



Austock
Group

Annual Report 2009

Austock Group Limited

ABN 90 087 334 370

Austock Group

Austock Group is an independent, publicly listed diversified investment and financial services group. It has a culture and track record of being prepared to invest to build sustainable returns for its clients and shareholders.

Founded in 1991, the company now comprises corporate and securities, private wealth and investment management businesses. Austock has offices in Melbourne, Sydney and Brisbane along with international affiliations.

Austock is a Pooled Development Fund that invests in and develops financial services businesses under a tax-efficient structure.

Austock seeks to maximise shareholder returns via long-term, tax-free capital growth and dividends.

Contents

Financial summary	4
Chairman and Managing Director's report	5
Corporate governance statement	9
Directors' report	15
Auditor's independence declaration	25
Independent audit report	26
Directors' declaration	28
Income statements	29
Balance sheets	30
Statements of changes in equity	31
Cash flow statements	33
Notes to the financial statements	34
Additional stock exchange information	112

Financial summary

- Revenue of \$40.0 million, a decrease of 43% from the previous corresponding year.
- An underlying¹ loss before tax of \$1.3 million, a decline from \$11.1 million underlying profit in the previous corresponding year.
- Annuity revenue streams of \$10.9 million, holding steady from the previous year.
- Cash reserves remain strong at \$20.6 million (excluding Life benefit funds and Trust cash).

¹ Underlying earnings exclude discontinued operations, impairment losses and Life benefit funds.

Operating result (excluding Life benefit funds)

Year ended 30 June	2009 (\$m)	2008 (\$m)	Change (%)
Total revenue	40.0	70.6	(43.3%)
Personnel costs	(28.3)	(43.3)	(34.6%)
Other costs	(13.0)	(16.2)	(19.8%)
Underlying¹ profit / (loss) before income tax	(1.3)	11.1	
Tax	2.1	(2.3)	
Losses from discontinued operations	(0.6)	(6.2)	
Impairment charges	(21.1)	(2.5)	
Net profit / (loss) after tax	(20.9)	0.1	

Note that both the 2008 and 2009 results have been adjusted to reflect discontinued businesses.

¹ Underlying earnings exclude discontinued operations, impairment losses and Life benefit funds.

Looking forward

“2009 has been a difficult year for all financial services firms in Australia, yet Austock has survived and is a more robust firm for it.

Austock will deepen its presence in core businesses and will enter 2010 with a leaner, cleaner and simpler model.

The coming year will see Austock aggressively and selectively pursue revenue opportunities”

– Tim Boyle, Managing Director

Chairman and Managing Director's report

Like many organisations directly exposed to financial markets, Austock's result in 2009 reflects volatile global market conditions experienced throughout the year.

Through the period and as reported in the Half Year result, Austock has continued to restructure the business in preparation for the next growth cycle.

While several competitors in the increasingly crowded Australian market faltered through 2009, Austock's core focus has been:

1. Retaining cash.
2. Divesting non-core or unprofitable businesses.
3. Minimising the cost base and establishing a scalable platform for growth (when the market inevitably turns).

Austock has now completed the restructure and has prepared the business for potential ongoing market uncertainty, from a very scalable cost base.

Despite the result, Directors were pleased to see enhanced market activity in the fourth quarter and remain cautiously confident that this trend will continue in the medium term with Austock returning to profitability in 2010.

Results overview

The underlying loss before tax (excluding the life benefit funds) was \$1.3 million through the period. This represents a decline from an underlying profit of \$11.1 million in the previous corresponding period. After including all non-recurring items and impairment charges, the reported loss after tax was \$20.9 million.

Revenue for the year was \$40.0 million, a decline of 43.3% from the \$70.6 million generated in 2008. Annuity revenue from the Investment Management businesses held steady through the period at \$10.9 million and represented 27% of total revenue. A 52% decline in the Corporate & Securities businesses revenue to \$28.9 million reflects significantly decreased market trading volumes, coupled with a lack of corporate deals in the second half (as consistent with other firms in our space).

As previously mentioned, a core focus through 2009 was to decrease the fixed cost base across the business including voluntary salary decreases, head count reductions and attrition. Total personnel costs

decreased by 34.6% to \$28.3 million. Further cuts in Group expenses relating to occupancy, communications, finance, marketing & promotion and general administration saw total expenses decline by 30% to \$41.3 million.

Reconciliation of underlying to reported earnings

Year ended 30 June	2009 (\$m)
Underlying loss before tax	(1.3)
Tax	2.1
Losses from discontinued operations	(0.6)
<i>Impairment charges:</i>	
ABC debtors	(4.0)
API indemnity	(0.9)
Agribusiness loan	(0.3)
Ceramic management rights	(9.4)
Mirvac management rights	(0.9)
School development trusts	(5.6)
Reported net loss after tax	(20.9)

The Group divested two businesses in the 2009 year:

1. Austock Asset Management Limited
2. Australia Pacific Exchange Limited

In addition, one of the Austock Property funds, API, was wound up during the year.

Also of significance in the 2009 accounts were the previously disclosed write downs of intangibles in the property division.

Austock does not actively engage in the business of principal trading. The Group, however, occasionally enters into principal holdings for strategic reasons.

Total FUM is stable at \$972 million. The gross decline in FUM due to the divestment of the asset management operations has been offset by both the steady growth of FUM in the Life business and the addition of \$130 million in FUM contributed by the recently established Financial Planning business.

Cash (excluding trust cash) decreased to \$20.6m. Net assets decreased to \$26.5 million.

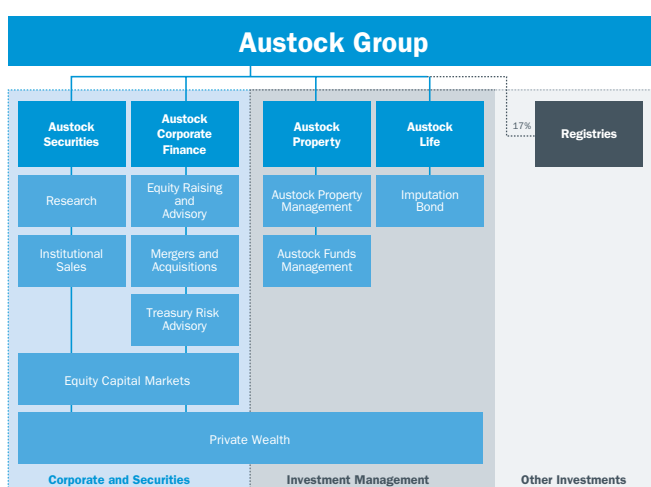
Dividend

Directors elected not to declare a dividend in 2009.

Operational review

Market volatility has provided Austock the opportunity to focus on its core earnings-generating units. With the divestment of non-core businesses, Austock now operates a much leaner, more focused, business.

Austock's operations comprise its Corporate and Securities businesses and its Investment Management businesses.



Corporate and Securities

The Corporate and Securities business comprises Corporate Finance, Institutional Sales, Research and Private Wealth.

The Corporate and Securities business is directly exposed to global markets and has consequently been the most affected division within Austock by volatile market conditions.

Austock has recently launched an Equity Capital Markets (ECM) business that will focus on identifying and transacting capital raisings that have recently recommenced in the Australian market after a six month hiatus. The ECM business is highly complimentary to existing structures within the Corporate and Securities business.

Through the period, Austock formed a strategic alliance with State Equity Group, a boutique corporate advisory firm based in Melbourne.

State Equity Group will act as a referral vehicle for companies that don't fit Austock Corporate Finances' model.

Segment result

Corporate Finance

Austock Corporate Finance had a strong start to 2009, however activity slowed in the second half when the corporate actions pipeline diminished due to the global financial turmoil.

Transactions of note include:

1. Equity raisings for Northern Energy and Catalpa.
2. On-market buybacks for Lion Selection, Jumbuck and Energy One.
3. A takeover advisory role for Queensland Gas Company on its \$830m bid for Sunshine Gas.
4. A takeover defence role for Queensland Gas Company on British Gas Group's \$5.6b on market takeover offer.
5. Advisory role for Australian Education Trust and two other trusts on the sale of leasehold interests in relation to 103 ABC2 properties.

Research

Austock Securities' Research team continued to outperform in 2009 with the team now providing coverage of 130 stocks across the six sectors it defines as its core competency. These include resources, agribusiness, energy, infrastructure, financial services and emerging companies.

The team's hard work was rewarded with accolades from the leading internationally-recognised research ratings agencies, including Top 3 against peers in the 2009 Starmine / Thomson Ratings and #2 (of the non-global banks) in the 2009 BRW / East Coles Rankings.

Several individual analysts were also recognised with Paul Jenz (agribusiness) and Tim Gerrard (resources) respectively being named #1 and #3 Best Stock Pickers in the most recently released annual Starmine / Thomson rankings.

This is an excellent result and reflects work being undertaken by the team to produce angle-based, quality product that is sought by the market.

The Research team also hosted its 6th Annual Austock Agribusiness Conference in 1H09. The conference is now a nationally recognised event with broad industry and international participation.

Institutional Sales

The Institutional business was adversely affected during the year by sharply reduced market traded volumes, consistent with the rest of the market.

Whilst Austock has fine tuned the business and has strong account management in place, the outlook will remain highly correlated to market traded volumes.

The establishment of the new ECM team should assist in the growth of the institutional business into 2010.

Private Wealth

Private Wealth has continued to grow, particularly in 2H09 with the appointments of six new private client advisers in the Sydney and Melbourne offices. Austock will continue to grow Private Wealth into FY10 and expand its retail distribution network.

2009 saw the first full year of operations for the Financial Planning team. Since its establishment, the team has grown FUM to \$130 million.

Investment Management

The Investment Management division comprises Austock Property and Austock Life. Austock Asset Management was divested through 2009.

Segment result

Austock Property

Austock Property acts as the responsible entity for several funds, including ASIF, ACF and the ASX listed Australian Education Trust (AET). 2009 saw the closure of the API fund.

It has been a frustrating year with much management focus on the collapse of ABC Learning Centres Limited, which was the major tenant of the AET properties.

Austock Property has now stabilised in a post-ABC environment. Terms of a restructured AET debt facility are being finalised and the business is now positioned to explore acquisitive opportunities in the Australian market through 2010.

Austock Life

2009 saw Austock Life progress significantly. FUM surpassed \$125 million in 1H09 and net inflows have continued to be positive throughout the period. Monthly sales regularly exceed \$4 million and the team now has dedicated Business Development and sales staff to grow the FUM.

The main sources of new business inflows were existing investors using the product's 125% add-on feature, and good support for its financial planning and estate planning applications.

During 2008/09 the Imputation Bond was awarded the top "Highly Recommended" rating from Independent research house, Zenith Investment Partners. Austock Life's forward plans centre on new product development of the Imputation Bond platform and investment menu and sourcing third-party distribution and co-branding alliances.

Other investments and developments

Austock Group is a Pooled Development Fund (PDF) which provides tax incentives for investments in early stage companies, subject to criteria as outlined in the Pooled Development Fund Act (1992).

The Group has successfully invested in a number of businesses over time in the financial services sector Other than the existing Corporate & Securities and Investment Management businesses, Austock Group also holds an interest in Newreg Pty Limited.

Newreg Pty Ltd

Austock owns 16.7% of the issued capital in Newreg Pty Limited which, in turn, owns 100% of Registries Limited. Registries is Australia's third largest share registrar.

Registries has outperformed expectations, despite the market turmoil, and is well-placed to continue providing premium services to a growing clientele of listed and unlisted companies and funds, as well as government agencies.

Registries was founded in 1983 and provides specialist registry, voting and communication management services to more than 250 entities.

Beneficial tax structure and advantages

As a registered PDF, Austock and its shareholders enjoy favourable tax benefits. 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.

PDFs are taxed on 15% of their income and gains from investments in small to medium enterprises instead of the regular 30% corporate tax rate. PDFs are taxed 25% on other income and gains.

Our people

Austock has used the market downturn to enhance its collective skill base through 2009.

Despite voluntary salary cuts and head count reductions in 1H09 as a result of the corporate restructure, expense management program and several divestments, the company has recently selectively recommenced hiring with several high profile and experienced appointments. The focus in 2010 will be revenue generation.

Austock welcomes all new employees, and will seek to provide a platform that will enable all staff to perform to their best abilities and add value to the Group and shareholders collectively.

Changes to the Board

As announced on 27 May 2009, Austock's current Non-Executive Chairman, Bill Bessemer, will not seek re-election at the next AGM, scheduled for 29 October 2009. Chris Sadler has been appointed Deputy Chairman following this announcement. Austock sincerely thanks Bill for his dedication to the progression of the Group and the interest of shareholders and staff over the past 14 years.

Austock is seeking to appoint a number of new Directors to the Group Board in 2010. Individuals will be identified, from a broad range of backgrounds and skill sets, who can deliver the desired strategic outcomes of the Group.

Strategy and outlook

The recent financial turmoil has provided the opportunity to re-explore Austock's business model. While Austock maintains a broad focus of investing in and nurturing early-stage financial services businesses, in 2010 the focus will be on developing depth in the established core business units.

From a Board and managerial perspective, this will be achieved through the following means:

1. Identify, attract and provide incentives for individuals who will add to the profitability of Austock.
2. Broaden the client base (local and offshore).
3. Originate, develop and distribute alternative products that give a competitive edge (and therefore differentiate Austock) over its competitors in the market.
4. Manage internal and external perception of brand.
5. Implement a Board with the collective skill sets to achieve the desired strategic outcomes.

The foundations of a solid underlying business are in place. The coming period will provide the opportunity to leverage this platform as market conditions become more favourable.



Bill Bessemer
Non-Executive Chairman



Tim Boyle
Managing Director

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 the best practice 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 best practice recommendation / disclosure obligation	Company's response
1.1 Establish functions reserved to Board and those delegated to senior executives	<p>The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management.</p> <p>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.</p>
1.2 Process for evaluating performance of senior executives	<p>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. Biannual 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 fortnightly meetings between department heads and the CEO.</p> <p>Adopting this process, the performance of senior executives was evaluated during the financial year.</p>
1.3 Availability of information	<p>A copy of the Board Charter, Constitution and Delegations Policy is available on the Company's website.</p>

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 disclose 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 financial services experience spanning a diverse range of asset management, financing and corporate advisory activities. Notwithstanding, the Board has identified that its effectiveness could be enhanced by having additional independent directors with complementary skills and experience and has commenced a search for suitable candidates.

ASX best practice recommendation / disclosure obligation	Company's response
2.1 Majority of Board should be independent directors	<p>Until Mr Michael McFarlane's resignation as a director on 17 September 2008, the majority of the Board comprised independent directors.</p> <p>The current Board comprises four directors, of whom two – Mr Chris Sadler and Mr Victor Cottren - are independent. The other two members of the Board are the Chairman Mr Bill Bessemer who has been an executive officer within the last 3 years and is a substantial shareholder and the Managing Director/Chief Executive Officer Mr Tim Boyle who holds an executive role. For these reasons, Mr Bessemer and Mr Boyle are not considered independent.</p> <p>Mr Bessemer has indicated that he will not seek re-election as a director at the 2009 Annual General Meeting. In addition, a search for additional independent directors is underway.</p>
2.2 Chair should be an independent director	<p>Mr Bessemer has been Chairman of the Company since 1999 and is not considered independent. Prior to listing, the Board decided that the interests of the Company and its shareholders would be better served if Mr Bessemer continued as Chairman during the important transition from unlisted public company to listed public company.</p> <p>Following Mr Bessemer's retirement as a director at the conclusion of the 2009 Annual General Meeting, it is the intention of the Board that the next Chairman will be an independent director.</p>
2.3 Roles of Chair and Chief Executive Officer should not be exercised by same individual	<p>The roles of Chairman and Chief Executive Officer are not held by the same individual.</p>
2.4 Establish a Nomination Committee	<p>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.</p> <p>The Remuneration and Nomination Committee comprises Mr Vic Cottren and Mr Bill Bessemer. Mr Mike McFarlane was Chairman of the Committee until his resignation as a director on 17 September 2008. The number of meetings held during the year and attendance by committee members is set out in the Directors' Report. Effective 26 May 2009 and until such time as the size of the Board increases to justify a formal committee structure, the Committee has been stood down and its functions assumed by the full Board.</p>
2.5 Process for performance evaluation of Board, its committees and individual directors	<p>The Company does not have in place formal evaluation measures and processes for the Board, its committees and individual directors as the nature and size of the business to date has justified an informal process.</p> <p>The Board has directed the Company Secretary to produce a policy which outlines the process for performance evaluation of the Board, its committees and individual directors. That policy has yet to be adopted by the Board and implemented. A performance evaluation will be undertaken at the earliest opportunity following implementation of the policy.</p>
2.6 Information on Directors	<p>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.</p> <p>In determining the independence of directors, the Board has had regard to the criteria set out in the ASX Corporate Governance Council's best practice recommendations (2nd edition). The Board also has regard to AASB Standard 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.</p>

2.6 Independent professional advice	<p>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.</p>
2.6 Procedure for selection and appointment of new directors and re-election of incumbent directors / Board policy for nomination and appointment of directors	<p>The Board does not have in place a formal policy for the nomination and appointment of directors as the nature and size of the business to date has justified an informal process. The Company Secretary has been directed by the Board to produce such a policy.</p> <p>Nevertheless, the Board regularly reviews the composition of the Board in view of the business and strategic needs of the Company.</p> <p>If it is deemed necessary to recruit additional directors the Board will determine the skills and experience required by the additional directors. A search process is undertaken following which the Chairman and directors will interview the selected candidate(s). If a suitable candidate is found an appointment will be made.</p> <p>All new appointees to the Board, other than the Managing Director, must resign at the next annual general meeting after their date of appointment and offer themselves for election by shareholders.</p> <p>Any incumbent director seeking re-election will be subject to an informal performance review by their peer directors. No director offers himself for re-election unless the Board considers his performance to be satisfactory.</p>
2.6 Availability of information	<p>A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.</p> <p>A copy of the policy on director nomination and appointment and performance evaluation will be made available on the Company's website once adopted by the Board. A description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors will also be made available on the Company's website at this time.</p>

Principle 3: Promote ethical and responsible decision making

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

ASX best practice recommendation / disclosure obligation	Company's response
3.1 Establish a Code of Conduct	<p>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.</p>
3.2 Establish a Share Trading Policy	<p>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 then not in the period following year-end or half year-end until release of full year or half year results (as applicable).</p>
3.3 Availability of information	<p>Copies of the Code of Conduct and Share Trading Policy are available on the Company's website.</p>

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 best practice recommendation / disclosure obligation	Company's response
<p>4.1 Establish a Audit Committee</p>	<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 to fill a vacancy created upon Mr Mike McFarlane's resignation as a director on 17 September 2008 (this vacancy was temporarily filled by Mr Bessemer who was appointed to the committee on 30 April 2009 and resigned on 28 July 2009). Mr Bastian 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>4.2 Structure of Audit Committee</p>	<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 best practice recommendations on the composition, operation and responsibilities of an audit committee.</p> <p>The Company did not comply for the whole year with the recommendation that the committee have at least 3 members. Following the resignation of Mr McFarlane as a director on 17 September 2008 and until Mr Bessemer's appointment to the committee on 30 April 2009, the committee comprised of only 2 independent directors, Mr Cottren and Mr Sadler.</p> <p>The Company is not presently complying with the recommendation that all members of the committee be non-executive directors. Mr Bastian is a member of the committee but is not a director of the Company. The Board is of the view that it is preferable to have a non-compliant committee that is fully independent than to appoint non-independent directors to the committee.</p>
<p>4.3 Formal Charter</p>	<p>The Audit Committee has a formal charter which sets out its responsibilities.</p>
<p>4.4 Information on Audit Committee members</p>	<p>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.</p>
<p>4.4 Selection and appointment of external auditor and for rotation of external audit engagement partner</p>	<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>
<p>4.4 Availability of information</p>	<p>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.</p>

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 best practice 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 best practice recommendation / disclosure obligation	Company's response
6.1 Communications Policy	<p>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.</p> <p>Information is communicated by:</p> <ul style="list-style-type: none">• dispatching annual reports to shareholders who request to receive it; 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 investors. <p>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.</p>
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 best practice 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.

