Allco HIT Limited | ALLCO

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31 October 2008

The Manager
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Sydney NSW 2000

Allco HIT Limited (ASX: AHI): Annual Report 2008

Attached for release to the market is the 2008 Annual Report.

Yours sincerely

T. Lennox

Tom Lennox
Company Secretary

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ASX RELEASE

partnership / determination / ingenuity

Annual Report 2008

ABN 69 122 462 328

Allco HIT Limited

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Chairman's and Managing Director's Report

The rapid deterioration and turmoil in global credit markets over the past year and the more recent worldwide economic disturbance which this has created has had a significant impact on the financial services sector worldwide. Allco HIT Limited (AHI or the Company) was not immune to these unprecedented issues.

Non-bank lending institutions, including AHI's four operating businesses, have experienced reduced availability of funding combined with significant increases in funding costs. These issues, coupled with a number of borrower defaults in its direct lending portfolio (increasing due to the lack of end funding for project developments), have forced the Company to undertake a restructure of its business model. The restructure includes the disposal of subsidiaries and some loan assets. The restructure will also try to seek out niche areas of financing pursuant to which the Company will be able to broaden its lending base and diversify its portfolio risk.

The Board of AHI is disappointed that the sale of Strategic Finance Limited (SFL) did not eventuate as envisaged. There are a number of options currently being considered for the future operation of SFL and how that may fit into the Company's future post-restructure business operations and its funding structure generally.

SFL, being AHI's main operating business, has been severely impacted by the global credit turmoil and the resultant downturn in the New Zealand property market (both prices and funding availability). Since May 2006, more than 25 finance companies in New Zealand have either gone into receivership or announced moratoriums with respect to deposits and debenture obligations. Regrettably, SFL was forced to call a suspension of redemptions in August 2008 due to increasing liquidity pressure. SFL together with AHI are in the process of finalising a strategy to deal with SFL's investor funds and are in discussions with both the group's main bankers and the Trustee for the debenture holders to ensure an acceptable outcome is achieved.

As part of the restructuring outlined above, AHI is also working on a proposal for the internalisation of its management which will see the Company operating independently of Allco Finance Group Limited (AFG) (including exiting the existing management agreement with AFG). Presently senior management of the Company is provided by AFG pursuant to the current management agreement. As part of this process, the Company intends to change its name to AHI Capital Limited and possibly relocate to new premises.

The Company's net loss after tax amounted to $318.9 million for the year to 30 June 2008, which predominantly related to impairment of goodwill and loan assets as a result of the dislocation in credit markets and the resultant carrying value of certain assets. The result is not satisfactory to the Board of Directors. Given this result and AHI's need to preserve capital, the Company will not be paying a final dividend.

The Board is conscious of the significant loss in shareholder value in connection with the fall in our share price. Both the Board and the management team are currently working to restructure the existing business and considering opportunities for the future with a view to restoring some of the lost value for shareholders. Clearly this is not an easy task while markets continue to behave erratically. The Board is hopeful that later in 2009 some stability may emerge which will positively impact the financial services sector. However, the task of restructuring any financial services business without the support of financial market stability and a brighter economic outlook will most certainly have its challenges.

Since the Company's last Annual General Meeting a number of changes have occurred to the Board of Directors which have been conveyed to shareholders. The current composition of the Board consists of three Directors, two of whom are non-executives. The current Board together with a smaller management team will endeavour to take AHI through these challenging times with the aim of creating a business capable of restoring shareholder value.

Neil Lewis

Chairman

Steven Davey

Managing Director

Board of Directors

Mr Neil Lewis – Chairman and Non-Executive Director

Neil has had an extensive career in commerce, merchant banking and financial markets in Australia and overseas which spans more than 30 years. Neil was the first Australian-based principal of international investment bank Babcock & Brown and, after retiring from Babcock & Brown, formed his own boutique merchant banking firm with a business partner, which he jointly ran for some years. In addition to being a non-executive director of Allco Finance Group Limited, Neil's present appointments span the energy and not-for-profit sectors, including directorships for Lloyd Energy Systems Pty Ltd and The Hammond Care Group.

Mr Steven Davey – Managing Director and Executive Director

Steven has over 35 years experience in the financial markets and banking industry, covering debt capital markets, structured finance, wholesale mortgage finance, treasury/securities trading & placement, management development, commercial banking and retail banking.

Steven joined AFG in mid 2006. In the 18 months prior to commencing his role with AHL, he was involved in the management, strategic review and exit of certain financial assets held by AFG. Before joining AFG, Steven worked for the ANZ Banking Group for 15 years where, for the last 10 years, he was the Global Head of Primary Markets, with global responsibility for the Bank's securitisation, syndication, bond origination, transaction/operational management and all debt underwriting activities.

Mr Robert West – Non-Executive Director

Robert is Chairman of Record Funds Management Limited. He is a Fellow of the Australian Property Institute and a Senior Associate of the Financial Institution of Australasia. He is also a Licensed Valuer (without limitation), a Justice of the Peace and holds a Diploma in Valuation. For a majority of his career, Robert has worked with or for major institutions, including National Mutual (now AXA), Jennings Industries, Industrial Equity and Obayashi Corporation. In 1991, Robert commenced a private consulting practice and has worked on projects throughout Australia, including the Olympic Stadium, Super Dome, M2 and Melbourne City Link.

Corporate Governance Statement

The Board of Directors of Allco HIT Limited ('AHL') is committed to AHL meeting stakeholders' expectations of good corporate governance practices. This statement outlines AHL's main corporate governance practices as at 30 June 2008, and, unless stated otherwise, they reflect the practices in place since the start of the reporting period on 1 July 2007.

About Allco HIT Limited

AHL is a diversified financial services business which listed on the Australian Stock Exchange ('ASX') on 16 February 2007. AHL is managed by Allco Funds Management Limited ('Manager'), a wholly owned subsidiary of Allco Finance Group Limited ('AFG'), under a management agreement between AHL and the Manager. Under this agreement, AFG indirectly provides, amongst other things, a range of:

- Management services – including developing investment strategy and evaluating and recommending investment proposals for consideration of the AHL Board; and
- Executive administration services – including the provision of experienced and skilled staff to perform the respective roles of Chief Executive Officer, Chief Financial Officer and Head of Risk, and implementing corporate governance practices.

It is through this arrangement that AHL is able to source the experience, knowledge and management expertise within AFG to supplement AHL's own internal expertise. AHL has also adopted the governance practices of AFG to ensure good standards of corporate governance surround the effective day-to-day operations of AHL.

AHL recognises that, in some cases, the interests of AHL and AFG may not always be the same. To ensure these situations are managed appropriately in the best interests of all shareholders, AHL has adopted a number of checks and balances to ensure good corporate governance, including the AHL Related Party and Conflicts of Interest Policy, which is enforced by the AHL Related Party Committee.

ASX Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has published a second edition of the Corporate Governance Principles and Recommendations ('Recommendations') as a best practice guide to good corporate governance for listed entities. In accordance with the ASX Listing Rules ('Listing Rules'), AHL provides this statement disclosing the extent to which it has followed the Recommendations during the reporting period. The Recommendations are not prescriptions, but guidelines, and provide a reference point for AHL in describing its corporate governance practices and structures.

Principle 1

Lay solid foundations for management and oversight.

Recommendation 1.1

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The AHL Board Charter sets out the functions and responsibilities of the Board which include:

- Overseeing the operations of AHL, including the business strategy and risk management strategy;
- Reviewing and monitoring the performance of the Manager under the management agreement;
- Ratifying and monitoring the framework for proper internal control, accountability systems and corporate governance;
- Approving all substantial transactions, including acquisitions and divestments; and
- Reviewing and approving financial and other reports.

A copy of the Board Charter is available upon request to the company secretary.

The Board has formally delegated specific functions to the senior executives of AHL. These delegations primarily relate to the day-to-day operations of AHL, its investments and working capital management. The Board is advised of significant investment decisions taken by management at each subsequent meeting of the Board.

Each non-executive director is appointed to that position under a formal letter of engagement which sets out the key terms and conditions of their appointment as a director.

Recommendation 1.2

Companies should disclose the process for evaluating the performance of senior executives.

Details of the remuneration policies and procedures in relation to the directors and senior executives are provided in the Remuneration Report on pages 17 to 22 of this Annual Report.

An annual performance evaluation is undertaken for each senior executive in accordance with the remuneration policies and procedures. At the conclusion of the current reporting period, the Head of Allco Funds Management undertook a review of the performance of the Chief Executive Officer and the Chief Executive Officer undertook a review of the performance of the Chief Financial Officer and Head of Risk.

Principle 2

Structure the board to add value.

Recommendation 2.1

A majority of the board should be independent directors.

There were a number of changes to the AHL board during the reporting period. The position and term in office of each director was as follows:

Name	Position	Date appointed	Status
Neil Lewis	Non-Executive Chairman*	28 November 2006	Current
Robert West	Independent Non-Executive Director	24 April 2008	Current
Steven Davey	Chief Executive Officer	24 April 2008	Current
Chris West	Executive Chairman	31 October 2006	Resigned 24 April 2008
Richard Alcock	Independent Non-Executive Director	3 April 2007	Resigned 24 April 2008
John Drabble	Managing Director	31 October 2006	Resigned 20 March 2008
Graham Jackson	Executive Director	23 March 2007	Resigned 10 March 2008

*Neil Lewis replaced Chris West as Chairman on 20 March 2008.

The current AHL Board of 3 directors includes one independent director, Mr Robert West. Consequently, a majority of the Board are not independent directors. This was also the case during the reporting period prior to 24 April 2008, when Richard Alcock was the sole independent director on the Board. The Board believes that the composition of the Board during the reporting period was appropriate because there is a need, at this stage of AHL's development, to include directors with a deep understanding of AHL's specific business and the broader finance industry.

Furthermore, the operation of the Board has been structured to ensure it can exercise independent judgement in relation to business dealings, particularly in respect of related party transactions, through:

- Establishment of a Related Party Committee which has the primary function of reviewing dealings between AHL and related parties to ensure that terms are determined at arms length and negotiated by AHL in the best interests of its shareholders; and
- Adherence to a Related Party and Conflicts of Interest Policy.

The Board reviews the independence of each non-executive director. For this purpose, an independent director is independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement as a director of AHL.

The Board has assessed Robert West and Richard Alcock to be independent using the criteria in Recommendation 2.1 because they:

- Have never held an executive role within AHL, AFG or any other Allco business;
- Are not substantial shareholders of AHL, AFG or any other Allco business and are not officers of, or otherwise associated directly with, a substantial shareholder of AHL;
- Are remunerated by a fixed fee (without adjustment relating to the financial results of any Allco business) which is based on specialist third-party remuneration advice;
- Have no material contractual relationship with AFG or any other Allco business (other than as directors of AHL), subject to the disclosure made by Mr Alcock that he was a director of two other entities managed by Allco, being Allco Managed Investment Funds Limited until 30 April 2008 and Allco SIF Limited until 11 March 2008 and the disclosure made by Robert West that he is a director of three other Allco entities, being Record Funds Management Limited, Allco (Singapore) Limited and Allco SIF Limited. In each case these directors are remunerated by a fixed fee. Where a decision concerned a transaction between Allco managed entities, Mr West and Mr Alcock did not participate in the decision where they were a director of more than one of those entities;
- Are not a principal or a material professional adviser or other material consultant to AHL, AFG or any other Allco business, subject to the disclosure made by Mr Alcock that he was, until 31 December 2006 a partner of the law firm Allens Arthur Robinson, which provides legal services to AFG and AHL. Mr Alcock did not provide services for Allens Arthur Robinson in respect of the firm's engagement by AFG and AHL;
- Have no interest in any business or other relationship which could materially interfere with their ability to act in the best interests of investors in AHL;
- Served on the Board for relatively short periods; and
- Agreed to act in accordance with AHL's policies, including the Related Party and Conflicts of Interest Policy, by which they have a primary duty to act as fiduciary in the best interest of AHL shareholders.

The directors are required to disclose any material contract or relationship and adhere to the constraints on their participation and voting in relation to matters in which they have an interest in accordance with the Corporations Act, Listing Rules and AHL's policies.

The skills, experience and expertise of each director is disclosed in the Directors' Report on pages 10 to 16 of this Annual Report.

Recommendation 2.2

The chair should be an independent director.

The Board has assessed the current Chairman of AHL, Neil Lewis, not to be independent under the criteria in Recommendation 2.1 because Mr Lewis is also an independent non-executive director of AFG, which is a substantial shareholder of AHL. Chris West, who was the Executive Chairman of AHL from the start of the reporting period until 20 March 2008, when he was replaced by Neil Lewis, was also not an independent director. Nevertheless, given their respective expertise, experience, reputations and client relationships, the Board believes that Mr Lewis is, and Mr West was, the most appropriate person to be AHL's Chairman during their respective time in office.

Recommendation 2.3

The roles of chairperson and chief executive officer should not be exercised by the same individual.

AHL's Chairman is not, and was not during the reporting period, the Chief Executive Officer or Managing Director of AHL.

Recommendation 2.4

The board should establish a nomination committee.

AHL has not established a Nomination Committee. Instead, the AHL Board Charter designates that the full Board is responsible for appointing directors, implementing a process for evaluating the performance of the Board and its committees and annually reviewing the mix of skills, experience and other qualities of the directors. The Board believes that a formal nomination committee structure is not efficient given the small size of the Board.

Recommendation 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board undertakes an annual review of the Board, its committees and directors in accordance with the AHL Board Charter. The process involves an internal self evaluation by the directors which is co-ordinated by the Manager and includes consideration of feedback provided by AHL executives via the company secretary.

Each director has access to the company secretary when required and each independent director has an agreed procedure by which independent advice may be obtained at AHL's expense.

Principle 3

Promote ethical and responsible decision-making

Recommendation 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 comply with their legal obligations and have regard to the reasonable expectations of their stakeholders; and

3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

AHL has adopted the AFG code of conduct which sets out the principles that regulate Allco's activities as well as providing Allco with a guide to complying with legal and other obligations to its stakeholders. The Code of Conduct requires all directors and employees to report any fraud, error, actual or potential breach of the law or concealed practice and to actively support adherence to the company's policies. A copy of the Code of Conduct is available on Allco's website at www.allco.com.au.

AHL has also adopted the AFG Whistleblower Policy, which encourages the reporting of unethical practices, has established protocols for dealing with any such reports and provides for the protection of whistleblowers against reprisal. A copy of the Whistleblower Policy is available upon request to the company secretary.

Recommendation 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees.

AHL has adopted the AFG Staff Financial Products Dealing Policy which provides protection to AFG, its related parties (including AHL) and its employees by restricting dealings by employees in financial products during certain times, or when employees are in possession of certain types of information. It is also designed to preserve the reputation of Allco, its related parties and its employees in public markets, and is designed to be consistent with best practice in this area.

This Staff Financial Products Dealing Policy applies to all employees, officers and directors including non-executive directors and external committee members, and to all financial products traded in any financial market, both in Australia and overseas. The purchase and sale of securities in AHL, AFG and other related parties by employees is only permitted during the calendar month following the release of the relevant half year and annual financial results to the market, the AGM and the issue of a disclosure document by the relevant entity. Staff trading is not permitted if employees are in possession of inside information in relation to the relevant security. A summary of the Staff Financial Products Dealing Policy is available on the Allco website at www.allco.com.au.

Principle 4

Safeguard integrity in financial reporting.

Recommendation 4.1

The board should establish an audit committee.

AHL has established an Audit and Compliance Committee. The committee currently comprises:

- Neil Lewis (non-executive director and committee Chairman); and
- Robert West (independent director).

Robert West joined the Audit and Compliance Committee on 24 April 2008. Graham Jackson, John Drabble and Richard Alcock were members of the Audit and Compliance Committee during the reporting period until the date of their resignation as directors of AHL as set out in recommendation 2.1.

Recommendation 4.2

The audit committee should be structured so that it:

- **consists of only non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chair, who is not chair of the board; and**
- **has at least three members.**

AHL's Audit and Compliance Committee consists of only non-executive directors. However, the structure of the committee does not meet all of the requirements of Recommendation 4.2 because it has two members and is chaired by Neil Lewis, who is not an independent director and is also Chairman of the Board. Nevertheless, the Board believes that, given the experience of the members, the Audit and Compliance Committee is able to appropriately carry out its functions in accordance with its charter (discussed below under Recommendation 4.3).

Recommendation 4.3

The audit committee should have a formal charter.

AHL's Audit and Compliance Committee has a formal charter which sets out the role, responsibilities, structure and composition of the committee. The committee's prime responsibilities under the charter are:

- Overseeing accounting, tax and compliance policies, practices and disclosures;
- The integrity of financial statements and reports;
- The selection, scope, quality and independence of external audit arrangements;
- Monitoring compliance with the risk management framework; and
- The adequacy of insurance cover.

A copy of the Audit and Compliance Committee Charter is available upon request to the company secretary.

The number of Audit and Compliance Committee meetings held during the year to 30 June 2008 and attendance by the members is set out in the Directors' Report on page 14 of this Annual Report.

Principle 5

Make timely and balanced disclosures.

Recommendation 5.1

Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

AHL has adopted the AFG Continuous Disclosure Policy which sets out the procedures adopted to ensure compliance with the continuous disclosure obligations under the Listing Rules, Corporations Act and ASX Recommendation 5.1. AFG provides the resources necessary to comply with these obligations through the management services provided by the Manager. However, AHL also retains access to independent advisers and counsel where considered appropriate by the directors. A summary of the policy is available on the Allco website at www.allco.com.au.

Principle 6

Respect the rights of shareholders.

Recommendation 6.1

Companies should design a communications policy for promoting effective communications with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

AHL has adopted the AFG External Communications Policy which outlines the policies and procedures for timely and effective communication with all of AHL's stakeholders, including shareholders and regulators. A summary of this policy is available on Allco's website at www.allco.com.au.

AHL's communications strategy is the responsibility of the CEO with support from Allco's External Relations Department. Investors' informational needs are met through the extensive information provided to relevant parties in the annual and semi-annual financial reports and investor updates which are mailed to members and lodged with the ASX. Information on AHL and its subsidiaries can also be found on AHL's website at www.allcohit.com.au.

AHL conducts regular face to face briefings with brokers, researchers and other professional investment advisers to ensure that the market is provided with an opportunity to question management on the affairs of AHL and its subsidiaries. Disclosure of these briefings is made in accordance with applicable Listing Rule requirements.

AHL holds an annual general meeting each financial year. The inaugural meeting was held on 14 November 2007 and this year's meeting is scheduled for 19 November 2008.

Principle 7

Recognise and manage risk.

Recommendation 7.1

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The AHL Risk Management Policy documents a set of guidelines and procedures which form the basis for:

- The analysis and management of transaction risks, including return objectives, market risks, investment timeframes and portfolio concentration risks; and
- Ensuring the Board, Audit and Compliance Committee and Risk Committee fulfil their obligations to oversee the risk management framework within AHL.

A copy of the AHL Risk Management Policy is available upon request to the company secretary.

Under the AHL Risk Committee Charter, the purpose of the AHL Risk Committee is to review information on the overall risk profile of AHL and to ensure that appropriate attention is focused on AHL's risk management framework. To fulfil its responsibilities, the Risk Committee has the power to approve frameworks, policies and processes for the management of risk and will also monitor any breaches of the framework and external developments which may have an impact on the effectiveness of the internal control framework. A copy of the AHL Risk Committee Charter is available upon request to the company secretary.

The risk management framework is consistent with the Australian/New Zealand Standard (i.e. AS/NZS 4360:2004) and clearly defines the responsibilities for managing risk under the risk management process. AHL's material business risks include strategic, reputational, operational, financial, market, legal and compliance risks. Such risks are identified, assessed, managed, monitored and reported by the CEO and Head of Risk to the Risk Committee, Audit and Compliance Committee and Board in accordance with AHL's risk management framework.

Recommendation 7.2

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board's objective is to ensure that accountability is taken for the design and implementation of the risk management and internal control system to manage AHL's material business risks. Whilst there is appropriate accountability and process in place for reporting material business risks to the Board, the process for reporting on the effectiveness of the management of AHL's broader material business risks has not been established and is to be formalised during 2008. As a result, AHL is not in full compliance with Recommendation 7.2 for the year ended 30 June 2008. However, it should be noted that AHL's management formally reports to the Board on the effectiveness of its financial reporting risks as required by Recommendation 7.3 (refer below).

Recommendation 7.3

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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 the financial reporting period.

The CEO and CFO provide the AHL Board with written confirmation that:

- Their statement to the Board on the integrity of AHL's financial statements in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control; and
- AHL's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8

Remunerate fairly and responsibly.

Recommendation 8.1

The board should establish a remuneration committee.

AHL has a Remuneration Committee which comprises:

- Mr Neil Lewis (non-executive director and Committee Chairman); and
- Mr Robert West (independent director).

Robert West joined the Remuneration Committee on 24 April 2008. Graham Jackson, John Drabble and Richard Alcock were members of the Remuneration Committee during the reporting period until the date of their resignation as directors of AHL as set out in Recommendation 2.1.

The number of Remuneration Committee meetings held during the year to 30 June 2008 and attendance by the members is set out in the Directors' Report on page 14 of this Annual Report.

The AHL Remuneration Committee Charter sets out the functions and responsibilities of the AHL Remuneration Committee, which include approving AHL's remuneration policy. A copy of the Remuneration Committee Charter is available on request to the company secretary.

As AHL is managed by the Manager, AFG's remuneration policy applies to the executive directors and senior executives who work on AHL. AFG has also established a Human Resources and Remuneration Committee. A summary of the responsibilities of this committee is available on Allco's website at www.allco.com.au.

Recommendation 8.2

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The remuneration policies in respect of AHL's non-executive directors, executive directors and senior executives are disclosed in the Remuneration Report on pages 17 to 22 of this Annual Report.

Financial Report

Directors' Report

The directors of Allco HIT Limited ("the company" or "AHL") present their report on the consolidated entity, comprising AHL and its controlled entities (together "the consolidated entity") for the financial year ended 30 June 2008.

Directors

The following persons were appointed as directors of AHL from the date noted below for the duration of the financial year and up to the date of this report:

Neil Lewis – appointed on 28 November 2006
Robert West – appointed on 24 April 2008
Steven Davey – appointed on 24 April 2008

The following persons were directors of AHL from the beginning of the financial year until the resignation date noted below:

Christopher West – resigned on 24 April 2008
Richard Alcock – resigned on 24 April 2008
John Drabble – resigned on 20 March 2008
Graham Jackson – resigned on 10 March 2008

Principal activities

AHL owns and operates a diversified portfolio of lending businesses that provide asset financing and property related lending services to small to medium enterprises and high net worth individuals in Australia and the Asia Pacific region ("Target Sector"). AHL also operates an investment portfolio of mezzanine loans specifically in the asset and equipment finance, property finance and financial asset sectors. There were no significant changes in the principal activities of the consolidated entity during the year.

Dividends

An interim dividend of 6.7 cents per share was declared on 29 February 2008 and paid on the 27 March 2008 (2007: 8.7 cents per share). The dividend carries no Australian franking credits, although there were New Zealand franking credits attached.

The Board of AHL has not declared a final dividend for the financial year ended 30 June 2008.

Review of operations

The consolidated entity's net loss after tax for the year ended 30 June 2008 was $318,941,000 (2007: Profit of $9,285,000), a decrease of $328,226,000. The consolidated entities loss per share was 341.3 cents per share (2007: earnings of 28.4 cents per share).

The decrease is primarily due to significant impairments of goodwill, an unrealised loss on the upside sharing arrangement (defined below) and increased bad debts and loan loss provisions.

Impairments to goodwill during the year totalled $253.3m. $223.3m of this impairment relates to a full write down of the goodwill in Strategic due to a significant deterioration in the New Zealand market as a result of the crisis of confidence in the finance company sector resulting in the collapse of multiple finance companies, very low debenture reinvestment rates and a significant escalation in bad debts. As a result of the considerable difficulties facing this sector the Directors have made a decision to exit the Strategic business. At the time of signing the accounts a sale of the Strategic group has been agreed (subject to various shareholder and regulatory approvals) to a consortium including the original Strategic vendors, members of the executive management team of Strategic Finance Ltd and Uberior Ventures (Asia) Pty Limited, an investment vehicle of BOS International (Australia) Limited.

A further $27.9m goodwill impairment relates to the AllCommercial business. Due to the closure of the securitisation markets the business has found it difficult to obtain term funding for its warehouse facilities. This has resulted in a material increase to its funding costs and hence a negative impact upon the profitability of the business. In light of the uncertainty around the funding for the business the Directors have impaired goodwill by $27.9m. It is envisaged that a reopening of the securitisation markets will result in AllCommercial being able to term out its funding which should result in an improvement to the profitability of this business.

