over Fifty group

Serving Australian communities for 30 Years

Annual Report 2010

Over Fifty Group Limited
and Controlled Entities
ABN 22 095 454 336

Annual Report for the year ended 30 June 2010

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Our Services

Concentrating on our core activities

At OFG we continue to place special emphasis on our core – our strong, stable Friendly Society Management heritage and our Property Funds Management group which has significant growth potential.

Complimentary core businesses

At OFG we are fortunate to have two complimentary core businesses and this is a key feature which differentiates us. Our Property Funds Management divisions (Century Funds Management and Eclipse Financial Group) in combination with the Over Fifty Mutual Friendly Society work together to provide stable revenues and profits.

The funds under management of the two core businesses are – $753 million (Friendly Society) and $714 million (Property Funds management) so each business is significant in its own right.

In the 2009/2010 financial period our profit turn-around has shown the benefits of all the cost savings and efficiencies that have taken place and the two core businesses are now operating smoothly and profitably alongside each other.

Property Funds Management

In the 2010 period our property funds management group profits experienced strong growth and both subsidiaries, Century Funds Management and Eclipse Property Group produced healthy revenues and profits.

The property funds under management are all in unlisted trusts, not associated with OFG's balance sheet and the OFG property subsidiaries act as the manager of each trust and earn fees for managing the trust and success fees if property investments out-perform.

During the year we launched Century Property Trust No 13, which acquired a new CBD Adelaide office building on a 10 year lease to the South Australian Government. The trust was oversubscribed and is operating smoothly.

Total property funds under management are $714 million.

Future for Property Funds Management

We continue to benefit by having fewer competitors in this space. We now need to ensure that as recovery sets in we take advantage of our unique position. Growth in this division will come through organic direct acquisition of assets and acquisition of management rights in this space.

Acquisition of suitable management rights depends on a number of factors including quality of assets, gearing and unitholder support. We are actively pursuing acquisition opportunities.

Friendly Societies

Funds under management are as follows;

Over Fifty Mutual Friendly Society	$543 million
Guardian Friendly Society	$210 million
Total	$753 million

Over Fifty Mutual Friendly Society manage a range of capital guaranteed and unitised friendly society bonds on behalf of our policyholders.

The Guardian Friendly Society is run in cooperation with listed funeral care provider, InvoCare, and is responsible for investing funds derived through various pre-paid funeral agreements.

Three important areas of focus;

- introducing our investments to a range of generations and ensuring everybody on the 110,000 contact list throughout the group is aware of these offers
- encouraging loyalty with existing policyholders by introducing more relevant/tax effective investments
- introducing new products and services and marketing them

New Friendly Society Products

We are in the initial stages of marketing OFG's education bond "Sprout", more about this later.

We now have approval from APRA for an Imputation bond which is designed to invest in high imputation Australian securities. Policyholders will learn more about this shortly.

The Imputation bond is a direct result of a request from policyholders who want us to invest with stable cash flows and the ability to minimise tax payable to lower than friendly society thresholds.

Policyholder Information Sessions

We continue to run regular policyholder information sessions after these commenced in 2009.

At these briefings, new products, investment switching and general questions are covered. In addition, the General Manager of the Friendly Society – Terry Reid and our Investment Manager – Sean Webster make presentations and are available to take questions from policyholders.

Other business areas

Reverse Mortgages

OFG continues to service its $207 million book of reverse mortgages. Whilst new reverse mortgage lending is suspended indefinitely, existing mortgagors continue to be serviced efficiently and the business unit operated profitably.

Over Fifty Insurance

This division now has over 30,000 policy holders who hold general, travel or vehicle insurance. Insurance is offered under a white-label agreement with multi-national insurer Allianz.

This division operated profitably during the period and we continue to believe its prospects are good.

Mortgageport

We hold a 50% interest in mortgage manager and mortgage broker – Mortgageport Management.

Mortgageport is professionally managed and operates in the residential mortgage market. It has a high quality $800 million mortgage book and has the ability to approve loans in-house with delegated credit approval from three leading finance providers – Advantedge (a full subsidiary of the NAB) and Bendigo and Adelaide Bank.

Mortgageport was profitable during the 2009/2010 financial period and in May launched a new retail brand identity. It is currently embarking on a major marketing campaign to attract new customers and grow the business.

Good-old Fashioned Service

Our Call Centre

We talk a lot about all of the new approaches to customer service and customer satisfaction, but at Over Fifty, we like to keep it simple. Our team is here to provide you with a caring and informative sense of old fashioned service.