<p>7.2 Design and implement a risk management and internal control system to manage material business risks and report thereon to Board</p>	<p>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 and the next review is due to be undertaken in late 2009/early 2010. 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.</p>
<p>7.3 Assurance from Chief Executive Officer and Chief Financial Officer</p>	<p>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.</p>
<p>7.4 Availability of information</p>	<p>A copy of the Risk Management Plan is available on the Company's website.</p>

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 best practice recommendation / disclosure obligation	Company's response
<p>8.1 Establish a Remuneration Committee</p>	<p>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.</p> <p>Effective 26 May 2009, the Committee has been stood down and its functions assumed by the full Board, pending the appointment of additional independent directors to the Board who may join the Committee.</p>
<p>8.2 Distinction between structure of non-executive directors' remuneration and remuneration of directors and senior executives</p>	<p>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 participate in schemes designed for the remuneration of executives and do not receive options or bonus payments. Executive directors and senior executives' packages generally comprise fixed, performance-based and equity-based remuneration components.</p> <p>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.</p>
<p>8.3 Information on Remuneration Committee members</p>	<p>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.</p>
<p>8.3 Schemes for retirement benefits</p>	<p>The Company does not pay retirement benefits, other than superannuation, for its non-executive directors.</p>
<p>8.3 Policy on prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity based remuneration schemes</p>	<p>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.</p>
<p>8.3 Availability of information</p>	<p>A copy of the Remuneration and Nomination Committee Charter and Share Trading Policy is available on the Company's website.</p>

Directors' report

The directors of Austock Group Limited (the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. 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 William Eric Bessemer

Non-Executive Chairman (resigned 30 October 2008 from executive duties)

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 has been a Director of Austock Group Limited since 29 April 1999.

Mr Christopher Alan Sadler

Independent Non-Executive Deputy Chairman (appointed Deputy Chairman on 27 May 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 director of Mitre 10 Australia Limited and Allomak Limited, as well as 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.

Mr Timothy David Boyle

Managing Director and Chief Executive Officer

Tim has 20 years financial services experience 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 international 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

Victor 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. Victor held various senior posts including chief executive and director within these companies and their subsidiaries. Since 1995, Victor has worked as a consultant to financial service companies in relation to investment, superannuation and financial planning. Within the Group, Victor is also a director of Austock Life and Austock's property companies. Externally, he is Chairman of Pilgrim Capital Ltd and Patriot Asset Management Ltd. Victor has been a Director of Austock Group Limited since 29 April 1999.

Mr Michael Edward McFarlane

Independent Non-Executive Director (resigned 17 September 2008)

Michael is a director of Facilitators Pty Ltd, an independent consultant to the investment banking, funds management and property industries. Michael was an executive director of Macquarie Bank Limited from which he resigned in 2002 after nearly 17 years. During that period he held a number of senior management and director roles in Macquarie's banking and property group with a particular focus on property related investment banking and property trust management. Michael was the initiator and a founding director of Macquarie Property Trust in 1987 and Macquarie Countrywide Trust in 1995. Michael was also a director or alternate director for many of the Macquarie stable of listed property and early infrastructure trusts. Michael was a Director of Austock Group Limited from 26 June 2007 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
W E Bessemer	A.B.C. Learning Centres Limited	13 Mar 2001	22 Apr 2008
W E Bessemer	Timbercorp Limited	7 Nov 2001	22 Feb 2007
C A Sadler	Allomak Limited	28 Feb 2008	Current
C A Sadler	Mitre 10 Australia Limited	1 May 2004	Current
C A Sadler	Gloucester Coal Limited	16 Apr 2008	16 Jun 2009

Directors' shareholdings

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

Director	Fully paid ordinary shares	Partly paid ordinary shares	Share Rights	Share options
W E Bessemer	14,510,220	-	-	-
C A Sadler	111,100	-	-	-
T D Boyle	2,596,700	482,220	-	-
V D Cottren	27,700	-	-	-

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 20.

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate of 2,400,000 share options were granted to the following directors and to the five highest remunerated officers of the Company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
T D Boyle (i)	2,400,000	Austock Group Limited	2,400,000

(i) These options were issued during the year and then cancelled on 30 June 2009. There are no options outstanding at the date of this report relating to directors or the five highest remunerated officers of the Company.

Company Secretary

Ms Amanda Jane Gawne

Company Secretary

Amanda was appointed Company Secretary in July 2003. Amanda has over 16 years legal and company secretarial experience gained from working in private legal practice and large private and publicly listed organisations.

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 Company's principal activities are included in the Chairman and Managing Director's Report on pages 5 to 8 of this annual report.

Review of operations

The consolidated operating net loss after income tax attributable to members is \$20.931 million (2008: profit \$119 thousand). A review of operations for the Group is set out in the Chairman and Managing Director's Report on pages 5 to 8 of this annual 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 33 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

In respect of the financial year ended 30 June 2009 there have been no dividends paid or provided for.

In respect of the financial year ended 30 June 2008:

- An interim unfranked dividend of 2.0 cents per share was declared on 28 February 2008 and paid to holders of fully paid ordinary shares on 31 March 2008; and
- A final unfranked dividend of 1.0 cent per share declared on 28 August 2008 and paid to holders of fully paid ordinary shares on 30 September 2008.

Share options

(a) Shares under option

Since year end, there have been 525,000 (2008: 1,200,000) options cancelled. As at the date of this report, there are 500,000 (2008: 9,997,440) unissued ordinary shares of Austock Group Limited under options.

(b) Shares issued on exercise of options

During the year ended 30 June 2009, a total of nil (2008: nil) fully paid ordinary shares and nil (2008: nil) partly paid ordinary shares were issued by Austock Group Limited as a result of exercised options for a total consideration of \$nil (2008: \$nil).

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 company 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.

Subsequent to year-end, Austock Group Limited entered into a Deed of Indemnity, Insurance and Access with each of its directors Messrs Boyle, Bessemer, Sadler and Cottren. The purpose of the Deed is to:

- confirm the indemnity provided by Austock Group in favour of Directors under the Company's Constitution;
- include an obligation upon Austock Group 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' and committee meetings held during the financial year and the number of meetings attended by each director (while they were a director or member of a committee). During the financial year, there were 11 Board meetings; no Remuneration and Nomination Committee meetings; and 3 Audit Committee meetings.

Director	Board of directors		Remuneration and Nomination Committee		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
W E Bessemer (a)	11	11	-	-	-	-
C A Sadler (b)	11	11	n/a	n/a	3	3
T D Boyle	11	11	n/a	n/a	n/a	n/a
V D Cottren (c)	11	11	-	-	3	3
M E McFarlane (d)	3	1	-	-	1	-

(a) Mr W E Bessemer was Chairman of the Board of Directors throughout the year. Mr Bessemer resigned as a member of the Audit Committee on 18 August 2008 and was re-appointed on 30 April 2009. He resigned as a member of the Audit Committee on 28 July 2009.

(b) Mr C A Sadler was appointed a member of the Audit Committee on 18 August 2008.

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

(d) Mr M E McFarlane resigned as a Director on 17 September 2008 and he was the Chairman of the Remuneration and Nomination Committee until that time. Mr McFarlane was granted leave of absence from attending 2 Board meetings and 1 Audit Committee meeting.

Remuneration and Nomination Committee

Effective 26 May 2009 and until such time as the size of the Board increases to justify a formal committee, the Remuneration and Nomination Committee has been stood down and its functions assumed by the full Board.

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)

Mr Bastian 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.

Non-audit services

For a company of the size and complexity of Austock Group Limited, it is often in the interests of the Company 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 25 of the financial report and forms part of the Directors' Report for the year ended 30 June 2009.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100 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 2009.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and other executives for the Company and the Group, and include the five most highly remunerated Company and 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 William Eric Bessemer, Non-Executive Chairman (resigned 30 October 2008 from executive duties)
- Mr Christopher Alan Sadler, Non-Executive Deputy Chairman
- Mr Tim David Boyle, Managing Director and Chief Executive Officer
- Mr Victor David Cottren, Non-Executive Director
- Mr Michael Edward McFarlane, Non-Executive Director (resigned 17 September 2008)

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 (appointed 9 April 2009)
- Mr Ryan James Whitelegg, Chief Operating Officer
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Jeremy David Kirkwood, Managing Director, Austock Corporate Finance
- Mr Alan David Sheen, Managing Director, Austock Asset Management (resigned 1 May 2009)
- Mr Matthew James Walsh, Chief Financial Officer (resigned 20 March 2009)
- Mr Vincent Gerard Harink, Managing Director, Austock Property (resigned position on 28 July 2008)

b) Remuneration policies

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company 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 best practice corporate governance, the structure of non-executive director, executive director and senior manager remuneration is separate and distinct.

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 remuneration 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)

If the Group achieves a pre-determined profit target, a short term incentive (STI) pool is available to executives. 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 at the conclusion of the financial year. The vesting period for any shares granted will be over a 3 year period.

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 Company's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares.

In the 2009 year, a total of 3,123,685 (2008: 630,717) shares and 2,400,000 options (2008: 2,850,000) have been allocated under the LTI program to key management personnel. The 2,400,000 options issued during the year were cancelled on 30 June 2009.

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 (a)			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	-	-
T D Boyle	475,308	59,375	1,704	13,745	-	-	37,440	-	587,572	16.5%	6.4%
V D Cottren	36,624	-	-	100,522	-	-	-	-	137,146	-	-
M E McFarlane	8,576	-	-	45,676	-	-	-	-	54,252	-	-
Sub total	766,133	59,375	1,704	266,519	-	-	45,137	-	1,138,868	9.2%	4.0%
<i>Senior Executive</i>											
C Thompson	65,936	-	-	12,500	-	1,508	-	-	79,944	1.9%	0.0%
M J Walsh	264,346	-	-	38,217	40,338	23,026	(750)	-	365,177	6.1%	(0.2%)
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	21.7%	(0.3%)
A D Sheen	253,226	-	-	12,151	193,033	(55,039)	(375)	-	402,996	0.7%	(0.1%)
R J Higgins	326,667	-	-	13,745	-	1,508	(375)	-	341,545	0.3%	(0.1%)
V G Harink	71,931	-	-	5,439	179,145	-	(10,903)	-	245,612	(4.4%)	(4.4%)
Sub total	1,692,742	147,250	2,364	95,797	412,516	54,336	(15,178)	-	2,389,827	15.2%	(0.6%)
Total	2,458,875	206,625	4,068	362,316	412,516	54,336	29,959	-	3,528,695	13.2%	0.8%

(a) The current year share based payment expense 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 shares, vesting conditions have not been met giving rise to their forfeiture and need for a reversal. In the case of options, management has 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.

	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	Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
2008											
<i>Director</i>											
W E Bessemer	212,333	-	-	21,129	-	-	20,780	-	254,242	1.5%	8.2%
C A Sadler	34,135	-	-	3,071	-	-	-	-	37,206	-	-
T D Boyle	400,000	240,625	-	13,129	-	-	79,383	25,000	758,137	4.8%	10.5%
V D Cottren	4,583	-	-	93,969	-	-	-	-	98,552	-	-
M E McFarlane	92,731	-	-	68,038	-	-	-	-	160,769	-	-
Sub total	743,782	240,625	-	199,336	-	-	100,163	25,000	1,308,906	3.1%	7.7%
<i>Senior Executive</i>											
M J Walsh	250,871	128,125	-	49,129	-	1,000	29,046	12,500	470,671	0.2%	6.2%
R J Whitelegg	286,871	128,125	-	13,129	-	1,000	73,541	3,750	506,416	12.9%	14.5%
J D Kirkwood	300,000	390,625	-	-	-	83,333	32,902	18,500	825,360	0.2%	0.2%
A D Sheen	230,538	196,875	-	10,542	-	209,336	375	-	647,666	0.1%	0.1%
R J Higgins	286,871	46,875	-	13,129	-	1,000	375	6,250	354,500	0.1%	0.1%
V G Harink	286,871	-	-	25,818	-	1,000	6,499	6,250	326,438	1.2%	2.0%
Sub total	1,642,022	890,625	-	111,747	-	296,669	142,738	47,250	3,131,051	4.7%	4.6%
Total	2,385,804	1,131,250	-	311,083	-	296,669	242,901	72,250	4,439,957	4.2%	5.5%

Bonus payments granted as compensation in the current year

In 2008, provision was made for performance incentives comprising a cash and equity component. The cash component was disclosed in the above tables in 2008 with the equity component to be disclosed as a share based payment in future years over the vesting period. In 2009, approval from the board was granted for the total equity component to be paid in cash and was used by the affected executives to purchase Austock shares on the market.

Share based payments granted as compensation in the current year

Austock Group Limited operates an ownership based scheme for executives and senior employees of the Group. Each employee share option converts into one ordinary share of Austock Group Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following grants of share-based payment compensation to directors and senior management were in existence during the 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%
M J Walsh	Series 12	500,000	-	-	500,000	-	-	(0.2%)
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%)
V G Harink	Option series 7a	600,000	-	-	600,000	-	-	(4.4%)
A D Sheen	Option series 12	250,000	-	-	250,000	-	-	(0.1%)
R J Higgins	Option series 12	250,000	-	-	250,000	-	-	(0.1%)

- (a) The current year 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.

Name	Option series	Options held on 1 Jul 2007	During the year				% of compensation comprising options	
			Number granted	Number vested	Number cancelled	% of grant vested		% of grant forfeited
2008								
W E Bessemer	Series 7b	600,000	-	-	-	-	-	8.2%
T D Boyle	Series 8a	600,000	-	-	-	-	-	10.5%
M J Walsh	Series 12	-	500,000	-	-	-	-	6.2%
R J Whitelegg	Series 7b, 8c, 12	1,000,000	850,000	-	1,000,000	-	-	14.5%
J D Kirkwood	Series 8b, 12	250,000	1,000,000	-	250,000	-	-	0.2%
V G Harink	Option series 7a	600,000	-	-	-	-	-	2.0%
A D Sheen	Option series 12	-	250,000	-	-	-	-	0.1%
R J Higgins	Option series 12	-	250,000	-	-	-	-	0.1%

During the year, the following occurred:

- the directors and senior management did not exercise any options that were granted to them as part of their compensation;
- there were no options exercised by directors and senior management for any value; and
- all options held by directors and senior management were cancelled for nil consideration.

As at 30 June 2009, no directors or senior management hold any options.

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 Tim Boyle, chief executive officer, has a contract of employment with the Company dated 24 October 2007 that was last updated on 1 March 2009. 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 William Eric Bessemer
Non-Executive Chairman

Melbourne, 27 August 2009

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 2009 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, appearing to read 'Mitch Craig'.

KPMG

A handwritten signature in black ink, appearing to read 'Mitch Craig'.

Mitch Craig
Partner

Melbourne

27 August 2009

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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 Austock Group Limited (the "Company"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 39 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation 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 of the Group, 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 Company's and the Group's financial position and of their 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, a Swiss cooperative.

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 Austock Group Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group 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 the directors' report for the year ended 30 June 2009. 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 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

Mitch Craig
Partner

Melbourne

27 August 2009

Directors' declaration

In the opinion of the directors of Austock Group Limited (the "Company"), the directors declare that:

- (a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - o giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the financial year ended on that date;
 - o complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - o the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
 - o the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and Corporations Regulations 2001;
- (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; and
- (c) the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr William Eric Bessemer
Non-Executive Chairman

Melbourne, 27 August 2009

Income statements

for the financial year ended 30 June 2009

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Continuing operations:</i>					
Revenue	5	45,384	75,781	9,883	20,440
Personnel expenses	6(a)	(28,312)	(43,276)	(4,686)	(7,533)
Occupancy expenses	6(b)	(1,552)	(1,604)	(279)	(290)
Communication expenses	6(c)	(893)	(1,102)	(523)	(727)
Finance expenses	6(d)	(645)	(945)	(139)	(194)
Dealing and settlement expenses	6(e)	(4,426)	(5,382)	(42)	(90)
Marketing and promotional expenses	6(f)	(1,326)	(2,092)	(261)	(560)
Depreciation and amortisation	6(g)	(1,005)	(1,192)	(879)	(849)
General administrative expenses	6(h)	(4,564)	(4,851)	(1,421)	(1,221)
Loss on sale of investments		-	-	(1,251)	-
Loss on assets at FV through profit or loss	6(i)	(110)	(791)	-	-
Policyholder loss on assets at FV through profit or loss	6(i)	(12,233)	(14,097)	-	-
Member withdrawals attributable to policyholders		(152)	(170)	-	-
Impairment charges	6(j)	(21,141)	(2,471)	(20,454)	(6,010)
Share of profit of equity accounted investee's, net of tax	15(a)	16	15	-	-
Profit/(Loss) before income tax expense		(30,959)	(2,177)	(20,052)	2,966
Income tax (expense)/benefit	7(a)	3,139	1,092	429	(1,685)
Profit/(Loss) after income tax		(27,820)	(1,085)	(19,623)	1,281
<i>Discontinued operations:</i>					
Profit/(Loss) from discontinued operations, net of tax	36	(597)	(6,242)	-	-
Profit/(Loss) for the year		(28,417)	(7,327)	(19,623)	1,281
(Profit)/Loss attributable to policyholders		7,486	7,446	-	-
Net profit/(loss) attributable to members of the company		(20,931)	119	(19,623)	1,281
Earnings per share					
<i>Continuing and discontinued operations:</i>					
Basic (cents per share)	27	(17.60)	0.10		
Diluted (cents per share)	27	(17.60)	0.10		
<i>Continuing operations:</i>					
Basic (cents per share)	27	(17.10)	5.48		
Diluted (cents per share)	27	(17.10)	5.44		

The accompanying notes 1 to 39 form part of these financial statements.

Balance sheets as at 30 June 2009

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets					
Cash and cash equivalents	34(a)	29,705	36,146	3,446	5,011
Trade and other receivables	12	51,238	98,240	575	3,283
Income tax receivable	7(d)	1,051	922	-	-
Other assets	13	2,589	4,534	458	330
Financial assets	14	114,469	108,234	88,240	145,613
Investments - equity accounted	15(a)	-	511	-	-
Property, plant and equipment	16	1,328	1,808	1,328	1,808
Deferred tax assets	7(d)	10,871	8,065	566	339
Intangible assets	17	5,296	15,934	517	788
Total assets		216,547	274,394	95,130	157,172
Liabilities					
Trade and other payables	18	55,101	94,783	2,931	1,620
Tax liabilities	7(e)	-	-	-	949
Borrowings	23	5,167	7,160	267	660
Other liabilities	20	2,359	10,470	415	1,448
Provisions	19	5,152	4,298	2,951	1,025
Deferred tax liabilities	7(e)	112	59	9,738	16,125
Policyholder liability - life investment contracts	21	114,586	101,030	-	-
Policyholder liability - life insurance contracts	21	6,713	6,903	-	-
Total liabilities		189,190	224,703	16,302	21,827
Net assets		27,357	49,691	78,828	135,345
Equity					
Issued capital	24	43,044	43,343	43,044	43,343
Reserves	25	(6,553)	(5,272)	54,368	90,704
Retained earnings	26	(9,981)	11,201	(18,584)	1,298
Policyholder equity - life insurance contracts	21	847	419	-	-
Total equity		27,357	49,691	78,828	135,345

The accompanying notes 1 to 39 form part of these financial statements.

Statements of changes in equity for the financial year ended 30 June 2009

Consolidated	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Policyholder equity \$'000	Minority interest \$'000	Total \$'000
Year end 30 Jun 2009						
Balance at 1 Jul 2008	43,343	(5,272)	11,201	419	-	49,691
Equity settled benefits	565	28	-	-	-	593
Capital raising costs, net of tax	75	-	-	-	-	75
Net profit/(loss) for the year	-	-	(20,931)	428	-	(20,503)
Dividends provided for or paid	-	-	(1,190)	-	-	(1,190)
Transfer to/(from) retained earnings	(939)	-	939	-	-	-
Revaluation increment/(decrement), net of tax	-	245	-	-	-	245
Acquisition of treasury shares	-	(1,554)	-	-	-	(1,554)
Share trust contribution	-	(86)	-	-	-	(86)
Granting of treasury shares	-	86	-	-	-	86
Balance at 30 Jun 2009	43,044	(6,553)	(9,981)	847	-	27,357
Year end 30 Jun 2008						
Balance at 1 Jul 2007	31,142	(4,378)	16,976	757	1,102	45,599
Equity raising	10,891	-	-	-	-	10,891
Equity settled benefits	2,032	-	-	-	-	2,032
Share buy back	(142)	-	-	-	-	(142)
Capital raising costs, net of tax	(580)	-	-	-	-	(580)
Net profit/(loss) for the year	-	-	119	(338)	-	(219)
Dividends provided for or paid	-	-	(5,530)	-	-	(5,530)
Transfer to/(from) reserves	-	364	(364)	-	-	-
Transfer to income statement on impairment	-	311	-	-	-	311
Revaluation increment/(decrement), net of tax	-	(561)	-	-	-	(561)
Acquisition of treasury shares	-	(1,008)	-	-	-	(1,008)
Derecognised during the period	-	-	-	-	(1,102)	(1,102)
Balance at 30 Jun 2008	43,343	(5,272)	11,201	419	-	49,691

The accompanying notes 1 to 39 form part of these financial statements.