The Allco Hybrid Investment Trust ("HIT") is entitled to receive at conversion of the Allco Principals Trust ("APT") preference units, 25% of any net profit in APT from the date of issue of the preference units to the date of their conversion ("upside sharing arrangement"). The upside sharing arrangement has resulted in a loss to the consolidated entity's earnings as the profit of APT is primarily a function of the Allco Finance Group Limited ("AFG") share price. Allco Managed Investment Funds Limited, as responsible entity of APT, resolved on 17 April 2008 that APT be wound up. As at 30 June 2008, the amount due to the consolidated entity from the upside sharing arrangements is nil (2007: $22.1m). As a result, the consolidated entity recognised an unrealised loss of $17.7m from the upside sharing arrangement for the year. This loss represents the reversal of all the unrealised profits recognised in prior accounting periods.

The group has also incurred significant write offs for bad debts and impairments for expected loan losses. These have occurred primarily in the Strategic and IMFML businesses driven, in regards to Strategic by a slowdown in the New Zealand economy and the property development sector.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) The acquisition of Strategic included an incentive component which is payable in the form of AHL shares as outlined in the HIT Notice of Meeting and Prospectus dated 15 December 2006. The incentive component was calculated at $53.3m. AHL issued 13,488,428 shares at a price of $3.95 per share on 22 August 2007 as consideration for the incentive component.

(b) In December 2007, AHL issued $50m callable unsecured medium term notes. The notes mature in December 2012. The notes have a structured interest profile with annual margin step ups. The maximum yield payable to maturity is BBSW plus 5.54% pa. These notes were subsequently redeemed on 13 February 2008. The medium term notes were refinanced with the issue of $50m in subordinated convertible floating rate medium term notes with a maturity of 13 February 2013 and a yield to maturity of BBSW + 5% pa.

(c) On 25 June 2008, AHL announced the decision of its Board of Directors to dispose of the business of Momentum Investment Finance Pty Ltd ("Momentum"). Momentum is a specialist financier providing loans to investors with a focus on timber and agricultural based managed investment schemes. The business of Momentum has been operating in an unpredictable product environment, making it difficult for management to derive real growth and profitability from the segment. The disposal of Momentum was agreed on 19 August 2008 and the sale completed on 20 August 2008.

(d) The consolidated entity has recorded significant impairments to goodwill during the year. The carrying amounts of goodwill in the Strategic and Momentum cash generating units ("CGU") have been impaired by $223.3m and $1.2m respectively following the business decision to exit these segments. This decision was taken due to the considerable uncertainty surrounding the funding position of the segments.

The AllCommercial CGU impairment of $27.9m occurred primarily due to the underperformance of the segment, plus the increase cost of funding and lack of access to credit markets.

(e) On 1 April 2008, a new management fee agreement was entered into with Allco Funds Management Limited ("AFML") for a period of six months with a review period thereafter. The new management fee is based on a cost recovery basis. Prior to 1 April 2008, the management fee was calculated as a percentage of net assets. This is likely to result in significant savings to the consolidated entity.

Events subsequent to reporting date

Going concern

AHL has a $100m senior loan facility with BOS International (Australia) Limited (BOSI) – refer note 20 Interest bearing loans and borrowings. The following events have occurred during and subsequent to the financial year ended 30 June 2008.

(i) Due to the significant write offs for loan impairments and goodwill in June 2008 AHL does not comply with the financial covenants under the facility at 30 June 2008.

(ii) On 7 August 2008 the Board of Strategic Finance Limited announced that it had suspended redemptions of its secured debenture stock and subordinated notes, as a result of the significantly reduced debenture reinvestment rates due to the material decline in the New Zealand property finance market sector.

These events are both considered events of default under the AHL senior facility. Subsequent to these events occurring AHL management entered into negotiations with BOSI, and BOSI have provided a formal waiver to the defaults to enable AHL to continue to operate as a going concern on the conditions that:

(i) a sale and purchase agreement is signed for the sale of Strategic Investment Group Limited (SIGL) by 3 September; and

(ii) The sale is completed by 31 October 2008.

The sale is subject to several conditions precedent including approval by the debenture trustees, AHL shareholders and New Zealand regulators. Although the group is taking all measures possible, there is a risk that if the conditions precedent cannot be met and the sale of SIGL does not go ahead, then BOSI will have the right to demand immediate repayment of the facility.

These events have brought about a high degree of uncertainty and the Directors have initiated a change in the consolidated entity's strategic direction to enable the consolidated entity to continue as a going concern. As confirmed in the Directors' Declaration on page 92 the Directors have reached the conclusion that, based on all relevant facts including those presented below, there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable and the company and the consolidated entity remains a going concern. In reaching this conclusion the Directors have had regard to, amongst other things, the following:

- On 29 August 2008 the company signed an agreement for the sale of Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI"). Proceeds realised from the sale are to be used to reduce the senior bank facility with BOSI;
- As part of the agreement for the sale of Strategic Investment Group Limited, a condition precedent is that BOSI will provide a new term facility with appropriate financial covenants to enable AHL to operate as a going concern for the foreseeable future;
- Short and medium term cash flow forecasts indicate that the company and consolidated entity can satisfy their known funding requirements and can meet their debts as and when they fall due; and
- The development of a strategic business plan including a sustainable business model for the Group going forward which indicates that the level of debt can be reduced and refinanced in the ordinary course of operations.

Sale of Strategic Investment Group Limited

On 29 August 2008 the company signed an agreement for the sale of 100% of the shares in Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI") for NZ$25 million plus the return of $8 million AHL shares being provided by the Strategic management and consortium members. Upon closure of the transaction expected by end of October, these shares will be cancelled. As part of the sale the group will also sell to the consortium its principal investment loan portfolio in the New Zealand property development market for an amount of NZ$50.2m including accrued interest to the date of completion. The sale is subject to several conditions precedent including AHL shareholder, regulatory and debenture trustee approval.

The Directors consider that the sale of Strategic is in the best interests of shareholders due to the continuing slowdown in the New Zealand economy and in particular the stalled property development sector which has led to SFL experiencing significant bad debt write offs and impairments for expected loan losses. There has been a marked deterioration in the New Zealand market due to a crisis of confidence in the finance company sector, resulting in a significant reduction in debenture reinvestment rates which has led to the collapse of a number of local New Zealand finance companies.

The proceeds from the sale will be used by AHL to reduce the senior loan facility. A condition to the sale is that BOSI provides AHL with a replacement facility under revised terms. This facility will provide longer term stability for the company's funding requirements and enable the company to continue as a going concern.

Sale of Gateway Momentum Funding Trust No.1

On 19 August 2008 Momentum Investment Finance Pty Limited (Momentum), a subsidiary of AHL, sold 100% of its holding in the residual income units of the Gateway Momentum Funding Trust No. 1 to Agripay NIM Pty Limited (Agripay) for $250,000. The Gateway Momentum Funding Trust No. 1 is used as a funding vehicle to provide loans to investors in agribusiness managed investment schemes and includes the loan portfolio of the Momentum business. The transaction also included the sale of the loan portfolio to Agripay for approximately $39.4 million.

The proceeds from the sale were used to repay debt. The consolidated entity has decided to exit this business due to the unpredictable environment for timber and agricultural based managed investment schemes and the significant deterioration in the credit markets which has resulted in the consolidated entity being unable to obtain long term funding for the Momentum business at competitive rates.

Sale of 60% of Allco Hybrid Investment Trust

On 19 August 2008, the company completed the sale of 60% of its interest in the ordinary units of Allco Hybrid Investment Trust (HIT), a registered managed investment scheme, to a charitable trust for a nominal amount.

In the Directors opinion it is highly unlikely that AHL will receive any future benefits from its investment in HIT and as a result AHL booked an impairment charge of approximately $13.4m to fully write down the investment to nil at 30 June 2008.

The company has reduced its investment in HIT to remove the significant detrimental effect that the 100% ownership of HIT has upon the consolidated entity's financial statements which has resulted in the consolidated entity receiving a qualified audit opinion for its consolidated accounts for both the half-year ended 31 December 2007 and the year ended 30 June 2008.

Although AHL does not manage HIT on a day to day basis, accounting standards require AHL to consolidate HIT as a result of AHL being the residual beneficiary of HIT. Due to the inherent uncertainty regarding the valuation of HIT's investment in the Alleasing preference units (refer note 2) HIT's auditors have issued a disclaimer of audit opinion for HIT's accounts for the year ended 30 June 2008. As a result of AHL having to consolidate HIT, this has resulted in AHL receiving a qualified audit opinion for the year ended 30 June 2008.

The sale has reduced AHL's holding to 40% of HIT and as a result AHL will no longer be required to consolidate HIT but will now account for its holding as an equity accounted investment. The Directors believe the sale to be in the best interest of shareholders as it will remove the adverse impact on the group from having to consolidate HIT and will significantly reduce the complexity of the group going forward.

Refinancing of Warehouse Facility in Gateway Commercial Finance Trust

AllCommercial's loan book is securitised and funded via the Gateway Commercial Finance Trust. This platform comprises a warehouse facility which has been extended on a monthly rolling basis to 15 September 2008. Negotiations are ongoing with the senior note holders to extend their warehouse funding in advance of the facility maturity date. The facility limit is $600m of which approximately $581m was drawn at 30 June 2008. The Directors consider it is likely that a successful renegotiation can be achieved.

If these negotiations cannot be satisfactorily concluded, there could potentially be a materially adverse impact on the profitability of the ongoing AllCommercial business, including the possibility that AllCommercial would be unable to write new loans, together with the possible impairment of the remaining goodwill of $3.6m arising from the acquisition of the business. Any impairment of goodwill will be a non-cash adjustment through the income statement.

AHL Relationship to AFG

AHL is managed by Allco Funds Management Ltd ("AFML"), which is a wholly owned subsidiary of AFG, pursuant to a management agreement ("Management Agreement"). Under the Management Agreement, AHL receives the benefit of, and is reliant upon, a number of management, administration and other services provided by AFML.

Allco Finance Group's (AFG) half year financial report disclosed that there had been a number of significant changes to AFG's circumstances since 31 December 2007 in particular, the financial report noted AFG's dependence on the ongoing debt facilities provided by its financiers to continue to operate as a going concern.

On 21 August 2008 AFG signed a new senior debt facility with its syndicate bankers. The new facility will be available for draw down once certain conditions precedent of an administrative nature are satisfied. The Group anticipates that these conditions will be satisfied by 31 August 2008. The new senior debt facility replaces the existing senior debt facilities and matches the outstanding drawings at the time. The facility maturity date expires on 30 September 2009 and contains no market capitalisation review clause.

The directors continue to monitor this situation and will consider the potential impact on the consolidated entity of any further announcement made by AFG.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the company in future financial years.

Likely developments and expected results of operations

Further information on the likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The company and its controlled entities were not subject to any particular or significant environmental regulations during the year.

Information on directors

Neil Lewis

Non-executive Chairman

Experience and expertise

Neil has had an extensive career in commerce, merchant banking and financial markets in Australia and overseas which spans more than 30 years. Neil was the first Australian-based principal of international investment bank Babcock & Brown. After retiring from Babcock & Brown, Neil formed his own boutique merchant banking firm with a business partner, which he jointly ran for some years. Neil's present interests include business financial advisory, sustainable energy, energy storage and assisting not for profit organisations.

Other current directorships

Director of Allco Finance Group Limited since 2006

Former directorships in the last 3 years

None

Special responsibilities

Chairman
Chairman of the Audit and Compliance Committee
Chairman of the Remuneration Committee
Member of the Related Party Committee

Interests in shares

500,000 ordinary shares in AHL (held by Lewis Family Investments Pty Limited)

Robert West, JP, FAPI, SA Fin, MAICD

Independent non-executive director

Experience and expertise

Robert is Chairman of Record Funds Management Limited. He is a Fellow of the Australian Property Institute and a Senior Associate of the Financial Institution of Australasia. He is also a Licensed Valuer (without limitation), a Justice of the Peace and holds a Diploma in Valuation. For a majority of his career, Robert has worked with or for major institutions, including National Mutual (now AXA), Jennings Industries, Industrial Equity and Obayashi Corporation. In 1991, Robert commenced a private consulting practice and has worked on projects throughout Australia, including the Olympic Stadium, Super Dome, M2 and Melbourne City Link.

Other current directorships

Director of Record Funds Management Limited, in its capacity as the responsible entity of Record Realty Trust, since 2005.

Former directorships in the last 3 years

None

Special responsibilities

Member of the Audit and Compliance Committee
Chairman of the Related Party Committee
Member of the Remuneration Committee

Interests in shares

None

Steven Davey

Executive director

Experience and expertise

Steven has over 35 years experience in the financial markets and banking industry, covering debt capital markets, structured finance, wholesale mortgage finance, treasury/securities trading & placement, management development, commercial banking and retail banking.

Steven joined AFG in mid 2006. In the 18 months prior to commencing his role with AHL, he was involved in the management, strategic review and exit of certain financial assets held by AFG. Before joining AFG, Steven worked for the ANZ Banking Group for 15 years where, for the last 10 years, he was the Global Head of Primary Markets, with global responsibility for the Bank's securitisation, syndication, bond origination, transaction/operational management and all debt underwriting activities.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Chief Executive Officer

Interests in shares

None

Company Secretary

The company secretary is Tom Lennox, who was appointed to the position on 31 October 2006. Tom is also the general counsel and company secretary for Allco Finance Group Limited and the company secretary for a number of entities within AFG. Before joining AFG in 2005, Tom was a Partner for 15 years with Mallesons Stephen Jaques and has worked in private legal practice in Sydney, London and Hong Kong.

Director Meetings

The number of meetings of the company's Board of Directors and of each Board Committee held during the year ended 30 June 2008, and the number of meetings attended by each director was:

Director	Board		Audit Committee		Risk Committee		Remuneration Committee		Related Party Committee	
	A	B	A	B	A	B	A	B	A	B
Neil Lewis	12	12	6	6	NA	NA	1	1	4	4
Robert West	1	1	1	1	NA	NA	0	0	1	1
Steven Davey	1	1	NA	NA	1	1	NA	NA	NA	NA
Christopher West	11	10	NA	NA	NA	NA	NA	NA	NA	NA
Richard Alcock	11	10	5	4	NA	NA	1	1	3	3
John Drabble	9	8	5	5	3	3	0	0	3	3*
Graham Jackson	8	8	5	5	NA	NA	1	1	3	3*

A – Number of meetings held during the time the director held office during the period
B – Number of meetings attended
*Did not vote on the related party transactions considered at these meetings

Remuneration Report

The Remuneration Report is set out on pages 17 to 22 and forms part of the Directors' Report for the year ended 30 June 2008.

Indemnification and insurance

The AHL Constitution provides that the company may indemnify any current or former director, company secretary or executive officer of the company or of a subsidiary of the company out of the property of the company against every liability incurred by a person in that capacity (except to the extent that liability is covered by insurance) and against all legal costs incurred in defending proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity. This does not include any liability that arises from conduct involving wilful breach of duty or improper use of position or information. The indemnification is limited to the extent permitted by law.

The company has a Directors and Officers Liability Policy which covers all past, present or future directors, secretaries and executive officers of the company and its controlled entities. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Audit services

During the period KPMG, the company's auditor, has performed their statutory audit duties. Fees paid or payable by the consolidated entity to KPMG and other audit firms for audit and non-audit services were:

	Consolidated		The Company	
	2008 $	2007 $	2008 $	2007 $
Audit services				
KPMG				
- audit and review of financial reports	485,909	80,000	206,060	-
BDO Spicers				
- audit and review of financial reports	106,047	75,000	-	-
PricewaterhouseCoopers				
- audit and review of financial reports	387,901	210,000	99,603	44,000
Moore Stephens				
- audit and review of financial reports	23,360	-	-	-
Total remuneration for audit services	**1,003,217**	**365,000**	**305,663**	**44,000**
Non-audit services				
Taxation services				
PricewaterhouseCoopers:				
- taxation services	158,992	-	146,992	-
Total remuneration for taxation services	**158,992**	**-**	**146,992**	**-**
Other services				
PricewaterhouseCoopers				
- advisory services for restructure and equity raising	-	525,000	-	525,000
BDO Spicers				
- consulting services	-	26,496	-	-
Total remuneration for other services	**-**	**551,496**	**-**	**525,000**
Total remuneration for non-audit services	**158,992**	**551,496**	**146,992**	**525,000**
Total remuneration	**1,162,209**	**916,496**	**452,655**	**569,000**

The Board has considered the non-audit services provided during the year by PricewaterhouseCoopers (the previous auditor of AHL) and, in accordance with advice received from the Audit Committee, is satisfied that the provision of those non-audit services during the year by the previous auditor was compatible with the standard of independence for auditors imposed by the Corporations Act 2001, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No non-audit services were provided by KPMG, the current auditor, during the year ended 30 June 2008.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23 and forms part of the Directors’ Report for the year ended 30 June 2008.

Rounding of amounts

The company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Steven Davey

Director

Neil Lewis

Director

Dated at Sydney this 29th day of August 2008.

Remuneration Report (audited)

Allco HIT Limited ("AHL") is a diversified financial services business which is listed on the Australian Stock Exchange. AHL has control of a number of subsidiaries including Strategic Investment Group Limited ("Strategic"), AllCommercial Finance Australia Pty Ltd ("AllCommercial"), Momentum Investment Finance Pty Ltd ("Momentum") and International Mezzanine Funds Management (Australia) Pty Ltd. In this report, AHL and its subsidiaries will be referred to as the "consolidated entity".

This Remuneration Report is set out under the following main headings:

1 Principles used to determine the nature and amount of remuneration;

2 Details of remuneration;

3 Service agreements; and

4 Share-based compensation.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

1 Principles used to determine the nature and amount of remuneration

Company Executives

AHL does not employ any executives. The services of AHL's executives, being the Managing Director, Chief Financial Officer and Head of Risk in respect of AHL and the consolidated entity, are provided by Allco Finance Group Limited ("AFG") under a management agreement between AHL and Allco Funds Management Limited ("the Manager"), a wholly owned subsidiary of AFG. The remuneration of these executives is paid by the Manager and not AHL and is governed by the remuneration policies of AFG. However, the terms of the management fee payable by AHL to the Manager under the management agreement were amended for a period of 6 months with effect from 1 April 2008 so that the Manager would charge AHL for the services of these executives on a cost recovery basis equivalent to the actual total cost of their employment incurred by AFG. Consequently, the remuneration of these executives has been disclosed in this report from 1 April 2008 to the end of the reporting period on a pro-rata basis.

Subsidiary Executives

AHL has adopted an executive remuneration framework which applies to executives of its subsidiaries. The objective of the executive reward framework is to:

- Attract, motivate and retain the best talent through the provision of remuneration packages that are competitive with the market and industry;
- Align the interests of subsidiary executives with the financial results of the subsidiaries; and
- Reinforce the high performance, innovative and collegiate culture of the consolidated entity.

A total rewards package is offered to subsidiary executives including fixed pay and performance linked remuneration, in the form of short term and long term incentives. The performance linked remuneration is designed to align the remuneration of subsidiary executives with the interests of shareholders by including short term and long term incentives that are linked to the achievement of objectives which are relevant to meeting the consolidated entity's overall goals.

The Board of each subsidiary reviews the remuneration and other terms of employment of its executives annually, having regard to the performance goals set at the start of the year, results of the appraisal process, relevant comparative information and, if necessary, independent expert advice on market compensation levels. Strategic undertakes an additional semi-annual performance review for its executives, with performance-related bonuses also assessed at that time.

Remuneration and other terms of employment for subsidiary executives are formalised in service agreements with the relevant subsidiary.

Remuneration Committee

The AHL Board has established a Remuneration Committee which advises the AHL Board on remuneration policies and practices generally, and makes specific recommendations on the terms of appointment, including remuneration, of directors and any executives who may be appointed by AHL. Further information on the AHL Remuneration Committee is provided in the Corporate Governance Statement on page 8. The Boards of the subsidiaries have not established separate remuneration committees, but are responsible for these matters directly.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the AHL Remuneration Committee. The Remuneration Committee also considers the advice of independent remuneration consultants to ensure non-executive directors' fees are appropriate and in-line with the market.

The following fees have applied for the remuneration of non-executive directors:

		Board $	Audit & Compliance Committee $	Related Party Committee $	Remuneration Committee $	Risk Committee $
Chairman	**2008**	141,700*	38,150	-	-	-
	2007	109,000	32,700	-	-	-
Member	**2008**	87,200	19,075	-	-	-
	2007	76,300	16,350	-	-	-

* The 2008 Board Chairman fee is inclusive of all committee fees. All fees are inclusive of superannuation.

Payment of directors' fees is made in cash. Performance-related bonuses and post-employment benefits (other than statutory superannuation) are not payable to non-executive directors.

Executive pay

The pay and reward framework adopted by the consolidated entity comprises the following components:

(a) Fixed remuneration

Fixed remuneration consists of base remuneration (inclusive of any non-monetary benefits, if applicable), as well as employer contributions to superannuation funds for Australian based employees as required under the Australian superannuation guarantee legislation.

(b) Short term incentives

Short term performance linked remuneration is designed to reward executives for meeting or exceeding their objectives. The short term incentives of executives employed by subsidiaries are linked to the performance of the individual and the particular subsidiary. Following each performance appraisal process, the Board of each subsidiary determines the bonus amount due to the executives of the relevant subsidiary. The short term bonuses paid or payable to executives for FY08 were also determined having regard to the desire of the consolidated entity to retain its key executives.

(c) Long term incentives

AHL had originally planned to introduce a long term incentive scheme for certain senior executives of the consolidated entity in the form of the AHL Executive Share, Rights and Option Plan ("AHL Plan"). The terms of the AHL Plan were disclosed in the Notice of Meeting and Prospectus dated 15 December 2006 and approved at the meeting of the Allco Hybrid Investment Trust unitholders on 15 January 2007. The AHL Board had targeted implementation of the AHL Plan during 2007; however it has been delayed pending a strategic review of the business by the Manager and the subsequent decline in the AHL share price. The AHL Plan had not been implemented at the date of this report.

An interest in AHL shares was offered to certain executives of Strategic ("Strategic Executives") under the Strategic Employee Share Plan ("Strategic Plan") which was introduced in July 2007. However, the Strategic Plan has since been cancelled. Information on the Strategic Plan is provided in section 4 of this report.

Relationship with company performance

The deterioration in global credit markets over the past year has had a considerable negative impact on the business operations of the consolidated entity, which has impacted performance and resulted in a substantial loss of value for shareholders.

Year-on-year performance	2008	2007
Net (loss) / profit after tax attributable to ordinary equity holders ($'000)	(322,214)	9,235
Dividend (cents per share)	6.7*	8.7^
Share price at 30 June ($)	0.085	3.64

*Interim dividend for 2008. AHL has not declared a final dividend for 2008.

^Final dividend for 2007. There was no interim dividend for 2007 because AHL was not established until 15 January 2007.

AHL's management has undertaken a substantial restructure and rationalisation of the consolidated entity in order to try to stabilise the business and preserve value for shareholders. During this difficult and uncertain period, executives and employees have restructured the AllCommercial and IMFML businesses, sold Momentum and signed an agreement for the sale of Strategic (subject to shareholder approval).

AHL needs to retain its key executives in order to complete the restructure and rationalisation of the business. Therefore, the short term based bonuses paid or payable for FY08 were set in order to retain, motive and appropriately remunerate the key executives to achieve these outcomes.

2 Details of remuneration

Details of the remuneration of the AHL directors, the key management personnel of the consolidated entity and the 5 named executives of the consolidated entity who received the highest remuneration are set out in the tables below.

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of AHL and the consolidated entity. The key management personnel of AHL and the consolidated entity comprise the directors of AHL (see the Directors' Report on pages 10 to 16) and the following executives who report directly to the CEO of AHL or who are the managing director (or equivalent) of each subsidiary:

- Julian Radford – Chief Financial Officer;
- Philip Hodgkinson – Head of Risk;
- Graham Jackson – Executive Director, Strategic Finance Limited;
- Kerry Finnigan – Chief Executive Officer, Strategic Finance Limited; and
- John Brown – General Manager, AllCommercial (this position became redundant on 30 June 2008).

In addition, the following persons must be disclosed under the Corporations Act 2001 as they are among the 5 highest remunerated executives of the consolidated entity:

- Marc Lindale – Executive Director, Strategic Finance Limited;
- Brian Fitzgerald – Consultant, Strategic Finance Limited; and
- James Vance – Director, Head of Australian Property Finance, Strategic Finance Limited.