In a rapidly changing world, where clients are forced to resort to the internet or recorded messages, Over Fifty takes pride in personally assisting you with your enquiries. One of the most frequent comments we receive from our policyholders is how accessible OFG is to its investors.

At Over Fifty, our Call Centre staff not only answer incoming calls but they also assist with each specific enquiry, providing a high level of personalised customer service and follow up with any on-going enquiries.

> “We take real pride in being available to answer the phone, no dial this or that menus and being able to assist people right through to the end of inquiry. We want to be prompt and efficient and know that investors can trust us. If we say we will get back to them, we do it.”
>
> Ash, our Investor Services Team Leader.

Sprout Education Investment Plan

Launch of the Sprout Education Investment Plan

We were pleased to launch our new education plan, the Sprout Education Investment Plan ("the Sprout Plan") during the year. The Sprout Plan, is a scholarship plan that enables parents and importantly, grandparents or other relatives, to start saving for the future education expenses of a student.

The launch of the Sprout Plan is part of a strategy to develop new products that leverage off the Over Fifty Mutual Friendly Society's existing capabilities whilst engaging a wider market. With this product we are also capitalising on the Friendly Society industry's unique ability to develop products that help investors prepare for future life events.

Although education savings and investment plans have been available for a number of years, many are not scholarship plans and therefore do not qualify for special tax treatment. A scholarship plan can only be offered by a friendly society and as such, the Sprout Plan offers an opportunity to market a product that few others can replicate.

The Sprout Plan is a compelling and attractive offer with real tax benefits and flexibility coupled with low fees for this type of product and it is launched at a time where education costs are increasing rapidly.

sprout
EDUCATION INVESTMENT PLAN

Key Features of the Sprout Education Investment Plan

- Savings to fund education expenses enjoy tax concessions as the Plan is treated as a Scholarship Plan under Australian taxation law.
- Although Plan income is taxed on an ongoing basis, a payment to meet education expenses is grossed-up by a tax credit which recoups Plan tax already paid, effectively making it tax free in the hands of the investor.
- Whilst the purpose of the Plan is to pay for education expenses, investors can also access their money for non-education expenses where necessary.
- Available to pay for a wide range of Approved Education Expenses.
- Covers primary, secondary and tertiary education.
- A Regular Savings Plan can be set up and money directly debited every month into the Plan.
- An investor can either pay the education costs themselves and seek reimbursement or Over Fifty Mutual Friendly Society will pay the student's education expenses direct to the education provider.
- A low ongoing cost of 1.5% p.a. with no other fees for direct investors or investors introduced by a fee for service financial planner. The investor is also able to specifically elect to dial up fees to be paid to their financial adviser from their Plan.

CHAIRMAN'S LETTER

Dear Shareholders,

The 2010 financial year has been a much better year for the Over Fifty Group of companies. It is the first year in my time as a member of the Board of Directors of the Over Fifty Group, which I joined in late 2007, that the Board and senior executives of the Group have been able to primarily focus on growth rather than on restructuring the business and repairing the balance sheet.

As the results for the Over Fifty Group demonstrate, the 2010 financial year was a reasonably successful one for the Group, particularly bearing in mind the still-difficult economic conditions we face. In the past year we have had a strong focus on strategic planning for the future of the Group, with a focus on growth, including growth through acquisitions should the right opportunities arise. We will continue to pursue a growth strategy in the current financial year and beyond. While we are far more optimistic now than we were 12 months ago, we also recognise that the economic environment, both domestically and globally, continues to be uncertain and that will create ongoing challenges for the Group as well as opportunities. One of the biggest challenges facing groups such as ours is access to debt funding and, as our results show, a focus for the Group over the past year has been to significantly reduce the Group's corporate debt.

I would like once again to thank my fellow directors, the senior executive team and all of our staff for all of the hard work during the last year. Given the relatively small number of directors on our board, there has been a lot for us to do. A special thank you to my fellow non-executive director, Peter Done, Chairman of our Audit, Risk Management and Compliance Committee, and Matthew Coy, our Chief Financial Officer. The commitment of all of our people has been instrumental in helping us achieve success in 2010.

I look forward to seeing you at our Annual General Meeting in Melbourne on Friday, 26 November 2010.

Roger Dobson
Chairman

CHIEF EXECUTIVE'S OVERVIEW
for the year ended 30 June 2010

Dear Shareholders,

I have pleasure in reporting on the Over Fifty Group Limited performance for the year ended 30 June 2010.