Statements of changes in equity (continued)

Company	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Policyholder equity \$'000	Minority interest \$'000	Total \$'000
Year end 30 Jun 2009						
Balance at 1 Jul 2008	43,343	90,704	1,298	-	-	135,345
Equity settled benefits	565	28	-	-	-	593
Capital raising costs, net of tax	75	-	-	-	-	75
Net profit/(loss) for the year	-	-	(19,623)	-	-	(19,623)
Dividends provided for or paid	-	-	(1,198)	-	-	(1,198)
Revaluation increment/(decrement), net of tax	-	(35,542)	-	-	-	(35,542)
Share trust contribution	-	(86)	-	-	-	(86)
Acquisition of treasury shares	-	(736)	-	-	-	(736)
Transfer to/(from) retained earnings	(939)	-	939	-	-	-
Balance at 30 Jun 2009	43,044	54,368	(18,584)	-	-	78,828
Year end 30 Jun 2008						
Balance at 1 Jul 2007	31,142	111,164	5,547	-	-	147,853
Equity raising	10,891	-	-	-	-	10,891
Equity settled benefits	2,032	-	-	-	-	2,032
Share buy back	(142)	-	-	-	-	(142)
Capital raising costs, net of tax	(580)	-	-	-	-	(580)
Net profit for the year	-	-	1,281	-	-	1,281
Dividends provided for or paid	-	-	(5,530)	-	-	(5,530)
Transfer to income statement on impairment	-	551	-	-	-	551
Revaluation increment/(decrement), net of tax	-	(21,011)	-	-	-	(21,011)
Balance at 30 Jun 2008	43,343	90,704	1,298	-	-	135,345

The accompanying notes 1 to 39 form part of these financial statements.

Cash flow statements for the financial year ended 30 June 2009

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers		48,455	73,986	10,425	17,740
Payments to suppliers and employees		(52,287)	(63,394)	(6,543)	(10,008)
Proceeds from sale of trading shares		22,549	988	-	-
Payments for trading shares		(22,806)	(427)	-	-
Finance and borrowing costs		(627)	(313)	(139)	(194)
Income tax paid		(354)	(5,738)	(672)	-
Net cash flows from/(used in) operating activities	34(b)	(5,070)	5,102	3,071	7,538
Cash flows from investing activities					
Interest received		1,674	3,173	114	365
Dividends received		-	302	1,581	237
Payment for property, plant and equipment		(41)	(522)	(39)	(509)
Payment for intangibles		(17)	(1,883)	(5)	(378)
Payment for benefit fund investments		(23,157)	(45,804)	-	-
Payment for investments		-	(1,516)	(1,591)	(2,505)
Payment for development costs		-	(483)	-	-
Payment for treasury shares		(819)	(1,008)	-	-
Proceeds from sale of property, plant and equipment		35	-	35	-
Proceeds from return of capital of investments		-	1,500	-	1,500
Proceeds from sale of investments		298	-	505	-
Amounts advanced to related entities		(1,286)	(5,709)	(14,342)	(22,236)
Repayments from related entities		3,410	270	10,697	10,768
Gain of control of subsidiary		37	-	-	-
Loss of control of subsidiary		(192)	(841)	-	-
Net cash flows from/(used in) investing activities		(20,058)	(52,521)	(3,045)	(12,758)
Cash flows from financing activities					
Proceeds from issue of securities		-	10,891	-	10,891
Payment for share buy back		-	(142)	-	(142)
Payment for capital raising costs		-	(580)	-	(580)
Dividends paid		(1,190)	(5,530)	(1,198)	(5,530)
Repayment of borrowings		(1,995)	(843)	(393)	(98)
Contributions by investors in benefit funds		45,823	55,138	-	-
Withdrawals by investors in benefit funds		(23,951)	(13,732)	-	-
Net cash flows from/(used in) financing activities		18,687	45,202	(1,591)	4,541
Net increase/(decrease) in cash held		(6,441)	(2,217)	(1,565)	(679)
Cash at beginning of the year		36,146	38,363	5,011	5,690
Cash at the end of the year	34(a)	29,705	36,146	3,446	5,011

The accompanying notes 1 to 39 form part of these financial statements.

Notes to the financial statements

Note	Contents
1	Summary of significant accounting policies
2	Use of estimates and judgement
3	Financial risk management
4	Segment information
5	Revenue
6	Expenses and losses/(gains) included in profit/(loss)
7	Income tax
8	Key management personnel
9	Remuneration of auditors
10	Share based payments
11	Option plans
12	Trade and other receivables
13	Other assets
14	Financial assets
15	Investments accounted for using equity method
16	Property, plant and equipment
17	Intangible assets
18	Trade and other payables
19	Provisions
20	Other liabilities
21	Life investment and insurance contracts
22	Life management fund
23	Borrowings
24	Issued capital
25	Reserves
26	Retained earnings
27	Earnings per share
28	Dividends
29	Capital and leasing commitments
30	Contingent liabilities
31	Controlled entities
32	Related party disclosures
33	Subsequent events
34	Notes to the cash flow statement
35	Financial instruments
36	Discontinued operations
37	Additional benefit fund disclosures
38	Life investment contracts financial statements
39	Life insurance contracts financial statements

1. Summary of significant accounting policies

This financial report for the year ended 30 June 2009 was authorised for issue by the directors on 27 August 2009.

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 on 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 2009 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 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 and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

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 in 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 2009, but have not been applied in preparing this financial report.

- *Revised AASB 3 Business Combinations*

The revised AASB 3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

1. Summary of significant accounting policies (continued)

Standards and Interpretations issued but not yet adopted (continued)

- *Revised AASB 101 Presentation of Financial Statements (September 2007)*

The revised AASB 101 introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions or events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s disclosures.

- *AASB 8 Operating Segments*

AASB 8 introduces the “management approach” to segment reporting. AASB 8 will become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s disclosures.

- *Revised AASB 123 Borrowing Costs*

The revised AASB 123 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group’s 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.

- *Revised AASB 127 Consolidated and Separate Financial Statements*

The revised AASB 127 changes the accounting for investment in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s financial report.

- *AASB 2008-1 Amendments to AAS – Share Based Payment: Vesting Conditions and Cancellation*

These amendments change the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group’s financial report.

- *AASB 2008-7 Amendments to AAS – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

These amendments change the recognition and measurement of dividend receipts as income and address the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard 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.

1. Summary of significant accounting policies (continued)

(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 consolidated income statement from the effective date of control or up to the effective date of disposal, as appropriate.

A list of controlled entities appears in note 31 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.

Outside equity interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group’s equity therein. Outside interests consist of the amount of those interests at the date of the original business combination and the outside interest’s share of changes in equity since the date of the combination. Losses applicable to the outside interest in excess of the outside interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the outside 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 purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus costs directly attributable to the business combination. In the separate financial statements of the Company, 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the costs of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured by the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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. Summary income statements and balance sheets for each benefit fund are presented in note 38 for Investment funds and note 39 for Insurance funds. 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 of non-financial assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its 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 for which a reasonable and consistent allocation basis can be identified. 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.

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 or other revalued amount 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.

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%

1. Summary of significant accounting policies (continued)

(e) Property plant and equipment (continued)

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Financial assets

Investments are recognised when the Group becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, investments in subsidiaries are measured at fair value and changes therein, other than impairment losses and foreign exchange gains or losses are recognised directly in a separate component of equity. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and at fair value in the company financial statements.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those classified as available for sale.

Classification of financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss; held to maturity investments; available for sale financial assets; and loans and receivables.

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 and 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 interests earned on the financial assets. Fair value is determined in the manner described in note 35.

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 and 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 at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

1. Summary of significant accounting policies (continued)

(f) Financial assets (continued)

(iii) Available-for-sale financial assets

Certain investments held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 35. Gains or losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. 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.

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 equity.

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

(iv) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet 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. Impairment losses in respect of an available-for-sale asset are calculated by reference to its fair value.

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.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

1. Summary of significant accounting policies (continued)

(f) Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a liability for the proceeds received.

(g) Goodwill

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

(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. These management rights have been assessed to have an indefinite life 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 years has been used in the calculation of amortisation for software for both the current and comparative periods.

1. Summary of significant accounting policies (continued)

(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 in the consolidated balance sheet 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 loan 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 payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Interest Bearing Liabilities

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

(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.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity 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 income statement 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.

1. Summary of significant accounting policies (continued)

(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 liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. 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.

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 income statement, 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 entitlements

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 as 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.

1. Summary of significant accounting policies (continued)

(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 balance sheet 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 corresponding adjustment to the equity-settled employee benefits reserve.

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 cash flow statement 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.

1. Summary of significant accounting policies (continued)

(s) Foreign currency (continued)

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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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 balance sheet 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 and 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.

(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) Financial instruments issued by the company

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.

1. Summary of significant accounting policies (continued)

(v) Financial instruments issued by the company (continued)

Financial liabilities

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

o *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 35.

o *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.

(w) 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 income statement is restated as if the operation had been discontinued from the start of the comparative period.

(x) 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 statutory funds include:

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

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*

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 that the value of the policy liabilities and solvency has been determined using methods and assumptions consistent with actuarial standards.

The key assumptions for the policy liability calculation have been 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.

1. Summary of significant accounting policies (continued)

(x) Classification of benefit funds (continued)

(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 policy liability is the accumulation of amounts invested by policy holders 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.

The 25 unit linked funds are also classified as investment products:

For these investment linked products, the policy 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 annuity in possession has become payable from either of the deferred annuity funds.

No investment linked policy is subject to any investment guarantee. Surrender value of investment account policies is \$15.519 million (2008: \$17.061 million).

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 their judgment 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 at the Group level is \$2.880 million (2008: \$2.592 million) and at the Company level is \$78.731 million (2008: \$121.656 million).

• **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 management rights 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 at the Group level is \$5.296 million (2008: \$15.934 million) and at the Company level is \$0.517 million (2008: \$0.788 million).

2. Use of estimates and judgement (continued)

- **Employee entitlements**

The liability for employee entitlements (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 a 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 their judgment 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.

- **Policy holder liability calculation for life insurance contracts**

As disclosed in note 1(x), the key assumptions for the policy liability calculation have been 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	
	2009	2008	2009	2008
Discount rate	5.52%	6.56%	5.52%	6.56%
Mortality	Australian Life Tables 2000-2002 less 45%	Australian Life Tables 2000-2002 less 20%	Australian Life Tables 2000-2002 less 45%	Australian Life Tables 2000-2002 less 20%
Future maintenance and investment management expense	2.21%	2.31%	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 2.07% p.a. compound	Terminal bonus at \$140 per member Bonus on sum assured at 5.00% p.a. compound	Terminal bonus at \$147 per member Bonus on sum assured at 0.39% p.a. compound	Terminal bonus at \$140 per member Bonus on sum assured at 0.00% 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 reasonable expectations.

3. Financial risk management

The Company and Group have exposure to the following risks from their use of financial instruments:

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

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

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 Company'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 balance sheet exceed their carrying amount, net of any provisions for doubtful debts. In relation to clients' debtors, the Group's credit risk concentration is minimised as transactions are settled on a delivery versus payment basis with a settlement regime of trade plus three days.

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 (2008: \$10 million) overdraft facility that is secured to be used for working capital requirements. Use of the facility requires interest to be paid monthly in arrears and repayment in full to occur prior to the expiry date of the facility on 31 August 2010. The rate of interest is calculated based on a customer margin over the bank's base indicator rate.
- Bank guarantee facility totaling \$810,000 (2008: \$810,000) in respect of the lease of the Company's business premises; and
- Direct debit facility of \$50,000 (2008: \$50,000) to be used for client's accounts as part of the Austock Life business.

3. Financial risk management (continued)

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 maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's capital structure consists of debt, which comprises borrowing as disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25 and 26 respectively.

4. Segment information

The Group operates in a number of operating segments that form the basis of decision making within the group for the allocation of resources and assessing performance. These operating segments have been determined by the complimentary nature of the products and services within each segment. 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 has allowed this operating segment to grow with their client base by providing a specifically tailored service approach to solving clients 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 was previously disclosed within the Investment Management segment. Management has decided to separately disclose this segment to provide more transparency to users as the results of this segment are attributable to policyholders, not shareholders. 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. Comparative information has been restated to reflect the current segments.

4. Segment information (continued)

(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 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	28,891	10,860	5,398	6,458	(5,342)	46,265	881	45,384
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)	70,275	51,307	122,343	101,182	(128,560)	216,547	-	216,547
Segment total liabilities	(59,101)	(32,809)	(121,496)	(15,255)	39,471	(189,190)	(29)	(189,161)
Segment net assets	11,174	18,498	847	85,927	(89,089)	27,357	(29)	27,386
Other segment information								
Investment in associates	-	-	-	-	-	-	-	-
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
For year ended 30 June 2008								
	Corporate & Securities \$'000	Investment Management \$'000	Benefit Funds \$'000	Unallocated services \$'000	Eliminations \$'000	Consolidated total \$'000	Discontinued operations \$'000	Continued operations \$'000
Revenue								
External revenue	59,889	10,912	5,163	1,218	-	77,182	1,401	75,781
Inter-segment revenue	-	-	-	10,205	(10,205)	-	-	-
Segment revenue	59,889	10,912	5,163	11,423	(10,205)	77,182	1,401	75,781
Result								
Segment result	11,712	(6,871)	(10,804)	(3,047)	-	(9,010)	(6,833)	(2,177)
Income tax benefit						1,683	591	1,092
Loss attributable to policyholders						7,446	-	7,446
Consolidated net profit/(loss) after tax						119	(6,242)	6,361
Assets and liabilities								
Segment total assets (a)	127,230	54,473	108,460	170,773	(186,542)	274,394	-	274,394
Segment total liabilities	(110,024)	(35,770)	(108,041)	(35,331)	64,463	(224,703)	(895)	(223,808)
Segment net assets	17,206	18,703	419	135,442	(122,079)	49,691	(895)	50,586
Other segment information								
Investment in associates	-	-	-	511	-	511	-	511
Share of profit from associates	-	-	-	15	-	15	-	15
Depreciation and amortisation	108	265	-	849	-	1,222	30	1,192
Realised losses & revaluations	791	-	14,097	-	-	14,888	-	14,888
Impairment losses	-	3,683	-	1,575	-	5,258	2,787	2,471
Equity settled benefits	1,527	278	-	227	-	2,032	225	1,807

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

5. Revenue

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue				
Operating activities				
<i>Rendering of services</i>				
Corporate activities	10,560	23,138	-	-
Brokerage and commission	17,462	34,695	-	-
Property management	7,662	6,617	-	-
Fund management	1,131	1,758	-	-
Life office	1,876	1,972	-	-
Revaluation increase of investments	61	-	-	-
Revaluation increase of investments - policyholders	151	-	-	-
Management fees	51	94	7,716	19,737
	38,954	68,274	7,716	19,737
<i>Interest revenue</i>				
Interest income	1,674	3,173	114	365
<i>Benefit Funds revenue</i>				
Distribution income & contribution – policyholders	4,583	4,031	-	-
<i>Other revenue</i>				
Other income	508	1,639	21	101
	45,719	77,117	7,851	20,203
<i>Attributable to:</i>				
Continuing operations	44,838	75,745	7,851	20,203
Discontinued operations	881	1,372	-	-
	45,719	77,117	7,851	20,203
Non operating activities				
<i>Dividend revenue</i>				
Dividend income	-	65	1,581	237
Realised gains investments - policyholders	78	-	-	-
Sale of investments	468	-	451	-
	546	65	2,032	237
<i>Attributable to:</i>				
Continuing operations	546	36	2,032	237
Discontinued operations	-	29	-	-
	546	65	2,032	237
Total revenue	46,265	77,182	9,883	20,440
<i>Attributable to:</i>				
Continuing operations	45,384	75,781	9,883	20,440
Discontinued operations	881	1,401	-	-
	46,265	77,182	9,883	20,440

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Personnel expenses				
Staffing costs	27,865	42,215	3,822	5,138
Defined contribution superannuation expense	1,516	1,694	271	363
Equity settled share based payments	593	2,032	593	2,032
	<u>29,974</u>	<u>45,941</u>	<u>4,686</u>	<u>7,533</u>
<i>Attributable to:</i>				
Continuing operations	28,312	43,276	4,686	7,533
Discontinued operations	1,662	2,665	-	-
	<u>29,974</u>	<u>45,941</u>	<u>4,686</u>	<u>7,533</u>
(b) Occupancy expenses				
Occupancy costs	<u>1,556</u>	<u>1,777</u>	<u>279</u>	<u>290</u>
<i>Attributable to:</i>				
Continuing operations	1,552	1,604	279	290
Discontinued operations	4	173	-	-
	<u>1,556</u>	<u>1,777</u>	<u>279</u>	<u>290</u>
(c) Communication expenses				
Communication costs	<u>896</u>	<u>1,152</u>	<u>523</u>	<u>727</u>
<i>Attributable to:</i>				
Continuing operations	893	1,102	523	727
Discontinued operations	3	50	-	-
	<u>896</u>	<u>1,152</u>	<u>523</u>	<u>727</u>
(d) Finance costs				
Interest paid	454	673	37	50
Bank and other financing costs	192	279	102	144
	<u>646</u>	<u>952</u>	<u>139</u>	<u>194</u>
<i>Attributable to:</i>				
Continuing operations	645	945	139	194
Discontinued operations	1	7	-	-
	<u>646</u>	<u>952</u>	<u>139</u>	<u>194</u>
(e) Dealing and settlement expenses				
Dealing and settlement costs	<u>4,513</u>	<u>5,485</u>	<u>42</u>	<u>90</u>
<i>Attributable to:</i>				
Continuing operations	4,426	5,382	42	90
Discontinued operations	87	103	-	-
	<u>4,513</u>	<u>5,485</u>	<u>42</u>	<u>90</u>

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(f) Marketing and promotional expenses				
Marketing and promotional costs	1,389	2,398	261	560
<i>Attributable to:</i>				
Continuing operations	1,326	2,092	261	560
Discontinued operations	63	306	-	-
	<u>1,389</u>	<u>2,398</u>	<u>261</u>	<u>560</u>
(g) Depreciation and amortisation				
<i>Depreciation of non current assets</i>				
Computer equipment	256	318	256	318
Furniture and fittings	159	249	159	220
Office equipment	35	70	35	25
Leasehold improvements	168	9	168	9
	<u>618</u>	<u>646</u>	<u>618</u>	<u>572</u>
<i>Amortisation of non current assets</i>				
Software intangibles	270	385	261	277
Management rights	117	191	-	-
	<u>387</u>	<u>576</u>	<u>261</u>	<u>277</u>
	<u>1,005</u>	<u>1,222</u>	<u>879</u>	<u>849</u>
<i>Attributable to:</i>				
Continuing operations	1,005	1,192	879	849
Discontinued operations	-	30	-	-
	<u>1,005</u>	<u>1,222</u>	<u>879</u>	<u>849</u>
(h) General administrative expenses				
General administrative costs	4,333	6,964	1,421	1,221
<i>Attributable to:</i>				
Continuing operations	4,564	4,851	1,421	1,221
Discontinued operations	(231)	2,113	-	-
	<u>4,333</u>	<u>6,964</u>	<u>1,421</u>	<u>1,221</u>

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(i) Loss on assets at FV through profit or loss				
<i>Attributable to policyholders:</i>				
Change in fair value of benefit fund financial assets	10,721	13,777	-	-
Realised losses	1,512	73	-	-
Revaluation decrease of investments - policyholders	-	247	-	-
	<u>12,233</u>	<u>14,097</u>	<u>-</u>	<u>-</u>
<i>Attributable to members:</i>				
Change in fair value of financial assets	-	134	-	-
Realised losses	110	657	-	-
	<u>110</u>	<u>791</u>	<u>-</u>	<u>-</u>
<i>Attributable to:</i>				
Continuing operations	12,343	14,888	-	-
Discontinued operations	-	-	-	-
	<u>12,343</u>	<u>14,888</u>	<u>-</u>	<u>-</u>
(j) Impairment charges				
Trade and other receivables	4,796	-	-	-
Available for sale financial assets	104	1,154	-	-
Investment in associates	477	1,405	475	1,625
Loan to controlled entities	-	-	15,657	4,215
Loan to associates	2,300	170	2,300	170
Loan to other related parties	1,159	-	219	-
Provision for closure costs	570	-	-	-
Provision for guarantee obligation	1,803	-	1,803	-
Intangible assets	10,256	-	-	-
Business asset write down	-	2,529	-	-
	<u>21,465</u>	<u>5,258</u>	<u>20,454</u>	<u>6,010</u>
<i>Attributable to:</i>				
Continuing operations	21,141	2,471	20,454	6,010
Discontinued operations	324	2,787	-	-
	<u>21,465</u>	<u>5,258</u>	<u>20,454</u>	<u>6,010</u>

Impairment

During the year, the Group and Company conducted a review of the carrying amounts of their assets to determine whether there was any indication that the assets have suffered an impairment loss. A detailed impairment assessment was performed at 31 December 2008 in light of the significant adverse market conditions in the second half of calendar year 2008. A further review was performed at 30 June 2009 to consider whether the findings at the half year remain valid and to consider any new impairment of assets.