Key management personnel of AHL and the consolidated entity and other executives of the consolidated entity 2008:

	Short-term		Post-employment benefits	Share-based payments (equity settled)					
Name	**Base salary and fees $**	**Cash bonus $**	**Superannuation $**	**Options and rights $**	**Shares $**	**Termination benefits $**	**Total $**	**Proportion of remuneration performance related %**	**Proportion of remuneration that consists of options and rights %**
Non-Executive Directors									
Richard Alcock (resigned 24 April 2008)	114,583	-	10,313	-	-	-	124,896	0.00	0.00
Neil Lewis	108,690	-	9,782	-	-	-	118,472	0.00	0.00
Robert West (appointed 24 April 2008)	18,097	-	1,629	-	-	-	19,726	0.00	0.00
Executive Director									
Steven Davey [5,7,8,10] (appointed 24 April 2008)	99,498	97,500	3,252	4,140	11,733	-	216,123	7.34	1.92
Executives									
Brian Fitzgerald [1,3,9]	256,977	72,810	-	-	-	-	329,787	22.08	0.00
Graham Jackson [1,2,3,4,9]	341,315	121,205	-	-	-	-	462,520	26.21	0.00
James Vance [3,6,9]	250,000	63,000	13,129	247,595	-	-	573,724	54.14	43.16
John Brown [2,3]	248,004	65,813	13,129	-	-	114,344	441,290	14.91	0.00
Julian Radford [2,5,7,8]	46,133	37,500	12,617	2,466	-	-	98,716	2.50	2.50
Kerry Finnigan [1,2,3,9]	471,124	72,810	-	-	-	-	543,934	13.39	0.00
Marc Lindale [1,3,9]	299,806	72,810	-	-	-	-	372,616	19.54	0.00
Philip Hodgkinson [2,5,7,8]	55,468	37,500	3,282	2,301	-	-	98,551	2.33	2.33
	2,309,695	640,948	67,133	256,502	11,733	114,344	3,400,355	26.39	7.54

Notes:

[1] Remuneration has been translated in AUD using the average NZD exchange rate for the service period.
[2] Key management personnel of the consolidated entity.
[3] One of the 5 highest paid executives of the consolidated entity.
[4] Graham Jackson resigned as an Executive Director of AHL on 10 March 2008 but remains an executive employee of Strategic.
[5] Remuneration attributable on a pro rata basis to the period from 1 April 2008 to 30 June 2008 which was paid by AFG and charged by the Manager to AHL under the terms of the Management Agreement (refer to note 31 of the Financial Report). Cash bonuses were determined by AFG having regard to the desire to retain its key executives.
[6] Share-based payments relate to awards granted under the Strategic Employee Share Plan. The Strategic Plan was cancelled in June 2008. Under AASB2 Share Based Payments, the full value of the share options granted to James Vance are required to be immediately expensed to profit and loss, even though there was no monetary benefit received by the executive.
[7] Share-based payments relate to awards granted under the AFG Executive Options and Rights Plan.
[8] Retention awards were made to select executives critical to the stabilisation and sustainability of the business. Awards were granted in May 2008 and are payable in the form of cash on 3 September 2008.
[9] Payments awarded under Strategic's discretionary bonus scheme for the six months to 31 December 2007 were based on the performance of Strategic and individual achievement of agreed objectives set at the beginning of the performance period. No short term cash bonus payments will be made for the six months to 30 June 2008.
[10] Steve Davey commenced employment on 25 March 2008 but was appointed as Executive Director on 24 April 2008.

Key management personnel of the consolidated entity and other executives of the consolidated entity 2007:

	Short-term			Post-employment benefits		
Name	**Base salary and fees $**	**Cash bonus $**	**Non- monetary benefits $**	**Superannuation $**	**Total $**	**Proportion of remuneration performance related %**
Non-Executive Directors						
Neil Lewis						
(appointed 28 November 2006)	49,583	-	-	4,463	54,046	0.00
Richard Alcock						
(appointed 3 April 2007)	37,462	-	-	3,371	40,833	0.00
Executive Directors						
Graham Jackson [1,4,5]						
(appointed 23 March 2007)	67,690	144,109	-		211,799	68.04
Executives						
Kerry Finnigan [1,2,3,5]						
(appointed 23 March 2007)	163,646	92,808	-		256,454	36.19
Marc Lindale [1,3,5]						
(appointed 23 March 2007)	104,139	92,808	-		196,947	47.12
John Brown [2,3]						
(appointed 8 March 2007)	89,102	-	2,640	4,229	95,971	0.00
Brian Fitzgerald [1,3,5]						
(appointed 23 March 2007)	89,261	92,808	-		182,069	50.97
Bob Morrison [2,3]						
(appointed 8 March 2007)	65,178	-	-	3,989	69,167	0.00
	666,061	**422,533**	**2,640**	**16,052**	**1,107,286**	**38.16**

Notes:

[1] Remuneration has been translated in AUD using the average NZD exchange rate for the service period.
[2] Key management personnel of the consolidated entity.
[3] One of the 5 highest paid executives of the consolidated entity.
[4] The amount of cash salary and fees paid by AHL to Graham Jackson comprises director's fees of $27,337 and $40,353 for executive services provided to Strategic.
[5] Payments awarded under Strategic's discretionary bonus scheme for 2007 were based on the performance of Strategic and individual achievement of agreed objectives set at the beginning of the performance period.

AHL did not have any executive employees during the reporting period and, accordingly, no executive remuneration disclosures are applicable to AHL. The remuneration of all AHL executives was borne by the Manager.

None of Timothy Dodd (resigned 30 November 2006), John Drabble (resigned 20 March 2008) or Chris West (resigned 24 April 2008) received any remuneration for their positions as executive directors of AHL.

Tom Lennox did not receive any remuneration for his position as Company Secretary of AHL.

Further information on the key management personnel of the consolidated entity is provided in note 31 of the Financial Report.

Indemnification and insurance

Amounts disclosed for remuneration of directors and key management personnel exclude insurance premiums paid by AHL during the year ended 30 June 2008 in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the Directors' Report. Disclosure of the total amount of the premium and the nature of the potential liabilities in respect of the policy is expressly prohibited by the policy.

3 Service agreements

Remuneration and other terms of appointment for all directors and key management personnel employed by the consolidated entity are formalised in service agreements. The key provisions of these agreements relating to remuneration are set out in this section.

Non-executive directors

On appointment to the AHL Board, all non-executive directors enter into a service agreement with AHL in the form of a letter of appointment. The letter summarises the Board policies and the terms relevant to the office of director. The key terms of the appointment are a term of 2 years and the base fees set out above, which are reviewed annually by the AHL Remuneration Committee.

Company executives

All contracts with the executives employed by AFG may be terminated early by either party, subject to applicable notice periods and termination payments as detailed below.

Steven Davey, Chief Executive Officer, Allco HIT Limited

- Term of agreement – commencing 25 March 2008 (appointed CEO from 24 April 2008), with no fixed term
- Base salary for the year ended 30 June 2008 of AUD$410,000, to be reviewed annually by the relevant Board
- Notice period of 6 months for the period 25 March 2008 to 24 March 2009, or payment in lieu of notice
- Notice period of 3 months from 24 March 2009 or payment in lieu of notice where terminated by AFG without cause

Julian Radford, Chief Financial Officer, Allco HIT Limited

- Term of agreement – commencing 20 March 2007, with no fixed term
- Base salary for the year ended 30 June 2008 of AUD$235,000, to be reviewed annually by the relevant Board
- Notice period of 1 month or payment in lieu of notice where terminated by AFG without cause

Philip Hodgkinson, Head of Risk, Allco HIT Limited

- Term of agreement – commencing 13 November 2006, with no fixed term
- Base salary for the year ended 30 June 2008 of AUD$235,000, to be reviewed annually by the relevant Board
- Notice period of 3 months or payment in lieu of notice where terminated by AFG without cause

Group executives

All contracts with executives employed by the subsidiaries may be terminated early by either party, subject to applicable notice periods and termination payments as detailed below.

Kerry Finnigan, Chief Executive Officer, Strategic Finance Limited

- Term of agreement – fixed term commencing 1 November 2005 and expiring 16 March 2010
- Base salary for the year ended 30 June 2008 of NZ$550,000, to be reviewed annually by the relevant Board
- Notice period of 6 months or payment in lieu of notice where terminated by the company without cause

Graham Jackson, Executive Director, Strategic Finance Limited

- Term of agreement – fixed term commencing 11 March 2008 and expiring 19 March 2009
- Base salary for the year ended 30 June 2008 of NZ$350,000, to be reviewed annually by the relevant Board
- Notice period of 3 months or payment in lieu of notice where terminated by the company without cause

Marc Lindale, Executive Director, Strategic Finance Limited

- Term of agreement – fixed term commencing 23 August 2005 and expiring 16 March 2010
- Base fee for the year ended 30 June 2008 of NZ$350,000 (plus NZ GST), to be reviewed annually by an independent expert acceptable to the company and the contractor
- Notice period of 3 months or payment in lieu of notice where terminated by the company without cause

Brian Fitzgerald, Consultant, Strategic Finance Limited

- Term of agreement – fixed term commencing 1 December 2003 and expiring 19 March 2010
- Base fee for the year ended 30 June 2008 of NZ$300,000 (plus NZ GST), to be reviewed every three months by the relevant Board
- Notice period of 1 month or payment in lieu of notice where terminated by the company without cause

James Vance, Director, Head of Australian Property Finance, Strategic Finance Limited

- Term of agreement – commencing 27 November 2006, with no fixed term
- Base salary for the year ended 30 June 2008 of AUD$263,129, inclusive of superannuation, to be reviewed annually by the relevant Board
- Notice period of 1 month or payment in lieu of notice where terminated by the company without cause

John Brown, General Manager, AllCommercial Finance Australia Pty Ltd

- This position became redundant on 30 June 2008
- Term of agreement – commencing 9 December 2006, with no fixed term
- Base salary for the year ended 30 June 2008 of AU$261,113, inclusive of superannuation, to be reviewed annually by the relevant Board
- Notice period of 3 months or payment in lieu of notice where terminated by the company without cause

4 Share-based compensation

The Strategic Plan was introduced in July 2007 and has since been cancelled. The purpose of the Strategic Plan was to provide long term incentives for selected Strategic Executives to deliver long term shareholder returns. Participation in the Strategic Plan was at the discretion of the Strategic Board.

The key terms of the Strategic Plan were:

- The trustee of the Strategic Plan was Strategic Investment Group Limited (“Trustee”).
- The Trustee was issued 1.75 million AHL shares (“Employee Shares”) which it offered to Strategic Executives at A$3.60 per share under individual offer notices. All offers were accepted and the Employee Shares were granted to the Strategic Executives on 1 July 2007 (“Grant Date”).
- The full purchase price for the Employee Shares was paid upon acceptance of the offer by way of a limited recourse interest free share loan (“Share Loan”) provided by the Trustee to each Strategic Executive.
- Whilst legal title to the Employee Shares remained with the Trustee, the beneficial interest in the Employee Shares vested with the Strategic Executives who were entitled to capital growth and dividends. However, it was a requirement of the Strategic Plan that any dividends received in respect of the Employee Shares were used to reduce the Share Loan.
- The Employee Shares were subject to a vesting period of 3 years from the Grant Date in respect of 50% of the Employee Shares and 4 years from the Grant Date in respect of the other 50% of the Employee Shares (“Vesting Period”), during which the Strategic Executives were not entitled to transfer or sell their interest in the Employee Shares. Upon expiry of the Vesting Period, the Strategic Executives would be entitled to the Employee Shares, after payment of any amount still owing on the Share Loan.
- The Strategic Executives did not have any voting rights in respect of their Employee Shares until such time as the Share Loan was repaid after the Vesting Period.
- The Employee Shares could be forfeited by a Strategic Executive if certain service and employment conditions were not satisfied or if the Strategic Executive left employment with Strategic prior to the end of the Vesting Period. The Strategic Executives also had a right to cancel the grant of the Employee Shares. If a Strategic Executive failed to meet the vesting conditions or cancelled the grant, the Strategic Executive must tender their Employee Shares to the Trustee in settlement of the Share Loan remaining in respect of the Employee Shares.

In March 2008, all of the Strategic Executives cancelled the grant of their Employee Shares and returned the Employee Shares to the Trustee, effectively cancelling their participation in the Strategic Plan. Subsequently, the Strategic board reviewed the Strategic Plan and decided that it should be cancelled. The Trustee is currently holding the Employee Shares while Strategic finalises termination of the Strategic Plan, upon which the Trustee will return the Employee Shares to AHL.

The terms and conditions of the grant of Employee Shares on 30 June 2008 affecting remuneration were as follows:

Grant Date	Vesting date	Expiry date	Exercise price	Value per option at Grant Date
1 July 2007	30 June 2010	None	$3.60	$0.980
1 July 2007	30 June 2011	None	$3.60	$1.173

Details of the Employee Shares provided as remuneration to each of the key management personnel under the Strategic Plan are set out below. Further information on the Strategic Plan is provided in note 40 to the Financial Report.

Name	Number of Employee Shares granted	Number of Employee Shares vested	Number of Employee Shares forfeited	AUD value of Employee Shares
James Vance	230,000	Nil	230,000	$247,595

The assessed fair value at Grant Date of the Employee Shares granted to the individual was allocated equally over the period from Grant Date to the expiry date of the Vesting Period, and the amount is included in the remuneration table above. Fair values at Grant Date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the Vesting Period, the share price at Grant Date and the expected price volatility of the underlying share and the risk-free interest rate for the term of the Vesting Period.

The model inputs for Employee Shares granted during the year ended 30 June 2008 included:

(a) Exercise price: $3.60

(b) Grant Date: 1 July 2007

(c) Expiry of the Vesting Period: 50% on 30 June 2010 and 50% on 30 June 2011

(d) Share price at Grant Date: $3.48

(e) Expected price volatility of AHL’s shares: 33%

(f) Risk-free interest rate: 6.45%

Prior to cancellation of the Strategic Plan in March 2008, no terms of the Strategic Plan (including options and rights granted as compensation to a key management person) had been altered or modified by the issuing entity since the commencement of the Strategic Plan during the reporting period.

The AHL board has not introduced a policy prohibiting the Strategic Executives from limiting their risk in relation to the Employee Shares. Given the limited market capitalisation of AHL, it is considered very unlikely that a Strategic Executive could hedge the risk in relation to his or her Employee Shares.

Lead Auditor's Independence Declaration

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

To: the directors of Allco HIT Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

C. Whittingham

Chris Whittingham
Partner

Sydney
29 August 2008

Income Statements
For the year ended 30 June 2008

	Notes	Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Continuing operations					
Interest income	4	119,724	65,842	14,502	1,273
Interest expense	5(c)	(92,914)	(53,237)	(14,138)	(471)
Net interest income		26,810	12,605	364	802
Other operating income	4	9,256	2,604	25,496	-
Upside sharing arrangement	5(d)	(17,701)	(4,719)	-	-
Operating expenses	5(a)	(74,141)	(13,922)	(329,357)	(4,458)
Loss before impairment of goodwill		**(55,776)**	**(3,432)**	**(303,497)**	**(3,656)**
Impairment of goodwill	17	(253,272)	-	-	-
Loss before income tax		**(309,048)**	**(3,432)**	**(303,497)**	**(3,656)**
Income tax credit / (expense)	7	1,028	1,889	1,308	2,050
Loss for the year from continuing operations		**(308,020)**	**(1,543)**	**(302,189)**	**(1,606)**
Discontinued operation					
(Loss) / Profit after tax for the year from a discontinued operation	8	(10,921)	10,828	-	-
(Loss) / Profit for the year		**(318,941)**	**9,285**	**(302,189)**	**(1,606)**
Total recognised income and expense for the year					
Attributable to:					
Equity holders of the Company		(322,214)	9,235	(302,189)	(1,606)
Minority interest	25	3,273	50	-	-
(Loss) / Profit for the year		**(318,941)**	**9,285**	**(302,189)**	**(1,606)**
Earnings per share					
Basic earnings per share attributable to ordinary equity holders (cents)	36	(339.9)	28.4		
Diluted earnings per share attributable to ordinary equity holders (cents)	36	(339.9)	20.1		
Continuing operations					
Basic earnings per share attributable to ordinary equity holders (cents)		(328.3)	(4.9)		
Diluted earnings per share attributable to ordinary equity holders (cents)		(328.3)	(3.5)		

The above income statements should be read in conjunction with the accompanying notes

Balance Sheets
As at 30 June 2008

	Notes	Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Assets					
Cash and cash equivalents	9	41,150	167,676	805	17,206
Trade and other receivables	10	11,014	35,525	679	547
Derivative financial instruments	11	6,514	1,581	-	-
Available-for-sale financial assets	12	750	1,421	-	-
Loan assets held at amortised cost	13	716,743	1,572,999	144,881	95,161
Other financial assets	14	-	-	23,451	312,208
Assets of disposal group clasified as held for sale	8	464,175	-	-	-
Property, plant and equipment	15	1,457	1,340	-	-
Deferred tax assets	16	3,887	4,873	1,929	2,085
Other assets		302	2,727	61	116
Intangible assets	17	3,617	259,648	-	-
Total assets		**1,249,609**	**2,047,790**	**171,806**	**427,323**
Liabilities					
Trade and other payables	18	12,102	126,052	3,671	57,755
Derivative financial instruments	11	-	119	-	119
Deferred income	19	188	8,143	-	-
Interest-bearing loans and borrowings	20	813,091	1,550,920	146,228	85,410
Liabilities directly associated with assets classified as held for sale	8	366,428	-	-	-
Current tax liabilities	16	-	2,612	-	-
Deferred tax liabilities	16	1,976	1,967	19	35
Employee entitlements	21	926	2,771	-	-
Provisions	22	852	7,331	-	-
Total liabilities		**1,195,563**	**1,699,915**	**149,918**	**143,319**
Net assets		**54,046**	**347,875**	**21,888**	**284,004**
Equity					
Issued capital	23	326,212	272,804	339,017	285,610
Retained (losses) / earnings	24	(309,853)	27,467	(318,900)	(1,606)
Reserves	26	(40)	2,272	1,771	-
Total equity attributable to equity holders of the parent		**16,319**	**302,543**	**21,888**	**284,004**
Minority interests	25	37,727	45,332	-	-
Total equity		**54,046**	**347,875**	**21,888**	**284,004**

The above balance sheets should be read in conjunction with the accompanying notes

Statements of Changes in Equity

For the year ended 30 June 2008

	Notes	Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Total equity at the beginning of the year		**347,875**	**18,836**	**284,004**	**-**
Movements in:					
Cash flow hedges, net of tax	26	3,263	1,296	-	-
Foreign exchange translation differences	26	(7,347)	976	-	-
Net (loss) / income recognised directly in equity		**(4,084)**	**2,272**	**-**	**-**
(Loss) / Profit for the year		(318,941)	9,285	(302,189)	(1,606)
Total recognised income and expense for the year		**(323,025)**	**11,557**	**(302,189)**	**(1,606)**
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs and tax	23	59,446	272,200	59,446	285,610
Treasury Shares	23	(6,038)	-	(6,038)	-
Share-based payments	26	1,771	-	1,771	-
Dividends provided for or paid	37	(15,106)	-	(15,106)	-
Minority interest	25				
- Issuing of Strategic Perpetual Preference Shares		-	45,282	-	-
- Dividends paid or provided on Strategic Perpetual Preference Shares		(3,273)	-	-	-
- Foreign exchange translation differences		(5,628)	-	-	-
- Windup of Australian Mezzanine Income Fund		(1,976)	-	-	-
		29,196	317,482	40,073	285,610
Total equity at the end of the year		**54,046**	**347,875**	**21,888**	**284,004**
Total recognised income and expense for the year attributable to:					
Equity holders of the parent		(326,298)	11,507	(302,189)	(1,606)
Minority interest		3,273	50	-	-
Total recognised income and expense for the year		**(323,025)**	**11,557**	**(302,189)**	**(1,606)**

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of Cash Flows

For the year ended 30 June 2008

	Notes	Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Interest income received		140,244	48,641	689	416
Other income received		25,872	14,185	1,238	204
Payments to suppliers and employees		(38,333)	(14,161)	(729)	(335)
Dividends received		-	-	22,589	-
Finance costs paid		(121,986)	(37,262)	-	-
Responsible entity's fees paid		(10,909)	(5,521)	(10,515)	(1,076)
Net cash from operating activities	38	**(5,112)**	**5,882**	**13,272**	**(791)**
Cash flows from investing activities					
Proceeds from disposal of financial assets at fair value through profit or loss		-	431	-	-
Proceeds from available-for-sale financial assets		395	-	-	
Payments for property, plant and equipment		(1,674)	(731)	-	-
Payments for purchase of subsidiary net of cash acquired		-	23,131	-	(32,033)
Payments for deposits		-	(201)	-	(201)
Payments for acquisition costs		(234)	(158)	(234)	(158)
Loan assets granted		(676,213)	(251,310)	(149,559)	(95,261)
Loan repayments received		606,801	168,535	74,187	-
Net cash from investing activities		**(70,925)**	**(60,303)**	**(75,606)**	**(127,653)**
Cash flows from financing activities					
Proceeds from the issue of share capital		-	63,970	-	63,970
Proceeds from unit applications		-	572	-	-
Payments for redemption of units		(1,962)	(436)	-	-
Issuance of preference shares to minority interests		-	45,430	-	-
Share issue transaction costs		(1,502)	(4,228)	(3)	(3,475)
Debentures redeemed and issued		(108,458)	-	-	-
Proceeds from borrowings		440,023	173,741	151,460	85,583
Repayment of borrowings		(350,582)	(58,111)	(90,644)	(428)
Dividends paid to ordinary shareholders		(14,727)	-	(14,880)	-
Dividends paid to Strategic preferred shareholders		(2,546)	-	-	-
Net cash from financing activities		**(39,754)**	**220,938**	**45,933**	**145,650**
Net (decrease) / increase in cash and cash equivalents		**(115,791)**	**166,517**	**(16,401)**	**17,206**
Cash and cash equivalents at 1 July		167,676	1,205	17,206	-
Effect of exchange rate fluctuations on cash and cash equivalents		(8,712)	(46)	-	-
Cash and cash equivalents at 30 June	9 (c)	**43,173**	**167,676**	**805**	**17,206**
Financing arrangements	20				
Non-cash investing and financing activities	39	53,279	211,529	53,279	211,529

The above statements of cash flows should be read in conjunction with the accompanying notes

1. Summary of Significant accounting policies

This general purpose financial report for the year ended 30 June 2008 includes separate financial statements for Allco HIT Limited as an individual entity ('company' or 'AHL') and the consolidated entity consisting of AHL and its subsidiaries (the "consolidated entity"). The principal accounting policies adopted in the preparation of this financial report are set out below, and have been consistently applied by each entity in the consolidated entity to all periods presented, unless otherwise stated.

The financial report was authorised for issue by the directors on 29 August 2008.

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board, being Australian equivalents to IFRS ("AASB"). Compliance with AASB ensures that the financial statements and notes to the financial statements comply with IFRS and the interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is prepared on the historical cost basis with the exception of financial instruments classified as available-for-sale, derivative financial instruments and financial assets and liabilities at fair value through profit or loss which are stated at their fair value.

The company accounts are those of AHL for the year ended 30 June 2008.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next period are discussed in note 2.

Going concern

AHL has a $100m senior loan facility with BOS International (Australia) Limited (BOSI) – refer note 20 Interest bearing loans and borrowings. The following events have occurred during and subsequent to the financial year ended 30 June 2008.

(i) Due to the significant write offs for loan impairments and goodwill in June 2008 AHL does not comply with the financial covenants under the facility at 30 June 2008.

(ii) On 7 August 2008 the Board of Strategic Finance Limited announced that it had suspended redemptions of its secured debenture stock and subordinated notes, as a result of the significantly reduced debenture reinvestment rates due to the material decline in the New Zealand property finance market sector.

These events are both considered events of default under the AHL senior facility. Subsequent to these events occurring AHL management entered into negotiations with BOSI, and BOSI have provided a formal waiver to the defaults to enable AHL to continue to operate as a going concern on the conditions that:

(i) a sale and purchase agreement is signed for the sale of Strategic Investment Group Limited (SIGL) by 3 September; and

(ii) The sale is completed by 31 October 2008.

The sale is subject to several conditions precedent including approval by the debenture trustees, AHL shareholders and New Zealand regulators. Although the group is taking all measures possible, there is a risk that if the conditions precedent cannot be met and the sale of SIGL does not go ahead, then BOSI will have the right to demand immediate repayment of the facility.

