated losses		(25,216)	(18,584)
Total equity		42,624	78,828

(a) Total assets include the value of investments in subsidiaries which are classified as available-for-sale financial assets.

Parent entity contingencies

Other than the relevant contingent liabilities disclosed in note 29 to the financial statements, the parent entity does not have any contingencies at 30 June 2010 (2009: nil).

Parent entity capital commitments for acquisition of property plant and equipment

The parent entity does not have any capital commitments to acquire property plant and equipment at 30 June 2010 (2009: nil).

Parent entity guarantees in respect of its subsidiaries

The parent entity does not have any guarantees in respect of its subsidiaries at 30 June 2010 (2009: nil).

37. Additional benefit fund disclosures

(a) Insurance risk

Insurance risk is the risk that inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Group to financial loss and consequent inability to meet its liabilities.

The Group's objective is to satisfactorily manage these risks in line with the Risk Management Statement approved by the board. In addition, the Group receives advice from the Appointed Actuary, in accordance with APRA Prudential Standard LPS 310.

Solvency

Solvency margin requirements established by actuarial professional standards and by regulators are in place to reinforce safeguards for policyholders' interests, being primarily the ability to meet future claims payments. The solvency requirement establishes the required excess of the value of the insurers' assets (at a benefit fund level) over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the period, not just at period end. These solvency requirements take into account specific risks faced by the Group, and more specifically Austock Life Limited.

Terms and conditions of insurance business

The table below provides an overview of the key variables which affect the timing and uncertainty of the future cash flows of the various life insurance and investment contracts on issue.

Type of contract	Details of contract workings	Nature of compensation for claims	Key variables affecting timing and uncertainty of future cash flows
Discretionary participating life insurance contracts	The sum insured is specified at inception and guaranteed. Bonuses are added annually, and can either be guaranteed or non guaranteed (based on actuarial advice). A further terminal bonus may be added on surrender, death or maturity.	Annual bonuses are declared (by Actuary) from the surplus (carryforward surplus plus current year operating profit) and added to the account balance.	Mortality, surrenders, and market earnings on the assets backing the liabilities.
Discretionary participating investment contracts	Gross value of premiums received is invested and investment management fees are deducted monthly. Bonuses are added annually and a further terminal bonus may be added on surrender, death or maturity.	Annual bonuses are declared (by Actuary) from the surplus (carryforward surplus plus current year operating profit) and added to the account balance.	Surrenders, expenses and market earnings on the assets backing the liabilities.
Unit linked investment contracts	Gross value of premiums received is invested in units and investment management fees are deducted monthly.	Investment return is the earnings on the assets less any management fees.	Market risk, expenses, withdrawals.

37. Additional benefit fund disclosure (continued)

(b) Reconciliation of changes in life insurance liabilities

	2010	2009
	\$	\$
Life insurance liability at the beginning of the year	6,712,652	6,903,073
Actuarial Revaluation	1,175,391	(150,810)
Payment of terminal bonus	(39,855)	(39,611)
Life insurance liability at the end of the year	7,848,188	6,712,652

Guaranteed components of participating policies are:

- Oddfellows Fund \$4,087 thousand (2009: \$3,509 thousand)
- Assurance Fund \$350 thousand (2009: \$372 thousand)

Allocation of profits/losses

Life Insurance contract loss of \$837 thousand (2009: \$428 thousand profit) has been allocated as follows:

- Policyholder Liability is allocated \$nil (2009: nil); and
- Policyholder Equity is allocated \$837 thousand loss (2009: \$428 thousand profit).

Insurance risks

The insurance risks faced by the Austock Life Limited arise from the Oddfellows and Assurance Funds. The Appointed Actuary has calculated the best estimate liability arising from these contracts. Austock Life Limited maintains sufficient assets to meet these liabilities.