Looking at our results from the perspective of the goals set out in my report last year you will be pleased to note that we have adhered to our plan, namely to have strong recurring profits from the core businesses – Friendly Society management and Property Funds management. I will return to this further in the overview.

Introduction

This has been a rewarding year for our team. We have managed OFG through a challenging period and we have achieved our financial goals, for example, reinstatement of dividends, return to solid profitability and virtual elimination of corporate debt. More detail on these issues follows.

What is harder to pick up from a set of accounts is the devotion of our staff and the satisfaction they get from improved outcomes for shareholders and policyholders alike. This is priceless and I want to thank each one of them for buying in to a success story.

Last year all staff took a salary reduction and effectively became your partners and this year you repaid them with the compensation shares approved at the last AGM. This seals the partnership.

Response to Market Factors

In keeping to my usual practise I will only offer a brief commentary on financial conditions in the markets OFG operates in. We refuse to be indoctrinated by the general gloomy views on falling profits and continued financial stress. We simply do not accept that OFG's results are subject to these trends.

I know you will be more interested in what opportunities these markets offer OFG.

The global downturn has continued to depress asset prices both in terms of property assets (which affect our managed property funds) and equity values (which affect some of our managed friendly society bonds). As management fees are based on the value of these assets, most investment managers have seen downward pressure on management fees. Our cost reduction strategy has largely insulated shareholders from this factor.

Clearly it is always business as usual with our core operations and these have been performing well, with property division revenues alone up 55% and group Net Profit After Tax on forecast and guidance at $6.3 million. We are generating levels of profit nearly consistent with pre-GFC numbers (average NPAT 2005/6/7 – $7.014 million) in what is accepted as a challenging market. This is only the beginning.

Our response in this backdrop of uncertainty within the financial services sector has been to adopt a new strategy. Namely, to acquire other funds management businesses which operate in our core business areas – (property funds and friendly society funds). In short, acquiring funds managers is one of the best businesses we can be in when they are sensibly priced.

These funds management acquisition opportunities are now available without the high premiums exhibited in the pre-2007 asset bubble. As OFG is now well capitalised and almost debt free we are in an excellent position to acquire other operators who may not enjoy the same underlying financial credentials.

This management team has been given a clear mandate from the OFG shareholders and board to capitalise on this rare market opportunity.

Key Achievements

Key achievements during the 2009/10 financial year were;

- Underlying Net Profit Before Tax "NPBT"of $11.19 million (+ 27% increase from 2009)
- Reinstated profit guidance and achieved guidance of $6.3 million reported NPAT
- Reinstated dividend guidance and confirmed full year dividend of 5c/share.
- Property Funds Management NPBT $5.4 million (($0.27) mill – 2009)
- Successful Institutional Placement and Share Purchase Plan – raised $10.8 million
- Corporate debt reduced by $15.6 million to $4.2 million for 12 month period to 30 June 2010 (further reduced to $1.9 million as at 31 August 2010).

The Year Ahead

We believe the continued strict and disciplined approach to conducting our core businesses efficiently will continue and we are looking to grow these operating units.

We are particularly pleased to report that the property funds management division team remain unchanged and are fully committed and this is a highly scalable business which we intend to operate at full capacity. We aim to continue the upwards profit trend this division generated in 2010 through the current period.

The Friendly Society management division has launched its first new product in several years and whilst it is in the early stages of marketing, it is a clear example of the way forward for this division.

My thanks to our board, all of our executives and staff, our policyholders and investors and of course our shareholders for your ongoing support. We hope to make you proud of our achievements as the present year unfolds.

John McBain

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S COMMENTARY

Financial results

In accordance with current Australian accounting standards, the audited financial results, including Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, of the Over Fifty Friendly Society benefit funds are included in the consolidated results of the corporate entities of the Over Fifty Group Limited. The following table provides an analysis of the Consolidated OFG Profit and Loss attributable to shareholders, with the results of the benefit funds stripped out.

The following table demonstrates the strength of the group's Underlying Earnings before tax during the last two financial periods as well as the strong turnaround in results from the property funds management business unit, after incurring its first ever operating loss last year. This turnaround in what is still considered a challenging property environment is a very encouraging results and was the major contributor to the growth in pre-tax earnings of 27% for the year over 2009.

Shareholders can receive the more detailed results presentation by calling the OFG Call Centre 1300 50 50 50 or visiting the company website **www.overfifty.com.au**

The following table demonstrates the year's strong underlying profit contributions made by each of the core business units and a reconciliation to reported profit.