These events have brought about a high degree of uncertainty and the Directors have initiated a change in the consolidated entity's strategic direction to enable the consolidated entity to continue as a going concern. As confirmed in the Directors' Declaration on page 92 the Directors have reached the conclusion that, based on all relevant facts including those presented below, there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable and the company and the consolidated entity remains a going concern. In reaching this conclusion the Directors have had regard to, amongst other things, the following:

- On 29 August 2008 the company signed an agreement for the sale of Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI"). Proceeds realised from the sale are to be used to reduce the senior bank facility with BOSI;
- As part of the agreement for the sale of Strategic Investment Group Limited, a condition precedent is that BOSI will provide a new term facility with appropriate financial covenants to enable AHL to operate as a going concern for the foreseeable future;
- Short and medium term cash flow forecasts indicate that the company and consolidated entity can satisfy their known funding requirements and can meet their debts as and when they fall due; and
- The development of a strategic business plan including a sustainable business model for the Group going forward which indicates that the level of debt can be reduced and refinanced in the ordinary course of operations.

Since 30 June 2008 the financial markets have continued to remain volatile. This has the potential to impact on the ability of the consolidated entity to obtain funding and for it to meet its liabilities as and when they fall due. In order to confirm the going concern assumption the Directors maintain short and medium term forecasts that indicate that the consolidated entity can meet its debts as and when they become due and payable.

(c) Reporting currency

All balances are reported in Australian dollars unless otherwise stated.

(d) Corporatisation

The corporatisation of HIT in 2007 involved unitholders of HIT agreeing to transfer their units in HIT in consideration for being issued the same number of shares in a new listed company AHL.

As a result of shares issued as purchase consideration, the former unitholders of HIT now control AHL. Consequently the acquisition of HIT by AHL has been accounted for as a reverse acquisition of AHL by HIT using the purchase method of accounting in accordance with AASB 3: Business Combinations. The legal subsidiary HIT becomes the accounting parent entity and the legal parent AHL becomes the accounting subsidiary entity for the purposes of the consolidation.

(e) Principles of consolidation

Subsidiaries

The consolidated financial statements of AHL incorporate the assets and liabilities of all entities controlled by the company as at 30 June 2008 and the results of all controlled entities for the year then ended. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interest in the results and equity of controlled entities where the consolidated entity owns less than 100% of the issue capital, are shown separately in the consolidated income statement and balance sheet.

In the company's financial statements, investments in subsidiaries are carried at cost less impairment.

(f) Foreign currency transactions and balances

Foreign currency transactions

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items that are outstanding at reporting date are translated at the foreign exchange rate prevailing at that date.

Foreign exchange gains and losses arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates prevailing at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on consolidation are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the transaction date. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(g) Interest Income and Interest Expense

Interest income and interest expense are recognised in the income statement as they accrue, using the effective interest method.

Upfront loan fee income is initially recognised in the balance sheet as deferred income and amortised over the expected life of the loan on a basis that represents an effective interest rate.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial instrument. Income and expense on the financial instruments are recognised on an effective yield basis in proportion to the amount outstanding over the period to maturity or repayment.

Accrued coupons, amortisation of premiums and accretion of discounts are brought to account as interest income on a yield-to-maturity basis in accordance with the terms of the security.

(h) Other operation income

Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the determination of the effective interest rate.

Fees and commissions that relate to the execution of a significant act (for example arrangement fees for structuring deals) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example maintaining and administering existing facilities) are recognised as income over the period the service is provided.

Investment and asset management fees are recognised in the income statement on an accruals basis as the service to which they relate is performed. Asset realisation fees are generated from the sale of assets in associated investment vehicles and are recognised as income upon the execution of a binding sales agreement.

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

(i) Upside Sharing Arrangement

Upside sharing arrangement income and receivables

The Hybrid Investment Trust (HIT), a subsidiary of AHL, is entitled under the terms of the Allco Principals Trust ('APT') Preference Unit's to 25% of any net profits of APT at maturity or conversion of the preference units. The upside sharing arrangement is payable on maturity of the APT preference units on 30 June 2008.

The estimate of the contractual cash flows under the upside sharing arrangement is based on HIT's actual share of the profits of APT at the end of the respective accounting period. This has been discounted from the reset date using the original effective interest rate on the preference units. The amount due under the upside sharing arrangement is nil at 30 June 2008.

Upside sharing arrangement expense and payables

Under the terms of the PoD hybrids, 20% of the upside sharing arrangement receivable under the APT preference units is payable to the PoD hybrid holders on conversion of the PoD hybrids which may occur on maturity of the APT preference units on 30 June 2008, or if reset on initial public offer of units in APT, or at maturity 31 December 2010. On 5 June 2008, HIT was advised by APT that they do not intend to reset the APT preference units and they therefore matured on 30 June 2008.

The estimate of contractual cashflows under the upside sharing arrangement expense is based on 20% of the upside sharing arrangement income. The amount payable to PoD hybrid holders under the upside sharing arrangement is nil at 30 June 2008.

(j) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax is the expected tax payable on the current year's taxable income, using tax rates enacted or substantially enacted at the balance sheet date. Current tax also includes any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

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

The head entity, AHL and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity. Details about the tax funding agreement are disclosed in note 7.

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

The members of the tax-consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated entities.

No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(k) Discontinued operations

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is presented as if the operation had been discontinued from the start of the comparative period.

(l) Goods and services tax

Revenue, expenses and assets 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation office (ATO) or the New Zealand Inland Revenue Department (NZIRD) is recognised as a receivable or creditor, as appropriate.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO or NZIRD are classified as operating cash flows.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are reported within current liabilities in the balance sheet, but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entities is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

(o) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(p) Financial instruments (non-derivative)

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

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

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

Purchases and sales of investments are recognised on trade-date, being the date on which the consolidated entity unconditionally commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

The company and consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables at amortised cost, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

The category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Financial instruments are designated at fair value through profit or loss if the consolidated entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the consolidated entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are "fair value through profit or loss" are measured at fair value, and changes therein are recognised in profit or loss.

Loan assets held at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in trade and other receivables in the balance sheet. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income. The losses arising from impairment of such loans and advances are recognised in the income statement in impairment charges.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally unlisted equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of financial assets are recognised on trade-date, being the date on which the consolidated entity commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Subsequent to initial recognition, they are stated at fair value with resultant gains or losses being recognised directly in equity in the ‘available-for-sale investments revaluation reserve’, except for impairment losses and foreign exchange gains and losses on available-for-sale monetary items. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest rate method is recognised in interest income in the income statement. Where these investments earn dividends, the revenue is recognised in other operating income in the income statement when the right of payment has been established.

Impairment

The consolidated entity assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments.

Loans and advances

For loans and advances carried at amortised cost, the consolidated entity first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the consolidated entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Available-for-sale financial investments

For available-for-sale financial investments, the consolidated entity assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Non-current assets and disposal groups classified as held for sale

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less cost to sell. A gain would be recognised for any subsequent increase in fair value less cost to sell, limited by the previous cumulative impairment loss recognised. A gain or loss not previously recognised by the date of sale would be recognised at the date of the sale.

(q) Hedging and derivative financial instruments

The consolidated entity uses derivative financial instruments including forward currency contracts and interest rate swaps to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. Attributable transaction costs are recognised in profit and loss when incurred. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer below).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Hedge accounting

The consolidated entity has designated certain derivative contracts as hedges of the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges).

At the inception of a hedge relationship, the consolidated entity formally designates and documents the hedge relationship to which the consolidated entity wishes to apply hedge accounting and the risk management objectives and strategies for undertaking various hedge transactions. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged items fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair values or cash flows of hedged items and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the consolidated entity assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 26.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to other income in the income statement.

(r) Impairment of loans and advances

Loans and advances are reviewed at least at each reporting date for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event or events has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Impairment is assessed individually for assets that are individually significant (or on a portfolio basis for small loans) and then on a collective basis for those exposures not individually assessed to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement for the reporting period is reflected in the income statement.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written-off are credited back to the income statement.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairments are reversed in the income statement.

(s) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition, Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(t) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (refer note 15). The carrying amount of an item of property, plant & equipment includes the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied within the item will eventuate and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the income statement as expenses as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- office machines — 3 years
- furniture and fittings — 5 years
- leasehold improvements — shorter of lease term or useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(u) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is allocated to each of the consolidated entity's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Each cash generating unit or groups of cash generating units to which goodwill is so allocated:

- Represents the lowest level within the consolidated entity at which goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the consolidated entity's primary or secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash generating units), to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

(v) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(w) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the period, which remain outstanding at balance date. The amounts are stated at amortised cost, are unsecured, and are usually paid within 30 days of recognition.

(x) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs, which include legal and advisory fees, bank charges and any other ancillary borrowing costs. Fair value is calculated based on discounted expected future principal and interest cash flows. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

(y) Employee entitlements

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Wages and salaries, annual leave and sick leave

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

Long service leave

The consolidated entity's net obligation for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations.

Profit-sharing and bonus plans

The consolidated entity recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The consolidated entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments

The consolidated entity has an employee share incentive scheme and an employee share trust for the granting of non-transferable shares to certain executives and senior employees. Shares in the company held by the employee share trust are classified as treasury shares and presented in the balance sheet as a deduction from equity.

Employees of the consolidated entity receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes option pricing model, taking into account the terms and conditions on which the award was granted.

The cost of equity-settled transactions is recognised as a remuneration expense in the consolidated accounts, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the consolidated entity at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled during the vesting period, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Please refer to note 40 for further details in regards to share based payments.

(z) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

A restructuring provision is recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(aa) Impairment of assets (excluding financial assets)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that there might be impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). An impairment loss is recognised in the income statement unless the asset has previously been revalued, in which case the loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(ab) Issued capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are accounted for as a deduction from equity, net of tax from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends declared thereon are recognised as distributions within equity upon declaration by the directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity.

(ac) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at balance date.

(ad) Earnings per share/unit

Basic earnings per share/unit

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares or units, by the weighted average number of ordinary shares or units outstanding during the financial year.

Diluted earnings per share/units

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share or unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares or units and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares or units.

(ae) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(af) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ag) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ah) New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the consolidated entity in these financial statements

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the 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 year ending 30 June 2010 for the consolidated entity. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report;
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the year ending 30 June 2010 for the consolidated entity, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the consolidated entity presents segment information in respect of its business and geographical segments. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures;
- Revised AASB 101 Presentation of Financial Statement 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 and events that are required by other AASBs. The revised AASB 101 will become mandatory for the year ending 30 June 2010 for the consolidated entity. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures;
- Revised AASB 123 Borrowing Costs 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 the asset. The revised AASB 123 will become mandatory for the year ending 30 June 2010 for the consolidated entity and will have no impact on future earnings as this is consistent with current accounting policy;
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments 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 year ending 30 June 2010 for the consolidated entity. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report; and

- AASB 2008-1 Amendments to Australian Accounting Standard – Share- Based Payment: Vesting Conditions and Cancellations changes, the measurement of share-based payments that contain non-vesting conditions. AASAB 2008-1 becomes mandatory for the year ending 30 June 2010 for the consolidated entity. The consolidated entity has not yet determined the potential effect of the amending standard on the consolidated entity's financial report.

The consolidated entity has adopted the following Standards and Interpretations, mandatory for periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

- AASB 7 Financial Instruments: Disclosures;
- AASB 2005-10 Amendments to Australian Accounting Standards;
- AASB 2007- 4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (April 2007;
- AASB 2007-7 Amendments to Australian Accounting Standards;
- Interpretation 10 Interim Financial Reporting and Impairment; and
- Interpretation 11 AASB 2 – Group and Treasury Share Transactions and Related Amending Standard AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11.

2. Critical accounting estimates and judgements

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Impairment of APT Preference Units

The directors have reviewed the recoverability of the APT preference units and also the redemption amount of the PoD Hybrids and have determined that both the APT preference units and the PoD hybrids should be written down and recognised at $nil. Further details are disclosed in Note 5 (e).

Impairment of Alleasing Preference Units

The directors have reviewed the recoverability of the Alleasing preference units and also the maturity amount of the Alleasing Hybrids and have determined that both the Alleasing preference units and the Alleasing hybrids should be written down and recognised at $nil. Further details are disclosed in Note 5 (f).

Impairment testing of goodwill

In accordance with its accounting policy the consolidated entity tests annually whether goodwill has suffered any impairment or more frequently if changes in events or circumstances indicate that it might be impaired. The recoverable amount for goodwill in the AllCommercial business has been based on value in use calculations. These calculations require the use of assumptions.

A key assumption used is that the current warehouse facility within the Gateway Commercial Finance Trust (GCFT) which funds the AllCommercial loan book is able to be refinanced on acceptable terms when it expires on 15 September 2008. Negotiations are currently ongoing with senior note holders to extend their warehouse funding on asset specific lines (refer note 20b).

If negotiations cannot be satisfactorily concluded there could potentially be a materially adverse impact on the profitability of the ongoing AllCommercial business including the potential that AllCommercial would be unable to write new loans, together with the possible impairment of the remaining goodwill of up to $3.6m arising from the acquisition of the business. Any impairment of goodwill will be a non-cash adjustment through the income statement.

The key assumptions used in the impairment testing model are:

(i) Annual growth rate of 10% for the equipment and property books. Subject to refinance on acceptable terms, management is confident that these growth targets are achievable.

(ii) The business finance book has been forecast to remain stable, while the consumer and construction books are assumed to run off.

(iii) A post-tax discount rate of 13% to reflect the uncertainty regarding the growth assumptions for the equipment and property book.

(iv) Terminal value of 6 which equates to a discounted value of $2.7m.

(v) Inflation rate of 4%.

The modelled forecast period for the AllCommercial business is 4 years to 2012. Given that certain debt facilities will not be fully amortised until 2015, the cash flow forecast has been extended to 2016, but assuming no growth in the loan book beyond 2012. The terminal value has been applied to the 2016 cash flows and discounted at a rate of 13%.

3. Segment reporting

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment or the relevant portion that can be allocated to a segment on a reasonable basis. Segment assets include all assets used by a segment. The carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Any transfers between segments have been determined on an arms-length basis and eliminated on consolidation.

The segment information has been prepared in conformity with the economic entity's accounting policies as disclosed in note 1 – Summary of significant accounting policies. The primary business segments are as follows:

- Hybrid Investment Trust
- Principal Investments
- Strategic Finance – Discontinued operation
- AllCommercial
- Corporate

3. Segment reporting (continued)

(a) Primary reporting format – business segments

	Continuing operations												Discontinued operation	
	Hybrid Investment Trust		Principal Investments		AllCommercial		Corporate		Eliminations		Total		Strategic Finance	
Consolidated 30 June 2008	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Total interest income from external sources	34,727	46,587	16,588	726	55,920	16,593	12,489	1,936	-	-	119,724	65,842	75,486	23,111
Inter-segment revenue	25	10	3,915	110		-	14,121	-	(18,061)	(120)	-	-		-
Interest income	34,752	46,597	20,503	836	55,920	16,593	26,610	1,936	(18,061)	(120)	119,724	65,842	75,486	23,111
Other operating income	563	788	167	248	6,987	1,238	26,201	330	(24,662)	-	9,256	2,604	29,333	13,964
Segment revenue	35,315	47,385	20,670	1,084	62,907	17,831	52,811	2,266	(42,723)	(120)	128,980	68,446	104,819	37,075
Interest expense	(26,310)	(38,393)	(14,121)	(559)	(49,215)	(12,907)	(21,329)	(1,378)	18,061	-	(92,914)	(53,237)	(41,052)	(13,357)
Upside sharing arrangement	(17,701)	(4,719)	-	-	-	-	-	-	-	-	(17,701)	(4,719)	-	-
Operating expenses	(1,062)	(4,588)	(17,430)	(113)	(14,460)	(3,959)	(40,764)	(5,219)	-	-	(73,716)	(13,879)	(77,427)	(7,418)
Depreciation and amortisation	-	-	-	-	(425)	(43)	-	-	-	-	(425)	(43)	(228)	(116)
(Loss) / Profit before impairment of goodwill	**(9,758)**	**(315)**	**(10,881)**	**412**	**(1,193)**	**922**	**(9,282)**	**(4,331)**	**(24,662)**	**(120)**	**(55,776)**	**(3,432)**	**(13,888)**	**16,184**
Impairment of goodwill	-	-	-	-	-	-	(253,272)	-	-	-	(253,272)	-	-	-
(Loss) / Profit before income tax	**(9,758)**	**(315)**	**(10,881)**	**412**	**(1,193)**	**922**	**(262,554)**	**(4,331)**	**(24,662)**	**(120)**	**(309,048)**	**(3,432)**	**(13,888)**	**16,184**
Income tax (expense) / credit	-	954	(956)	(124)	357	(277)	1,627	1,336	-		1,028	1,889	2,967	(5,356)
(Loss) / Profit for the year	**(9,758)**	**639**	**(11,837)**	**288**	**(836)**	**645**	**(260,927)**	**(2,995)**	**(24,662)**	**(120)**	**(308,020)**	**(1,543)**	**(10,921)**	**10,828**

3. Segment reporting (continued)

	Continuing operations												Discontinued operation	
	Hybrid Investment Trust		Principal Investments		AllCommercial		Corporate*		Eliminations		Total		Strategic Finance	
Consolidated 30 June 2008	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Segment assets	14,348	430,355	119,322	137,402	624,687	528,310	196,463	45,274	(133,139)	-	821,681	1,141,341	424,311	646,801
Goodwill	-	-	-	-	-	-	3,617	259,648	-	-	3,617	259,648	-	-
Total assets	**14,348**	**430,355**	**119,322**	**137,402**	**624,687**	**528,310**	**200,080**	**304,922**	**(133,139)**	**-**	**825,298**	**1,400,989**	**424,311**	**646,801**
Segment liabilities	5,588	410,881	133,059	120,149	633,214	537,662	190,413	103,292	(133,139)	-	829,135	1,171,984	366,428	527,931
Total liabilities	**5,588**	**410,881**	**133,059**	**120,149**	**633,214**	**537,662**	**190,413**	**103,292**	**(133,139)**	**-**	**829,135**	**1,171,984**	**366,428**	**527,931**
Capital expenditure during the year	-	-	-	-	1,264	633	-	-	-	-	1,264	633	410	-
Impairment charges	-	-	(15,302)	-	(2,929)	581	(20,971)	247	-	-	(39,202)	828	(62,910)	(313)

* The corporate segment includes the Gateway Momentum Funding Trust loan assets which are classified as held for sale as at 30 June 2008.

(b) Secondary reporting format - geographic segment

The secondary segments have been determined based on where the transactions have been recognised. The operations of the consolidated entity are headquartered in Australia.

	Continuing operations		Discontinued operation			
	Australia		New Zealand		Total	
Consolidated 30 June 2008	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Total revenue from external sources	128,980	68,446	104,819	37,075	233,799	105,521
Segment assets	825,298	1,400,989	424,311	646,801	1,249,609	2,047,790
Capital expenditure during the year	1,264	633	410	-	1,674	633
Impairment losses	(39,202)	828	(62,910)	(313)	(102,112)	515

4. Revenue and other income

(a) Revenue

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest income				
External parties	67,648	18,180	366	1,181
Related parties	52,076	47,662	14,136	92
	119,724	65,842	14,502	1,273
Other operating income				
Fee income	6,531	2,552	-	-
Dividend income	-	-	24,662	-
Other income	2,725	52	834	-
	9,256	2,604	25,496	-
Total revenue	128,980	68,446	39,998	1,273

(b) Other income

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Net foreign exchange gain	834	-	834	-
Realised gains on interest rate swaps	1,851	-	-	-
Other income	40	52	-	-
	2,725	52	834	-

5. Expenses

(a) Operating expenses

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employment expenses	9,336	2,879	-	-
Depreciation	425	15	-	-
Amortisation of borrowing costs	1,974	-	167	-
Bad debts written off	3,032	790	-	-
Impairment charges	39,202	(828)	316,155	-
Advertising and promotion	37	20	-	-
Responsible Entity's fees	10,316	8,433	9,988	4,068
Bank Fees	103	38	-	-
Auditor's remuneration	980	787	453	44
Professional fees	39	5	-	-
Trust management fees	715	80	-	-
Brokerage fees	223	42	-	-
Legal Fees	1,366	157	356	-
Registry maintenance and other fees	167	273	46	81
Rental expense relating to operating leases	576	103	-	-
IT and software development	275	139	-	-
Net loss on foreign exchange	-	80	-	-
Other operating expenses	5,375	909	2,192	265
	74,141	13,922	329,357	4,458

(b) Other disclosures

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Rental expense relating to operating leases				
Minimum lease payments	576	103	-	-
	576	103	-	-
Employment expenses				
Salaries and bonuses	6,231	2,390	-	-
Termination payments	1,008	-	-	-
Directors' Fees	144	105	-	-
Other associated personnel expenses	1,195	283	-	-
Contributions to defined contribution superannuation funds	492	41	-	-
Annual leave	189	49	-	-
Long service leave	77	11	-	-
	9,336	2,879	-	-

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Impairment charges				
Impairment of loans held at amortised cost				
- APT preference units *	244,436	-	-	-
- Alleasing preference units **	136,500	-	-	-
- other loans	38,932	-	-	-
Impairment of available-for-sale financial assets	276	-	-	-
Impairment of investments in controlled entities	(6)	-	287,897	-
Impairment of loans to controlled entities	-	-	28,258	-
Write down of the liability of the PoD Hybrids *	(244,436)	-	-	-
Write down of the liability of the Alleasing Hybrids **	(136,500)	-	-	-
	39,202	-	316,155	-

* Refer Note 5(e) for impairment of the APT preference units and write down of the PoD Hybrids.
** Refer Note 5(f) for the impairment of the Alleasing preference units and write down of Alleasing Hybrids.

(c) Interest expense

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest and finance charges paid or payable	66,603	14,844	14,138	471
Alleasing Hybrids	13,546	14,064	-	-
PoD Hybrids	12,765	24,329	-	-
	92,914	53,237	14,138	471

(d) Upside sharing arrangement

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Upside sharing arrangement income	(22,126)	(5,899)	-	-
Payable to PoD hybrid holders	4,425	1,180	-	-
	(17,701)	(4,719)	-	-

(e) Impairment of APT preference units and write down of PoD Hybrids

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Impairment of APT Preference units	(244,436)	-	-	-
Write down of the liability for the PoD Hybrids	244,436	-	-	-
	-	-	-	-

The Hybrid Investment Trust (HIT) owns 256,250,000 preference units in Allco Principals Trust (APT).

The PoD Hybrids comprise a note issued by HIT (which matured on 30 June 2008) and an undertaking by HIT to deliver certain conversion securities to the investors. On maturity or earlier conversion, the PoD Hybrids must be repaid and conversion securities must be delivered to the investors under the undertaking.

The fall in the share price of AFG has had a significant impact on the financial position of APT and its ability to redeem the APT preference units. The Directors of the Responsible Entity considered the recoverability of the APT preference units at 31 December 2007 and were of the opinion that they are significantly impaired. As a result the APT preference units have been fully written down to nil at 31 December 2007.

The Scheme's contractual liabilities under the PoD Hybrids are limited recourse in nature to HIT. This means that in the event payments or any losses in respect of breaches of obligations in respect of the PoD Hybrids cannot be satisfied from the Approved Investments and the APT preference units, PoD Hybrid holders have no recourse to the other assets of the Scheme. However, PoD Hybrid holders have the benefit of a first ranking charge over the Approved Investments and the APT preference units.

The proceeds realised from the APT preference units were to be utilised directly by HIT to meet its obligations under the PoD Hybrids. HIT's liability for the PoD Hybrids is therefore directly affected by the amount recoverable by HIT from its investment in the APT preference units and APT's ability to settle all its liabilities in respect of the preference units in full. As a result the directors have also fully written down the liability for the PoD Hybrids at 31 December 2007.

As notified to PoD Hybrid holders on 3 March 2008 and 3 April 2008, it is currently anticipated that the net value of the preference units issued to HIT will be zero, and therefore, after the final payment of $4.50 per hybrid security on 30 June 2008, no further payment will be made to PoD Hybrid security holders.

On 17 April 2008 Allco Managed Investment Funds Limited ("AMIFL"), as responsible entity of APT, resolved that APT be wound up. Realisation of APT's assets has commenced as part of the winding-up of APT; however, it is not clear how long the realisation process will take. The realisation of APT's assets will therefore depend upon the completion of the administration of APT's subsidiaries.

AMIFL currently proposes that if there is any net value remaining in APT after payment of creditors, it will be distributed to HIT as holder of the preference units in APT, for the ultimate benefit of the PoD Hybrid security holders.