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 entity 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)

Consolidated

The following impairments have been made at a Group level.

(i) Trade and other receivables

In 2009, the Group reviewed the recoverable amount of its debtors and concluded an impairment loss of \$4,796 thousand (2008: nil) 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. The total impairment of \$4,796 thousand has been written off with the exception of a provision for impairment of \$468 thousand recognised as a reduction from trade receivables in note 12.

(ii) Available for sale financial assets

In 2009, the Group reviewed all investments in available for sale financial assets and concluded their recoverable amount is nil, resulting in an impairment loss of \$104 thousand. The recoverable amount has been 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 that is currently in liquidation.

In 2008, the Group reviewed all investments in available for sale financial assets and concluded their recoverable amount was \$104 thousand, resulting in an impairment loss of \$1,154 thousand. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of the last bid price in an active market at year end.

(iii) Investment in associates

In 2009, the Group reviewed all investments in associated companies and concluded their recoverable amount is nil, resulting in an impairment loss of \$477 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 \$477 thousand is recognised as a reduction from investments accounted for using the equity method in note 15.

In 2008, the Group reviewed all investments in associated companies and concluded their recoverable amount was nil, resulting in an impairment loss of \$1,405 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.

(iv) Loan to associates

In 2009, the Group reviewed all loans made to associated companies and concluded their recoverable amount is nil, resulting in an impairment loss of \$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 \$2,300 thousand is recognised as a reduction from the loans to associated entities balance in note 14.

In 2008, the Group reviewed all loans made to associate companies and concluded an impairment loss of \$170 thousand be recorded. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing any value of the underlying assets of the associate company.

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

(v) Loan to other related entities

In 2009, the Group reviewed all loans made to other related entities and concluded their recoverable amount is nil, resulting in an impairment loss of \$1,159 thousand (2008: \$nil). 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 total impairment of \$1,159 thousand has been written off with the exception of a provision for impairment of \$640 thousand recognised as a reduction from the loans to other related entities balance in note 14.

(vi) Provision for closure costs

In 2009, the Group acted as responsible entity to the API Fund and is 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 (2008: \$nil), 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.

(vii) Provision for guarantee obligations

In 2009, 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. At year end, the Group reviewed the guarantee and concluded an impairment loss of \$1,803 thousand (2008: \$nil) be recorded. This assessment has been made based on the likelihood of payment default and the underlying asset values of the associate company. It is currently probable that this guarantee will be called upon and a provision is recognised separately in note 19.

(viii) Intangible assets

In 2009, the Group reviewed the recoverable amount of its property funds management rights to equal \$1,761 thousand as at year end, resulting in an impairment loss of \$10,256 thousand (2008: \$nil). 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.

(ix) Business asset write down

In 2008, the Group decided to discontinue all business operations in the USA and concluded the recoverable amount of all business assets was nil, resulting in an impairment loss of \$2,529 thousand. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing the economic outlook of the USA property market and the changing nature of the Group's authorised mandate. Further details are included in note 36.

Company

The following impairments have been made at a Company level.

(i) Investment in associates

In 2009, the Company reviewed all investments in associated companies and concluded their recoverable amount is nil, resulting in an impairment loss of \$475 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 \$475 thousand is recognised as a reduction from investments in unlisted associated companies in note 14.

In 2008, the Company reviewed all investments in associated companies and concluded their recoverable amount was nil, resulting in an impairment loss of \$1,625 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. The total impairment charge of \$1,625 thousand comprises a financial asset of \$977 thousand and \$648 thousand reversal of a negative asset revaluation reserve.

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

(ii) Loan to controlled entities

In 2009, the Company reviewed all loans made to controlled entities and concluded it necessary to record an impairment loss of \$15,657 thousand. The recoverable amount has been determined using the asset's fair value less costs to sell, on the basis of assessing the underlying value in the net asset position of the controlled entity. The total impairment of \$15,657 thousand was written off with the exception of a provision for impairment of \$14,457 thousand recognised as a reduction from loan to controlled entities in note 14.

In 2008, the Company reviewed all loans made to controlled entities and concluded it necessary to record an impairment loss of \$4,215 thousand. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing the underlying value in the net asset position of the controlled entities.

(iii) Loan to associates

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

In 2008, the Company reviewed all loans made to associate companies and concluded an impairment loss of \$170 thousand be recorded. The recoverable amount was determined using the asset's fair value less costs to sell, on the basis of assessing any value of the underlying assets of the associate company.

(iv) Loan to other related entities

In 2009, the Group reviewed all loans made to other related entities and concluded their recoverable amount is nil, resulting in an impairment loss of \$219 thousand (2008: \$nil). 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.

(v) Provision for guarantee obligation

In 2009, the Company agreed to act as guarantor to an associate company to honour a liability of the associate in the event of a payment default. At year end, the Company reviewed the guarantee and concluded that an impairment loss of \$1,803 thousand (2008: \$nil) be recorded. This assessment has been made based on the likelihood of payment default and the underlying asset values of the associate company. It is currently probable that this guarantee will be called upon and a provision is recognised separately in note 19.

7. Income tax

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Income tax recognised in profit or loss				
Income tax expense/(benefit) comprises:				
<i>Current tax</i>				
Current income tax expense	111	2,807	-	951
Adjustments in relation to current tax of prior years	120	1,336	(277)	-
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(3,642)	(5,826)	(152)	734
Total tax expense/(benefit) in the income statement	(3,411)	(1,683)	(429)	1,685
Attributable to:				
Continuing operations	(3,139)	(1,092)	(429)	1,685
Discontinued operations	(272)	(591)	-	-
	(3,411)	(1,683)	(429)	1,685
(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	(30,959)	(2,177)	(20,052)	2,966
Profit/(loss) from discontinued operations	(869)	(6,833)	-	-
Profit/(loss) from operations	(31,828)	(9,010)	(20,052)	2,966
Income tax expense/(benefit) calculated at 30% (2008: 30%)	(9,548)	(2,703)	(6,016)	890
Non deductible expenses	5,676	4,108	6,448	2,520
Non assessable income	(752)	(2,086)	(135)	-
Assessable income	630	135	230	20
Deductible items	(199)	(53)	(116)	(3)
Utilisation of franking credits	(1,604)	-	(673)	-
Tax losses not recognised as deferred tax assets	2,104	260	-	-
Effect of reduced tax rates	368	(1,385)	387	(1,654)
Under/over provision for income tax of prior years	(86)	41	(554)	(88)
Income tax expense/(benefit)	(3,411)	(1,683)	(429)	1,685

7. Income tax (continued)

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Income tax recognised directly in equity				
Financial assets	-	66	6,387	3,529
Capital raising costs	75	20	75	20
Total tax expense/(benefit) recognised in equity	75	86	6,462	3,549

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

(d) Tax assets

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current tax assets comprise:				
Income tax receivable	1,051	922	-	-
Deferred tax assets comprise:				
Fair value adjustment	5,191	4,252	-	-
Provisions	943	1,016	173	137
Accrued expenses	116	1,547	33	202
Tax losses	4,286	1,206	304	-
Intangibles	245	-	-	-
Other	90	44	56	-
	10,871	8,065	566	339

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

	Consolidated					Company				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Other \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Other \$'000	Closing balance \$'000
2009										
Fair value adjustment	4,252	939	-	-	5,191	-	-	-	-	-
Provisions	1,016	(71)	-	(2)	943	137	36	-	-	173
Accrued expenses	1,547	(1,426)	-	(5)	116	202	(169)	-	-	33
Tax losses	1,206	3,995	-	(915)	4,286	-	304	-	-	304
Intangibles	-	245	-	-	245	-	-	-	-	-
Other	44	(29)	75	-	90	-	(19)	75	-	56
	8,065	3,653	75	(922)	10,871	339	152	75	-	566
2008										
Fair value adjustment	269	3,983	-	-	4,252	-	-	-	-	-
Provisions	559	465	-	(8)	1,016	98	(12)	-	51	137
Accrued expenses	99	1,458	-	(10)	1,547	102	151	-	(51)	202
Tax losses	1,664	62	-	(520)	1,206	850	(850)	-	-	-
Other	-	44	-	-	44	-	-	-	-	-
	2,591	6,012	-	(538)	8,065	1,050	(711)	-	-	339

7. Income tax (continued)

(e) Tax liabilities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current tax liabilities comprise:				
Income tax liabilities	-	-	-	949
Deferred tax liabilities comprise:				
Fair value gain	108	55	9,734	16,121
Accrued interest income	4	4	4	4
	112	59	9,738	16,125

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

	Consolidated				Company			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2009								
Fair value gain	55	11	42	108	16,121	-	(6,387)	9,734
Accrued interest income	4	-	-	4	4	-	-	4
	59	11	42	112	16,125	-	(6,387)	9,738
2008								
Fair value gain	479	(435)	11	55	19,572	-	(3,451)	16,121
Accrued interest income	-	4	-	4	-	4	-	4
	479	(431)	11	59	19,572	4	(3,451)	16,125

8. Key management personnel

The directors and other members of key management personnel of the Group during the 2009 year were as follows.

Directors

- Mr William Eric Bessemer, Non-Executive Chairman (resigned 30 October 2008 from executive duties)
- Mr Christopher Alan Sadler, Non-Executive Deputy Chairman
- Mr Tim David Boyle, Managing Director and Chief Executive Officer
- Mr Victor David Cottren, Non-Executive Director
- Mr Michael Edward McFarlane, Non-Executive Director (resigned 17 September 2008)

Key Management Personnel

- Mr Craig Thompson, Chief Financial Officer (appointed 9 April 2009)
- Mr Ryan James Whitelegg, Chief Operating Officer
- Mr Ross James Higgins, Managing Director, Austock Life
- Mr Jeremy David Kirkwood, Managing Director, Austock Corporate Finance
- Mr Alan David Sheen, Managing Director, Austock Asset Management (resigned 1 May 2009)
- Mr Matthew James Walsh, Chief Financial Officer (resigned 20 March 2009)
- Mr Vincent Gerard Harink, Managing Director, Austock Property (resigned 28 July 2008)

8. Key management personnel (continued)

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short term employee benefits	2,669,568	3,509,227	1,584,234	1,685,026
Post employment benefits	362,316	285,686	246,359	179,128
Termination benefits	412,516	-	40,338	-
Equity settled benefits	84,295	611,820	73,069	175,334
	3,528,695	4,406,733	1,944,000	2,039,488

Group totals in respect of the year ended 30 June 2008 do not necessarily equal the sums of amounts disclosed in this year's Remuneration Report on page 22, as there were different individuals that comprised key management personnel.

The compensation of each member of the Group's 2009 key management personnel for the current and prior year is as set out in the Remuneration Report on page 22 as part of the Director's Report.

9. Remuneration of auditors

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Auditor of the parent company				
Remuneration of the auditor for:				
<i>Audit services</i>				
Auditing financial report of the Company or Group entities	213,450	190,750	91,870	95,750
<i>Other services</i>				
Taxation services	87,492	13,750	87,492	13,750
Investigating accountant's report	-	260,206	-	260,206
	300,942	464,706	179,362	369,706

The auditor of the parent company, Austock Group Limited, is KPMG (2008: 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 in the form of options over ordinary shares and fully paid ordinary shares.

Options over ordinary shares

The following share based payments were made during the year, in the form of options over ordinary shares:

- On 5 August 2008, a total of 2,400,000 options were granted to a key senior executive in accordance with the Group's Executive Long Term Incentive Plan. The options were issued for no consideration and have an exercise price of \$0.7131 per option. The options vest on a date shortly after the release of the Group's results for the financial year ended 30 June 2010, subject to the satisfaction of service and performance conditions (including share price hurdles). The options will expire at the conclusion of 4 weeks commencing 3 business days after the announcement of the Group's financial results for the financial year ended 30 June 2012. The options hold no voting or dividend rights. The options can only be exercised while the holder remains employed by the Group.
- On 10 September 2008, a total of 4,660,000 options were granted to key employees in accordance with the Group's Executive Long Term Incentive Plan. The options were issued for no consideration and have an exercise price of \$0.7131 per option. The options vest on a date shortly after the release of the Group's results for the financial year ended 30 June 2010, subject to the satisfaction of service and performance conditions. The options will expire at the conclusion of 4 weeks commencing 3 business days after the announcement of the Group's financial results for the financial year ended 30 June 2012. The options hold no voting or dividend rights. The options can only be exercised while the holders remain employed by the Group.
- On 19 November 2008, a total of 50,000 options were granted to an employee under the Group's Executive Long Term Incentive Plan on the same terms and conditions as those options granted previously on 10 September 2008.
- On 19 November 2008, a total of 600,000 options with an exercise price of \$0.55 per option were granted to key employees under the Group's Executive Long Term Incentive Plan for no consideration. All other terms and conditions are the same as those options granted previously on 10 September 2008.

	Consolidated 2009		Consolidated 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	8,797,440	\$0.8730	3,960,440	\$1.2200
Granted during the financial year	7,710,000	\$0.6976	6,650,000	\$0.7818
Cancelled during the financial year (i)	(15,482,440)	\$0.7870	(1,813,000)	\$1.2962
Balance at the end of the financial year	1,025,000	\$0.8744	8,797,440	\$0.8730
Exercisable at the end of the financial year	-	-	-	-

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

Included under personnel expenses in the income statement is \$26,208 (2008: \$625,200) relating to equity settled share based payment transactions in the form of options over ordinary shares. There were nil options (2008: nil) exercised during the year ended 30 June 2009 that had a weighted average exercise price of \$nil (2008: \$nil).

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.8744 (2008: \$0.8730) and a weighted average remaining contractual life of 2.71 years (2008: 3.45 years). Exercise prices range from \$0.7131 to \$1.2500 in respect of options outstanding at 30 June 2009 (2008: \$0.6768 to \$1.4000). The weighted average fair value of the options granted during the year was \$0.0100 (2008: \$0.0711).

10. Share based payments (continued)

The price of options issued during the year was calculated by using the binominal valuation option pricing model applying the following inputs:

Exercise price range	:	\$0.5500 to \$0.7131
Life of options range	:	3.5 to 4 years
Underlying share price	:	\$0.18 to \$0.59
Expected share price volatility	:	20%
Risk free interest rate	:	10 year T-bond rate at the time of issue

Historical volatility has been the basis for determining expected share price volatility as it assumes that this is indicative of future tender, which may not eventuate. When applicable, market conditions have been built into the option pricing model to reflect the likelihood of those conditions being met. Expected dividends have been incorporated into the valuation model by reference to the payout ratio.

Fully paid ordinary shares

The following share based payments were made during the year, in the form of ordinary shares:

- On 23 September 2008, a total number of 1,111,184 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 23 September 2011. The fair value of the shares has been determined based on the ASX closing market price on grant date, being \$0.40 per ordinary share. The shares have service conditions attached.
- On 30 June 2009, a total number of 12,475,666 fully paid ordinary shares were allocated from the employee share trust to key employees for nil consideration. The ordinary shares have a 36 month vesting period commencing from 1 July 2009. The fair value of the shares has been determined based on the 5 day VWAP, being \$0.28 per ordinary share. The shares have service conditions attached.

Included under personnel expenses in the income statement is \$567,614 (2008: \$1,144,403) relating to equity settled share based payment transactions in the form of ordinary shares.

Share Rights

During a prior year, a total number of 10,500,000 share rights were granted to key employees at an issue price of nil per share right. The share rights lapsed on 31 December 2008.

Included under personnel expenses in the income statement is \$nil (2008: \$262,000) relating to equity settled share based payment transactions in the form of share rights.

11. Option plans

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

	<u>2009 Number</u>	<u>2008 Number</u>
Balance at beginning of the financial year (i)	8,797,440	3,960,440
Equity settled based payments during the financial year (ii)	7,710,000	6,650,000
Cancelled during the year (iii)	(15,482,440)	(1,813,000)
Balance at the end of the financial year (iv)	<u>1,025,000</u>	<u>8,797,440</u>

11. Option plans (continued)

(i) Balance at beginning of the financial year

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			
Option series 1	267,000	7 Jul 2005	30 Jun 2010	\$1.0000
Option series 2	147,600	7 Jul 2005	30 Jun 2010	\$0.6768
Option series 4	285,000	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	1,200,000	31 Jan 2007	31 Dec 2010	\$1.2083
Option series 8a	600,000	29 May 2007	31 Dec 2010	\$1.4000
Option series 8b	250,000	12 Jun 2007	31 Dec 2010	\$1.4000
Option series 8c	400,000	29 Jun 2007	31 Dec 2010	\$1.4000
2008 total	3,960,440			

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

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				
Option series 9	250,000	21 Sep 2007	31 Dec 2010	\$1.2083	-
Option series 10	250,000	21 Sep 2007	31 Dec 2010	\$1.4000	-
Option series 11	300,000	29 Oct 2007	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	-
2008 total	6,650,000				

11. Option plans (continued)

(iii) Cancelled during the financial year

Option series	2009 Number	2008 Number
Option series 1	219,000	33,000
Option series 2	147,600	-
Option series 4	255,000	30,000
Option series 5	166,440	-
Option series 6	44,400	-
Option series 7a	600,000	-
Option series 7b	600,000	600,000
Option series 8a	600,000	-
Option series 8b	-	250,000
Option series 8c	-	400,000
Option series 9	-	250,000
Option series 10	-	250,000
Option series 12	4,850,000	-
Option series 13	500,000	-
Option series 14	2,400,000	-
Option series 15	4,450,000	-
Option series 16	600,000	-
Option series 17	50,000	-
Total	15,482,440	1,813,000

(iv) Balance at the end of the financial year

Option series	Total number	Vested number	Unvested number	Grant date	Expiry date	Exercise price
Option series 1 (i)	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 (ii)	500,000	-	500,000	17 May 2008	after 30 Jun 2012	\$0.7131
Option series 15 (ii)	210,000	-	210,000	10 Sep 2008	after 30 Jun 2012	\$0.7131
2009 total	1,025,000	315,000	710,000			

(i) The remaining 15,000 options in options series 1 were cancelled on 6 July 2009.

(ii) Option series 12 and 15 have an expiry date at the conclusion of 4 weeks commencing 3 business days after the announcement of the Group's financial results for the year ended 30 June 2012. The options have a vesting date shortly after the release of the Group's financial results for the financial year ended 30 June 2010, subject to the satisfaction of service and performance conditions. 10,000 of these options were cancelled on 29 July 2009 and a further 500,000 on 10 August 2009.

Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the particular allocation.

Consideration received on the exercise of options is recognised in issued capital. During the financial period, an amount of \$nil (2008: \$nil) was recognised in issued capital arising from the exercise of options.

12. Trade and other receivables

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables		51,492	96,707	-	-
Less provision for impairment	6(j)	(468)	-	-	-
Net trade receivables		51,024	96,707	-	-
Other receivables		50	88	16	23
Amounts receivable from controlled entities		-	-	526	3,256
Amounts receivable from other related parties		164	1,712	33	4
Impairment charge on other related parties receivable	6(j)	-	(267)	-	-
		51,238	98,240	575	3,283

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 35.