Solvency requirements

The Appointed Actuary has reviewed the solvency position of the benefit funds and management fund and concluded that the regulatory solvency requirements have been met. The solvency requirements, and the ratios, are as follows:

	Insurance		Investment	
	2010	2009	2010	2009
	\$	\$	\$	\$
Solvency requirement				
Minimum termination value (MTV)	346,000	378,000	161,463,000	112,592,000
Other liabilities	21,247	25,539	1,341,401	173,024
Solvency reserve	5,858,753	5,684,461	1,253,599	1,217,161
Solvency requirement	6,226,000	6,088,000	164,058,000	113,982,185
Assets available for solvency reserve				
Excess of gross policy liabilities (including policy owner bonuses) over MTV	7,502,000	6,335,000	1,159,000	1,127,000
Net assets	10,373	846,577	235,734	326,283
	7,512,373	7,181,577	1,394,734	1,453,283
Coverage of solvency reserve (times)	1.28	1.26	1.11	1.19

The solvency position of each individual fund is disclosed in note 38.

37. Additional benefit fund disclosure (continued)

Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2010. The actuarial reports for Austock Life Limited were prepared by Allen Truslove, B.Sc, Ph.D, MBA, FIA, FIAA. The actuarial reports indicate that Mr Truslove is satisfied as to the accuracy of the data upon which the policy liabilities have been determined. Policyholder liabilities have been determined in accordance with the Life Insurance Act 1995.

38. Disaggregated information by fund

	Assurance Fund	Oddfellows Fund	Total Life Insurance	Funeral Fund	Heritage Investment Bond Fund	Investment Bond	Cash Achiever	Deferred Annuity 39
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Investment Linked ("N-IL")</i>								
2010								
Financial assets	442,748	7,411,577	7,854,325	1,168,878	6,997,870	3,980,761	902,183	1,712,516
Other assets	9,621	15,864	25,485	18,631	46,633	81,441	4,293	10,189
Policy liabilities	437,561	7,410,627	7,848,188	1,182,127	6,939,385	4,001,943	888,372	1,708,311
Other liabilities	4,433	16,814	21,247	5,382	105,119	60,257	18,102	14,392
Retained earnings	10,373	-	10,373	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	3,479	-	3,479	-	-	-	-	-
Investment income	21,709	392,366	414,075	57,376	351,740	203,419	44,777	85,920
Claims expense	38,251	119,675	157,926	-	-	-	-	-
Other expenses	11,403	156,079	167,482	27,723	53,358	53,393	28,340	39,430
Realised gains	-	-	-	-	-	-	-	-
Realised losses	-	-	-	-	-	-	-	-
Unrealised gains	-	249,116	249,116	-	-	-	-	-
Unrealised losses	-	-	-	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	21,573	1,153,818	1,175,391	-	-	-	-	-
Operating profit/(loss) before tax	(46,038)	(788,090)	(834,128)	29,653	298,382	150,027	22,448	47,972
Operating profit/(loss) after tax	(48,115)	(788,090)	(836,205)	29,653	193,938	90,075	10,371	40,776
Solvency requirement	405	5,821	6,226	1,170	6,980	4,049	897	1,709
Solvency reserve ratio	16%	34521%	1594%	21641%	1%	0%	1%	1%
2009								
Financial assets	485,343	7,087,715	7,573,058	1,191,290	7,156,135	4,215,184	961,070	1,824,866
Other assets	2,247	9,464	11,711	11,928	18,836	34,719	2,933	3,976
Policy liabilities	419,810	6,292,842	6,712,652	1,198,500	7,056,094	4,175,690	944,519	1,812,025
Other liabilities	9,292	16,247	25,539	4,718	118,877	74,211	19,483	16,816
Retained earnings	58,488	788,090	846,578	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	4,532	-	4,532	-	-	-	-	-
Investment income	7,308	235,786	243,094	15,496	183,486	54,819	12,513	23,687
Claims expense	24,372	128,045	152,417	-	-	-	-	-
Other expenses	12,137	153,732	165,869	28,523	58,843	57,362	31,228	44,184
Realised gains	22,693	253,612	276,305	60,780	304,275	217,666	44,607	92,543
Realised losses	-	-	-	-	-	-	-	-
Unrealised gains	-	78,251	78,251	-	-	-	-	-
Unrealised losses	-	-	-	-	-	-	-	-
Actuarial gains	-	155,101	155,101	-	-	-	-	-
Actuarial losses	4,292	-	4,292	-	-	-	-	-
Operating profit/(loss) before tax	(6,267)	440,974	434,707	47,753	428,918	215,123	32,267	73,620
Operating profit/(loss) after tax	(12,906)	440,974	428,068	47,753	284,181	134,960	17,128	62,577
Solvency requirement	444	5,644	6,088	1,182	7,049	4,227	942	1,796
Solvency reserve ratio	16%	34641%	1425%	2096%	1%	0%	1%	1%