The directors consider that given the continuing uncertainties in assessing the future value and accessibility with respect to assets held by APT, that the full impairment of the APT preference units and a corresponding write down for the PoD Hybrid liability is the most prudent and appropriate accounting treatment.

The impairment of the APT preference units and the write down of the liability for the PoD Hybrids has no cash or net profit impact on the Scheme.

(f) Impairment of Alleasing preference units and write down of Alleasing Hybrids

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Impairment of Alleasing Preference units	(136,500)	-	-	-
Write down of the liability for the Alleasing Hybrids	136,500	-	-	-
	-	-	-	-

The Hybrid Investment Trust (HIT) owns 130 million preference units in Alleasing Trust with a carrying value of $136.5m plus accrued interest of $5.4m at 30 June 2008. The Directors have reviewed the recoverability of the Alleasing Preference units at 30 June 2008. In carrying out this review the Directors have considered:

(i) The likely proceeds from a potential sale of the Alleasing business. As part of a broader restructure of Alleasing's corporate debt facilities, Allco Funds Management Limited (AMFL) as the Manager of the Alleasing Trust is exploring a possible sale of the Alleasing business, on behalf of Allco Managed Investment Funds Limited (AMIFL), the Responsible Entity of the Alleasing Trust. In the Directors opinion a sale of Alleasing is considered highly unlikely to realise sufficient proceeds to enable a full repayment of Alleasing's obligations including the amount of $141.9m owed to HIT for the Alleasing Preference units.

(ii) The Alleasing Hybrids are due to mature in August 2009 and will be satisfied via a repayment or distribution of ownership shares in Alleasing via an Initial Public Offering. Given the current global credit market dislocation, the Alleasing business operations, prospects and valuations are being adversely affected. A sale or recapitalization of the business prior to the scheduled maturity date is a likely requirement given the market conditions. As part of this accelerated process, it is possible that Alleasing Trust may be unable to sell Alleasing Pty Ltd, or the price achieved from any sale is insufficient (together with the other assets of the Alleasing Trust) to pay a redemption amount on the Alleasing Trust preference units to HIT to allow HIT to repay the principal on the Alleasing Hybrids.

(iii) The letter of support provided to the AMIFL independent directors by Allco Finance Group (AFG) on 30 November 2007, to provide financial assistance to the Alleasing Trust and its controlled entities to enable the Alleasing Trust to fulfill all of its financial obligations. AFG and the AMIFL Independent directors are in negotiations as to the scope and obligations under the Letter of Support.

Given these negotiations and the likely sale price of the Alleasing business, there is a significant risk as to the ability of Alleasing Trust to pay amounts in respect of the redemption of the Alleasing preference units sufficient to allow the Hybrid Investment Trust to pay the principal amount on the Alleasing Hybrids.

Accordingly, the independent directors of AMIFL have commenced negotiations with AFG for the allocation of an amount from the proceeds of any sale of Alleasing Pty Limited to satisfy the Alleasing preference units ahead of their maturity. At the date of this report, there has been no agreement on the sale of Alleasing Pty Limited, and no agreement between AMIFL and AFG on the allocation of any sale proceeds.

The Directors consider that given the uncertainties and the significant risk that the assets of the Alleasing Trust will be insufficient to repay the Alleasing preference units, that the full impairment of the principal of the Alleasing preference units and a corresponding write down for the Alleasing hybrid liability is the most prudent and appropriate accounting treatment. The Directors have not impaired the interest accrued on the preference units as they are of the opinion that this will still be recoverable.

The impairment of the Alleasing Preference units and the write down of the liability for the Alleasing hybrids has no cash impact on the consolidated entity.

6. Analysis of net gain or losses by measurement basis category

(a) Recognised income

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest Income				
Interest income on unimpaired loan assets held at amortised cost	84,776	64,673	-	562
Interest income on impaired loan assets held at amortised cost	33,214	-	14,138	-
Interest income on available for sale financial assets	-	-	-	-
Interest income on bank deposits	1,734	1,169	364	711
Interest income on other assets	-	-	-	-
	119,724	65,842	14,502	1,273
Financing costs				
Interest expense on financial liabilities measured at amortised cost	92,914	53,237	14,138	471
	92,914	53,237	14,138	471
Net finance income and expense	**26,810**	**12,605**	**364**	**802**

(b) Recognised directly in equity

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(Expense) / Income recognised directly in equity, net of tax				
Effective portion of changes in fair value of cash flow hedges	4,662	1,851	-	-
Foreign currency translation differences for foreign operations	(7,347)	976	-	-
Income tax on income and expense recognised directly in equity	(1,399)	(555)	-	-
	(4,084)	2,272	-	-
Attributable to:				
Equity holders of the company	(4,084)	2,272	-	-
Minority interests	-	-	-	-
	(4,084)	2,272	-	-
Recognised in:				
Cashflow hedging reserve	3,263	1,296	-	-
Foreign currency translation reserve	(7,347)	976	-	-
	(4,084)	2,272	-	-

7. Income tax expense

(a) Income tax expense recognised in the income statement

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax	(10,898)	(5,482)	-	-
Deferred tax	13,900	2,015	(140)	2,050
Over provision in prior years	993	-	1,448	-
	3,995	(3,467)	1,308	2,050
Income tax benefit /(expense) is attributable to:				
Loss from continuing operations	1,028	1,889	1,308	2,050
Loss /(profit) from discontinued operations	2,967	(5,356)	-	-
Aggregate income tax benefit /(expense)	3,995	(3,467)	1,308	2,050
Deferred income tax benefit /(expense) included in income tax expense comprises:				
Increase /(decrease) in deferred tax assets	14,252	3,982	(156)	2,085
(Decrease) /increase in deferred tax liabilities	(352)	(1,967)	16	(35)
	13,900	2,015	(140)	2,050

(b) Numerical reconciliation between income tax expense and pre-tax net profit

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(Loss) / Profit from continuing operations before income tax expense	(309,048)	(3,432)	(303,497)	(3,656)
(Loss) / Profit from discontinuing operations before income tax expense	(13,888)	16,184	-	-
Total (Loss) / Profit before income tax	(322,936)	12,752	(303,497)	(3,656)
Income tax benefit /(expense) at the Australian tax rate of 30% (2007: 30%)	96,881	(3,826)	91,049	1,096
Increase in income tax expense due to:				
- Return of capital (HIT trust)	(10,948)	(11,518)	-	-
- Non-deductible expenses	(1,436)	(1,784)	-	-
- Impairment of deferred tax assets	(15,157)	-	(99,413)	-
- Goodwill	(75,981)			
Decrease in income tax expense due to:				
- Initial recognition of deferred taxes in HIT	-	1,465	-	954
- Dividends from wholly owned entities	-	-	7,398	-
- Recognition of deferred taxes in HIT	-	-	1,874	-
- Share issue costs	204	-	204	-
- Non assessable income	10,702	12,683	196	-
	(92,616)	846	(89,741)	954
Difference in overseas tax rates	(270)	(487)	-	-
Adjustments for current tax of prior periods	-	-	-	-
Income tax benefit / (expense)	3,995	(3,467)	1,308	2,050

(c) Amounts recognised directly in equity

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax	-	-	-	-
Deferred tax	(1,399)	(555)	-	-
	(1,399)	(555)	-	-

The comparative balance was included in the 2007 accounts but was not previously disclosed as being recognised in equity.

(d) Tax losses

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unused tax losses for which no deferred tax asset has been recognised	20,339	-	15,052	-
Potential benefit at 30%	6,102	-	4,516	-

There are New Zealand franking credits of A$1,405,725 available within the consolidated group at 30 June 2008 (2007: A$5,988,391). These would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

(e) Tax consolidation legislation

AHL and its wholly-owned controlled entities implemented the tax consolidation legislation from 16 February 2007. The accounting policy in relation to this legislation is set out in note 1(j).

The entities in the tax consolidation group have entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, AHL.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate AHL for any current tax payable assumed and are compensated by AHL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to AHL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

8. Assets held for sale and discontinued operation

Gateway Momentum Funding Trust No. 1

On 25 June 2008, AHL announced the decision of its Board of Directors to dispose of the residual income units in the Gateway Momentum Trust No.1 to Agripay NIM Pty Limited (Agripay) for $250,000. The Gateway Momentum Funding Trust No. 1 is used as a funding vehicle to provide loans to investors in agribusiness managed investment schemes and includes the loan portfolio of the Momentum business. The transaction also included the sale of the loan portfolio to Agripay for approximately $39.4 million.

The group has decided to exit this business due to the unpredictable environment for timber and agricultural based managed investment schemes and the significant deterioration in the credit markets which has resulted in the group being unable to obtain long term funding for the Momentum business at competitive rates.

On 19 August 2008 an agreement was reached to sell the residual income units to Agripay NIM Pty Limited and the sale was completed on 20 August 2008.

Strategic Finance Limited

On 25 June 2008 AHL announced that it was in high level talks for the sale of Strategic Finance Limited (Strategic) and its subsidiary companies. Strategic is primarily a financier of property transactions. In addition to this core business, Strategic provides specialist financial and advisory services to the property and corporate sectors.

The Directors consider that the sale of Strategic is in the best interests of shareholders due to the continuing slowdown in the New Zealand economy and in particular the stalled property development sector which has led to Strategic experiencing significant bad debt write offs and impairments for expected loan losses. There has been a marked deterioration in the New Zealand market due to a crisis of confidence in the finance company sector, resulting in a considerable reduction in debenture reinvestment rates which has led to the collapse of a number of local New Zealand finance companies.

On 29 August 2008 the company signed an agreement for the sale of 100% of the shares in Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI") for NZ$25 million plus the return of $8 million AHL shares being provided by the Strategic management and consortium members. Upon closure of the transaction expected by end of October, these shares will be cancelled. As part of the sale the group will also sell to the consortium its principal investment loan portfolio in the New Zealand property development market for an amount of NZ$50.2m including accrued interest to the date of completion. The sale is subject to several conditions precedent including AHL shareholder, regulatory and debenture trustee approval.

At 30 June 2008 Strategic has been classified as a disposal group held for sale and a discontinued operation. Strategic represents a separate business and geographical segment of AHL. The comparative income statement has been restated to show the discontinued operation separately from continuing operations.

The results of Strategic are presented below:

	2008 $'000	2007 $'000
Interest income	75,486	23,111
Interest expense	(41,052)	(13,357)
Net interest income	34,434	9,754
Other operating income	29,333	13,964
Operating expenses	(77,655)	(7,534)
(Loss) / Profit before income tax from a discontinued operation	**(13,888)**	**16,184**
Income tax credit / (expense)	2,967	(5,356)
(Loss) / Profit for the year from a discontinued operation	**(10,921)**	**10,828**
Basic earnings per share (cents)	(11.5)	33.3
Diluted earnings per share (cents)	(11.5)	23.6

The cash flows relating to the discontinued operation are as follows:

	2008 $'000	2007 $'000
Net cash from operating activities	(4,611)	5,232
Net cash from investing activities	6,094	(35,522)
Net cash from financing activities	(118,535)	96,561
Net cash (used in) / from discontinued operation	(117,052)	66,271

The major classes of assets and liabilities of Momentum and Strategic classified as held for sale as at 30 June 2008 are as follows:

2008	**Momentum**	**Strategic**	**Total**
	$'000	**$'000**	**$'000**
Assets			
Cash and cash equivalents	-	2,023	2,023
Trade and other receivables	-	8,175	8,175
Derivative financial instruments	-	-	-
Loan assets held at amortised cost	39,864	398,059	437,923
Property, plant and equipment	-	816	816
Deferred tax assets	-	15,238	15,238
Total assets	39,864	424,311	464,175
Liabilities			
Trade and other payables	-	6,088	6,088
Derivative financial instruments	-	676	676
Deferred income	-	3,288	3,288
Interest-bearing loans and borrowings	-	351,167	351,167
Current tax liabilities	-	4,866	4,866
Deferred tax liabilities	-	343	343
Total liabilities	-	366,428	366,428
Net assets directly associated with disposal	39,864	57,883	97,747

Neither Momentum nor Strategic was classified as held for sale as at 30 June 2008 and therefore there are no comparative balances in 2007.

9. Cash and cash equivalents – current assets

	Consolidated		**The Company**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Cash at bank and on hand	13,782	66,103	805	17,206
Cash held in trust	27,368	13,609	-	-
Deposits at call	-	87,964	-	-
Cash and cash equivalents	41,150	167,676	805	17,206

(a) Cash at bank and on hand

The weighted average interest rate of cash at bank and on hand is 6.6% (2007: 4.7%) for the consolidated entity and 4.9% for parent entity (2007: 4.5%).

(b) Cash held in trust

These balances relate to cash held by Allco Hybrid Investment Trust and Gateway Commercial Finance Trust. This cash is controlled by the respective responsible entity or trust manager and is not available for immediate use by the consolidated entity. These cash balances are available for use by the respective trusts.

(c) For the purposes of the cash flow, cash and cash equivalents comprise the following:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank and on hand	13,782	66,103	805	17,206
Cash held in trust	27,368	13,609	-	-
Deposits at call	-	87,964	-	-
Cash and cash equivalents relating to discontinued operation (Note 8)	2,023	-	-	-
	43,173	167,676	805	17,206

10. Trade and other receivables – current assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade receivables	9,465	7,764	391	-
Accrued income (a)	393	26,095	2	-
GST receivable	428	432	68	22
Other receivables	510	943	-	314
Prepayments	218	291	218	211
	11,014	35,525	679	547

(a) The 2007 comparative includes $22.1m for the upside sharing arrangement receivable from APT. Refer to Note 1(i) for further information.

11. Derivative financial instruments

(a) Derivative assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest rate swaps	6,514	1,295	-	-
Forward foreign exchange contracts	-	285	-	-
Option	-	1	-	-
	6,514	1,581	-	-

(b) Derivative liabilities

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Forward foreign exchange contracts	-	119	-	119
	-	119	-	119

The interest rate swaps are used for hedging and are designated as cash flow hedges. The forward foreign exchange contracts and the option do not qualify for hedge accounting and are therefore accounted for at fair value through profit and loss.

12. Available-for-sale financial assets – non-current assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unlisted securities				
- Equity securities	750	1,421	-	-
	750	1,421	-	-

Unlisted securities

Unlisted securities are traded in inactive markets. They are carried at the present value of the net cash inflows from expected future distributions receivable and amounts recoverable from the Gateway Asset Trust. The discount rate used to determine the present value of the net cash inflows was 18% (2007: 15%).

13. Loan assets held at amortised cost

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loans and advances				
- Related entities	87,298	409,596	173,139	95,161
- non related entities	667,477	1,172,144	-	-
	754,775	1,581,740	173,139	95,161
Less: provision for loan losses	(38,032)	(8,741)	(28,258)	-
	716,743	1,572,999	144,881	95,161
- Current	223,779	720,886	144,881	95,161
- Non - current	492,964	852,113	-	-
	716,743	1,572,999	144,881	95,161

HIT acquired 130 million preference units from Alleasing Trust for $90,800,000 in August 2004. The redemption amount of each preference unit grew at 13.59% per annum compounding monthly from the issue price to $1.05 per preference unit by the reset date on 17 August 2007. After the reset date the interest is calculated at 5.50% above BBSW and paid semi-annually until maturity date in August 2009.

The directors have reviewed the recoverability of the Alleasing preference units and also the maturity amount of the Alleasing Hybrids and have determined that both the Alleasing preference units and the Alleasing hybrids should be written down and recognised at $nil.

HIT acquired 256,250,000 preference units from Allco Principals Trust (APT) for $169,868,125 in December 2004. The redemption amount of each preference unit increases at 11.75% pa compounding monthly to reach $1.00 per preference unit by 30 June 2008. On 5 June 2008 HIT was advised by APT that they do not intend to reset the APT preference units and hence they matured on 30 June 2008. The APT preference units were written down to nil at 30 June 2008. Refer note 5(e).

14. Other financial assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current	-	-	3,617	147,008
Non - current	-	-	19,834	165,200
	-	-	23,451	312,208

The shares in subsidiaries are carried at cost less impairment. Shareholder loans to subsidiaries are interest free and repayable on demand. The 2007 comparatives have been restated to correctly reflect the apportionment between shares in subsidiary companies and loans to subsidiary companies.

15. Property, plant and equipment

	Consolidated				
	Leasehold Improvements $'000	Office machines $'000	Furniture and Fittings $'000	IT assets $'000	Total $'000
Cost					
Balance at 1 July 2006	-	-	-	-	-
Acquisitions - business combinations	310	272	147	8	737
Acquisitions - other	444	96	1	168	709
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	4	5	1	-	10
Balance at 30 June 2007	**758**	**373**	**149**	**176**	**1,456**
Acquisitions - other	506	249	164	345	1,264
Disposals	-	(3)	-	-	(3)
Discontinued operation (Note 8)	(314)	(351)	(150)	-	(815)
Effect of movements in foreign exchange	-	-	-	-	-
Balance at 30 June 2008	**950**	**268**	**163**	**521**	**1,902**
Depreciation and impairment losses					
Balance at 1 July 2006	-	-	-	-	-
Depreciation charge for the year	(30)	(84)	(13)	(3)	(130)
Fair value adjustment	-	-	-	(5)	(5)
Effect of movements in foreign exchange	3	14	2	-	19
Balance at 30 June 2007	**(27)**	**(70)**	**(11)**	**(8)**	**(116)**
Depreciation charge for the year	(177)	(51)	(32)	(165)	(425)
Depreciation related to disposals	-	1	-	-	1
Discontinued operation (Note 8)	15	70	10		95
Effect of movements in foreign exchange	-	-	-	-	-
Balance at 30 June 2008	**(189)**	**(50)**	**(33)**	**(173)**	**(445)**
Carrying amounts					
At 1 July 2006	-	-	-	-	-
At 30 June 2007	731	303	138	168	1,340
At 30 June 2008	**761**	**218**	**130**	**348**	**1,457**

The company had no property, plant or equipment as at 30 June 2008 (2007: Nil).

16. Tax assets and liabilities

(a) Current tax assets and liabilities

The current tax liability for the consolidated entity of $4.9m (2007: $2.6m) represents the balance of income taxes payable in respect of current and prior periods. This balance relates to the discontinued operation only (refer Note 8).

(b) Deferred tax assets and liabilities

Deferred tax assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The balance comprises temporary differences attributable to:				
Tax losses	8,031	1,352	6,444	1,352
Provisions	25,625	2,810	8,527	678
Employee benefits	281	313	-	-
Deferred income	-	158	-	-
Investment in subsidiaries	-		86,369	
Other items	345	240	1	55
Impairment of deferred tax assets[1]	(15,157)	-	(99,413)	-
Total deferred tax assets	19,125	4,873	1,928	2,085
Set-off against deferred tax liabilities	(2,319)	(1,967)	(19)	(35)
Net deferred tax assets	16,806	2,906	1,909	2,050

[1] Deferred tax assets have been impaired because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits thereon.

Reflected in the balance sheet as follows:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deferred tax assets	3,887	4,873	1,929	2,085
Deferred tax assets - discontinued operations	15,238	-	-	-
Deferred tax liabilities	(1,976)	(1,967)	(19)	(35)
Deferred tax liabilities - discontinued operations	(343)	-	-	-
	16,806	2,906	1,910	2,050

Movements in deferred tax assets - Consolidated

Movements – 2008	Tax losses $'000	Provisions $'000	Employee benefits $'000	Deferred income $'000	Available for sale $'000	Other $'000	Total $'000
At 1 July 2007	1,352	2,810	313	158	-	240	4,873
(Charged) / credited to income statement	6,679	22,816	(32)	(158)	(2)	105	29,408
Impairment of DTA	(6,102)	(8,566)	(250)	-	2	(240)	(15,156)
Balance at 30 June 2008	1,929	17,060	31	-	-	105	19,125

Movements – 2007	Tax losses $'000	Provisions $'000	Employee benefits $'000	Deferred income $'000	Available for sale $'000	Other $'000	Total $'000
At 1 July 2006	-	-	-	-	-	-	-
(Charged) / credited to income statement	1,320	1,414	119	(236)	-	660	3,277
Amounts recognised on corporatisation and acquisition of subsidiaries	32	1,396	194	394	-	(420)	1,596
Balance at 30 June 2007	1,352	2,810	313	158	-	240	4,873

Movements in deferred tax assets - Company

Movements – 2008	Tax losses $'000	Provisions $'000	Investment in subsidiaries $'000	Other $'000	Total $'000
At 1 July 2007	1,352	678	-	55	2,085
(Charged) / credited to income statement	5,093	7,849	86,369	(54)	99,257
Impairment of DTA	(4,516)	(8,527)	(86,369)	(1)	(99,413)
Balance at 30 June 2008	**1,929**	**-**	**-**	**-**	**1,929**

Movements – 2007	Tax losses $'000	Provisions $'000	Investment in subsidiaries $'000	Other $'000	Total $'000
At 1 July 2006	-	-	-	-	-
(Charged) / credited to income statement	1,076	678	-	55	1,809
Assumption of tax losses from tax consolidated entities	276	-	-	-	276
Balance at 30 June 2007	**1,352**	**678**	**-**	**55**	**2,085**

Deferred tax liabilities

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Amounts recognised in profit or loss				
Accrued income	-	1,011	-	-
Deferred expenditure	-	742	-	-
Provision for doubtful debts	-	214	-	-
Derivative financial instruments	1,954	-	-	-
Other items	365	-	19	35
Total deferred tax liabilities	2,319	1,967	19	35

Movements in deferred tax liabilities - Consolidated

Movements – 2008	**Accrued income $'000**	**Deferred expenditure $'000**	**Doubtful debts $'000**	**Derivative financial instruments $'000**	**Other $'000**	**Total $'000**
At 1 July 2007	1,011	742	214	-	-	1,967
Charged / (credited) to income statement	(1,011)	(742)	(214)	1,954	365	352
Balance at 30 June 2008	-	-	-	1,954	365	2,319

Movements – 2007	**Accrued income $'000**	**Deferred expenditure $'000**	**Doubtful debts $'000**	**Derivative financial instruments $'000**	**Other $'000**	**Total $'000**
At 1 July 2006	-	-	-	-	-	-
Charged / (credited) to income statement	1,011	86	164	-	-	1,261
Amounts recognised on corporatisation and acquisition of subsidiaries	-	656	50	-	-	706
Balance at 30 June 2007	1,011	742	214	-	-	1,967

Movements in deferred tax liabilities - Company

Movements – 2008	**Accrued income $'000**	**Deferred expenditure $'000**	**Doubtful debts $'000**	**Derivative financial instruments $'000**	**Other $'000**	**Total $'000**
At 1 July 2007	-	-	-	-	35	35
Charged / (credited) to income statement	-	-	-	-	(16)	(16)
Balance at 30 June 2008	-	-	-	-	19	19

Movements – 2007	**Accrued income $'000**	**Deferred expenditure $'000**	**Doubtful debts $'000**	**Derivative financial instruments $'000**	**Other $'000**	**Total $'000**
At 1 July 2006	-	-	-	-	-	-
Charged / (credited) to income statement	-	-	-	-	35	35
Balance at 30 June 2007	-	-	-	-	35	35

17. Intangible assets

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Goodwill				
Opening balance at 1 July	259,648	-	-	-
Acquisitions through business combinations	-	259,648	-	-
Adjustment to fair values at acquisitions*	(2,759)	-	-	-
Impairment charges	(253,272)	-	-	-
Closing balance at end of year	3,617	259,648	-	-
Total intangibles	**3,617**	**259,648**	**-**	**-**

* Refer Note 34 Business Combinations.

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating ("CGU") units for impairment testing:

	Consolidated	
	2008 $'000	**2007 $'000**
Strategic	-	224,191
AllCommercial	3,617	33,408
Momentum	-	1,165
IMFML	-	884
	3,617	259,648

In accordance with its accounting policy the consolidated entity tests annually whether goodwill has suffered any impairment or more frequently if changes in events or circumstances indicate that it might be impaired. The recoverable amount for goodwill in the AllCommercial business has been based on value in use calculations. These calculations require the use of assumptions.

A key assumption used is that the current warehouse facility within the Gateway Commercial Finance Trust (GCFT) which funds the AllCommercial loan book is able to be refinanced on acceptable terms when it expires on 15 September 2008. Negotiations are currently ongoing with senior note holders to extend their warehouse funding on asset specific lines (refer note 20 (b)).

If negotiations cannot be satisfactorily concluded there could potentially be a materially adverse impact on the profitability of the ongoing AllCommercial business including the potential that AllCommercial would be unable to write new loans, together with the possible impairment of the remaining goodwill of up to $3.6m arising from the acquisition of the business. Any impairment of goodwill will be a non-cash adjustment through the income statement.