13. Other assets

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued income		830	2,142	23	23
Distributions receivable		1,346	2,062	-	-
Prepaid expenses		413	364	333	196
Impairment loss on prepayments	6(j)	-	(34)	-	-
GST receivable		-	-	102	111
		2,589	4,534	458	330

14. Financial assets

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
(a) Financial assets at fair value through profit or loss					
Shares in listed corporations		313	262	-	-
		<u>313</u>	<u>262</u>	<u>-</u>	<u>-</u>
<i>Benefit Funds</i>					
Bills, deposits and bonds		19,013	22,497	-	-
Investments		91,649	77,149	-	-
Mortgages		612	625	-	-
		<u>111,274</u>	<u>100,271</u>	<u>-</u>	<u>-</u>
(b) Available for sale financial assets					
Shares in listed corporations	6(j)	-	104	-	-
Investment in unlisted controlled entities		-	-	75,851	118,579
Investment in unlisted associated entities		-	-	475	1,462
Impairment of investment in associated entities	6(j)	-	-	(475)	(977)
Investment in other related entities		2,880	2,592	2,880	2,592
		<u>2,880</u>	<u>2,696</u>	<u>78,731</u>	<u>121,656</u>
(c) Loans and receivables					
Loans to controlled entities		-	-	23,964	26,070
Impairment loss on loans to controlled entities	6(j)	-	-	(14,457)	(4,215)
Loans to associates		2,302	2,272	2,302	2,272
Impairment loss on loans to associates	6(j)	(2,300)	(170)	(2,300)	(170)
Loans to other related entities		640	2,903	-	-
Impairment loss on loans to other related entities	6(j)	(640)	-	-	-
		<u>2</u>	<u>5,005</u>	<u>9,509</u>	<u>23,957</u>
Total financial assets at fair value through profit or loss		111,587	100,533	-	-
Total available for sale financial assets		2,880	2,696	78,731	121,656
Total loans financial assets		2	5,005	9,509	23,957
Total financial assets		<u>114,469</u>	<u>108,234</u>	<u>88,240</u>	<u>145,613</u>
Current		108,725	102,902	9,509	23,627
Non current		5,744	5,332	78,731	121,986
		<u>114,469</u>	<u>108,234</u>	<u>88,240</u>	<u>145,613</u>

15. Investments accounted for using equity method

Name of entity	Principal activity	Country of incorporation	Ownership interest		Investment book value	
			2009 %	2008 %	2009 \$'000	2008 \$'000
AG Fund Pty Ltd	Investment services	Australia	50%	50%	-	-
Australia Pacific Exchange Limited (i)	Stock Exchange	Australia	-	49%	-	-
Austock Private Equity Pty Ltd (ii)	Investment services	Australia	-	50%	-	34
Pemeca Pty Ltd	Investment services	Australia	25%	25%	-	477
Pemeca No. 2 Pty Ltd (iii)	Holding company	Australia	20%	20%	-	-
State Equity Group Pty Ltd	Trustee company	Australia	33%	-	-	-

- (i) On 3 October 2008 the Group's interest in Australia Pacific Exchange Limited was sold. The investment had been written down to zero at 30 June 2008 and as a result a gain of \$298 thousand has been recorded.
- (ii) On 30 December 2008 the Group obtained control of Austock Private Equity Pty Limited. The Group previously had an equity accounted 50% interest in Austock Private Equity Pty Limited. Control was gained due to a change in the issued capital of Austock Private Equity Pty Limited and no amounts were paid by the Group. The results of Austock Private Equity Pty Limited are consolidated from the date of control.
- (iii) On 28 August 2008, Future Capital Investment Company Limited changed its name to Pemeca No. 2 Limited. On 9 October 2008 it converted to a proprietary limited company and is subsequently named Pemeca No 2 Pty Limited.

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

Notes	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at beginning of the year	511	1,536	-	-
add Investment made	-	2,102	-	-
add Share of associate's profit after income tax	16	15	-	-
less Investment value no longer equity accounted	(50)	-	-	-
less Return of capital	-	(1,500)	-	-
less Dividends	-	(237)	-	-
less Provision for impairment charges	6(j) (477)	(1,405)	-	-
Balance at end of the year	-	511	-	-

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Share of associate's profit before income tax	23	17	-	-
Share of associate's income tax expense	(7)	(2)	-	-
Share of associate's profit after income tax	16	15	-	-

15. Investments accounted for using equity method (continued)

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Financial position</i>				
Current assets	15	1,213	-	-
Non current assets	5,827	4,953	-	-
Total assets	5,842	6,166	-	-
Current liabilities	3,940	2,429	-	-
Non current liabilities	-	-	-	-
Total liabilities	3,940	2,429	-	-
Net assets	1,902	3,737	-	-
<i>Financial performance</i>				
Total revenue	63	1,142	-	-
Net profit/(loss) after income tax expense	34	31	-	-

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 2007	1,517	1,359	238	340	3,454
Additions	305	97	178	143	723
Impairment loss charged to profit (a)	-	-	(173)	-	(173)
Balance at 30 Jun 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
<i>Accumulated depreciation</i>					
Balance at 1 Jul 2007	(631)	(663)	(113)	(173)	(1,580)
Depreciation expense	(318)	(249)	(70)	(9)	(646)
Impairment loss charged to profit (a)	-	-	30	-	30
Balance at 30 Jun 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)
<i>Net book value</i>					
As at 30 Jun 2008	873	544	90	301	1,808
As at 30 Jun 2009	624	385	67	252	1,328

- (a) There have been no impairment losses recognised in the current year. In the prior year, further to the disclosures in note 36 and in accordance with accounting policy note 1(d), the Group recognised an impairment charge of \$173 thousand relating to the write down of business assets from its discontinued operations (note 36).

16. Property, plant and equipment (continued)

	Company				Total \$'000
	Computer equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Leasehold improvement \$'000	
<i>Gross carrying amount</i>					
Balance at 1 Jul 2007	1,517	1,295	94	340	3,246
Additions	305	97	75	143	620
Disposals	-	-	-	-	-
Balance at 30 Jun 2008	1,822	1,392	169	483	3,866
Additions	7	-	12	206	225
Disposals	-	-	-	(87)	(87)
Balance at 30 Jun 2009	1,829	1,392	181	602	4,004
<i>Accumulated depreciation</i>					
Balance at 1 Jul 2007	(631)	(628)	(54)	(173)	(1,486)
Depreciation expense	(318)	(220)	(25)	(9)	(572)
Amortisation expense	-	-	-	-	-
Balance at 30 Jun 2008	(949)	(848)	(79)	(182)	(2,058)
Depreciation expense	(256)	(159)	(35)	(168)	(618)
Amortisation expense	-	-	-	-	-
Balance at 30 Jun 2009	(1,205)	(1,007)	(114)	(350)	(2,676)
<i>Net book value</i>					
As at 30 Jun 2008	873	544	90	301	1,808
As at 30 Jun 2009	624	385	67	252	1,328

17. Intangible assets

	Notes	Consolidated					Total \$'000
		Software	Goodwill	Management rights	Development costs	Trading licence	
		\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Gross carrying amount</i>							
Balance at 1 Jul 2007		1,170	3,509	10,825	1,602	500	17,606
Additions		537	-	1,500	483	-	2,520
Impairment charge	6(j)	-	-	-	(2,085)	-	(2,085)
Loss of control of subsidiary		(76)	(547)	-	-	(500)	(1,123)
Balance at 30 Jun 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
<i>Accumulated amortisation</i>							
Balance at 1 Jul 2007		(408)	-	-	-	-	(408)
Amortisation expense		(385)	-	(191)	-	-	(576)
Balance at 30 Jun 2008		(793)	-	(191)	-	-	(984)
Amortisation expense		(270)	-	(117)	-	-	(387)
Disposals		119	-	-	-	-	119
Balance at 30 Jun 2009		(944)	-	(308)	-	-	(1,252)
<i>Net book value</i>							
As at 30 Jun 2008		838	2,962	12,134	-	-	15,934
As at 30 Jun 2009		573	2,962	1,761	-	-	5,296
Company							
		Software	Goodwill	Management rights	Development costs	Trading licence	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Gross carrying amount</i>							
Balance at 1 Jul 2007		1,093	-	-	-	-	1,093
Additions		378	-	-	-	-	378
Disposals		-	-	-	-	-	-
Balance at 30 Jun 2008		1,471	-	-	-	-	1,471
Additions		5	-	-	-	-	5
Disposals		(15)	-	-	-	-	(15)
Balance at 30 Jun 2009		1,461	-	-	-	-	1,461
<i>Accumulated amortisation</i>							
Balance at 1 Jul 2007		(406)	-	-	-	-	(406)
Amortisation expense		(277)	-	-	-	-	(277)
Balance at 30 Jun 2008		(683)	-	-	-	-	(683)
Amortisation expense		(264)	-	-	-	-	(264)
Disposals		3	-	-	-	-	3
Balance at 30 Jun 2009		(944)	-	-	-	-	(944)
<i>Net book value</i>							
As at 30 Jun 2008		788	-	-	-	-	788
As at 30 Jun 2009		517	-	-	-	-	517

18. Trade and other payables

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	55,014	94,484	2,931	1,590
Amounts payable to other related parties	87	299	-	30
	55,101	94,783	2,931	1,620

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 35.

19. Provisions

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee entitlements (a)	2,728	2,892	626	601
Claims (b)	70	87	-	-
Office leasehold restoration (c)	522	424	522	424
Business closure (d)	29	895	-	-
Closure costs (e)	-	-	-	-
Guarantee obligation (f)	1,803	-	1,803	-
	5,152	4,298	2,951	1,025

(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 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 36, 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 year in relation to costs related to the closure 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 has been raised 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. It is probable that this guarantee will be called upon and an outflow of economic benefit will result.

19. Provisions (continued)

	Consolidated						Total \$'000
	Employee entitlements \$'000	Claims \$'000	Office restoration \$'000	Business closure \$'000	Closure costs \$'000	Guarantee obligation \$'000	
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
2008							
Balance at 1 Jul 2007	2,021	265	340	-	-	-	2,626
Made during the year	1,589	-	111	895	-	-	2,595
Used during the year	(718)	(178)	(27)	-	-	-	(923)
Balance at 30 Jun 2008	2,892	87	424	895	-	-	4,298
Current	2,334	16	424	895	-	-	3,669
Non current	558	71	-	-	-	-	629
	2,892	87	424	895	-	-	4,298
	Company						Total \$'000
	Employee entitlements \$'000	Claims \$'000	Office restoration \$'000	Business closure \$'000	Closure costs \$'000	Guarantee obligation \$'000	
2009							
Balance at 1 Jul 2008	601	-	424	-	-	-	1,025
Made during the year	519	-	98	-	-	1,803	2,420
Used during the year	(494)	-	-	-	-	-	(494)
Written back during the year	-	-	-	-	-	-	-
Balance at 30 Jun 2009	626	-	522	-	-	1,803	2,951
Current	552	-	-	-	-	1,803	2,355
Non current	74	-	522	-	-	-	596
	626	-	522	-	-	1,803	2,951
2008							
Balance at 1 Jul 2007	656	-	340	-	-	-	996
Made during the year	461	-	111	-	-	-	572
Used during the year	(516)	-	(27)	-	-	-	(543)
Balance at 30 Jun 2008	601	-	424	-	-	-	1,025
Current	483	-	424	-	-	-	907
Non current	118	-	-	-	-	-	118
	601	-	424	-	-	-	1,025

20. Other liabilities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued expenses	1,982	9,618	415	1,448
GST liability	377	852	-	-
	2,359	10,470	415	1,448

21. Life investment and insurance contracts

	Life investment		Life insurance	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The consolidated assets, liabilities and policyholder equity for Austock Life Limited benefit funds are as follows:				
Assets				
Cash and liquid assets	4,184	2,627	395	109
Receivables	1,336	2,081	11	44
Financial assets	104,095	93,088	7,178	7,183
Deferred tax assets	5,218	4,051	1	1
Total assets	114,833	101,847	7,585	7,337
Liabilities				
<i>Other liabilities</i>				
Payable to management fund	74	-	-	-
Creditors and other liabilities	50	55	20	8
Deferred tax liabilities	54	44	-	-
Provision for income tax	69	718	5	7
Total other liabilities	247	817	25	15
<i>Policyholder liabilities</i>				
Opening balance	101,030	67,213	-	-
Contributions	45,845	55,138	-	-
Withdrawals	(24,342)	(13,934)	-	-
Regulation 27	(2)	-	-	-
Unallocated surplus movement	24	32	-	-
Provision for terminal bonus payments	(10)	(11)	-	-
Allocation of surplus during the year	(7,959)	(7,408)	-	-
Total policyholder liabilities	114,586	101,030	6,713	6,903
Total liabilities	114,833	101,847	6,738	6,918
Net assets	-	-	847	419
Policyholder equity				
Equity at the start of the year	-	-	419	757
Bonus allocation	-	-	-	(240)
Profit for the year	-	-	428	(98)
Equity at the end of the year	-	-	847	419

22. Life management fund

	Management fund	
	2009	2008
	\$'000	\$'000
Income		
Interest income	56	98
Management fees	1,876	1,973
Other income	-	10
Total income	1,932	2,081
Expenses		
Personnel expenses	(782)	(668)
Occupancy expenses	(44)	(18)
Communication expenses	(26)	(3)
Finance expenses	(38)	(45)
Marketing and promotional expenses	(52)	(79)
Dealing and settlement expenses	(1,051)	(1,046)
Other expenses	(518)	(512)
Total expenses	(2,511)	(2,371)
Loss before income tax	(579)	(290)
Income tax benefit	442	370
Net profit/(loss) after tax	(137)	80
Assets		
Cash and cash equivalents	963	969
Receivable from benefit funds	87	-
Tax assets	471	775
Other assets	79	108
Deferred tax assets	26	54
Total assets	1,626	1,906
Liabilities		
Payable to benefit funds	-	63
Trade & other payables	128	75
Provisions	79	99
Other liabilities	114	228
Total liabilities	321	465
Net assets	1,305	1,441
Shareholder equity		
Issued capital	900	900
Retained earnings	405	541
Equity at the end of the year	1,305	1,441

23. Borrowings

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bank loans	4,900	6,500	-	-
Hire purchase liabilities	267	660	267	660
	5,167	7,160	267	660

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. Since then, principal repayments of \$2,100,000 have been made to leave a remaining outstanding balance due of \$4,900,000.

The collateral security provided on the facility agreement is as follows:

- a) First ranking registered fixed and floating charge in favour of BankWest from:
 - Austock Property Funds Management Pty Limited;
 - Austock Property Management Limited
 - Austock Real Estate Management Limited; and
 over the whole of their assets and undertakings.
- b) Guarantee and indemnity of Austock Property Funds Management Pty Limited's obligations to BankWest, given by:
 - Austock Property Management Limited
 - Austock Real Estate Management Limited; and
- c) Subordination agreement between BankWest, Austock Property Funds Management Pty Limited and Austock Group Limited.

24. Issued capital

	Consolidated 2009		Consolidated 2008	
	Number	\$'000	Number	\$'000
Issued and paid up capital				
Fully paid ordinary shares (a)	133,928,412	42,594	119,702,129	41,980
Partly paid ordinary shares (b)	5,153,580	342	5,153,580	342
Options (c)	1,025,000	108	8,797,440	791
Share rights (d)	-	-	9,220,000	230
		43,044		43,343

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 2009		Consolidated 2008	
	Number	\$'000	Number	\$'000
(a) Fully paid ordinary shares				
Balance at beginning of financial year	119,702,129	41,980	112,413,833	30,634
Equity raising	-	-	6,053,588	10,891
Issue of new shares	13,272,185	-	-	-
Equity settled benefits	954,098	539	1,457,728	1,144
Share buy back	-	-	(223,020)	(141)
Exercise of share rights	-	-	-	32
Capital raising costs	-	75	-	(580)
Balance at the end of the financial year	133,928,412	42,594	119,702,129	41,980

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

	Consolidated 2009		Consolidated 2008	
	Number	\$'000	Number	\$'000
(b) Partly paid ordinary shares				
Balance at beginning of financial year	5,153,580	342	5,273,580	343
Share buy back	-	-	(120,000)	(1)
Balance at the 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.

	Consolidated 2009		Consolidated 2008	
	Number	\$'000	Number	\$'000
(c) Options				
Balance at beginning of the financial year	8,797,440	791	3,960,440	165
Equity settled benefits	7,710,000	26	6,650,000	626
Cancelled during the year	(15,482,440)	-	(1,813,000)	-
Transfer to retained earnings	-	(709)	-	-
Balance at the end of the financial year	1,025,000	108	8,797,440	791

Option holders do not have the right to receive dividends and are not entitled to vote at a meeting of the Company. Options may be exercised at any time from the date they vest to the date of their expiry. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

24. Issued capital (continued)

	Consolidated 2009		Consolidated 2008	
	Number	\$'000	Number	\$'000
(d) Share rights				
Balance at beginning of the financial year	9,220,000	230	10,500,000	-
Exercise of rights	-	-	(1,280,000)	-
Equity settled benefits	-	-	-	230
Lapse of rights	(9,220,000)	-	-	-
Transfer to retained earnings	-	(230)	-	-
Balance at the end of the financial year	-	-	9,220,000	230

25. Reserves

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial asset reserve (a)	306	61	55,162	90,704
Share buy back reserve (b)	(4,325)	(4,325)	-	-
Treasury shares reserve (c)	(2,476)	(1,008)	(736)	-
Share based payments reserve (d)	(58)	-	(58)	-
Balance at the end of the financial year	(6,553)	(5,272)	54,368	90,704

(a) Financial asset reserve

Balance at beginning of financial year	61	(53)	90,704	111,164
Net revaluation movement on investments, net of tax	245	(561)	(35,542)	(21,011)
Transfer from retained earnings	-	364	-	-
Transfer to income statement on impairment	-	311	-	551
Balance at end of financial year	306	61	55,162	90,704

The financial asset reserve records revaluations of financial assets held as available for sale, including investments held in controlled entities and associates.

(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	(4,325)	(4,325)	-	-

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

25. Reserves (continued)

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Treasury shares reserve				
Balance at beginning of financial year	(1,008)	-	-	-
Acquired during financial year	(1,554)	(1,008)	(736)	-
Disposed during financial year (transfer to share based payments reserve)	86	-	-	-
Balance at end of financial year	(2,476)	(1,008)	(736)	-

Consolidated

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 2009 the Group held 17,382,405 fully paid (2008: 720,000) and 1,280,160 partly paid (2008: nil) shares in the Company. During the year 16,819,491 fully paid and 1,280,160 partly paid shares were acquired and 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.

Company

The treasury shares reserve relates to the proceeds receivable from the sale of Austock Asset Management on 1 May 2009. The sales proceeds are receivable in the form of Austock shares in three remaining quarterly instalments (from 30 Sep 2009 to 31 Mar 2010).

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(d) Share based payments reserve				
Balance at beginning of financial year	-	-	-	-
Shares allocated from Employee Share Trust	(86)	-	(86)	-
Share based payment	28	-	28	-
Balance at end of financial year	(58)	-	(58)	-

The share based payments reserve records the value of shares granted to employees by the trustee of equity compensation plans. The reserve is reduced as the grant is expensed through the income statement by way of share based payment over the vesting period.

26. Retained earnings

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening retained profits	11,201	16,976	1,298	5,547
Net profit/(loss) attributable to members of the parent entity	(20,931)	119	(19,623)	1,281
Dividends provided for or paid (note 28)	(1,190)	(5,530)	(1,198)	(5,530)
Transfer to financial asset reserve	-	(364)	-	-
Transfer from issued capital	939	-	939	-
Closing retained profits/(accumulated losses)	(9,981)	11,201	(18,584)	1,298

27. Earnings per share

	Consolidated	
	2009	2008
	Cents per share	Cents per share
Basic earnings per share		
Continuing operations	(17.10)	5.48
Discontinued operations	(0.50)	(5.38)
Total basic earnings per share	<u>(17.60)</u>	<u>0.10</u>
Diluted earnings per share		
Continuing operations	(17.10)	5.44
Discontinued operations	(0.50)	(5.34)
Total diluted earnings per share	<u>(17.60)</u>	<u>0.10</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	(20,931)	119
Exclude the loss for the period from discontinued operations	597	6,242
Earnings for the period from continuing operations	<u>(20,334)</u>	<u>6,361</u>

Weighted average number of ordinary shares

Weighted average number of ordinary shares for the purposes of the basic EPS calculation

	Number '000	Number '000
Weighted average number of ordinary shares for the purposes of the basic EPS calculation	<u>118,933</u>	<u>116,022</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	(20,931)	119
Exclude the loss for the period from discontinued operations	597	6,242
Earnings for the period from continuing operations	<u>(20,334)</u>	<u>6,361</u>

Weighted average number of ordinary shares

Weighted average number of ordinary shares for the purposes of the basic EPS calculation

Adjustments to the weighted average number of ordinary shares

Weighted average number of ordinary shares for the purposes of the diluted EPS calculation

	Number '000	Number '000
Weighted average number of ordinary shares for the purposes of the basic EPS calculation	118,933	116,022
Adjustments to the weighted average number of ordinary shares	-	885
Weighted average number of ordinary shares for the purposes of the diluted EPS calculation	<u>118,933</u>	<u>116,907</u>

28. Dividends

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Recognised amounts				
Unfranked dividend of 1.0 cent per share declared on 28 August 2008 and paid on 30 September 2008.	1,190	-	1,198	-
Unfranked dividend of 2.0 cents per share declared on 28 February 2008 and paid on 31 March 2008.	-	2,383	-	2,383
Unfranked dividend of 2.8 cents per share declared on 31 July 2007 and paid on 24 August 2007.	-	3,147	-	3,147
	1,190	5,530	1,198	5,530
(b) Unrecognised amounts				
Unfranked dividend of 1.0 cent per share declared on 28 August 2008 and payable on 30 September 2008	-	1,198	-	1,198
(c) Franking account balance				
The franking credits available for the subsequent financial year are:				
Franking account balance at the end of the year			1,943	593
Payment of income tax payable as at reporting date			-	949
			1,943	1,542

29. Capital and leasing commitments

(a) Leased premises

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating lease commitments				
Non cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable not later than 1 year	1,431	1,590	1,431	1,530
Payable later than 1 year but not later than 5 years	1,606	3,264	1,606	3,064
	3,037	4,854	3,037	4,594

The property lease in respect of the Company's Melbourne premises is a non cancellable lease with a six year term, with rent payable in advance. Contingent rental provisions within the lease agreement require minimum lease payments to be increased by 3.75% per annum. The current lease has been renewed until November 2010.