38. Disaggregated information by fund (continued)

	Deferred Annuity 46 \$	No. 1 Cash & Deposits \$	No. 2 Aust Fixed Interest \$	No. 3 Aust Hybrid \$	No. 4 Int'l Fixed Interest \$	No. 5 Property Securities \$	No. 5A Int'l Prop. Securities \$	No. 6 Aust Shares \$
	<i>Investment Linked</i>							
2010	<i>N-IL</i>							
Financial assets	1,401,794	62,513,629	4,939,942	3,839,591	1,439,217	2,691,387	192,429	8,136,228
Other assets	2,770	628,494	200,533	210,155	144,509	968,517	3,179	525,901
Policy liabilities	1,393,472	62,537,681	4,989,379	3,996,195	1,582,360	3,657,271	188,243	8,654,838
Other liabilities	11,092	604,445	151,098	53,550	1,367	2,633	7,365	7,291
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	66,381	1,791,897	346,480	230,249	125,687	175,617	3,765	242,160
Claims expense	-	-	-	-	-	-	-	-
Other expenses	32,851	537,260	57,483	34,901	16,832	24,286	2,642	97,482
Realised gains	-	-	60,453	-	-	-	-	-
Realised losses	-	-	-	43,209	21,898	38,887	9,844	136,406
Unrealised gains	-	-	-	304,598	31,591	206,583	46,976	627,766
Unrealised losses	-	-	18,446	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	33,531	1,650,217	340,342	462,926	123,911	322,233	39,279	658,686
Operating profit/(loss) after tax	28,501	1,112,650	223,796	411,281	91,117	760,402	27,652	504,253
Solvency requirement	1,385	63,142	5,140	4,050	1,584	3,660	196	8,662
Solvency reserve ratio	1%	0%	0%	0%	0%	0%	0%	0%
2009	<i>Investment Linked</i>							
Financial assets	1,369,364	32,756,508	5,062,571	2,381,930	1,186,499	1,821,496	101,228	6,150,309
Other assets	2,008	238,332	116,428	252,757	146,736	843,478	6,899	711,483
Policy liabilities	1,358,987	32,150,230	5,039,580	2,632,878	1,332,303	2,662,649	108,052	6,856,543
Other liabilities	12,387	844,611	139,421	1,810	931	2,326	76	5,249
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	47,101	1,203,805	320,809	242,031	125,870	129,297	269	330,846
Claims expense	-	-	-	-	-	-	-	-
Other expenses	41,539	360,476	71,989	31,130	21,023	25,671	2,656	63,061
Realised gains	41,921	-	28,384	-	-	-	-	-
Realised losses	-	-	-	337,463	287,974	706,745	1,584	117,404
Unrealised gains	-	-	212,305	-	3,624	-	-	-
Unrealised losses	-	-	-	265,252	-	500,955	19,627	1,296,713
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	53,350	1,130,007	513,121	(387,559)	(169,283)	(1,100,124)	(21,520)	(1,135,253)
Operating profit/(loss) after tax	45,347	768,866	344,672	(312,941)	(129,558)	(1,315,861)	(15,881)	(882,088)
Solvency requirement	1,353	32,995	5,179	2,635	1,333	2,665	108	6,862
Solvency reserve ratio	1%	0%	0%	0%	0%	0%	0%	0%