The key assumptions used in the impairment testing model are:

(i) Annual growth rate of 10% for the equipment and property books. Subject to refinance on acceptable terms, management is confident that these growth targets are achievable.

(ii) The business finance book has been forecast to remain stable, while the consumer and construction books are assumed to run off.

(iii) A post-tax discount rate of 13% to reflect the uncertainty regarding the growth assumptions for the equipment and property book.

(iv) Terminal value of 6 which equates to a discounted value of $2.7m.

(v) Inflation rate of 4%.

The modelled forecast period for the AllCommercial business is 4 years to 2012. Given that certain debt facilities will not be fully amortised until 2015, the cash flow forecast has been extended to 2016, but assuming no growth in the loan book beyond 2012. The terminal value has been applied to the 2016 cash flows and discounted at a rate of 13%.

Goodwill impairment charges

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Impairment charges				
Strategic	(223,336)	-	-	-
AllCommercial	(27,888)	-	-	-
Momentum	(1,164)	-	-	-
IMFML	(884)	-	-	-
	(253,272)	-	-	-

The impairment charges to the CGUs occurred for the following reasons:

Strategic

The goodwill for the Strategic CGU is considered impaired as a result of the continuing slowdown in the New Zealand economy and in particular the stalled property development sector, which has led to Strategic experiencing significant bad debt write offs and impairments for expected loan losses. There has been a marked deterioration in the New Zealand market due to a crisis of confidence in the finance company sector, resulting in a considerable reduction in debenture reinvestment rates which has led to the collapse of a number of local New Zealand finance companies.

The net assets of Strategic have been written down to the amount anticipated to be recoverable from a sale of Strategic, which has resulted in the full impairment of the $223.3m Strategic CGU goodwill at 30 June 2008.

AllCommercial

Goodwill for the AllCommercial CGU has been impaired by $27.9m. As a result of the closure of the securitisation markets the business has experienced difficulties obtaining term funding for its warehouse facilities. This has resulted in a material increase to the funding costs and hence the profitability of the business. In light of the uncertainty around the funding for the business, the Directors have impaired goodwill for the AllCommercial CGU by $27.9m.

Momentum

On 25 June 2008, AHL announced the decision of its Board of Directors to dispose of the residual income units in the Gateway Momentum Trust No.1, (Gateway Momentum Trust). The Gateway Momentum Trust is used as a funding vehicle to provide loans to investors in agribusiness managed investment schemes and includes the loan portfolio of the Momentum business.

The group has decided to exit the Momentum business due to the unpredictable environment for timber and agricultural based managed investment schemes and the significant deterioration in the credit markets, which has resulted in the group being unable to obtain long term funding for the Momentum business at competitive rates. The net assets of Momentum have been written down to the amount anticipated from a sale of the loan portfolio, which has resulted in a full impairment of the Momentum goodwill.

IMFML

The IMFML CGU impairment of $0.9m occurred following the strategic decision during the second half of the year to wind-up the business. This decision was taken due to the level of loan losses experienced and previous asset writing strategy. As a result the goodwill recognised on acquisition is no longer considered recoverable and has been fully impaired.

18. Trade and other payables – current liabilities

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade creditors	8,609	8,310	2,681	855
GST payable	1,324	-	-	-
Earnout payment for Strategic acquisition *	-	53,279	-	53,279
Promissory note APT loan	-	45,000	-	-
Accrued expenses	2,118	19,188	990	3,615
Other payables	51	275	-	6
	12,102	126,052	3,671	57,755

* Relates to the incentive payment payable for the acquisition of Strategic as disclosed in the Directors' Report.

19. Deferred income – current liabilities

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unearned income	188	8,143	-	-
	188	8,143	-	-

20. Interest-bearing loans and borrowings

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-traded financial liabilities				
- Corporate facility	146,228	85,410	146,228	85,410
- Limited recourse borrowings	666,863	1,465,510	-	-
	813,091	1,550,920	146,228	85,410
Current	758,213	761,304	96,228	-
Non-current	54,878	789,616	50,000	85,410
	813,091	1,550,920	146,228	85,410

The comparatives have been recategorised to provide a better representation of the true debt position.

(a) Corporate financing facility

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Recourse debt				
Bank borrowings	95,947	85,410	95,947	85,410
Convertible medium-term notes	50,281	-	50,281	-
	146,228	85,410	146,228	85,410
Current	96,228	-	96,228	-
Non-current	50,000	85,410	50,000	85,410
	146,228	85,410	146,228	85,410

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bank borrowings				
Total approved facility	100,000	150,000	100,000	150,000
Used facility at balance date	(95,947)	(85,410)	(95,947)	(85,410)
Unused facility at balance date	4,053	64,590	4,053	64,590

Recourse borrowings

(i) Senior bank facility

BOS International (Australia) Limited has provided a multicurrency senior revolving facility to AHL for up to A$100 million (dated 29 March 2007 and amended on 13 February 2008) drawn down in either Australian or New Zealand dollars. The borrowings are secured by a first ranking charge over all the assets of AHL and its subsidiary companies excluding AllCommercial Finance Australia Pty Limited and Strategic Finance Limited (and its subsidiaries). The interest rate applicable ranges from BBSW + 2.25% pa to BBSW + 2.75% pa depending on the loan to value ratio within AHL's investment portfolio. The maturity date of the facility is 29 April 2011 however the facility contains several conditions which have not been met: In particular:

- Due to the significant write offs for loan impairments and goodwill in June 2008 AHL does not comply with the financial covenants under the facility at 30 June 2008.
- On 7 August 2008 the Board of Strategic Finance Limited announced that it had suspended redemptions of its secured debenture stock and subordinated notes, as a result of the significantly reduced debenture reinvestment rates due to the material decline in the New Zealand property finance market sector.

These events are both considered events of default under the AHL senior facility. BOSI have provided a formal waiver to the defaults to enable AHL to continue to operate as a going concern on the conditions that:

- a sale and purchase agreement is signed for the sale of Strategic Investment Group Limited (SIGL) by 29 August 2008; and
- The sale is completed by 31 October 2008.

The sale is subject to several conditions precedent including approval by the debenture trustees, AHL shareholders and New Zealand regulators. Although the group is taking all measures possible, there is a risk that if the conditions precedent cannot be met and the sale of SIGL does not go ahead, then BOSI has the right to demand immediate repayment of the facility.

(ii) Convertible Medium Term Notes

On 13 February 2008, AHL issued A$50m in subordinated convertible floating rate medium term notes with a maturity of 13 February 2013. The interest rate payable on the notes is BBSW plus 5% p.a. The interest may be capitalised at anytime at the discretion of AHL with payment of this interest acceptable at anytime until maturity. AHL may redeem the notes early up to 90 days prior to maturity upon payment of a 1% early redemption fee. If not redeemed prior to maturity, noteholders may either convert their notes into ordinary equity in AHL pursuant to a conversion formula, or request redemption.

(b) Limited recourse borrowings

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Secured against the underlying assets financed by Strategic				
- secured against property assets	-	511,360	-	-
- Funds on deposit - unsecured	-	5,277	-	-
	-	516,637	-	-
Secured against the underlying assets financed by AllCommercial				
- secured against assets of Gateway Commercial Finance Trust	626,198	520,601	-	-
	626,198	520,601	-	-
Secured against the underlying assets financed by Momentum				
- secured against assets of Gateway Momentum Funding Trust No. 1	35,787	33,722	-	-
	35,787	33,722	-	-
Secured against the underlying assets financed by HIT				
- secured against HIT's holding in APT Preference units	-	254,171	-	-
- secured against HIT's holding in Alleasing Preference units	4,878	140,379	-	-
	4,878	394,550	-	-
	666,863	1,465,510	-	-
Current	661,985	761,304	-	-
Non-current	4,878	704,206	-	-
	666,863	1,465,510	-	-

Limited recourse borrowings

(i) Strategic Finance Limited

Bank Facilities

A multicurrency term loan facility to Strategic Finance Limited ('SFL') for up to NZ$90 million drawn down in either Australian or New Zealand dollars. The facility is split into two tranches with NZ$75 million maturing in July 2010 and NZ$15m maturing on 30 June 2008, which subsequently was extended to 29 August 2008. The borrowings are secured by debenture stock issued by SFL equal to the amount of the loan being drawn down.

Debenture Funding

Further to the Business update provided by the Board of AHL on 25 June 2008, the Board advised on 11 August 2008, that it has agreed indicative non-binding terms with a consortium comprising the original owners of Strategic Finance Limited's ("SFL") (a wholly owned subsidiary of Strategic), senior management and BOS International (Australia) Limited ("BOSI"), for the sale of Strategic.

SFL has A$258m of debenture stock on issue with a weighted average maturity of 9.9 months. The interest rate payable on the debentures is a weighted average fixed rate of 8.93% pa.

Subordinated notes

The subordinated notes are subordinated debts ranking behind debenture stock and all other deposits and creditors of SFL pursuant to the Debenture Trust Deed. These notes bear an interest rate of 10.51% (2007: 9.96%). The weighted average maturity profile is 19.1 months.

(ii) AllCommercial Finance Australia Pty Limited

Warehouse Facility

AllCommercial's loan book is securitised and funded via the Gateway Commercial Finance Trust ('GCFT'). This platform comprises a warehouse facility funded primarily by Commonwealth Bank of Australia and ANZ Banking Group. This has been extended to 15 September 2008. There is currently a restructure underway by Allco Finance Group of the Gateway platform of which GCFT is one of several securitisation trusts. The banks' facility limit is A$600m (2007: A$745m) of which A$581m (2007: A$561m) is drawn.

(iii) Momentum Finance

Warehouse Facility

Momentum's loan book is securitised and funded via the Gateway Momentum Funding Trust No 1. Negotiations to sell the Momentum loan book were in final stages as at 30 June 2008 and the sale was completed on 20 August 2008. The CBA facility limit is A$36m (2007: A$75m) of which A$36m (2007: A$37m) is drawn at 30 June 2008. Refer note 8.

(iv) Allco Hybrid Investment Trust

The Alleasing Hybrids pay interest of 9.00% on the initial recorded cost, semi-annually, until reset date on 17 August 2007.

Alleasing Hybrids also accrued a 5.00% uplift, i.e. total face value increased from $130m to $136.5m at the reset date of 17 August 2007. At the reset date, HIT exercised its right to reset the distribution rate for a further period of two years to the maturity date, which is five years from date of initial issue, i.e. 17 August 2009. From the reset date, the Alleasing Hybrids pay 3.50% per annum above the then prevailing 2-year bank bill swap rate, until maturity on 17 August 2009.

At maturity, the Alleasing Hybrids must be redeemed by HIT or converted into Alleasing Equity Units. Conversion into Alleasing Equity Units can only occur if Alleasing Equity Units are listed. The ability of HIT to fully redeem the Alleasing Hybrids is dependant upon the amount recoverable by HIT from its investment in the Alleasing preference units. As disclosed in note 5 (f) the directors have written down the value of the Alleasing hybrids to nil.

Under the current terms, the PoD Hybrids will also accrue a 2.50% uplift, i.e. the redemption amount per unit will increase from $100.00 to $102.50, to conversion at the maturity date 30 June 2008.

As notified to PoD Hybrid holders on 3 March 2008 and 3 April 2008, it is currently anticipated that the net value of the preference units issued to the Allco Hybrid investment Trust will be zero, and therefore, after the final payment of $4.50 on 30 June 2008, no further payment will be made to PoD Hybrid security holders.

As disclosed in Note 5(e), the directors have written down the value of the PoD Hybrids to nil.

21. Employee entitlements

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Liability for annual leave	335	327	-	-
Employee bonuses	591	2,444	-	-
	926	2,771	-	-
Current	926	2,771	-	-
	926	2,771	-	-

22. Provisions

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Upside sharing arrangement	-	4,425	-	-
Restructuring and termination costs	527	-	-	-
Seniors Provident fee	-	2,473	-	-
Employee benefits - long service leave	325	433	-	-
Total Provisions	852	7,331	-	-
Current	527	4,425	-	-
Non-current	325	2,906	-	-
	852	7,331	-	-

The provision for restructuring and termination costs represents the present value of the director's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits. The restructuring is expected to be completed by December 2008.

Provision of $0.325 million (2007: $0.433 million) is made for the long service leave entitlements for the employees.

Movements in provisions

Upside sharing arrangement

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Carrying amount at start of year	4,425	5,605	-	-
Credited to the income statement	(4,425)	(1,180)	-	-
Carrying amount at end of year	-	4,425	-	-

Restructuring and termination costs

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Carrying amount at start of year	-	-	-	-
Charged to the income statement	527	-	-	-
Carrying amount at end of year	527	-	-	-

Seniors Provident fee

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-current				
Carrying amount at start of year	2,473	-	-	-
Additional provision recognised	-	2,473	-	-
Adjustment to goodwill on acquisition accounting*	(2,300)	-	-	-
Credited to the income statement	(173)	-	-	-
Carrying amount at end of year	-	2,473	-	-

* Refer Note 34 Business Combinations.

The Seniors Provident fee provision in 2007 related to fee entitlements in consideration for originating and arranging the acquisition of the securitised assets and the business assets of AllCommercial. The amount of the provision is based upon AllCommercial meeting certain profitability targets. These targets are unlikely to be achieved and so the provision has been derecognised.

23. Issued capital

(a) Share capital

	The Company		The Company	
	2008 Shares	2008 $'000	2007 Shares	2007 $'000
Ordinary shares fully paid	99,666,363	345,056	82,830,879	285,610
Shares held in trust and treated as treasury shares	(1,750,000)	(6,038)	-	-
Total issued capital	97,916,363	339,018	82,830,879	285,610

The company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The holders of ordinary shares are entitled to one vote per share at meetings of the company. The variance between the consolidated balance sheet and note 23 (a) relates to the reverse acquisition of HIT of net $12.8m.

Treasury shares represent the cost of company shares acquired for and held by share allocation plans. Treasury shares are de-recognised when the underlying shares vest to employees. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the company's own equity instruments. At 30 June 2008, 1,750,000 shares (2007: Nil) were held by share allocation plans. The share scheme has been cancelled, refer note 40.

(b) Movements in issued capital

Date	Details	Number of shares	Issue price	$'000
1 July 2007	Opening balance	82,830,879		285,610
10 July 2007	Shares issued under share based payment plan	1,750,000	$3.45	6,038
22 August 2007	Shares issued - Strategic Earnout	13,488,429	$3.95	53,279
20 September 2007	Dividend reinvestment plan issues	49,881	$2.58	129
27 March 2008	Dividend reinvestment plan issues	1,547,174	$0.06	97
	Less: Treasury shares held in trust	(1,750,000)		(6,038)
	Less: Transaction costs arising on share issue			(97)
30 June 2008	Closing balance	**97,916,363**		**339,018**

(c) Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. At 30 June 2008, 1,597,055 had been issued under the plan (2007: Nil).

(d) Treasury Shares

	Date	Number of Shares	Issue Price	$'000
Movement in treasury share capital				
Opening balance 1 July 2007		-		-
Employee share scheme issue	10 July 2007	1,750,000	$3.45	6,038
Closing balance at 30 June 2008		1,750,000		6,038

During March 2008 the employees elected to exercise their put option which effectively cancelled the scheme (refer note 40). At 30 June 2008, these shares were still held in trust, pending buy back by the company.

24. Retained earnings

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Opening balance	27,467	18,232	(1,606)	-
Dividends Paid	(15,106)	-	(15,106)	-
Net profit for the year	(322,214)	9,235	(302,189)	(1,606)
Closing balance	(309,853)	27,467	(318,900)	(1,606)

25. Minority interests

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Opening Balance	45,332	-	-	-
Minority interests taken on as a result of business combination	-	1,924	-	-
Windup of Australian Mezzanine Income Fund	(1,976)	-	-	-
Proceeds from issue of Strategic Perpetual Preference Shares (PPS)	-	43,358	-	-
Share of profit	3,273	50	-	-
Dividends paid on Strategic Perpetual Preference Shares (PPS)	(3,273)	-	-	-
Foreign exchange translation differences	(5,628)	-	-	-
Closing balance	37,727	45,332	-	-

Preference shares are non redeemable and entitled to dividends at 10.96% inclusive of New Zealand imputation credits per annum when sufficient profits are available but are non cumulative. They are not entitled to vote at meetings and participate ahead of ordinary shares on winding up of the company.

26. Reserves

(a) Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

(b) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. Amounts are recognised in the profit or loss when the net investment is disposed of.

(c) Share-based payments reserve

Under AIFRS (AASB 2) an expense is recognised over the vesting period of share options granted to employees as part of the Employee Share Scheme. This expense is based on the valuation of the options granted determined at the grant date.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flow hedging reserve				
Opening balance	1,296	-	-	-
Revaluation movement during year, net of tax	3,263	1,296	-	-
Total cash flow hedging reserve	4,559	1,296	-	-
Foreign currency translation reserve				
Opening balance	976	-	-	-
Currency translation differences arising during the year	(7,347)	976	-	-
Total foreign currency translation reserve	(6,371)	976	-	-
Share-based payments reserve				
Opening balance	-	-	-	-
Share-based payments	1,771	-	1,771	-
Total share-based payments reserve	1,771	-	1,771	-
Total reserves	(40)	2,272	1,771	-

27. Commitments

(a) Leases as lessee

Commitments in relation to non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-cancellable operating lease rentals are payable as follows				
Within one year	604	911	-	-
Later than one year but not later than five years	1,747	2,798	-	-
	2,351	3,709	-	-

The lease commitments represent payments due for non-cancellable operating leases for office premises.

(b) Capital commitments

There are no capital commitments at 30 June 2008 (2007: Nil).

(c) Lending facilities commitments

Lending facilities approved and not drawn down at 30 June 2008 were $4,053,000 (2007: $64,590,000).

28. Contingencies

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial guarantees	-	-	-	-
	-	-	-	-

AHL has provided a financial guarantee in respect of an issue of perpetual preference shares (PPS) by a subsidiary company Strategic Finance Limited (SFL). As guarantor AHL has agreed to guarantee to the Trustee for benefit of PPS holders the due and punctual payment of certain amounts owing by SFL in respect of the PPS in a liquidation event of SFL. If any of the PPS Moneys are not paid by SFL in the event of a liquidation, subject to the terms of the Subordination Deed Poll, AHL must immediately on written demand from the trustee pay to the trustee for the account of the PPS holder such due but unpaid PPS moneys.

29. Financial instruments

Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain risk exposures. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include:

- sensitivity analysis in the case of interest rate, foreign exchange and other price risk;
- ageing analysis for credit risk; and
- contractual maturity analysis for liquidity risk

Risk management is carried out by the Head of Risk under the Risk Management Policy ("RMP") approved by the Board of Directors. The RMP covers specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. The consolidated entity does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

Exposure to interest rate, currency and credit risk arises in the normal course of the consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

(a) Market Risk

Market risk refers to the potential for changes in the market value of the consolidated entity's investment positions or revenue streams. There are various types of market risk including exposures associated with interest risk, equity market prices, currency rates and the general market values of asset classes in which the consolidated entity invests or which it manages.

(i) Interest rate risk

The consolidated entity finances the majority of its investments with significant amounts of debt. If the debt has a floating interest rate, an increase in interest rates could increase the cost of debt servicing. If the debt is fixed rate, an increase in interest rates could impact the fair value of debt.

The consolidated entity manages interest rate exposure consistent with the market risk policy. Interest rate swaps are used to manage the consolidated entity's exposure to interest rate risk. AHL funds its operations on a floating rate basis and swaps fixed rate assets back to floating to ensure the book is appropriately hedged. The majority of the derivative financial instruments are fixed-to-floating interest rate swaps. Such derivative financial instruments have the economic effect of converting assets and liabilities from fixed interest rate to variable interest rate. Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	30 June 2008 $'000	30 June 2007 $'000
Less than 1 year	106,000	92,000
1 - 2 years	78,000	106,000
2 - 3 years	53,500	68,000
3 - 4 years	40,000	23,500
4 - 5 years	15,000	5,000
More than 5 years	32,129	32,129
	324,629	326,629

The net fair value of swaps at 30 June 2008 was $6.514 million (2007: $1.295 million) included in derivative financial assets.

Sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's financial assets and liabilities to a reasonable possible change in interest rate, with all other variables held constant. It assesses the effect of a 100 basis point increase or decrease in the yield curve of the Australian BBSW interest rate at 30 June 2008 on equity and profit or loss (before tax) at the reporting date. The analysis is performed on the same basis for 2007.

	Consolidated				The Company			
	2008		2007		2008		2007	
	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000
100 basis point increase	(1,312)	(3,246)	1,245	(3,266)	(1,728)	-	174	-
100 basis point decrease	1,312	3,246	(1,245)	3,266	1,728	-	(174)	-

A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of short term and long term interest rates and the volatility observed both on an historical basis and market expectations for future movement.

(ii) Foreign currency risk

The consolidated entity is exposed to foreign currency exchange risk arising from certain transactions denominated in foreign currencies, including the following:

- borrowings denominated in foreign currencies;
- firm commitments or highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies; and
- net investments in foreign operations.

The currency giving rise to this risk is primarily New Zealand dollars.

Management policy is to require its controlled entities to manage their foreign exchange risk against their functional currency. The consolidated entity uses foreign exchange forward contracts and natural offsetting positions (such as foreign currency denomination drawings against fund investments in foreign currency assets) to manage its foreign currency exposure. Since the majority of the controlled entities' expenses are denominated in the same currencies as the associated revenues, only the net income after total compensation is expensed to currency fluctuations.

Forward exchange contracts

Strategic Investment Group Limited has entered into foreign exchange contracts to buy Australian dollars and sell New Zealand dollars. The gains or losses on these contracts are recognised in the income statement as they arise. The value of these contracts represents the value of the underlying Australian-dollar-denominated loan assets, which are secured and valued under the same credit policies as the consolidated entity's New Zealand dollar loan assets.

The parent has entered into forward foreign exchange contracts to buy Australian dollars and sell New Zealand dollars in order to hedge the earnings of its subsidiaries against movements in the AUD/NZD exchange rate.

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same period to maturity. Any changes in fair values are taken to the income statement immediately.

At balance date the net fair value of forward foreign exchange contracts included in derivative financial instrument assets was $Nil (2007: $285,000) and $676,000 (2007: $119,000) included in derivative financial instrument liabilities. This current year amount relates to the discontinued operation.

During the year ended 30 June 2008, $Nil (2007: $Nil) was removed from equity of the consolidated entity and transferred to the income statement.

Sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's financial assets and liabilities to foreign currency exchange risks. It assesses the effect of a 10 percent increase or decrease in the Australian dollar against the following currencies at 30 June 2008 on equity and profit or loss (before tax) at reporting date. This analysis assumes that all other variables, in particular interest rates, are held constant. The analysis is performed on the same basis for 2007.

	Consolidated				The Company			
	2008		2007		2008		2007	
	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000
10 percent increase of AUD against NZD	(1,155)	(4,171)	(2,253)	(10,545)	-	-	(887)	-
10 percent decrease of AUD against NZD	1,155	4,171	2,253	10,545	-	-	887	-

A sensitivity of 10 percent has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement.

For the consolidated entity, the foreign currency translation risk associated with foreign investments results in some volatility to the foreign currency translation reserve. The impact on the foreign currency translation reserve relates to translation of the net assets of foreign controlled entities including the impact of hedging. The net loss of $6.4 million (2007: $1.0 million) in the foreign currency translation reserve takes into account the related hedges and represents the impact of the unhedged portion.

(iii) Price risk

The consolidated entity is not exposed to equity securities price risk or commodity price risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk arises from all financial assets included in our balance sheet and credit evaluations are performed on all customers requiring credit over a certain amount.

The consolidated entity has adopted a policy where investments are allowed pursuant to the concentration limits specified in the Risk Management Policy. For financial institutions only independently rated parties with a minimum investment grade rating are accepted. If there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by the Board. Transactions involving derivative financial instruments are with counterparties with whom the consolidated entity has a signed netting agreement as well as sound credit ratings.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Consolidated	Gross maximum exposure		Fair value of collateral[1]	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash and cash equivalents	41,150	167,676	-	-
Trade and other receivables	11,014	35,525	-	-
Derivative financial instruments	6,514	1,581	-	-
Available-for-sale financial assets	750	1,421	-	-
Loan assets held at amortised cost	716,743	1,572,999	20,921	15,093
Assets of disposal group clasified as held for sale	447,329	-	69,489	-
Total for balance sheet	1,223,500	1,779,202	90,410	15,093

[1] The fair value of collateral is disclosed for past due or impaired amounts.