The property lease in respect of the Company'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.

The property lease in respect of the Company's Brisbane premises is a non cancellable lease with a six month term, with rent payable in advance. The current lease will expire in October 2009. There is an option to renew the lease at the end of the current lease period for up to four months.

(b) Hire purchase liabilities

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payable not later than 1 year	253	431	253	431
Payable later than 1 year but not later than 5 years	26	279	26	279
	279	710	279	710

(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, are 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 (2008: \$29.996 million) that is payable at a time that is mutually agreeable between the parent entity and investee company.

29. Capital and leasing commitments (continued)

(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 \$2 million. This will increase to \$5 million effective 1 July 2010 and then \$10 million effective 1 January 2012.

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.

30. 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 (2008: \$810,000) in respect of the lease of the Company's business premises;
- Direct debit facility of \$50,000 (2008: \$50,000) to be used for client's accounts as part of the Austock Life business; and
- Overdraft facility of \$10,000,000 (2008: \$10,000,000) to be used for working capital purposes.

A Guarantee and Indemnity totaling \$2,000,000 (2008: \$2,000,000) has also been given to the National Australia Bank Limited as security for banking facilities provided to Austock Securities Limited.

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 CHESS settlement system
- a \$1,000,000 Direct Entry System limit in respect of the company's on line banking facilities

b) Austock Property Funds Management Pty Limited

A first ranking registered fixed and floating charge has been given to Bank of Western Australia Limited as part of a Facility Agreement entered into on 2 March 2007. Further details are provided in note 23.

31. Controlled entities

Name of entity	Country of incorporation	2009 Ownership interest	2008 Ownership interest
Parent entity			
Austock Group Limited	Australia		
Controlled entities			
A.C.N. 119 504 148 Limited (a)	Australia	-	100%
A.C.N. 129 762 358 Limited (b)	Australia	-	100%
Austock Agribusiness Pty Ltd (c)	Australia	-	100%
Austock Agribusiness Management Pty Ltd (d)	Australia	-	100%
Austock Asset Management Limited (e)	Australia	-	100%
Austock Corporate Finance Pty Ltd	Australia	100%	100%
Austock Custodians Pty Ltd (f)	Australia	-	100%
Austock Employee Share Custodian Pty Ltd (g)	Australia	100%	-
Austock Employee Share Trust (h)	Australia	-	-
Austock Executive Services Pty Ltd (i)	Australia	-	100%
Austock Financial Planning Pty Ltd	Australia	100%	100%
Austock Fixed Interest Exchange Limited (j)	Australia	-	100%
Austock Funds Management Limited	Australia	100%	100%
Austock GET Management Pty Ltd	Australia	100%	100%
Austock GET UK Management Pty Ltd (k)	Australia	-	100%
Austock GET USA Management Pty Ltd	Australia	100%	100%
Austock Insurance Brokers Pty Ltd	Australia	100%	100%
Austock Life Limited	Australia	100%	100%
Austock Nominees Pty Ltd	Australia	100%	100%
Austock Private Equity Pty Limited (l)	Australia	100%	50%
Austock Property Funds Management Limited	Australia	100%	100%
Austock Property Investment Management Pty Ltd	Australia	100%	100%
Austock Property Management Limited	Australia	100%	100%
Austock Property Services Pty Limited	Australia	100%	100%
Austock RE Limited	Australia	100%	100%
Austock Real Estate Management Pty Ltd	Australia	100%	100%
Austock Securities Limited	Australia	100%	100%
Austock Services Pty Ltd	Australia	100%	100%
Austock (SRPR) Pty Ltd (m)	Australia	-	100%
Austock Super Pty Ltd (n)	Australia	-	100%
Employee Share Ownership Plan (o)	Australia	-	-
Life Care Homes Pty Ltd (p)	Australia	-	100%

(a) Deregistered on 3 April 2009.

(b) Deregistered on 6 August 2008.

(c) Deregistered on 10 May 2009.

(d) Deregistered on 10 May 2009.

(e) The company was sold on 1 May 2009.

(f) Deregistered on 4 September 2008.

(g) Incorporated on 14 May 2009.

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

(i) Deregistered on 16 March 2009.

(j) Deregistered on 20 August 2008.

(k) Deregistered on 27 March 2009.

(l) Control gained 30 December 2008 (at 30 June 2008 accounted for as investment in associate)

(m) Deregistered on 4 September 2008.

(n) Deregistered on 20 May 2009.

(o) Wound up on 5 March 2009.

(p) Deregistered on 4 September 2008.

32. Related party disclosures

1. Equity interests in related entities

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 31 to the financial statements.

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

2. 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.

Loans to key management personnel	Balance at beginning \$	Interest charged \$	Repayment \$	Write off \$	Balance at end \$	Number in group
2009	42,718	769	(43,487)	-	-	1
2008	138,101	8,512	(103,895)	-	42,718	1

Key management personnel with loans above \$100,000 in the current or prior reporting period:

	Balance at beginning \$	Interest charged \$	Repayment \$	Write off \$	Balance at end \$	Highest in period \$
2009						
V G Harink	42,718	769	(43,487)	-	-	43,487
2008						
V G Harink	138,101	8,512	(103,895)	-	42,718	139,337

Key management personnel are charged interest on loans provided by the Group at 10.5% p.a. (2008: 10.5% p.a.), which is comparable to the average commercial rate of interest.

32. Related party disclosures (continued)

3. Transactions within the wholly owned group

The wholly owned group includes:

- a. The ultimate parent entity in the wholly owned group; and
- b. 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 disclosed in note 12 and note 18 to the financial statements. Investments in controlled entities are disclosed in note 14 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 \$7,664,659 (2008: \$19,643,290).
- The parent entity received dividends of \$1,581,156 (2008: \$nil) from its controlled entities.
- The parent entity has made new investments of \$1,591,010 (2008: \$1,300,008) in controlled entities.
- The parent entity has sold investments of \$2,111,010 (2008: \$nil) in controlled entities.
- The parent entity has advanced amounts totaling \$12,305,825 (2008: \$11,868,000) to controlled entities which are repayable on terms and conditions as determined by the parent entity.

4. Transactions with other related parties

Other related parties include:

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

- Austock Group Limited has 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 (2008: \$94,005).
- Austock Group Limited has made new investments of \$6 (2008: \$485,000) in associates.
- Austock Group Limited has advanced amounts totaling \$530,100 (2008: \$nil) to associates which are repayable on terms and conditions as determined by Austock Group Limited.
- Austock Group Limited has sold its interest in Australia Pacific Exchange (an associate) on 3 October 2008 recording a consolidated profit of \$298 thousand (parent entity \$265 thousand).
- Austock Group Limited received dividends of \$nil (2008: \$237 thousand) from its associates.
- Austock Group Limited has agreed to act as guarantor to an associate to honour a liability in the event of a payment default to the value of \$1,803 thousand (2008: \$nil).

32. Related party disclosures (continued)

(ii) Transaction with director related entities

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

During the prior financial year, the following transactions occurred with director related entities:

- Mr W Bessemer was a director of A.B.C. Learning Centres Limited and has held this position from 15 August 1997 to 22 April 2008. During Mr Bessemer's time as a director, the Group has performed corporate advisory and other services to A.B.C. Learning Centres Limited on commercial arm's length terms for a total value of \$8,490,237.

(iii) Transactions with other related parties

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

- 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.
- The Group derived interest income from loans provided to shareholders. Details of the interest income are disclosed in note 5 to the financial statements. Amounts receivable from shareholders are disclosed in note 12 to the financial statements.
- The Group has provided a short term advance of \$114,071 (2008: \$2,903,346) 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 (2008: \$nil) and the Group impaired \$300,371 (2008: \$nil).
- Austock Group Limited has made new investments of \$nil (2008: \$720,000) in other related entities.

33. Subsequent events

On 6 July 2009, a total of 15,000 options were cancelled in accordance with the terms and conditions of the option series that provides for such cancellation. As a result of the cancellation, there were 1,010,000 options over ordinary shares on issue.

On 29 July 2009, a total of 10,000 options were cancelled in accordance with the terms and conditions of the option series that provides for such cancellation. As a result of the cancellation, there were 1,000,000 options over ordinary shares on issue.

On 10 August 2009, a total of 500,000 options were cancelled in accordance with the terms and conditions of the option series that provides for such cancellation. As a result of the cancellation and as at the date of this report, there are 500,000 options over ordinary shares on issue, further details of which are included in the Directors' Report.

34. Notes to the cash flow statement

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of cash				
Cash balance comprises:				
- cash at bank (a)	25,196	31,060	3,446	5,011
- cash held on trust	4,509	5,086	-	-
Closing cash balance	29,705	36,146	3,446	5,011

(a) At the consolidated level the amount of \$4,579 thousand (2008: \$2,737 thousand) is restricted as it belongs to Austock Life Limited benefit funds

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'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	(28,417)	(7,327)	(19,623)	1,281
Depreciation and amortisation	1,005	1,222	879	849
(Gain)/loss on benefit fund investments	10,491	14,024	-	-
Share of (profit)/loss of associated companies	(16)	(15)	-	-
Net proceeds/(payments) from trading shares	(257)	561	-	-
Equity settled share based payments	593	2,032	593	2,032
Impairment charges	21,465	5,258	20,454	6,010
Impairment charges related to operating activities	(7,166)	(302)	(1,802)	-
Policyholder deduction	(391)	(279)	-	-
Interest and dividend income	(1,674)	(3,238)	(1,695)	(602)
Loss on sale of investments	881	73	800	-
Profit on sale of assets	(20)	-	(20)	-
Gain upon control of subsidiary	(30)	-	-	-
Other	(14)	(219)	103	-
Change in assets and liabilities				
(Increase)/Decrease in receivables	46,803	45,152	2,708	(2,098)
(Increase)/Decrease in other assets	1,858	(1,272)	(128)	(84)
(Increase)/Decrease in financial assets	54	515	-	-
(Increase)/Decrease in income tax asset	(129)	(922)	-	-
(Increase)/Decrease in deferred tax assets	(3,728)	(5,474)	(227)	711
(Decrease)/Increase in payables	(39,611)	(44,982)	1,311	3,140
(Decrease)/Increase in income tax payable	-	(73)	(949)	949
(Decrease)/Increase in provisions	861	1,672	1,926	29
(Decrease)/Increase in other liabilities	(7,639)	(884)	(1,034)	(1,232)
(Decrease)/Increase in deferred tax liabilities	11	(420)	(225)	(3,447)
Net cash flow from/(used in) operating activities	(5,070)	5,102	3,071	7,538

34. Notes to the cash flow statement (continued)

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Financing facilities				
Secured bank overdraft facility:				
• Amount used	-	-	-	-
• Amount unused	10,000	30,000	10,000	30,000
	10,000	30,000	10,000	30,000

35. Financial instruments

(a) Capital risk 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23; cash and cash equivalents; and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25 and 26 respectively.

The Group's only long term borrowing facility relates to a specific business acquisition. It also has access to short term fluctuating facilities for working capital purposes. Accordingly, due to its cash holdings, it does not have a net debt position.

(b) Credit risk management

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 and Company's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and cash equivalents	34(a)	29,705	36,146	3,446	5,011
Receivables	12	51,238	98,240	575	3,283
Financial assets at fair value through profit or loss	14(a)	111,587	100,533	-	-
Available for sale financial assets	14(b)	2,880	2,696	78,731	121,656
Loan financial assets	14(c)	2	5,005	9,509	23,957
Total		195,412	242,620	92,261	153,907

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.

35. Financial instruments (continued)

Impairment losses

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not past due	51,139	89,843	10,084	27,240
Past due 1 to 30 days	99	12,964	-	-
Past due 31 to 90 days	2	-	-	-
Past due more than 91 days	-	438	-	-
Total	51,240	103,245	10,084	27,240

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 is presented below:

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance	170	-	170	-
Impairment	8,415	437	18,176	4,385
Reversal of impairment	(330)	-	(170)	-
Write off	(4,847)	(267)	(1,419)	(4,215)
Total	3,408	170	16,757	170

(c) Liquidity risk management

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
2009								
Secured bank loans	4,900	(5,041)	(898)	(4,143)	-	-	-	-
Finance lease liabilities	267	(279)	(158)	(95)	(26)	-	-	-
Trade and other payables	55,101	(55,101)	(55,101)	-	-	-	-	-
Policyholder liabilities - investment (a)	114,586	-	-	-	-	-	-	114,586
Policyholder liabilities - insurance (b)	6,713	(8,332)	(105)	(105)	(191)	(562)	(7,369)	-
Total	181,567	(68,753)	(56,262)	(4,343)	(217)	(562)	(7,369)	114,586
2008								
Secured bank loans	6,500	(7,784)	(1,088)	(1,052)	(1,994)	(3,650)	-	-
Finance lease liabilities	660	(926)	(214)	(214)	(269)	(229)	-	-
Trade and other payables	94,783	(94,783)	(94,783)	-	-	-	-	-
Policyholder liabilities - investment (a)	101,030	-	-	-	-	-	-	101,030
Policyholder liabilities - insurance (b)	6,903	(7,158)	(91)	(91)	(219)	(730)	(6,027)	-
Total	209,876	(110,651)	(96,176)	(1,357)	(2,482)	(4,609)	(6,027)	101,030

(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.

35. Financial instruments (continued)

Company	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
2009							
Finance lease liabilities	267	(279)	(158)	(95)	(26)	-	-
Trade and other payables	2,931	(2,931)	(2,931)	-	-	-	-
Total	3,198	(3,210)	(3,089)	(95)	(26)		
2008							
Finance lease liabilities	660	(926)	(214)	(214)	(269)	(229)	-
Trade and other payables	1,620	(1,620)	(1,620)	-	-	-	-
Total	2,280	(2,546)	(1,834)	(214)	(269)	(229)	-

(d) Market risk

The Group's exposure is the financial risk of changes with respect to foreign currency rates, interest rates and equity prices. At both a Group and Company level, market risks are managed 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	
	2009 000	2008 000	2009 000	2008 000
Carrying amounts in US dollars	-	59	23	804
Carrying amounts in UK pounds	-	-	-	97

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 2009				
Sensitivity to US dollar exposure	-	-	2	(2)
	-	-	2	(2)
30 June 2008				
Sensitivity to US dollar exposure	(6)	7	68	(115)
Sensitivity to UK pound exposure	-	-	18	(22)
	(6)	7	86	(137)

35. Financial instruments (continued)

(ii) Interest rate risk management

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

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fixed rate instruments				
Financial assets (a)	23,764	23,122	-	-
Financial liabilities	267	660	267	660
Net asset/(liability)	23,497	22,462	(267)	(660)
Variable rate instruments				
Financial assets	25,565	36,146	3,446	5,011
Financial liabilities	4,900	6,500	-	-
Net asset/(liability)	20,665	29,646	3,446	5,011

(a) Financial assets belonging to Life Benefit Funds.

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		Company	
	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
30 June 2009				
Variable rate instruments	277	(277)	29	(29)
Fixed rate instruments	(248)	248	-	-
	29	(29)	29	(29)
30 June 2008				
Variable rate instruments	355	(355)	65	(65)
Fixed rate instruments	(221)	221	-	-
	134	(134)	65	(65)

(iii) Equity price risk management

The Group is exposed to equity price risks arising from equity investments. Other than equity investments classified as financial assets at fair value through profit or loss, equity investments are generally held for strategic rather than trading purposes.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity prices risks at the reporting date with a +/- 10% movement.

35. Financial instruments (continued)

(iii) Equity price risk management (continued)

	Consolidated		Company	
	Equity price 10% increase \$'000	Equity price 10 10% decrease \$'000	Equity price 10% increase \$'000	Equity price 10% decrease \$'000
Financial assets at fair value through profit or loss				
<i>30 June 2009</i>				
Units in managed funds (a)	5,233	(5,233)	-	-
Listed securities	31	(31)	-	-
	<u>5,264</u>	<u>(5,264)</u>	<u>-</u>	<u>-</u>
<i>30 June 2008</i>				
Units in managed funds (a)	6,491	(6,491)	-	-
Listed securities	25	(25)	-	-
	<u>6,516</u>	<u>(6,516)</u>	<u>-</u>	<u>-</u>
Available for sale financial assets				
<i>30 June 2009</i>				
Listed securities	-	-	-	-
<i>30 June 2008</i>				
Listed securities (b)	46	(10)	-	-

(a) All risk relating to equity prices is borne by the policyholders.

(b) Available for sale assets in 2008 include an investment that has been written down to nil.

(e) Fair values

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.

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

(f) Collateral

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

36. Discontinued operations

2009

On 1 May 2009 the Group disposed of its 100% interest in Austock Asset Management Limited ("AAML"). AAML was part of the investment management segment and represented a separate major line of business that has now been exited.

As AAML was not a discontinued operation or classified as held for sale at 30 June 2008 the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

2008

As at 30 June 2008, the Group had decided to discontinue its property business in the USA ("USA"). This decision was made in light of the economic outlook of the property market in that geographical location and the changing nature of its authorised mandate. As a consequence of this process, the Group recognised an impairment loss of \$2.529 million in 2008 as disclosed in note 6(j) following the write down of business assets on the balance sheet.

Since that date, the Group has actively implemented its plan to exit this market and has almost completed the exit. Refer to note 19 for a reconciliation of the business closure provision. In the current year, a gain of \$360 thousand was recognised due to the expected exit costs being less than what was anticipated at 30 June 2008.

The impairment losses that appear in the prior year throughout this financial report as a result of the write down of assets in relation to the discontinued operations are:

	Notes	Consolidated	
		2009	2008
		\$'000	\$'000
Write down of business assets			
Trade and other receivables	12	-	267
Other assets	13	-	34
Property, plant and equipment	16	-	143
Intangible assets	17	-	2,085
Impairment loss as part of discontinued operations		-	2,529

The combined results of the discontinued operations which have been included in the income statement 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.

36. Discontinued operations (continued)

	Notes	2009			2008		
		USA \$'000	AAML \$'000	TOTAL \$'000	USA \$'000	AAML \$'000	TOTAL \$'000
2009							
Loss for the year from discontinued operations:							
Revenue		-	881	881	-	1,401	1,401
Expenses							
Personnel expenses	6(a)	-	(1,662)	(1,662)	(391)	(2,274)	(2,665)
Occupancy expenses	6(b)	-	(4)	(4)	(101)	(72)	(173)
Communication expenses	6(c)	-	(3)	(3)	(43)	(7)	(50)
Finance expenses	6(d)	-	(1)	(1)	(6)	(1)	(7)
Dealing and settlement	6(e)	-	(87)	(87)	-	(103)	(103)
Marketing and promotional	6(f)	-	(63)	(63)	(165)	(141)	(306)
Depreciation	6(g)	-	-	-	(30)	-	(30)
General administrative expenses	6(h)	-	(129)	(129)	(1,105)	(113)	(1,218)
Impairment charges	6(j)	-	(104)	(104)	(2,529)	(258)	(2,787)
Provision for business closure	6(h)	360	-	360	(895)	-	(895)
Loss from operations before income tax expense		360	(1,172)	(812)	(5,265)	(1,568)	(6,833)
Loss on disposal		-	(57)	(57)	-	-	-
Loss before income tax expense		360	(1,229)	(869)	(5,265)	(1,568)	(6,833)
Income tax benefit		-	272	272	-	591	591
Loss after income tax expense		360	(957)	(597)	(5,265)	(977)	(6,242)
Cash flow from discontinued operations:							
Net cash flows from operating activities		(1,089)	(931)	(2,020)	(1,066)	(1,084)	(2,150)
Net cash flows from investing activities		-	23	23	(549)	-	(549)
Net cash flows from financing activities		-	-	-	-	-	-
Net cash flows		(1,089)	(908)	(1,997)	(1,615)	(1,084)	(2,699)

36. Discontinued operations (continued)

	Notes	Consolidated	
		2009 \$'000	2008 \$'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 Received		960 (224)	- -
Total receivable at balance date	25(c)	736	-
Received in cash		224	-
Cash disposed of		(416)	-
Net cash inflow/(outflow)		(192)	-

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 Company to financial loss and consequent inability to meet its liabilities.