38. Disaggregated information by fund (continued)

	No. 7 Aust Shares Small Cap. \$	No. 8 Int'l Shares \$	No. 9 Int'l Shares Small Cap. \$	No. 10 Sectoral Blend \$	No. 11 Aust Shares Index \$	No. 12 Int'l Shares Index \$	No. 12A Aust Fixed Interest \$	No. 12B Prop. Sec Index \$
<i>Investment Linked</i>								
2010								
Financial assets	1,835,615	1,799,688	544,506	6,836,780	7,986,703	3,927,227	4,665,679	1,498,378
Other assets	60,105	243,910	81,860	1,361,104	363,539	402,039	76,571	41,414
Policy liabilities	1,894,310	2,041,384	609,485	8,192,344	8,322,693	4,324,694	4,671,724	1,527,152
Other liabilities	1,410	2,212	16,880	5,538	27,548	4,571	70,528	12,641
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	18,617	56,018	76	286,170	282,179	39,339	221,297	75,786
Claims expense	-	-	-	-	-	-	-	-
Other expenses	19,161	18,403	5,692	74,261	94,669	47,117	53,491	25,674
Realised gains	-	-	-	-	-	-	1,595	-
Realised losses	197,574	29,736	5,217	1,113,157	30,505	35,901	-	36,553
Unrealised gains	600,217	152,482	47,451	1,963,168	353,245	319,865	25,246	23,848
Unrealised losses	-	-	-	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	405,007	162,297	38,582	1,064,905	539,758	291,996	218,783	54,141
Operating profit/(loss) after tax	320,458	127,777	51,110	1,213,598	400,521	255,888	144,129	20,211
Solvency requirement	1,896	2,044	626	8,198	8,350	4,329	4,742	1,540
Solvency reserve ratio	0%	0%	0%	0%	0%	0%	0%	0%
2009								
Financial assets	1,494,114	1,593,186	309,546	7,413,541	4,914,033	2,460,251	1,539,238	397,086
Other assets	170,218	233,464	72,949	1,609,756	443,999	416,844	24,398	38,329
Policy liabilities	1,663,166	1,825,390	382,221	8,997,840	5,353,773	2,875,096	1,544,172	435,077
Other liabilities	1,166	1,259	274	25,455	4,259	1,997	19,466	338
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	16,321	18,845	3,724	462,156	212,253	470	60,623	24,822
Claims expense	-	-	-	-	-	-	-	-
Other expenses	13,712	22,404	5,142	92,964	57,390	30,960	24,164	11,129
Realised gains	-	-	45,607	72,203	-	-	-	-
Realised losses	13,489	147,121	-	-	99,013	352,942	-	25,495
Unrealised gains	-	-	-	-	-	-	-	-
Unrealised losses	543,163	247,896	162,216	3,168,216	945,358	588,487	44,763	114,058
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(552,045)	(393,484)	(116,563)	(2,716,438)	(871,407)	(964,083)	8,787	(117,058)
Operating profit/(loss) after tax	(415,136)	(315,732)	(115,287)	(2,323,085)	(588,898)	(783,456)	(1,814)	(82,179)
Solvency requirement	1,664	1,827	382	9,023	5,358	2,877	1,564	435
Solvency reserve ratio	0%	0%	0%	0%	0%	0%	0%	0%