The Company	Gross maximum exposure		Fair value of collateral[1]	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash and cash equivalents	805	17,206	-	-
Trade and other receivables	678	547	-	-
Derivative financial instruments	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Loan assets held at amortised cost	144,882	95,161	19,834	-
Other financial assets	23,451	312,208	-	-
Total for balance sheet	169,816	425,122	19,834	-

[1] The fair value of collateral is disclosed for past due or impaired amounts.

Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and debtors and directors guarantees
- For residential lending, mortgages over real estate properties and personal guarantees

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Concentrations of credit risk

Concentration / investment exposures are monitored by the Head of Risk and reported to the Risk Committee on a quarterly basis. AHL's Risk Management Policy specifies that no investment should expose AHL to a single counterparty by more than 15% of AHL's consolidated shareholder funds. Similarly, AHL has concentration limits for each country, industry / asset class; and third party investment manager. If limits are breached, these are reported to the Risk Committee and a strategy for rectification is formulated.

Ageing of Financial assets

The following table summarises the credit risk of the consolidated entity's financial assets by assessing the age of financial assets. It also details financial assets that are individually impaired and a description of collateral held where relevant.

Consolidated

2008		Past due						
	Current $'000	< 30 days $'000	30-60 days $'000	60-90 days $'000	>90 days $'000	Collectively impaired $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	41,150	-	-	-	-	-	-	41,150
Trade and other receivables	11,015	-	-	-	-	-	-	11,015
Derivative financial instruments	6,514	-	-	-	-	-	-	6,514
Available-for-sale financial assets	750	-	-	-	-	-	-	750
Loan assets held at amortised cost	1,113,999	3,208	1,153	1,695	27,320	(11,362)	(419,270)	716,743
Assets of disposal group clasified as held for sale	451,765	11,281	18,891	3,750	12,444	(9,093)	(40,917)	448,121
Total	1,625,193	14,489	20,044	5,445	39,764	(20,455)	(460,187)	1,224,293

2007		Past due						
	Current $'000	< 30 days $'000	30-60 days $'000	60-90 days $'000	>90 days $'000	Collectively impaired $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	167,676	-	-	-	-	-	-	167,676
Trade and other receivables	34,585	-	-	21	919	-	-	35,525
Derivative financial instruments	1,581	-	-	-	-	-	-	1,581
Available-for-sale financial assets	1,421	-	-	-	-	-	-	1,421
Loan assets held at amortised cost	1,557,461	12,754	1,012	380	10,133	(4,677)	(4,064)	1,572,999
Total	1,762,724	12,754	1,012	401	11,052	(4,677)	(4,064)	1,779,202

Ageing of Financial assets (continued)

The company

2008	Current $'000	Past due < 30 days $'000	Past due 30-60 days $'000	Past due 60-90 days $'000	Past due >90 days $'000	Collectively impaired $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	805	-	-	-	-	-	-	805
Trade and other receivables	678	-	-	-	-	-	-	678
Loan assets held at amortised cost	173,140	-	-	-	-	-	(28,258)	144,882
Other financial assets	311,348	-	-	-	-	-	(287,897)	23,451
Total	485,971	-	-	-	-	-	(316,155)	169,816

2007	Current $'000	Past due < 30 days $'000	Past due 30-60 days $'000	Past due 60-90 days $'000	Past due >90 days $'000	Collectively impaired $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	17,206	-	-	-	-	-	-	17,206
Trade and other receivables	547	-	-	-	-	-	-	547
Loan assets held at amortised cost	95,161	-	-	-	-	-	-	95,161
Other financial assets	312,208	-	-	-	-	-	-	312,208
Total	425,122	-	-	-	-	-	-	425,122

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity manages liquidity risk through a combination of methods including matching funding obligations with asset maturity profiles, the use of cash and undrawn capacity in the corporate facility, recycling of assets through sale, and through the refinancing of its project specific facilities.

The following table analyses the consolidated entity's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows (includes both interest and principal cash flows), except interest rate swaps which are disclosed on a net basis. The forward foreign exchange contracts that will be settled on a gross basis are also disclosed into relevant maturity groupings based on the remaining period at the balance sheet date.

Consolidated

2008			Residual contractual maturities				
	Carrying Amount $'000	Notional Amount $'000	0-6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	12,102	12,102	12,102	-	-	-	-
Interest-bearing loans and borrowings	813,091	813,091	758,628	-	4,463	50,000	-
- corporate facilities	146,228	146,228	96,228	-	-	50,000	-
- limited recourse loans	666,863	666,863	662,400	-	4,463	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	-
- inflow	-	-	-	-	-	-	-
- outflow	-	-	-	-	-	-	-
Liabilities of disposal group clasified as held for sale	357,931	357,931	110,841	157,323	71,274	18,493	-
Off Balance Sheet Instruments	-	4,063	4,063	-	-	-	-
- financial guarantee contracts	-	-	-	-	-	-	-
- unrecognised loan commitments	-	4,063	4,063	-	-	-	-
- letter of credits	-	-	-	-	-	-	-
	1,183,124	1,187,187	885,634	157,323	75,737	68,493	-

2007			Residual contractual maturities				
	Carrying Amount $'000	Notional Amount $'000	0-6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	126,052	126,052	126,052	-	-	-	-
Interest-bearing loans and borrowings	1,550,920	1,550,920	563,340	197,964	-	789,598	18
- corporate facilities	85,410	85,410	-	-	-	85,410	-
- limited recourse loans	1,465,510	1,465,510	563,340	197,964	-	704,188	18
Forward foreign exchange contracts	119	119	119	-	-	-	-
- inflow	(8,750)	(8,750)	(8,750)	-	-	-	-
- outflow	8,869	8,869	8,869	-	-	-	-
Off Balance Sheet Instruments	-	64,590	-	-	-	64,590	-
- financial guarantee contracts	-	-	-	-	-	-	-
- unrecognised loan commitments	-	64,590	-	-	-	64,590	-
- letter of credits	-	-	-	-	-	-	-
	1,677,091	1,741,681	689,511	197,964	-	854,188	18

The company

2008	Residual contractual maturities						
	Carrying Amount $'000	Notional Amount $'000	0-6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	3,671	3,671	3,671	-	-	-	-
Interest-bearing loans and borrowings	146,228	146,228	96,228	-	-	50,000	-
- corporate facilities	146,228	146,228	96,228	-	-	50,000	-
- limited recourse loans	-	-	-	-	-	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	-
- inflow	-	-	-	-	-	-	-
- outflow	-	-	-	-	-	-	-
Off Balance Sheet Instruments	-	4,063	4,063	-	-	-	-
- financial guarantee contracts	-	-	-	-	-	-	-
- unrecognised loan commitments	-	4,063	4,063	-	-	-	-
- letter of credits	-	-	-	-	-	-	-
	149,899	153,962	103,962	-	-	50,000	-

2007	Residual contractual maturities						
	Carrying Amount $'000	Notional Amount $'000	0-6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	>5 years $'000
Trade and other payables	57,755	57,755	57,755	-	-	-	-
Interest-bearing loans and borrowings	85,410	85,410	-	-	-	85,410	-
- corporate facilities	85,410	85,410	-	-	-	85,410	-
- limited recourse loans	-	-	-	-	-	-	-
Forward foreign exchange contracts	119	119	119	-	-	-	-
- inflow	(8,750)	(8,750)	(8,750)	-	-	-	-
- outflow	8,869	8,869	8,869	-	-	-	-
Off Balance Sheet Instruments	-	64,590	-	-	-	64,590	-
- financial guarantee contracts	-	-	-	-	-	-	-
- unrecognised loan commitments	-	64,590	-	-	-	64,590	-
- letter of credits	-	-	-	-	-	-	-
	143,284	207,874	57,874	-	-	150,000	-

Capital risk management

The consolidated entity manages its capital to ensure that entities in the consolidated entity 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 consolidated entity consists of total corporate facilities, as listed in Note 20, and equity, comprising issued capital, retained earnings and reserves as listed in Notes 23, 24 and 26. The quantitative analysis of each of these categories of capital is provided in the respective Notes to the Accounts.

The Board of Directors reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and risks associated with each class of capital. Based on decisions of the Board, the consolidated entity may balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

30. Financial instruments and hedging activities

The consolidated entity enters into derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the consolidated entity's risk management policies.

For derivative financial instruments where hedge accounting is not applied, all changes in the fair value of these derivative financial instruments are recognised immediately in profit or loss.

(a) Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded securities and available for sale securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are also used to analyse market conditions. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

The fair values of all financial assets and liabilities recognised at the balance sheet date are not materially different from their carrying amounts.

Consolidated

	Carrying Amount 2008 $'000	Fair value 2008 $'000	Carrying Amount 2007 $'000	Fair value 2007 $'000
Cash and cash equivalents	41,150	41,150	167,676	167,676
Trade and other receivables	11,014	11,014	35,525	35,525
Available-for-sale financial assets	750	750	1,421	1,421
Derivative assets	6,514	6,514	1,581	1,581
Loan assets held at amortised cost	716,743	711,425	1,572,999	1,565,370
Assets of disposal group clasified as held for sale	448,121	448,121	-	-
Total financial assets	1,224,292	1,218,974	1,779,202	1,771,573
Trade and other payables	12,102	12,102	126,052	126,052
Derivative liabilities	-	-	119	119
Interest-bearing loans and borrowings	813,091	813,091	1,550,920	1,550,920
Liabilities of disposal group clasified as held for sale	357,931	357,931	-	-
Total financial liabilities	1,183,124	1,183,124	1,677,091	1,677,091

Company

	Carrying Amount 2008 $'000	Fair value 2008 $'000	Carrying Amount 2007 $'000	Fair value 2007 $'000
Cash and cash equivalents	805	805	17,206	17,206
Trade and other receivables	679	679	547	547
Loan assets held at amortised cost	144,881	144,881	95,161	95,161
Other financial assets	23,451	23,451	312,208	312,208
Total financial assets	169,816	169,816	425,122	425,122
Trade and other payables	3,671	3,671	57,755	57,755
Derivative liabilities	-	-	119	119
Interest-bearing loans and borrowings	146,228	146,228	85,410	85,410
Total financial liabilities	149,899	149,899	143,284	143,284

(i) Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values reflected in the above.

Available-for-sale financial assets and financial assets at fair value through profit or loss

Fair value of traded securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Derivative financial assets and derivative financial liabilities

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Loans assets held at amortised cost and Interest-bearing loans and borrowings

The fair values are estimated using discounted cash flow analysis, based on current incremental lending rates from similar types of lending arrangements.

Trade and other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and creditors are discounted to determine the fair value. The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Financial guarantee contracts

Financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. Valuation techniques may be used to measure the fair value.

(ii) Interest rates used for determining fair value

The consolidated entity uses the BBSW yield curve as at 30 June 2008, plus an adequate constant credit spread, to discount financial instruments.

(b) Derivative financial instruments and hedging activities

Maturity Analysis of derivatives

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

Consolidated

2008	Carrying Value	Expected Cashflows	0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	>5 years
Assets							
Interest rate swaps	6,514	5,630	1,830	1,424	1,679	778	(81)
	6,514	5,630	1,830	1,424	1,679	778	(81)
Liabilities							
Interest rate swaps	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

2007	Carrying Value	Expected Cashflows	0 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	>5 years
Assets							
Interest rate swaps	1,295	1,225	(21)	266	617	454	(91)
	1,295	1,225	(21)	266	617	454	(91)
Liabilities							
Interest rate swaps	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

There are no cash flow hedges in the company.

Interest rate swap contracts – cash flow hedges

The consolidated entity's policy is to protect part of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts where it receives interest at variable rates and pays interest at fixed rates.

Swaps currently in place cover approximately 73% of the loan principal outstanding and are timed to expire as each loan repayment falls due.

The settlement dates coincide with the dates of interest payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the interest rate swap contracts at fair value is deferred in equity in the cash flow hedging reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the interest expenses of the underlying hedged item is recognised.

For the net fair value, maturity analysis and the amounts of the loans that these interest rate swap contracts hedge at balance sheet date, refer note 29.

Forward exchange contracts – fair value through profit and loss

In order to protect against exchange rate movements, the consolidated entity has entered into foreign exchange forward contracts.

These contracts are hedging AUD denominated interest repayments against NZD denominated revenue streams. Most of these contracts have maturities of less than five years after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

31. Key management personnel disclosures

The following were key management personnel of the consolidated entity as indicated during the reporting period and up until the date of this report.

Chairman – Non Executive

Neil Lewis

Non Executive Directors

Robert West – appointed 24 April 2008

Richard Alcock - resigned 24 April 2008

Executive Directors

Steven Davey – appointed 24 April 2008 *

John Drabble – resigned 20 March 2008 *

Graham Jackson - resigned 10 March 2008

Christopher West - resigned 24 April 2008 *

Other key management personnel

John Brown (General Manager, AllCommercial) position became redundant on 30 June 2008

Kerry Finnigan (Chief Executive Officer, Strategic Finance Ltd)

Philip Hodgkinson (Head of Risk) *

Julian Radford (Chief Financial Officer) *

* From 1 July 2007 to 31 March 2008 these Directors and Executives receive no remuneration directly from the company in fulfilling the duties of their role. Their remuneration is borne directly by Allco Finance Group Limited in meeting its obligations as the Manager. From 1 April 2008 the management fee charged by AFG was changed from a percentage of AHL gross and net assets to a cost recovery basis. The remuneration costs of these Directors and Executives are therefore considered to be directly borne by AHL from 1 April 2008. In accordance with AASB 124 Related Party Disclosures the remuneration costs from 1 April 2008 for these Directors and Executives have been disclosed.

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue:

John Brown left the consolidated entity on 30 June 2008. Bryan Boyd was appointed on 1 July 2008 as National Manager, AllCommercial.

(a) Details of Remuneration

Details of Remuneration of all key management personnel, including their personally related entities, are as follows:

	Consolidated		The Company	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Base salary and fees	1,502,912	373,212	442,469	87,045
Cash bonus	432,328	-	172,500	-
Superannuation	54,004	36,911	40,875	7,834
Options and rights	8,907	12,063	8,907	-
Shares	11,733		11,733	
Termination benefits	114,344	-	-	-
	2,124,228	422,186	676,484	94,879

Information regarding individual directors and executives remuneration has been transferred to the Remuneration Report section of the Directors report on pages 17 to 22. Disclosures in the Remuneration Report will differ to the information provided in this note in order to comply with the requirements of the Corporations Act.

(b) Equity instrument disclosures relating to key management personnel

The numbers of shares in the company held during the financial year by key management personnel of the company and the consolidated entity, including their personally-related entities, are set out below:

2008	Balance at the start of the year	Received during the year	Purchases	Other changes during the year	Balance at the end of the year
Non-executive directors					
Richard Alcock*	4,000	-	10,351	(14,351)	-
Neil Lewis	-	-	500,000	-	500,000
Robert West	-	-	-	-	-
Executive directors					
Steve Davey	-	-	-	-	-
John Drabble*	-	-	45,000	(45,000)	-
Chris West*	73,995	-	76,490	(150,485)	-
Executives					
Bryan Boyd	-	-	-	-	-
John Brown*	-	-	-	-	-
Kerry Finnigan	421,245	-	-	-	421,245
Philip Hodgkinson	-	2,675	2,500	-	5,175
Graham Jackson	523,150	785,702	-	-	1,308,852
Julian Radford	-	-	6,923	-	6,923

* These individuals left the organisation prior to 30 June 2008.

2007	Balance at the start of the year	Received during the year	Purchases	Other changes during the year	Balance at the end of the year
Non-executive directors					
Richard Alcock	-	-	-	4,000	4,000
Neil Lewis	-	-	-	-	-
Executive directors					
Chris West	-	-	-	73,995	73,995
John Drabble	-	-	-	-	-
Graham Jackson	-	-	-	523,150	523,150
Executives					
John Brown	-	-	-	-	-
Kerry Finnigan	-	-	-	421,245	421,245
Julian Radford	-	-	-	-	-

(c) Loans to key management personnel

Details of loans made to key management personnel of the company and the consolidated entity, including their personally related entities, are set out below:

Aggregates for key management personnel

Consolidated	Balance at the start of the period $	Interest paid and payable for the period * $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2008					
Total for key management personnel and their related parties	1,170,720	121,558	-	-	-
2007					
Total for key management personnel and their related parties	1,129,331	41,389	-	1,170,720	1

* Includes fee and interest income

Individuals with loans above $100,000 during the financial year

Consolidated

2008	Balance at the start of the period* $	Interest paid and payable for the period ** $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year
Graham Jackson	1,170,720	121,558	-	-	1,170,720
	1,170,720	121,558	-	-	1,170,720
2007					
Graham Jackson	1,129,331	41,389	-	1,170,720	1,170,720
	1,129,331	41,389	-	1,170,720	1,170,720

* The 2007 comparative represents the balance outstanding on the acquisition of Strategic Investment Group Limited in March 2007

** The 2007 comparative represents interest paid and payable on the loan since the acquisition of Strategic Investment Group Limited in March 2007.

Loans outstanding at the end of the prior year included a secured loan NZ$ 9,450,000 to Dockland Holdings Limited, an entity of which Graham Jackson has a 12.5% shareholding. The loan was made for a period of 12 months and was repaid in full in May 2008. Interest was payable on this loan at the rate of 11% per annum. The loan was secured by a first mortgage on property held by Dockland Holdings Limited.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(d) Other transactions with key management personnel

No key management personnel have entered into any other material contracts with the company or the consolidated entity during the financial year.

32. Related party transactions

(a) Parent entities

Allco HIT Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 31.

(d) Related party transactions

	Consolidated		The Company	
The following transactions occurred with related parties:	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Purchase of goods and services				
- Hire of commercial office facilties from commonly controlled entities*	45	113	-	-
- Hire of commercial office facilities from other related parties	281	-	-	-
Loans to related parties				
Loans advanced to:				
Current				
- Subsidiaries	-	-	383	133
- Commonly controlled entities	-	228	-	20
Non-current				
- Subsidiaries	-	-	129,505	207,545
- Commonly controlled entities	-	49,866	-	-
- Other related parties	40,000	35,826	-	-
Loan repayments from:				
Non-current				
- Subsidiaries	-	-	28	-
- Commonly controlled entities	228	13,352	-	-
- Other related parties	55,430	947	-	-
Loans from related parties				
Loans advanced from:				
Current				
- Subsidiaries	-	-	-	700
- Commonly controlled entities	-	308	50,010	-
Non-current				-
- Other related parties	16,184	31,801	-	-
Loan repayments to:				
Current				
- Subsidiaries	-	-	-	14
Non-current				
- Other related parties	-	1,149	-	-
Interest revenue				
- Subsidiaries	-	-	14,121	89
- Commonly controlled entities	40,237	46,509	-	-
- Other related parties	7,565	1,399	-	-

(d) Related party transactions (continued)

The following transactions occurred with related parties:	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Interest expense				
- Commonly controlled entities	25,124	6,439	-	-
- Other related parties	5,708	1,515	2,421	-
Other transactions (revenue)				
- Net dividends received from subsidiaries	-	-	24,667	-
- Establishment fee received from commonly controlled entities	527	1,013	-	-
Other transactions (expense)				
- Management fee paid and payable to commonly controlled entities	10,737	8,418	9,744	4,068
- Management fee paid and payable to other related parties	-	328	-	-
-Arrangement fee paid and payable to other related parties	868	-	851	-
- Trustee fee paid and payable to other related parties	4	1	-	-
- Bad debt written off	210	-	-	-

* A commonly controlled entity is an entity that has the same ulitmate parent

(e) Outstanding loans to/from related parties at balance date

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Receivables				
Current				
- Subsidiaries	-	-	478	133
- Commonly controlled entities	-	36,806	-	20
- Other related parties	841	12,548	-	-
Non-current				
- Subsidiaries	-	-	337,110	207,634
- Commonly controlled entities	190,660	423,209	-	-
- Other related parties	40,442	43,680	-	-
Creditors				
Current				
- Subsidiaries	-	-	696	686
- Commonly controlled entities	54,465	8,343	53,779	3,066
- Other related parties	45,805	31,787	-	-
Non-current				
- Other related parties	8	3,208	-	-

Some of the 2007 comparative balances have been recategorised so as to more accurately reflect the group's related party relationship.

(f) Guarantees

The parent entity has provided guarantees in respect of:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Strategic Perpetual Preference Shares [1]	-	-	-	-

[1]The parent guarantees to the trustee of Strategic the due payment of the Strategic Perpetual Preference Share (Strategic PPS) Moneys due to each holder in accordance with the terms of the Strategic PPS prospectus.

(g) Terms and conditions

Hire of commercial office facilties was at market rates.

Loans provided for operating accounts have a nil interest rate.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between parties.

Outstanding balances are unsecured and are repayable in cash.

33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(e).

Name of entity	Country of Incorporation	Class of Shares	Equity holding (%)*	
			2008	2007
HIT Operations Pty Limited	Australia	Ordinary	100	100
Allco Hybrid Investment Trust	Australia	Units	100	100
HIT Finance Pty Limited	Australia	Ordinary	100	100
Strategic Investment Group Limited	New Zealand	Ordinary	100	100
AllCommercial Finance Australia Pty Limited	Australia	Ordinary	100	100
Momentum Investment Finance Pty Limited	Australia	Ordinary	100	100
International Mezzanine Funds Management (Australia) Pty Limited	Australia	Ordinary	100	100
International Mezzanine Finance Pty Limited	Australia	Ordinary	100	100
Australian Mezzanine Income Fund	Australia	Units	-	85
Gateway Momentum Funding Trust	Australia	Ordinary	100	100

*The proportion of ownership interest is equal to the proportion of voting power held.

34. Business combinations

(a) Summary of Acquisitions

There were no acquisitions during the year ended 30 June 2008. In the prior year, Allco Hit Limited made four acquisitions. All entities operate within the financial services industry. Acquisitions were made with a mixture of cash and ordinary shares in AHL.

	Strategic	AllCommercial	Other	Total
	$'000	$'000	$'000	$'000
Purchase consideration				
Cash paid	10,220	21,763	10,472	42,455
Shares	210,213	579	737	211,529
Direct costs relating to the acquisition	356	-	44	400
Contingent consideration	54,134	-	6	54,140
Total purchase consideration	274,923	22,342	11,259	308,524
Fair value of net identifiable assets acquired	50,732	(11,066)	9,210	48,876
Goodwill	224,191	33,408	2,049	259,648
Adjustment to fair values at acquisitions	(855)	(1,904)	-	(2,759)
Goodwill after fair value adjustments	223,336	31,504	2,049	256,889

(b) Purchase consideration of acquisitions

	Strategic	AllCommercial	Other	Total
Ordinary shares issued	54,374,831	151,889	193,313	54,720,033
	$'000	$'000	$'000	$'000
Cash consideration	10,220	21,763	10,472	42,455
Less: cash balances acquired	(55,482)	(8,513)	(1,591)	(65,586)
Total cash outflow	(45,262)	13,250	8,881	(23,131)

Other consists of the purchase of International Mezzanine Funds Management (Australia) Pty Limited, Momentum Investment Finance Pty Limited and Australian Mezzanine Income Fund.

c) Net identifiable assets acquired

	Strategic carrying value	AllCommercial carrying value	Other carrying value	Fair value adjustments	Fair value of net assets acquired
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalent	55,482	8,513	1,433	-	65,428
Trade and other receivables	6,818	5,792	28,003	(2,362)	38,251
Available-for-sale financial assets	-	4,000	-	(2,161)	1,839
Loan assets held at amortised cost	459,990	501,996	9,675	-	971,661
Other financial assets	-	8,685	-	-	8,685
Property, plant & equipment	723	15	4	(5)	737
Deferred tax asset	-	-	133	(162)	(30)
Intangible assets: goodwill	-	29,329	-	(29,329)	-
Trade and other payables	(8,357)	(5,569)	(1,941)	49	(15,818)
Deferred income	(5,390)	-	(250)	250	(5,390)
Interest-bearing loans and borrowings	(458,330)	(527,170)	(28,826)	640	(1,013,686)
Current tax liabilities	-	(491)	440	635	584
Deferred tax liabilities	(618)	-	-	414	(204)
Employee entitlements	-	(608)	(30)	(120)	(758)
Provisions	-	(2,300)	(25)	(99)	(2,424)
Net assets acquired	**50,318**	**22,192**	**8,616**	**(32,250)**	**48,876**

The fair value of the assets and liabilities acquired are based on discounted cash flow models.

All shares were issued at fair value (refer to note 23 (b)), being the market price on the date of acquisition.