The Company's objective is to satisfactorily manage these risks in line with the Risk Management Statement approved by the board. In addition, the Company 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 company.

37. Additional benefit fund disclosure (continued)

Terms and conditions of insurance business

The table below provides an overview of the key variables upon which 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.

(b) Reconciliation of changes in life insurance liabilities

	2009 \$'000	2008 \$'000
Life insurance liability at the beginning of the year	6,903	6,452
Actuarial Revaluation	(151)	243
Declared bonus	-	241
Payment of terminal bonus	(39)	(33)
Life insurance liability at the end of the year	6,713	6,903

Guaranteed components of participating policies are:

- Oddfellows Fund \$3,509 thousand (2008: \$3,600 thousand)
- Assurance Fund \$372 thousand (2008: \$373 thousand)

Allocation of profits/losses

Life Insurance contract profit of \$428 thousand (2008: loss \$98 thousand) has been allocated as follows:

- Policyholder Liability is allocated nil (2008: nil); and
- Policyholder Equity is allocated \$428 thousand (2008: \$98 thousand).

Insurance risks

The insurance risks faced by the Company arise from the Oddfellows and Assurance Funds. The appointed actuary has calculated the best estimate liability arising from these contracts. The Company maintains sufficient assets to meet these liabilities.

37. Additional benefit fund disclosure (continued)

(c) 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.

(d) Actuarial assumptions and methods

The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2009. 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.

38. Life investment contracts financial statements

	Portfolio No. 1 Cash and deposits		Portfolio No. 2 Australian Fixed Interest		Portfolio No. 3 Australian Hybrid	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
INCOME STATEMENT						
Interest income	7,615	4,163	1,581	1,531	1,037	2,415
Distribution income	1,196,190	450,837	319,228	221,643	240,994	164,540
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	286,679	135,025	23,612	65,895	4,255	48,112
Unrealised gains	-	1,072	212,305	-	-	-
Realised gains	-	-	28,384	-	-	-
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	1,490,484	591,097	585,110	289,069	246,286	215,067
Fees paid to management fund	73,798	19,088	48,376	31,673	26,875	34,648
Unrealised losses	-	-	-	57,779	265,252	337,046
Realised losses	-	-	-	13,800	337,463	144,331
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	286,679	135,025	23,613	65,895	4,255	48,112
Total expenses	360,477	154,113	71,989	169,147	633,845	564,137
Profit/(loss) before income tax	1,130,007	436,984	513,121	119,922	(387,559)	(349,070)
Income tax expense/(benefit)	361,141	136,822	168,449	45,478	(74,618)	(103,253)
Net profit after tax	768,866	300,162	344,672	74,444	(312,941)	(245,817)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	768,866	300,162	344,672	74,444	(312,941)	(245,817)
Allocated to investors	(768,866)	(300,162)	(344,672)	(74,444)	312,941	245,817
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	-	-	8,125	1,385	5,982	-
Trade and other receivables	238,332	221,851	116,428	122,508	46,129	-
Interfund receivable	-	-	-	-	-	-
Tax assets	-	-	-	-	11,543	2,147
Other assets	-	-	-	-	-	-
Financial assets	32,756,508	14,083,299	5,054,446	4,832,850	2,375,948	3,675,739
Deferred tax assets	-	-	-	33,277	195,085	132,009
Total assets	32,994,840	14,305,150	5,178,999	4,990,020	2,634,687	3,809,895
Overdraft	450,125	401,939	-	-	-	25,876
Interfund payable	9,310	7,903	3,958	4,389	1,799	2,743
Trade and other payables	24,036	21,466	289	2,248	10	34
Deferred tax liabilities	-	-	30,415	-	-	-
Provision for income tax	361,141	136,500	104,758	62,812	-	-
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	844,612	567,808	139,420	69,449	1,809	28,653
<i>Policyholder liability</i>						
Opening balance	13,737,342	2,001,504	4,920,571	1,832,186	3,781,242	2,917,537
Contributions	27,209,123	13,911,410	1,540,916	3,694,180	284,049	2,554,468
Withdrawals	(9,565,103)	(2,475,734)	(1,766,580)	(680,239)	(1,119,472)	(1,444,946)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	768,866	300,162	344,672	74,444	(312,941)	(245,817)
Total policyholder liabilities	32,150,228	13,737,342	5,039,579	4,920,571	2,632,878	3,781,242
Total liabilities	32,994,840	14,305,150	5,178,999	4,990,020	2,634,687	3,809,895
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 4 Int'l Fixed Interest		Portfolio No. 5 Property Securities		Portfolio No. 5A Int'l Property Securities	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
INCOME STATEMENT						
Interest income	591	892	1,632	2,763	-	-
Distribution income	125,279	106,024	127,665	233,747	269	932
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	10,219	16,960	3,950	44,417	2,077	-
Unrealised gains	3,624	-	-	-	-	-
Realised gains	-	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	139,713	123,876	133,247	280,927	2,346	932
Fees paid to management fund	10,803	9,417	21,721	45,891	577	15
Unrealised losses	-	91,247	500,955	3,197,409	19,627	3,299
Realised losses	287,974	21,025	706,745	316,477	1,584	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	10,219	16,960	3,950	44,417	2,078	-
Total expenses	308,996	138,649	1,233,371	3,604,194	23,866	3,314
Profit/(loss) before income tax	(169,283)	(14,773)	(1,100,124)	(3,323,267)	(21,520)	(2,382)
Income tax expense/(benefit)	(39,725)	(1,646)	215,737	(982,970)	(5,639)	(758)
Net profit after tax	(129,558)	(13,127)	(1,315,861)	(2,340,297)	(15,881)	(1,624)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(129,558)	(13,127)	(1,315,861)	(2,340,297)	(15,881)	(1,624)
Allocated to investors	129,558	13,127	1,315,861	2,340,297	15,881	1,624
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	1,697	4,524	-	-	490	19
Trade and other receivables	71,260	67,522	55,867	100,461	269	932
Interfund receivable	-	-	-	-	-	-
Tax assets	-	-	196,938	26,845	-	-
Other assets	-	-	-	-	-	-
Financial assets	1,184,802	1,105,169	1,821,496	3,496,458	100,738	19,417
Deferred tax assets	75,476	35,752	590,673	1,003,348	6,630	990
Total assets	1,333,235	1,212,967	2,664,974	4,627,112	108,127	21,358
Overdraft	-	-	879	7,964	-	-
Interfund payable	931	874	1,429	3,801	76	14
Trade and other payables	1	1	18	2,338	(1)	-
Deferred tax liabilities	-	-	-	-	-	-
Provision for income tax	-	25,677	-	-	-	232
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	932	26,552	2,326	14,103	75	246
<i>Policyholder liability</i>						
Opening balance	1,186,415	617,310	4,613,009	4,822,989	21,112	-
Contributions	658,964	960,212	236,011	3,356,283	103,230	22,736
Withdrawals	(383,518)	(377,980)	(870,511)	(1,225,966)	(409)	-
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(129,558)	(13,127)	(1,315,861)	(2,340,297)	(15,881)	(1,624)
Total policyholder liabilities	1,332,303	1,186,415	2,662,648	4,613,009	108,052	21,112
Total liabilities	1,333,235	1,212,967	2,664,974	4,627,112	108,127	21,358
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 6 Australian Shares		Portfolio No. 7 Aust Shares Small Cap.		Portfolio No. 8 International Shares	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	1,104	1,733	128	229	454	606
Distribution income	329,742	368,658	16,193	48,203	18,391	49,438
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	11,079	47,150	1,997	7,500	5,091	11,469
Unrealised gains	-	-	-	-	-	-
Realised gains	-	58,931	-	-	-	13,688
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	270	-	-
Total income	341,925	476,472	18,318	56,202	23,936	75,201
Fees paid to management fund	51,982	57,204	11,713	17,407	17,312	20,980
Unrealised losses	1,296,713	1,332,477	543,163	142,433	247,896	561,141
Realised losses	117,404	-	13,489	329,913	147,121	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	11,079	47,150	1,998	7,500	5,091	11,469
Total expenses	1,477,178	1,436,831	570,363	497,253	417,420	593,590
Profit/(loss) before income tax	(1,135,253)	(960,359)	(552,045)	(441,051)	(393,484)	(518,389)
Income tax expense/(benefit)	(253,165)	(332,431)	(136,909)	(137,511)	(77,752)	(146,942)
Net profit after tax	(882,088)	(627,928)	(415,136)	(303,540)	(315,732)	(371,447)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(882,088)	(627,928)	(415,136)	(303,540)	(315,732)	(371,447)
Allocated to investors	882,088	627,928	415,136	303,540	315,732	371,447
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	3,066	7,035	4,948	248	2,448	-
Trade and other receivables	122,622	243,691	16,193	7,256	11,024	49,438
Interfund receivable	-	-	-	-	-	-
Tax assets	22,293	-	9,457	94,781	-	-
Other assets	-	-	-	-	-	-
Financial assets	6,147,243	6,168,668	1,489,166	1,707,772	1,590,738	2,126,021
Deferred tax assets	566,568	335,696	144,568	17,116	222,440	144,688
Total assets	6,861,792	6,755,090	1,664,332	1,827,173	1,826,650	2,320,147
Overdraft	-	-	-	-	-	13,947
Interfund payable	4,799	5,859	1,159	1,393	1,249	1,816
Trade and other payables	449	2,070	7	8	10	79
Deferred tax liabilities	-	-	-	-	-	-
Provision for income tax	-	67,140	-	-	-	15,710
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	5,248	75,069	1,166	1,401	1,259	31,552
<i>Policyholder liability</i>						
Opening balance	6,680,021	4,608,432	1,825,772	1,730,637	2,288,595	1,871,911
Contributions	1,713,890	3,388,579	329,767	520,225	267,914	1,079,693
Withdrawals	(655,279)	(689,062)	(77,237)	(121,550)	(415,386)	(291,562)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(882,088)	(627,928)	(415,136)	(303,540)	(315,732)	(371,447)
Total policyholder liabilities	6,856,544	6,680,021	1,663,166	1,825,772	1,825,391	2,288,595
Total liabilities	6,861,792	6,755,090	1,664,332	1,827,173	1,826,650	2,320,147
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 9 Int'l Shares Small Cap.		Portfolio No. 10 Sectoral Blend		Portfolio No. 11 Australian Shares Index	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	106	198	3,703	2,588	414	569
Distribution income	3,618	6,245	458,453	669,736	211,839	216,531
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	1,465	3,159	10,334	99,892	18,102	25,009
Unrealised gains	-	-	-	-	-	-
Realised gains	-	-	-	-	-	23,564
Actuarial gains	-	-	-	-	-	-
Other income	-	-	50	2,890	-	-
Total income	5,189	9,602	472,540	775,106	230,355	265,673
Fees paid to management fund	3,678	5,404	82,631	114,817	39,289	34,749
Unrealised losses	162,216	149,337	3,168,216	3,190,930	945,358	866,789
Realised losses	(45,607)	42,331	(72,203)	519,436	99,013	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	1,465	3,159	10,334	99,892	18,102	25,010
Total expenses	121,752	200,231	3,188,978	3,925,075	1,101,762	926,548
Profit/(loss) before income tax	(116,563)	(190,629)	(2,716,438)	(3,149,969)	(871,407)	(660,875)
Income tax expense/(benefit)	(1,276)	(54,174)	(393,353)	(956,099)	(282,509)	(220,168)
Net profit after tax	(115,287)	(136,455)	(2,323,085)	(2,193,870)	(588,898)	(440,707)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(115,287)	(136,455)	(2,323,085)	(2,193,870)	(588,898)	(440,707)
Allocated to investors	115,287	136,455	2,323,085	2,193,870	588,898	440,707
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	3,892	-	-	24,768	3,205	-
Trade and other receivables	3,618	6,245	177,613	387,849	31,752	112,624
Interfund receivable	-	-	-	-	-	-
Tax assets	-	11,486	250,967	14,758	17,266	-
Other assets	-	-	-	-	-	-
Financial assets	305,654	494,898	7,413,541	12,483,475	4,910,828	4,186,288
Deferred tax assets	69,331	68,055	1,181,176	1,043,306	394,981	129,738
Total assets	382,495	580,684	9,023,297	13,954,156	5,358,032	4,428,650
Overdraft	-	129	19,695	-	-	8,767
Interfund payable	263	422	5,743	10,767	3,943	3,330
Trade and other payables	11	69	17	4,606	316	226
Deferred tax liabilities	-	-	-	-	-	-
Provision for income tax	-	-	-	-	-	39,516
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	274	620	25,455	15,373	4,259	51,839
<i>Policyholder liability</i>						
Opening balance	580,064	550,555	13,938,783	9,540,141	4,376,811	2,679,333
Contributions	109,086	258,111	682,569	7,728,342	2,073,990	2,353,385
Withdrawals	(191,642)	(92,147)	(3,300,425)	(1,135,830)	(508,130)	(215,200)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(115,287)	(136,455)	(2,323,085)	(2,193,870)	(588,898)	(440,707)
Total policyholder liabilities	382,221	580,064	8,997,842	13,938,783	5,353,773	4,376,811
Total liabilities	382,495	580,684	9,023,297	13,954,156	5,358,032	4,428,650
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 12 International Shares Index		Portfolio No. 12A Aust. Fixed Interest Index		Portfolio No. 12B Property Securities Index	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	470	386	113	82	26	-
Distribution income	-	399,150	60,510	557	24,796	47
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	7,835	21,251	17,093	282	8,803	-
Unrealised gains	-	-	-	-	-	-
Realised gains	-	23,014	-	-	-	-
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	8,305	443,801	77,716	921	33,625	47
Fees paid to management fund	23,123	26,329	7,074	74	2,327	4
Unrealised losses	588,487	818,897	44,763	667	114,058	500
Realised losses	352,942	-	-	-	25,495	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	7,836	21,251	17,092	282	8,803	-
Total expenses	972,388	866,477	68,929	1,023	150,683	504
Profit/(loss) before income tax	(964,083)	(422,676)	8,787	(102)	(117,058)	(457)
Income tax expense/(benefit)	(180,627)	(120,269)	10,601	(8)	(34,879)	(138)
Net profit after tax	(783,456)	(302,407)	(1,814)	(94)	(82,179)	(319)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(783,456)	(302,407)	(1,814)	(94)	(82,179)	(319)
Allocated to investors	783,456	302,407	1,814	94	82,179	319
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	4,180	7,735	469	749	10,990	480
Trade and other receivables	-	399,150	16,612	557	3,300	47
Interfund receivable	-	-	-	-	-	-
Tax assets	-	-	-	-	517	-
Other assets	-	-	-	-	-	-
Financial assets	2,456,071	2,722,559	1,538,769	60,949	386,096	2,186
Deferred tax assets	416,844	236,217	7,786	200	34,512	150
Total assets	2,877,095	3,365,661	1,563,636	62,455	435,415	2,863
Overdraft	-	-	-	-	-	-
Interfund payable	1,917	2,658	1,198	46	334	2
Trade and other payables	80	547	80	1	4	-
Deferred tax liabilities	-	-	-	-	-	-
Provision for income tax	-	120,839	18,187	192	-	12
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	1,997	124,044	19,465	239	338	14
<i>Policyholder liability</i>						
Opening balance	3,241,617	2,070,070	62,216	-	2,849	-
Contributions	849,567	1,599,441	1,486,751	62,333	556,564	3,168
Withdrawals	(432,630)	(125,487)	(2,982)	(23)	(42,157)	-
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(783,456)	(302,407)	(1,814)	(94)	(82,179)	(319)
Total policyholder liabilities	2,875,098	3,241,617	1,544,171	62,216	435,077	2,849
Total liabilities	2,877,095	3,365,661	1,563,636	62,455	435,415	2,863
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 13 Austock High Yield		Portfolio No. 14 Austock Australian Equity		Portfolio No. 15 Perpetual Australian Shares	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
INCOME STATEMENT						
Interest income	329	343	66	144	561	602
Distribution income	97,906	94,994	62,834	102,707	230,248	177,693
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	3,564	14,640	3,449	12,055	18,708	54,066
Unrealised gains	-	-	-	-	-	-
Realised gains	-	-	-	-	-	972
Actuarial gains	-	-	-	-	-	-
Other income	2,520	3,157	-	-	-	-
Total income	104,319	113,134	66,349	114,906	249,517	233,333
Fees paid to management fund	9,487	12,530	10,037	13,839	46,929	37,634
Unrealised losses	149,925	203,861	264,422	287,104	919,950	752,132
Realised losses	149,776	30,023	113,153	12,174	140,383	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	3,564	14,640	3,449	12,055	18,708	54,066
Total expenses	312,752	261,054	391,061	325,172	1,125,970	843,832
Profit/(loss) before income tax	(208,433)	(147,920)	(324,712)	(210,266)	(876,453)	(610,499)
Income tax expense/(benefit)	(21,911)	(42,349)	(52,117)	(74,138)	(247,051)	(223,699)
Net profit after tax	(186,522)	(105,571)	(272,595)	(136,128)	(629,402)	(386,800)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(186,522)	(105,571)	(272,595)	(136,128)	(629,402)	(386,800)
Allocated to investors	186,522	105,571	272,595	136,128	629,402	386,800
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	644	683	9,798	11,736	4,406	2,176
Trade and other receivables	33,971	31,431	16,445	75,715	111,924	89,197
Interfund receivable	-	-	-	-	-	-
Tax assets	19,591	-	11,366	-	53,073	-
Other assets	-	-	-	-	-	-
Financial assets	877,405	1,332,010	1,033,207	1,363,740	5,875,771	5,731,764
Deferred tax assets	63,286	61,309	118,281	77,530	432,018	238,040
Total assets	994,897	1,425,433	1,189,097	1,528,721	6,477,192	6,061,177
Overdraft	-	-	-	-	-	-
Interfund payable	1,462	1,268	782	1,243	4,376	6,799
Trade and other payables	144	683	-	108	35	6,440
Deferred tax liabilities	-	-	-	-	-	-
Provision for income tax	-	16,086	-	14,026	-	1,241
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	1,606	18,037	782	15,377	4,411	14,480
<i>Policyholder liability</i>						
Opening balance	1,407,396	1,032,616	1,513,344	1,359,456	6,046,697	2,355,783
Contributions	179,119	942,888	141,351	633,937	1,611,505	4,168,460
Withdrawals	(406,702)	(462,537)	(193,785)	(343,921)	(556,019)	(90,746)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(186,522)	(105,571)	(272,595)	(136,128)	(629,402)	(386,800)
Total policyholder liabilities	993,291	1,407,396	1,188,315	1,513,344	6,472,781	6,046,697
Total liabilities	994,897	1,425,433	1,189,097	1,528,721	6,477,192	6,061,177
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 16		Portfolio No. 17		Portfolio No. 18	
	Perpetual Geared Aust. Shares		Perpetual Int'l Shares		Perpetual Mortgage	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	362	163	189	270	2,409	2,048
Distribution income	51,705	39,414	22,509	9,832	243,321	226,692
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	9,677	22,937	1,326	11,436	8,146	38,730
Unrealised gains	-	-	-	-	-	35,134
Realised gains	-	1,956	-	-	-	546
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	61,744	64,470	24,024	21,538	253,876	303,150
Fees paid to management fund	17,183	22,790	11,015	9,607	45,824	32,637
Unrealised losses	1,159,776	1,042,780	156,908	229,271	46,583	-
Realised losses	37,794	-	6,078	28,176	402	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	9,676	22,937	1,326	11,436	8,146	38,729
Total expenses	1,224,429	1,088,507	175,327	278,490	100,955	71,366
Profit/(loss) before income tax	(1,162,685)	(1,024,037)	(151,303)	(256,952)	152,921	231,784
Income tax expense/(benefit)	(188,395)	(351,739)	(20,173)	(75,067)	63,534	79,327
Net profit after tax	(974,290)	(672,298)	(131,130)	(181,885)	89,387	152,457
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(974,290)	(672,298)	(131,130)	(181,885)	89,387	152,457
Allocated to investors	974,290	672,298	131,130	181,885	(89,387)	(152,457)
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	102,450	55,394	5,989	164,691	203,827	2,696
Trade and other receivables	11,869	54	22,509	9,832	14,800	27,310
Interfund receivable	-	-	-	-	-	-
Tax assets	66,503	39,956	-	6,632	-	-
Other assets	-	-	-	-	-	-
Financial assets	2,588,332	2,405,233	1,188,262	941,435	4,942,371	4,830,307
Deferred tax assets	366,348	244,457	95,702	73,789	1,134	-
Total assets	3,135,502	2,745,094	1,312,462	1,196,379	5,162,132	4,860,313
Overdraft	-	-	-	-	-	-
Interfund payable	2,258	2,438	927	781	3,858	4,454
Trade and other payables	491	1,090	4	57	6	2,490
Deferred tax liabilities	-	-	-	-	-	8,931
Provision for income tax	-	-	1,741	-	73,599	68,786
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	2,749	3,528	2,672	838	77,463	84,661
<i>Policyholder liability</i>						
Opening balance	2,741,566	1,714,176	1,195,541	959,460	4,775,652	2,525,670
Contributions	1,469,255	1,771,922	285,516	688,685	913,617	2,983,872
Withdrawals	(103,778)	(72,234)	(40,137)	(270,719)	(693,987)	(886,347)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(974,290)	(672,298)	(131,130)	(181,885)	89,387	152,457
Total policyholder liabilities	3,132,753	2,741,566	1,309,790	1,195,541	5,084,669	4,775,652
Total liabilities	3,135,502	2,745,094	1,312,462	1,196,379	5,162,132	4,860,313
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 19		Portfolio No. 20		Portfolio No. 21	
	Perpetual Balanced Growth		Perpetual Industrial Shares		Perpetual Ethical SRI	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	529	613	233	39	-	68
Distribution income	122,666	156,065	73,095	1,711	4,264	972
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	10,025	34,164	28,094	513	465	239
Unrealised gains	-	-	26,874	-	-	-
Realised gains	-	-	-	-	-	-
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	133,220	190,842	128,296	2,263	4,729	1,279
Fees paid to management fund	27,530	26,815	6,205	84	521	63
Unrealised losses	332,534	477,325	-	4,094	8,014	8,896
Realised losses	138,564	16,500	20,155	-	-	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	-	-	-	-
Other expenses	10,025	34,164	28,094	513	465	239
Total expenses	508,653	554,804	54,454	4,691	9,000	9,198
Profit/(loss) before income tax	(375,433)	(363,962)	73,842	(2,428)	(4,271)	(7,919)
Income tax expense/(benefit)	(74,340)	(111,503)	2,486	(1,245)	(2,515)	(2,731)
Net profit after tax	(301,093)	(252,459)	71,356	(1,183)	(1,756)	(5,188)
Opening unallocated surplus	-	-	-	-	-	-
Total available for allocation	(301,093)	(252,459)	71,356	(1,183)	(1,756)	(5,188)
Allocated to investors	301,093	252,459	(71,356)	1,183	1,756	5,188
Closing unallocated surplus	-	-	-	-	-	-
BALANCE SHEET						
Cash and cash equivalents	4,930	-	3,087	185,758	-	1,219
Trade and other receivables	67,856	97,645	57,134	1,711	2,414	972
Interfund receivable	-	-	-	-	-	-
Tax assets	23,602	-	5,575	17	110	62
Other assets	-	-	-	-	-	-
Financial assets	2,998,128	3,179,201	1,736,920	53,109	80,051	45,514
Deferred tax assets	217,275	166,538	-	1,228	5,073	2,669
Total assets	3,311,791	3,443,384	1,802,716	241,823	87,648	50,436
Overdraft	-	22,563	-	-	6,520	-
Interfund payable	2,326	3,591	1,542	172	62	39
Trade and other payables	41	2,559	4,033	241	(2)	-
Deferred tax liabilities	-	-	6,834	-	-	-
Provision for income tax	-	31,481	-	-	-	-
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total other liabilities	2,367	60,194	12,409	413	6,580	39
<i>Policyholder liability</i>						
Opening balance	3,383,190	2,208,602	241,410	-	50,397	-
Contributions	732,885	1,866,562	1,510,663	242,618	32,818	55,604
Withdrawals	(505,558)	(439,515)	(33,122)	(25)	(391)	(19)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	-	-	-	-	-	-
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(301,093)	(252,459)	71,356	(1,183)	(1,756)	(5,188)
Total policyholder liabilities	3,309,424	3,383,190	1,790,307	241,410	81,068	50,397
Total liabilities	3,311,791	3,443,384	1,802,716	241,823	87,648	50,436
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Portfolio No. 22 MLC Horizon 4 Balanced		Cash Achiever Bond		Annuity Achiever Fund 39	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	-	156	12,513	8,892	23,687	10,355
Distribution income	32,978	8,088	-	-	-	-
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	7,496	2,058	6,374	7,582	1,574	2,441
Unrealised gains	-	-	-	-	-	-
Realised gains	-	-	44,607	69,886	92,543	152,777
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Total income	40,474	10,302	63,494	86,360	117,804	165,573
Fees paid to management fund	4,200	69	18,195	19,593	35,257	38,375
Unrealised losses	26,322	12,007	-	9,565	-	26,382
Realised losses	2,813	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	-	-	73	1,521	115	71
Other expenses	7,496	2,058	12,960	8,727	8,812	4,122
Total expenses	40,831	14,134	31,228	39,406	44,184	68,950
Profit/(loss) before income tax	(357)	(3,832)	32,266	46,954	73,620	96,623
Income tax expense/(benefit)	1,485	(1,234)	15,139	19,965	11,043	14,493
Net profit after tax	(1,842)	(2,598)	17,127	26,989	62,577	82,130
Opening unallocated surplus	-	-	39,538	53,605	21,824	15,013
Total available for allocation	(1,842)	(2,598)	56,665	80,594	84,401	97,143
Allocated to investors	1,842	2,598	(26,937)	(41,056)	(44,046)	(75,318)
Closing unallocated surplus	-	-	29,728	39,538	40,355	21,825
BALANCE SHEET						
Cash and cash equivalents	4,956	2,831	81,069	64,570	115,080	48,151
Trade and other receivables	15,359	8,088	2,001	-	3,461	-
Interfund receivable	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Financial assets	796,757	101,214	880,001	896,900	1,709,786	1,873,923
Deferred tax assets	8,428	3,602	932	73	515	37
Total assets	825,500	115,735	964,003	961,543	1,828,842	1,922,111
Overdraft	-	-	-	-	-	-
Interfund payable	619	499	2,037	2,080	3,075	3,328
Trade and other payables	-	1,365	-	244	-	244
Deferred tax liabilities	-	-	600	5,864	519	5,196
Provision for income tax	6,312	2,368	13,738	22,906	9,788	18,487
Provisions	-	-	-	-	-	-
Other liabilities	-	-	3,108	-	3,434	-
Total other liabilities	6,931	4,232	19,483	31,094	16,816	27,255
<i>Policyholder liability</i>						
Opening balance	111,503	-	930,449	1,076,417	1,894,856	2,058,155
Contributions	714,605	114,120	92,717	119,042	16,594	3,475
Withdrawals	(5,697)	(19)	(95,538)	(289,308)	(159,018)	(245,625)
Regulation 27	-	-	-	-	(1,678)	-
Movement in unallocated surplus	-	-	(9,809)	(14,067)	18,531	6,811
Payment of terminal bonus	-	-	-	-	-	-
Allocation of surplus/(deficiency)	(1,842)	(2,598)	26,701	38,365	42,741	72,040
Total policyholder liabilities	818,569	111,503	944,520	930,449	1,812,026	1,894,856
Total liabilities	825,500	115,735	964,003	961,543	1,828,842	1,922,111
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Annuity Achiever Fund 46		Funeral Plan Bond		Heritage Investment Bond Fund	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
INCOME STATEMENT						
Interest income	47,101	73,495	15,496	14,265	183,486	140,066
Distribution income	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	-	-	-	-	-	-
Fees received from investors	5,867	624	-	-	-	-
Unrealised gains	-	-	-	-	-	7,743
Realised gains	41,921	42,457	60,780	76,565	304,275	425,869
Actuarial gains	-	-	-	-	-	-
Other income	-	-	-	9,457	-	62,463
Total income	94,889	116,576	76,276	100,287	487,761	636,141
Fees paid to management fund	28,216	36,610	24,001	24,133	53,541	59,524
Unrealised losses	-	2,581	-	8,497	-	-
Realised losses	-	-	-	-	-	-
Actuarial losses	-	-	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-	-	-
Finance expenses	1	(26)	-	-	25	(50)
Other expenses	13,322	2,305	4,522	916	5,277	690
Total expenses	41,539	41,470	28,523	33,546	58,843	60,164
Profit/(loss) before income tax	53,350	75,106	47,753	66,741	428,918	575,977
Income tax expense/(benefit)	8,003	11,266	-	-	144,737	171,912
Net profit after tax	45,347	63,840	47,753	66,741	284,181	404,065
Opening unallocated surplus	22,738	5,799	24,371	10,114	151,900	132,504
Total available for allocation	68,085	69,639	72,124	76,855	436,081	536,569
Allocated to investors	(42,734)	(46,899)	(50,197)	(52,483)	(258,072)	(384,669)
Closing unallocated surplus	25,351	22,740	21,927	24,372	178,009	151,900
BALANCE SHEET						
Cash and cash equivalents	100,352	219,477	1,009,339	27,955	130,892	2,223,279
Trade and other receivables	1,493	-	11,928	-	17,811	-
Interfund receivable	-	-	-	7,325	-	57,445
Tax assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Financial assets	1,269,012	1,700,118	181,951	1,178,674	7,025,243	5,900,182
Deferred tax assets	515	37	-	-	1,025	591
Total assets	1,371,372	1,919,632	1,203,218	1,213,954	7,174,971	8,181,497
Overdraft	-	-	-	-	-	-
Interfund payable	2,141	2,998	1,691	-	4,443	-
Trade and other payables	(2)	245	-	-	-	(1)
Deferred tax liabilities	224	2,006	-	-	5,343	4,225
Provision for income tax	6,588	11,690	-	-	105,673	170,180
Provisions	-	-	-	-	-	-
Other liabilities	3,434	-	3,027	1,942	3,418	1,969
Total other liabilities	12,385	16,939	4,718	1,942	118,877	176,373
<i>Policyholder liability</i>						
Opening balance	1,902,693	1,897,743	1,212,012	1,200,224	8,005,124	8,699,488
Contributions	7,317	5,147	9,115	6,082	21,897	33,434
Withdrawals	(592,543)	(62,989)	(65,046)	(59,052)	(1,241,606)	(1,116,457)
Regulation 27	-	-	-	-	-	-
Movement in unallocated surplus	2,613	16,939	(2,444)	14,257	26,109	19,396
Payment of terminal bonus	-	-	(4,249)	(1,400)	(2,905)	(4,760)
Allocation of surplus/(deficiency)	38,907	45,853	49,112	51,901	247,475	374,023
Total policyholder liabilities	1,358,987	1,902,693	1,198,500	1,212,012	7,056,094	8,005,124
Total liabilities	1,371,372	1,919,632	1,203,218	1,213,954	7,174,971	8,181,497
Net assets	-	-	-	-	-	-