38. Disaggregated information by fund (continued)

	No. 13 Schroder Hybrid	No. 14 Mutual 50 Leaders	No. 15 Perpetual Aust Shares	No. 16 Perpetual Geared Aust Shares	No. 17 Perpetual Int'l Shares	No. 18 Perpetual Mortgage	No. 19 Perpetual Balanced Growth	No. 20 Perpetual Industrial Shares
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Investment Linked</i>								
2010								
Financial assets	816,163	1,200,976	7,911,199	4,357,250	1,525,881	4,502,348	3,781,729	5,222,677
Other assets	131,506	136,419	382,508	446,478	118,592	16,344	216,175	107,197
Policy liabilities	929,796	1,336,449	8,266,060	4,798,797	1,633,654	4,455,704	3,994,905	5,322,154
Other liabilities	17,872	947	27,647	4,933	10,818	62,988	2,999	7,720
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	60,448	44,091	304,140	203,792	17,221	201,316	123,688	180,346
Claims expense	-	-	-	-	-	-	-	-
Other expenses	9,949	14,188	88,485	54,076	17,142	44,717	44,679	61,009
Realised gains	5,004	-	-	-	-	-	-	15,550
Realised losses	-	31,351	178,994	241,265	12,335	2,672	143,730	-
Unrealised gains	-	130,006	707,680	701,075	24,975	2,211	379,732	-
Unrealised losses	39,376	-	-	-	-	-	-	170,811
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	17,928	131,266	761,504	623,453	17,164	157,250	326,460	(8,121)
Operating profit/(loss) after tax	25,966	151,320	583,498	637,516	18,426	96,523	248,664	(2,383)
Solvency requirement	948	1,337	8,294	4,804	1,644	4,519	3,998	5,330
Solvency reserve ratio	0%	0%	0%	0%	0%	0%	0%	0%
2009								
Financial assets	878,049	1,043,005	5,880,177	2,690,782	1,194,251	5,146,198	3,003,058	1,740,007
Other assets	116,848	146,092	597,015	444,720	118,211	15,934	308,733	62,709
Policy liabilities	993,291	1,188,316	6,472,782	3,132,754	1,309,789	5,084,670	3,309,424	1,790,308
Other liabilities	1,606	782	4,412	2,748	2,672	77,464	2,366	12,409
Retained earnings	-	-	-	-	-	-	-	-
Issued capital	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Investment income	100,755	62,900	230,809	52,067	22,698	245,730	123,195	73,328
Claims expense	-	-	-	-	-	-	-	-
Other expenses	13,051	13,486	65,637	26,858	12,342	53,971	37,553	34,299
Realised gains	-	-	-	-	-	-	-	-
Realised losses	149,776	113,153	140,383	37,794	6,078	402	138,564	20,155
Unrealised gains	-	-	-	-	-	-	-	26,874
Unrealised losses	149,925	264,422	919,950	1,159,776	156,908	46,583	332,534	-
Actuarial gains	-	-	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-	-	-
Operating profit/(loss) before tax	(208,433)	(324,712)	(876,453)	(1,162,685)	(151,303)	152,921	(375,433)	73,842
Operating profit/(loss) after tax	(186,522)	(272,595)	(629,402)	(974,290)	(131,130)	89,387	(301,093)	71,356
Solvency requirement	995	1,189	6,477	3,136	1,312	5,162	3,312	1,803
Solvency reserve ratio	0%	0%	0%	0%	0%	0%	0%	0%

38. Disaggregated information by fund (continued)

	No. 21 Perpetual Ethical SRI \$	No 22. MLC Horizon 4 Balanced \$	Total Life Investment \$	M'gmt Fund \$
<i>Investment Linked</i>				
2010				
Financial assets	325,640	2,081,221	160,736,085	649,620
Other assets	6,544	83,140	7,120,690	846,185
Policy liabilities	331,901	2,142,588	166,515,371	-
Other liabilities	283	21,773	1,341,401	370,923
Retained earnings	-	-	-	224,880
Issued capital	-	-	-	900,001
Premium revenue	-	-	-	-
Investment income	7,906	96,950	5,944,848	40,552
Claims expense	-	-	-	-
Other expenses	4,737	18,806	1,702,237	3,187,576
Realised gains	-	-	82,602	-
Realised losses	4,017	11,685	2,324,936	-
Unrealised gains	11,996	2,950	6,663,661	-
Unrealised losses	-	-	228,633	-
Actuarial gains	-	-	-	-
Actuarial losses	-	-	-	-
Operating profit/(loss) before tax	14,105	75,565	9,071,650	(736,508)
Operating profit/(loss) after tax	10,529	47,064	7,875,280	(179,889)
Solvency requirement	332	2,164	164,058	
Solvency reserve ratio	0%	0%	1%	
2009				
Financial assets	80,051	801,713	108,756,736	963,102
Other assets	7,597	23,787	7,242,116	662,917
Policy liabilities	81,068	818,569	114,585,756	-
Other liabilities	6,582	6,931	1,413,102	321,249
Retained earnings	-	-	-	404,768
Issued capital	-	-	-	900,001
Premium revenue	-	-	-	-
Investment income	4,264	32,978	4,437,967	55,747
Claims expense	-	-	-	-
Other expenses	987	11,697	1,365,431	2,511,565
Realised gains	-	-	907,986	-
Realised losses	-	2,813	2,698,348	-
Unrealised gains	-	-	242,803	-
Unrealised losses	8,014	26,322	10,961,138	-
Actuarial gains	-	-	-	-
Actuarial losses	-	-	-	-
Operating profit/(loss) before tax	(4,271)	(357)	(8,918,755)	(579,522)
Operating profit/(loss) after tax	(1,756)	(1,842)	(7,914,319)	(137,178)
Solvency requirement	88	826	115,756	
Solvency reserve ratio	0%	0%	1%	