The initial accounting of each of these transactions has now been finalised. Three adjustments were required;

(i) A decrease to contingent consideration resulting in a decrease of $0.9m to goodwill. The contingent consideration was settled via an issue of AHL shares.

(ii) A revision to the fair value adjustment to trade and other receivables resulting in an increase of $0.4m to goodwill.

(iii) A revision to the fair value adjustment to provisions resulting in a decrease of $2.3m to goodwill.

35. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		The Company	
	2008 $	2007 $	2008 $	2007 $
Audit services				
KPMG				
- audit and review of financial reports	485,909	80,000	206,060	-
PricewaterhouseCoopers				
- audit and review of financial reports	387,901	210,000	99,603	44,000
Other auditors:				
- audit and review of financial reports	129,407	75,000	-	-
	1,003,217	365,000	305,663	44,000
Other services				
PricewaterhouseCoopers				
- taxation services	158,992	-	146,992	-
- advisory services for restructure and equity raising	-	525,000	-	525,000
Other auditors of subsidiaries:				
- advisory services	-	26,496	-	-
	158,992	551,496	146,992	525,000
Total remuneration	1,162,209	916,496	452,655	569,000

Auditor remuneration relating to continuing operations is $980,164 for the year ended 30 June 2008 (2007: $787,142)

The Board has considered the non-audit services provided during the year by PricewaterhouseCoopers (the previous auditor of AHL) and, in accordance with advice received from the Audit Committee, is satisfied that the provision of those non-audit services during the year by the previous auditor was compatible with the standard of independence for auditors imposed by the Corporations Act 2001, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No non-audit services were provided by KPMG, the current auditor, during the year ended 30 June 2008.

36. Earnings per share

	Consolidated	
	2008 $'000	**2007 $'000**
Reconciliation of earnings used in the calculation of basic earnings per share		
(Loss) / Profit for the year	(318,941)	9,285
Profit attributable to minority interests	(3,273)	(50)
Total earnings used in the calculation of basic earnings per share	(322,214)	9,235
Reconciliation of earnings used in the calculation of diluted earnings per share		
Earnings used in the calculation of basic earnings per share	(322,214)	9,235
Total earnings used in the calculation of diluted earnings per share	(322,214)	9,235

	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	94,806,359	32,536,739
Weighted average number of ordinary shares used in the calculation of diluted earnings per share		
Weighted average number of fully paid ordinary shares	94,806,359	46,025,167
Potential ordinary shares:		
- Amounts uncalled on partly paid shares and calls in arrears		
- Options		
Total weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	94,806,359	46,025,167

	Consolidated	
	2008 Cents	**2007 Cents**
Basic earnings per share	(339.9)	28.4
Diluted earnings per share	(339.9)	20.1

37. Dividends

	The Company	
	2008 $'000	2007 $'000
a) Ordinary shares		
Interim ordinary dividend paid during the year ended 30 June 2008: 6.7 cents per share , with zero franking credits attached (2007: Nil)	6,574	-
b) Dividends proposed		
No final divided is proposed for the year ending 30 June 2008 (2007: 8.7 cents)	-	8,532
c) Dividend franking account credit balance		
Franking credits available for subsequent financial periods based on a tax rate of 30%	-	-

38. Reconciliation of cash flows from operating activities

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Net (loss) / profit for the year after related income tax expense	(318,941)	9,285	(302,189)	(1,606)
Depreciation and amortisation including discontinued operation	653	150	-	-
Impairment charges	39,202	-	316,155	-
Impairment charge relating to discontinued operation	47,971	-	-	-
Impairment of goodwill	253,272	-	-	-
Amortisation of borrowing costs	1,974	(788)	167	-
Fair value (gains) /losses on other financial assets through profit or loss	(1,851)	(4,719)	-	-
Equity-settled share based payments	1,771	-	-	
Upside sharing arrangement	17,701	-	-	-
Loss on sale of assets	-	-	-	-
Bad debts	3,032	1,726	-	-
Bad debts relating to discontinued operation	14,939	-	-	-
Changes in operating assets and liabilities				
- decrease (Increase) in receivables and other assets	18,761	(41,004)	(77)	(527)
- (Increase) decrease in deferred tax assets	(14,252)	(4,306)	156	(2,084)
- (Increase) decrease in derivative financial instrument assets	(4,933)	(285)	-	-
- Increase (decrease) in trade and other payables	(59,250)	42,443	(805)	3,272
- Increase (decrease) in derivative financial instrument liabilities	557	119	(119)	119
- Increase (decrease) in current tax liabilities	2,254	1,943	-	-
- Increase (decrease) in deferred tax liabilities	352	1,210	(16)	35
- Increase (decrease) in provisions and employee entitlements	(8,324)	108	-	-
Net cash flow from operating activities	**(5,112)**	**5,882**	**13,272**	**(791)**

39. Non-cash investing and financing activities

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Acquisition of entities by means of an equity issue	-	211,529	-	211,529
Issue of shares for Strategic earnout	53,279	-	53,279	-
	53,279	211,529	53,279	211,529

40. Share based payments

On 1 July 2007 the consolidated entity introduced a share incentive scheme for selected employees of Strategic Finance Ltd provided by way of an interest free limited recourse loan. The scheme was a condition of the acquisition of Strategic Finance Ltd by AHL. The Board approved the scheme and invited certain Strategic executives to participate in the scheme.

Under the scheme the employee shares were subject to a vesting period of 3 years from the grant date in respect of 50% of the employee shares and 4 years from the grant date in respect of the other 50% of the employee shares ("vesting period"), during which the Strategic executives were not entitled to transfer or sell their interest in the employee shares. Upon expiry of the vesting period, the Strategic executives would be entitled to the employee shares, after payment of any amount still owing on the Share Loan. Dividends on the shares received over the vesting period must be used to reduce the limited recourse share loan. If the employee failed to meet the vesting condition or cancelled the grant, the employee must tender the shares to the trustee in settlement of the loan balance.

The consolidated entity established a Trust during the year to administer the share scheme. Shares held in the Trust are acquired on-market on or around the grant date. The Trust has been consolidated in accordance with Note 1(e). The on-market purchase price of the shares held by the Trust and not yet issued to employees at the reporting date are shown as treasury shares in equity (see Note 23), and as part of employee entitlement costs over the period of service to the vesting date. Where shares are issued to employees of subsidiaries within the consolidated entity, the subsidiaries do not compensate for the value of these shares.

In March 2008, all of the Strategic executives returned the employee shares to the trustee effectively cancelling their participation. Subsequently, the Strategic board reviewed the share incentive scheme and decided that it should be cancelled. As such the scheme is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award recognised immediately. The trustee is currently holding the employee shares while Strategic implements the cancellation of the scheme, upon which the trustee will return the employee shares to AHL.

Fair value of the scheme is determined using a Black Scholes option pricing model that takes into account the exercise price, the expected term of the award, the share price at grant date, the expected price volatility of the underlying share and the risk free interest rate for the expected term of the award.

The model inputs for shares granted during the year ended 30 June 2008 included (2007 not applicable):

a) Exercise price: $3.60

b) Grant date: 1 July, 2007

c) Expiry of the Vesting Period: 50% on 30 June 2010 and 50% on 30 June 2011

d) Share price at grant date: $3.48

e) Expected price volatility of the company's shares: 33%

f) Risk free interest rate: 6.45%

The expected volatility is based on the volatility of comparable finance companies over the expected life.

The following table is a summary of expense recognised during the period:

	Consolidated		The Company	
	2008 $	2007 $	2008 $	2007 $
Fair value of shares granted under the share based payments plan to participating employees during the year	1,881,693	-	-	-
Forfeited during the year	(110,329)	-	-	-
Expense for the year	1,771,364	-	-	-

Refer note 23 (d) for details of the number of shares issued.

41. Events occurring after balance sheet date

Going concern

AHL has a $100m senior loan facility with BOS International (Australia) Limited (BOSI) – refer note 20 Interest bearing loans and borrowings. The following events have occurred during and subsequent to the financial year ended 30 June 2008.

(i) Due to the significant write offs for loan impairments and goodwill in June 2008 AHL does not comply with the financial covenants under the facility at 30 June 2008.

(ii) On 7 August 2008 the Board of Strategic Finance Limited announced that it had suspended redemptions of its secured debenture stock and subordinated notes, as a result of the significantly reduced debenture reinvestment rates due to the material decline in the New Zealand property finance market sector.

These events are both considered events of default under the AHL senior facility. Subsequent to these events occurring AHL management entered into negotiations with BOSI, and BOSI have provided a formal waiver to the defaults to enable AHL to continue to operate as a going concern on the conditions that:

(i) a sale and purchase agreement is signed for the sale of Strategic Investment Group Limited (SIGL) by 3 September; and

(ii) The sale is completed by 31 October 2008.

The sale is subject to several conditions precedent including approval by the debenture trustees, AHL shareholders and New Zealand regulators. Although the group is taking all measures possible, there is a risk that if the conditions precedent cannot be met and the sale of SIGL does not go ahead, then BOSI will have the right to demand immediate repayment of the facility.

These events have brought about a high degree of uncertainty and the Directors have initiated a change in the consolidated entity's strategic direction to enable the consolidated entity to continue as a going concern. As confirmed in the Directors' Declaration on page 92 the Directors have reached the conclusion that, based on all relevant facts including those presented below, there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable and the company and the consolidated entity remains a going concern. In reaching this conclusion the Directors have had regard to, amongst other things, the following:

- On 29 August 2008 the company signed an agreement for the sale of Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI"). Proceeds realised from the sale are to be used to reduce the senior bank facility with BOSI;
- As part of the agreement for the sale of Strategic Investment Group Limited, a condition precedent is that BOSI will provide a new term facility with appropriate financial covenants to enable AHL to operate as a going concern for the foreseeable future;
- Short and medium term cash flow forecasts indicate that the company and consolidated entity can satisfy their known funding requirements and can meet their debts as and when they fall due; and
- The development of a strategic business plan including a sustainable business model for the Group going forward which indicates that the level of debt can be reduced and refinanced in the ordinary course of operations.

Sale of Strategic Investment Group Limited

On 29 August 2008 the company signed an agreement for the sale of 100% of the shares in Strategic Investment Group Limited, the holding company of Strategic Finance Limited (SFL) to a consortium comprising the original owners of SFL, current senior management and Uberior Ventures (Asia) Limited, an investment vehicle of BOS International (Australia) Limited ("BOSI") for NZ$25 million plus the return of $8 million AHL shares being provided by the Strategic management and consortium members. Upon closure of the transaction expected by end of October, these shares will be cancelled. As part of the sale the group will also sell to the consortium its principal investment loan portfolio in the New Zealand property development market for an amount of NZ$50.2m including accrued interest to the date of completion. The sale is subject to several conditions precedent including AHL shareholder, regulatory and debenture trustee approval.

The Directors consider that the sale of Strategic is in the best interests of shareholders due to the continuing slowdown in the New Zealand economy and in particular the stalled property development sector which has led to SFL experiencing significant bad debt write offs and impairments for expected loan losses. There has been a marked deterioration in the New Zealand market due to a crisis of confidence in the finance company sector, resulting in a significant reduction in debenture reinvestment rates which has led to the collapse of a number of local New Zealand finance companies.

The proceeds from the sale will be used by AHL to reduce the senior loan facility. A condition to the sale is that BOSI provides AHL with a replacement facility under revised terms. This facility will provide longer term stability for the company's funding requirements and enable the company to continue as a going concern.

Sale of Gateway Momentum Funding Trust No.1

On 19 August 2008 Momentum Investment Finance Pty Limited (Momentum), a subsidiary of AHL, sold 100% of its holding in the residual income units of the Gateway Momentum Funding Trust No. 1 to Agripay NIM Pty Limited (Agripay) for $250,000. The Gateway Momentum Funding Trust No. 1 is used as a funding vehicle to provide loans to investors in agribusiness managed investment schemes and includes the loan portfolio of the Momentum business. The transaction also included the sale of the loan portfolio to Agripay for approximately $39.4 million.

The proceeds from the sale were used to repay debt. The consolidated entity has decided to exit this business due to the unpredictable environment for timber and agricultural based managed investment schemes and the significant deterioration in the credit markets which has resulted in the consolidated entity being unable to obtain long term funding for the Momentum business at competitive rates.

Sale of 60% of Allco Hybrid Investment Trust

On 19 August 2008, the company completed the sale of 60% of its interest in the ordinary units of Allco Hybrid Investment Trust (HIT), a registered managed investment scheme, to a charitable trust for a nominal amount.

In the Directors opinion it is highly unlikely that AHL will receive any future benefits from its investment in HIT and as a result AHL booked an impairment charge of approximately $13.4m to fully write down the investment to nil at 30 June 2008.

The company has reduced its investment in HIT to remove the significant detrimental effect that the 100% ownership of HIT has upon the consolidated entity's financial statements which has resulted in the consolidated entity receiving a qualified audit opinion for its consolidated accounts for both the half-year ended 31 December 2007 and the year ended 30 June 2008.

Although AHL does not manage HIT on a day to day basis, accounting standards require AHL to consolidate HIT as a result of AHL being the residual beneficiary of HIT. Due to the inherent uncertainty regarding the valuation of HIT's investment in the Alleasing preference units (refer note 2) HIT's auditors have issued a disclaimer of audit opinion for HIT's accounts for the year ended 30 June 2008. As a result of AHL having to consolidate HIT, this has resulted in AHL receiving a qualified audit opinion for the year ended 30 June 2008.

The sale has reduced AHL's holding to 40% of HIT and as a result AHL will no longer be required to consolidate HIT but will now account for its holding as an equity accounted investment. The Directors believe the sale to be in the best interest of shareholders as it will remove the adverse impact on the group from having to consolidate HIT and will significantly reduce the complexity of the group going forward.

Refinancing of Warehouse Facility in Gateway Commercial Finance Trust

AllCommercial's loan book is securitised and funded via the Gateway Commercial Finance Trust. This platform comprises a warehouse facility which has been extended on a monthly rolling basis to 15 September 2008. Negotiations are ongoing with the senior note holders to extend their warehouse funding in advance of the facility maturity date. The facility limit is $600m of which approximately $581m was drawn at 30 June 2008. The Directors consider it is likely that a successful renegotiation can be achieved.

If these negotiations cannot be satisfactorily concluded, there could potentially be a materially adverse impact on the profitability of the ongoing AllCommercial business, including the possibility that AllCommercial would be unable to write new loans, together with the possible impairment of the remaining goodwill of $3.6m arising from the acquisition of the business. Any impairment of goodwill will be a non-cash adjustment through the income statement.

AHL Relationship to AFG

AHL is managed by Allco Funds Management Ltd ("AFML"), which is a wholly owned subsidiary of AFG, pursuant to a management agreement ("Management Agreement"). Under the Management Agreement, AHL receives the benefit of, and is reliant upon, a number of management, administration and other services provided by AFML.

Allco Finance Group's (AFG) half year financial report disclosed that there had been a number of significant changes to AFG's circumstances since 31 December 2007 in particular, the financial report noted AFG's dependence on the ongoing debt facilities provided by its financiers to continue to operate as a going concern.

On 21 August 2008 AFG signed a new senior debt facility with its syndicate bankers. The new facility will be available for draw down once certain conditions precedent of an administrative nature are satisfied. The Group anticipates that these conditions will be satisfied by 31 August 2008. The new senior debt facility replaces the existing senior debt facilities and matches the outstanding drawings at the time. The facility maturity date expires on 30 September 2009 and contains no market capitalisation review clause.

The directors continue to monitor this situation and will consider the potential impact on the consolidated entity of any further announcement made by AFG.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the company in future financial years.

Directors' declaration

In the opinion of the directors of Allco HIT Ltd ("the company"):

(a) the financial statements and notes, set out on pages 24 to 91, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations, changes in equity, and cash flows, for the year ended on that date; and

(ii) complying with Australian Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001; and

(b) the remuneration disclosures set out on pages 17 to 22 of the Directors' Report comply with Australian Accounting Standards AASB 124 Related Party Disclosures and Corporations Regulations 2001; and

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

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:

Steven Davey
Director

Neil Lewis
Director

Dated at Sydney this 29th day of August 2008.

KPMG

Independent auditor's report to the members of Allco HIT Limited

Report on the financial report

We have audited the accompanying financial report of Allco HIT Limited (the Company), which comprises the balance sheets as at 30 June 2008, 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 41 and the directors' declaration set out on pages 24 to 92 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 and the Company, 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.

KPMG

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

Basis for Qualified Auditor's Opinion

The Hybrid Investment Trust ("HIT"), a controlled entity of Allco HIT Limited, has invested in preference units issued by Alleasing Trust ("Alleasing"). The valuation of these preference units is dependent upon the ability of Alleasing to continue as a going concern. In addition, HIT has received funds through the issue of Alleasing Hybrids ("Hybrids"). These Hybrids are liabilities that are limited in recourse to the Alleasing assets and accordingly, valuation of the liabilities is dependent upon valuation of the Alleasing investments.

We draw attention to Note 5(f) in the financial report which indicates that Alleasing is dependent on receiving the continuing support of Allco Finance Group Limited ("AFGL") as well as the proposed sale of Alleasing. The outcome of the negotiations of the proposed sale of Alleasing cannot presently be determined with certainty. As a result Note 5(f) to the financial statements indicates the existence of considerable doubt in relation to the recoverability of the preference units in Alleasing.

As noted above the balances associated with Alleasing are security for the limited recourse Hybrids and any impairment of the assets will be borne by the Alleasing Hybrids holders with no net impact to the profit or loss or net assets attributable to ordinary shareholders of Allco HIT Limited. As such any impairment is not significant to the financial position of HIT as a whole. However, as a result of the uncertainty surrounding the matters above we are unable to form an opinion on the gross assets and liabilities of HIT.

We also note that the auditor of HIT has been unable to form an opinion on the financial report of that entity for the financial year ended 30 June 2008.

Qualified Auditor's opinion

Whilst we draw attention to the significant uncertainties outlined below, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the financial position of the Hybrid Investment Trust:

(a) the financial report of Allco HIT 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 2008 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 and the Company also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

Significant uncertainty regarding the funding position of the Group and the ability to continue as a going concern

We draw attention to Note 41 to the financial statements.

The Group is dependent on the ongoing debt facilities provided by its financiers to continue to operate as a going concern. The Group is in the process of renegotiating the terms, conditions and maturity of its financing facilities. The outcome of these negotiations cannot presently be determined with certainty, although as outlined in Note 41, the directors anticipate a successful outcome in these negotiations and accordingly the financial report has been prepared on a going concern basis.

The Allco HIT Limited senior facility with BOS International (Australia) Limited contains a number of conditions which have been breached. These include:

- Financial covenants under the facility at 30 June 2008 due to the significant write offs associated with loan impairments and goodwill for the financial year ended 30 June 2008; and
- Suspension of redemptions of the secured debenture stock and subordinated notes of a controlled entity, Strategic Finance Limited. The suspension resulted from the significantly reduced debenture reinvestment rates arising from the material decline in the New Zealand property finance sector since 31 December 2007.

Allco HIT Limited has received a formal waiver from BOS International (Australia) Limited with respect to the defaults on the condition that a sale and purchase agreement is signed for the sale of Strategic Investment Group Limited and the sale is completed by 31 October 2008.

A sale agreement has been signed but is subject to several conditions precedent including approval by the debenture trustees, Allco HIT Limited shareholders and the New Zealand regulators. In the event that these conditions are not satisfied, BOS International (Australia) Limited has the right to demand immediate repayment of the facility.

As outlined in Note 41 the Directors of Allco HIT Limited consider the Allco HIT Limited Group is a going concern however the existence of uncertainties in relation to funding and the sale of Strategic Investment Group Limited may cast significant doubt about the Allco HIT Limited Group's ability to continue as a going concern and therefore whether the Group is able to realise its assets at the amounts recognised in the financial statements.

Carrying value of goodwill and significant uncertainty regarding the funding position of AllCommercial Finance Australia Pty Limited and the ability to continue as a going concern

We draw attention to Note 41 to the financial statements.

AllCommercial Finance Australia Pty Limited ("AllCommercial"), a controlled entity of the Allco HIT Limited Group, is currently funded by a warehouse facility which is continuing on a monthly rolling basis and which has been extended to 15 September 2008. As a result of the material uncertainty regarding the funding position of AllCommercial, significant doubt has been cast over the goodwill balance associated with the acquisition of AllCommercial of $3.6 million.

The inability to obtain refinancing by AllCommercial could have a material adverse impact on the profitability of AllCommercial including the potential that AllCommercial would be unable to write new loans and its lending portfolio would need to be placed into run off.

Should this occur then it is likely that the $3.6 million of goodwill recognised in the consolidated financial statements of Allco HIT Limited will be fully impaired.

Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2008. 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 Allco HIT Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Chris Whittingham
Partner

Sydney
29 August 2008

Shareholder Information

All data below is quoted as at end of trading on 30 September 2008.

Distribution schedule of equity securities

Range	Holders	Shares	% capital
1 - 1,000	660	145,679	0.15%
1,001 - 5,000	357	1,002,466	1.01%
5,001 - 10,000	312	2,094,291	2.10%
10,001 - 100,000	301	9,539,906	9.57%
100,000 +	61	86,884,021	87.17%
Total	1,691	99,666,363	100.00%

Largest shareholders

The names of the 20 largest holders of ordinary shares.

	Shares	% capital	Rank
Allco Finance Group Limited	22,182,534	22.26%	1
ANZ Nominees Limited	17,613,200	17.67%	2
Allco Funds Management Limited	12,602,277	12.65%	3
Tricom Nominees Pty Ltd	5,000,000	5.02%	4
Redshift (HIT) Pty Limited	4,813,212	4.83%	5
Gibson Hills Pty Ltd	4,091,711	4.11%	6
Australian Executor Trustees Limited	2,302,524	2.31%	7
Strategic Investment Group Limited	1,750,000	1.76%	8
Kerry Finnigan & Michelle Anne Finnigan	1,382,970	1.39%	9
Blueline Limited	1,325,140	1.33%	10
Michael Curtis & Stephanie McLean & Colin Curruthers	1,325,139	1.33%	11
Vardon Holdings Limited	1,160,350	1.16%	12
Seaview Corporate Trustess Limited	1,124,920	1.13%	13
Nicholson Trust Limited	786,375	0.79%	14
Allco Principals Investments Pty Ltd	600,000	0.60%	15
Lewis Family Investments Pty Ltd	500,000	0.50%	16
Holdex Nominees Pty Ltd	400,000	0.40%	17
Hunter Capital Group Limited	369,091	0.37%	18
David Summerfield & Julie Summerfield	335,076	0.34%	19
Peter Brown & Michael Curtis	328,043	0.33%	20

Substantial shareholders

As disclosed in substantial shareholder notices lodged with the ASX up to 30 September 2008.

Name	Votes	%
Allco HIT Limited and its related bodies corporate	36,480,026	44.04%
Tricom Holdings Limited and subsidiaries	22,613,238	24.55%
ANZ Nominees Limited*	17,620,200	17.68%
David Coe, Michelle Coe, Monetti Pty Ltd, Monetti Finance (Europe) Limited & Raejoe Pty Ltd	7,534,020	9.10%
Redshift (HIT) Pty Limited	7,218,869	8.71%

*The substantial holder notices lodged by ANZ Nominees Limited and Tricom Holdings Limited note a relevant interest in respect of the same AHL shares.

Shareholder Information (continued)

Marketable parcels

The number of holders holding less than a marketable parcel of shares is 1515.

Buy back

There is no current on market buy back.

Voting rights

On a show of hands, at a general meeting of Allco HIT limited, every member present at a meeting in person or by proxy has one vote and upon a poll, each member has one vote for each ordinary share held.

Unquoted securities

There are no unquoted securities on issue.

Stock exchanges

Allco HIT Limited's securities are only listed on the ASX.

Secretary

Tom Lennox, appointed 31 October 2006.

Voluntary escrow

As at 30 September 2008, there are 3 classes of voluntary escrow shares:

1 Escrow up to 30/09/2009 – 16,403,460

2 Escrow up to 10/07/2010 – 875,000

3 Escrow up to 10/07/2011 – 875,000

Corporate Information

ABN 69 122 462 328

Company Secretary

Tom Lennox

Registered office

Level 24, Gateway
1 Macquarie Place
Sydney NSW 2000
Telephone +612 9255 4100
www.allcohit.com.au

Share registry

Computershare Investor Services
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Telephone (within Australia): 1300 738 987
Telephone (outside Australia): +613 9415 4635
Facsimile: +613 9473 2500
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Stock Exchange Listing

Allco HIT Limited ordinary shares and Alleasing Hybrid units are quoted on the Australian Securities Exchange (ASX) as AHI and AHUG respectively.