38. Life investment contracts financial statements (continued)

	Investment Bond Fund		TOTAL Life Investment	
	2009 \$	2008 \$	2009 \$	2008 \$
INCOME STATEMENT				
Interest income	54,819	41,281	360,754	310,955
Distribution income	-	-	4,074,693	3,754,456
Management fees	-	-	-	-
Member contributions (insurance funds)	-	-	-	-
Fees received from investors	-	-	517,356	727,606
Unrealised gains	-	29,078	-	-
Realised gains	217,666	252,022	-	-
Actuarial gains	-	-	-	-
Other income	-	34,042	2,570	112,279
Total income	272,485	356,423	4,955,373	4,905,296
Fees paid to management fund	52,085	56,470	811,505	808,473
Unrealised losses	-	-	10,718,335	13,741,419
Realised losses	-	-	1,790,362	331,939
Actuarial losses	-	-	-	-
Member claim payments (insurance funds)	-	-	-	-
Finance expenses	-	-	214	1,516
Other expenses	5,277	690	553,713	734,409
Total expenses	57,362	57,160	13,874,129	15,617,756
Profit/(loss) before income tax	215,123	299,263	(8,918,756)	(10,712,460)
Income tax expense/(benefit)	80,163	96,508	(1,004,436)	(3,364,301)
Net profit after tax	134,960	202,755	(7,914,320)	(7,348,159)
Opening unallocated surplus	41,581	52,949	301,952	269,984
Total available for allocation	176,541	255,704	(7,612,368)	(7,078,175)
Allocated to investors	(145,630)	(214,123)	7,938,649	7,380,131
Closing unallocated surplus	30,911	41,581	326,281	301,956
BALANCE SHEET				
Cash and cash equivalents	2,835,183	50,979	4,184,275	2,627,353
Trade and other receivables	33,694	-	1,335,688	2,062,086
Interfund receivable	-	29,649	-	18,712
Tax assets	-	-	-	-
Other assets	-	-	-	-
Financial assets	1,380,001	4,389,146	104,095,242	93,088,218
Deferred tax assets	1,025	591	5,217,627	4,051,033
Total assets	4,249,903	4,470,365	114,832,832	101,847,402
Overdraft	-	-	-	-
Interfund payable	4,345	-	74,052	-
Trade and other payables	1	-	30,078	49,458
Deferred tax liabilities	10,108	17,852	54,043	44,074
Provision for income tax	56,340	88,376	69,064	717,573
Provisions	-	-	-	-
Other liabilities	3,418	1,969	19,839	5,880
Total other liabilities	74,212	108,197	247,076	816,985
<i>Policyholder liability</i>				
Opening balance	4,362,168	4,882,595	101,030,417	67,212,990
Contributions	3,395	9,859	45,844,760	55,138,273
Withdrawals	(318,070)	(718,702)	(24,342,458)	(13,933,941)
Regulation 27	-	-	(1,678)	-
Movement in unallocated surplus	(10,670)	(11,368)	24,330	31,968
Payment of terminal bonus	(3,367)	(4,480)	(10,521)	(10,640)
Allocation of surplus/(deficiency)	142,235	204,264	(7,959,094)	(7,408,233)
Total policyholder liabilities	4,175,691	4,362,168	114,585,756	101,030,417
Total liabilities	4,249,903	4,470,365	114,832,832	101,847,402
Net assets	-	-	-	-

39. Life insurance contracts financial statements

	Assurance Fund		Oddfellows Fund		TOTAL Life Insurance	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
INCOME STATEMENT						
Interest income	7,308	2,875	235,786	204,576	243,094	207,451
Distribution income	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Member contributions (insurance funds)	4,532	4,326	-	-	4,532	4,326
Fees received from investors	-	-	-	-	-	-
Unrealised gains	-	509	78,251	-	78,251	-
Realised gains	22,693	31,341	253,612	227,307	276,305	258,648
Actuarial gains	-	13,539	155,101	-	150,809	-
Other income	-	3,748	-	53,315	-	57,063
Total income	34,533	56,338	722,750	485,198	752,991	527,488
Fees paid to management fund	7,363	7,550	148,769	150,100	156,132	157,650
Unrealised losses	-	-	-	35,936	-	35,427
Realised losses	-	-	-	-	-	-
Actuarial losses	4,292	-	-	260,344	-	246,805
Member claim payments (insurance funds)	24,372	28,600	128,045	141,610	152,417	170,210
Finance expenses	5	73	-	15	5	88
Other expenses	4,768	4,617	4,962	4,617	9,730	9,234
Total expenses	40,800	40,840	281,776	592,622	318,284	619,414
Profit/(loss) before income tax	(6,267)	15,498	440,974	(107,424)	434,707	(91,926)
Income tax expense/(benefit)	6,639	5,886	-	-	6,639	5,886
Net profit after tax	(12,906)	9,612	440,974	(107,424)	428,068	(97,812)
Opening unallocated surplus	71,395	63,575	59,247	405,710	130,642	469,285
Total available for allocation	58,489	73,187	500,221	298,286	558,710	371,473
Allocated to investors	-	(1,792)	-	(239,039)	-	(240,831)
Closing unallocated surplus	58,489	71,395	500,221	59,247	558,710	130,642
BALANCE SHEET						
Cash and cash equivalents	81,304	52,619	313,278	56,712	394,582	109,331
Trade and other receivables	1,251	-	9,464	-	10,715	-
Interfund receivable	-	3,104	-	40,784	-	43,888
Tax assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Financial assets	404,039	442,519	6,774,437	6,740,139	7,178,476	7,182,658
Deferred tax assets	996	1,009	-	-	996	1,009
Total assets	487,590	499,251	7,097,179	6,837,635	7,584,769	7,336,886
Overdraft	-	-	-	-	-	-
Interfund payable	593	-	12,088	-	12,681	-
Trade and other payables	-	-	-	-	-	-
Deferred tax liabilities	375	348	-	-	375	348
Provision for income tax	5,004	6,744	-	-	5,004	6,744
Provisions	-	-	-	-	-	-
Other liabilities	3,320	3,364	4,159	4,847	7,479	8,211
Total other liabilities	9,292	10,456	16,247	4,847	25,539	15,303
<i>Total policyholder liabilities</i>	419,810	417,401	6,292,842	6,485,672	6,712,652	6,903,073
Total liabilities	429,102	427,857	6,309,089	6,490,519	6,738,191	6,918,376
Net assets	58,488	71,394	788,090	347,116	846,578	418,510
Policyholder equity						
Equity at the start of the year	71,394	63,575	347,116	693,579	418,510	757,154
Bonus	-	(1,792)	-	(239,039)	-	(240,831)
Profit/(loss) for the year	(12,906)	9,611	440,974	(107,424)	428,068	(97,813)
Equity at the end of the year	58,488	71,394	788,090	347,116	846,578	418,510

Additional stock exchange information as at 18 August 2009 (unaudited)

Number of holders of equity securities

Fully paid ordinary share capital

133,928,412 fully paid ordinary shares are held by 857 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 32 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)

Options

500,000 options (with entitlements to 500,000 ordinary shares) are held by 3 option holders
Options do not carry the right to vote.

Distribution of holders of equity securities

Number of shares held	Fully paid ordinary shares	Partly paid ordinary shares	Options
1 - 1,000	147	0	0
1,001 - 5,000	305	0	0
5,001 - 10,000	115	0	0
10,001 - 100,000	191	19	2
100,001 and over	99	13	1
Total	857	32	3
Holdings less than a marketable parcel	217	n/a	n/a

Substantial shareholders

Substantial shareholders	Number
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	17,395,880
Smith Peaco Nominees Pty Ltd	14,510,220
Mr Martin Edward Ryan	13,292,692
Mr John David Wheeler	11,875,200
Ms Patricia Mary Tooth	8,078,560
Mr Goh Geok Khim	7,999,600

Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid percentage
Austock Employee Share Custodian Pty Ltd<Austock Employee Share A/C>	17,382,405	12.979
Mr Martin Edward Ryan	13,292,692	9.925
Ms Patricia Mary Tooth	8,078,560	6.032
Onever Pty Ltd	7,871,120	5.877
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 Edmund Stuart Groves	5,000,000	3.733
Mr Alexander Llewellyn Smith	4,565,600	3.409
Mr Peter Geoffrey Hollick	4,025,140	3.005
Solanum Investment Pte Ltd	3,500,000	2.613
Mr Ryan James Whitelegg	3,051,920	2.279
Mr Don Lazzaro & Mrs Ann Lazzaro <Super Fund A/C>	2,680,346	2.001
Future Equity Investments Limited	2,500,000	1.867
Robcharta Nominees (NSW) Pty Ltd	2,000,400	1.494
Mr Goh Geok Khim	1,999,600	1.493
Sandhurst Trustees Ltd<JMFG CONSOL A/C>	1,960,000	1.463
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
	96,264,613	71.878

Securities subject to voluntary escrow

Escrow release date	Number of escrowed shares
1 October 2009	1,402,889
25 November 2009	33,333
29 November 2009	3,188,707
5 December 2009	260,740
3 February 2010	60,000
28 May 2010	132,322
1 June 2010	535,713
30 June 2010	17,142
1 July 2010	566,991
14 August 2010	17,859
1 October 2010	141,567
25 November 2010	33,333
5 December 2010	260,732
16 December 2010	48,050
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	1,017,434
Pursuant to rules of SOP	30,372
	13,270,121

On market buy back

There is no current on-market buy-back.

Corporate information

Company Directors

Mr William (Bill) Eric Bessemer
Mr Christopher (Chris) Alan Sadler
Mr Timothy (Tim) David Boyle
Mr Victor (Vic) David Cottren

Non Executive Chairman
Non Executive Deputy Chairman
Managing Director and Chief Executive Officer
Non Executive Director

Company Secretary

Ms Amanda Jane Gawne

Registered Office

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Melbourne VIC 3000
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Facsimile: +61 3 9200 2270

Share Register

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Bankers

National Australia Bank
330 Collins Street
Melbourne VIC 3000

BankWest
Level 5, 600 Bourke Street
Melbourne VIC 3000

Auditor

KPMG
147 Collins Street
Melbourne VIC 3000

Appointed Actuary

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

You're in good company