Additional stock exchange information as at 16 August 2010 (unaudited)

Number of holders of equity securities

Fully paid ordinary share capital

133,928,412 fully paid ordinary shares are held by 818 shareholders

Fully paid ordinary shares carry one vote per share and carry the right to dividends

Partly paid ordinary share capital

5,153,580 partly paid ordinary shares are held by 25 shareholders

Partly paid ordinary shares carry voting and dividend entitlements on a pro-rata basis according to the amount paid up on each share (as a proportion of \$0.95)

Distribution of holders of equity securities

Number of shares held	Fully paid ordinary shares	Partly paid ordinary shares
1 - 1,000	151	0
1,001 - 5,000	279	0
5,001 - 10,000	102	0
10,001 - 100,000	182	17
100,001 and over	104	8
Total	818	25
Holdings less than a marketable parcel	357	n/a

Substantial shareholders

Substantial shareholders	Number
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	20,577,934
Smith Peaco Nominees Pty Ltd	14,510,220
Mr Martin Edward Ryan	10,892,692
Ms Patricia Mary Tooth	8,078,560
Mr Goh Geok Khim	7,999,600
Mr John David Wheeler	7,900,000

Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid percentage
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	20,577,934	15.365
Mr Martin Edward Ryan	10,892,692	8.133
Ms Patricia Mary Tooth	8,078,560	6.032
Smith Peaco Nominees Pty Ltd <The Bessemer Property A/C>	6,639,100	4.957
Mr John David Wheeler	6,268,800	4.681
Mr Frank Gerard Zullo	5,000,000	3.733
Mr Alexander Llewellyn Smith	4,553,200	3.400
Candoor No 31 Pty Ltd <Bessemer Super Fund A/C>	4,500,000	3.360
Mr Peter Geoffrey Hollick	4,025,140	3.005
Solanum Investment Pte Ltd	3,500,000	2.613
Onever Pty Ltd	3,371,120	2.517
Mr Don Lazzaro & Mrs Ann Lazzaro <Super Fund A/C>	2,900,000	2.165
Future Equity Investments Limited	2,500,000	1.867
Mr Ryan James Whitelegg	2,000,460	1.494
Robcharta Nominees (NSW) Pty Ltd	2,000,400	1.494
Mr Goh Geok Khim	1,999,600	1.493
Mr John David Wheeler <Wheelsup Super Fund A/C>	1,631,200	1.218
Adbo Group Pty Ltd <Adbo Unit A/C>	1,396,191	1.042
Sandhurst Trustees Ltd <JM Asset Management A/C>	1,300,000	0.971
Mr Enzo Salvatore	1,121,539	0.837
	94,255,936	70.377

Securities subject to voluntary escrow

Escrow release date	Number of escrowed shares
1 October 2010	141,567
25 November 2010	33,333
5 December 2010	260,732
16 December 2010	34,500
3 February 2011	60,000
28 May 2011	132,321
1 October 2011	88,235
3 February 2012	60,000
28 May 2012	28,801
Pursuant to rules of partly paid share plan	5,153,580
Pursuant to rules of deferred share plan	281,790
	6,274,859

On market buy back

There is no current on-market buy-back.

Corporate information

Company Directors

Mr Steven Gregg	Non-Executive Chairman
Mr Christopher Alan Sadler	Non-Executive Director
Mr Paul Masi	Managing Director and Chief Executive Officer
Mr Timothy David Boyle	Non-Executive Director
Mr Victor David Cottren	Non-Executive Director
Mr Kevin Franklin Clarke	Non-Executive Director

Company Secretaries

Ms Amanda Jane Gawne
Mr Adrian Seamus Hill

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Share Register

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Melbourne VIC 3000

Auditor

KPMG
147 Collins Street
Melbourne VIC 3000

Appointed Actuary for Austock Life

Allen L Truslove
Actuary and Statistician
570 Bourke Street
Melbourne VIC 3000