Table 1: Stand Alone Corporate Performance	**2010 $'000**	**2009 $'000**	**% Change**
Underlying Earnings by major division			
Friendly Society	8,925	10,324	
Property Funds Management	5,378	(271)	
Reverse Mortgages	3,130	3,673	
Insurance Agency	1,011	470	
Corporate	(5,150)	(5,265)	
Other divisions	(1,049)	1,580	
Underlying EBIT	**12,245**	**10,511**	**16.5%**
Finance costs Corporate Debt	(1,054)	(1,671)	
Underlying Earnings – before tax	**11,191**	**8,840**	**26.6%**
Loss on property valuations (pre-tax)	–	(6,836)	
One-off underwriting guarantee by parent company (pre-tax)	–	(7,271)	
Net provision for doubtful debt on commercial mortgages (pre-tax)	(258)	(6,229)	
Impairment and equity accounting loss – property trust investment (pre-tax)	(2,251)	(5,534)	
Ineffective fair value in derivative financial instruments(pre-tax)	–	(2,762)	
GST recovery one-off from prior years (pre-tax)	571	–	
Reverse Mortgages – one-off FFL*[(1)] unrecovered Break costs (pre-tax)	(569)	–	
Reverse Mortgages – fair value movement on FFL swap (pre-tax)	843	–	
Impairment write back on Mortgageport	732	–	
Total tax (expense) / benefit reported	(3,941)	6,938	
Reported Net Profit – after tax	**6,318**	**(12,854)**	**49.2%**

*[(1)] *FFL – Fixed For Life*

Key macro points from the above table are:

- The four core business units contributed $18.4m in pre-tax underlying earning, compared to $14.2m in 2009; representing a 30% increase
- The discipline focus on cash flow management and reducing corporate debt has resulted in a reduction of $617k in Finance cost on corporate debt.
- The "one-off significant and non cash expense" items have reduced markedly from $28.6m in 2009 to $0.9m in 2010, demonstrating a cleaner and less volatile balance sheet going forward.
- The reported net profit of $6.3m is in line with market guidance, announced in December 2009.
- As announced last year, significant work had been performed on the group's variable cost structure and that the full impact should be evident in the current financial year (2010). These cost saving initiatives include consultants, marketing, outsourced services, staffing personnel and staff remuneration reductions and freezing of remunerations

until 30 June 2010. The below table depicts the full extent of this initiative and the resultant reduction in costs from 2008 to 2010 representing savings of over 35% across the various expense lines.

Table 2: Significant Reduction of Corporate Expenses

Year ended 30 June (in $'000)	2010	2009	2008	2008–2010 % Change
Staffing	6,589	6,888	8,862	(25.7)
Finance Expense (excl Reverse Mortgages, NLT and Chisholm)	1,177	1,684	1,525	(22.9)
Outsourcing Fees	2,218	2,396	3,120	(28.9)
Consulting and Professional	2,152	2,579	4,259	(49.5)
Corporate Operating Expenses	577	923	979	(41.1)
Marketing, Sales and Advertising	768	1,141	1,935	(60.3)
Information Systems Expenses	448	480	585	(23.5)
Rental Expense – operating leases	369	534	603	(38.8)
Other	892	1,065	1,588	(43.8)
Total	**15,190**	**17,690**	**23,456**	**(35.2)**

Note: Table excludes Eclipse Property Group, although immaterial

– Discipline on expense control has enabled substantial overhead cost reduction over the past two years

Funds under Management

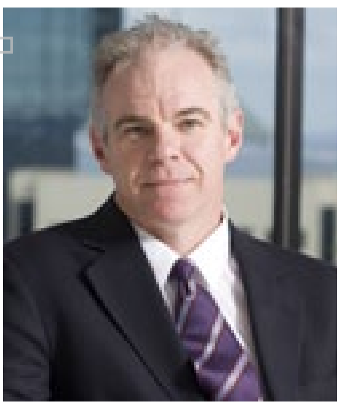
Funds under management for the group reduced from $1.874 billion to $1.672 billion ($167 million or 9.1%) during the period as a result of:

- Property disposal accounted for $105m of the FUM reduction with a further $41m in devaluations. These two reductions were offset with purchases of $18m thereby netting off the property FUM reductions at $128m. It is important to note that the overwhelming majority of the property sales generated strong capital gains to unit holders, in two cases, doubling unit holders initial investment. Management is beginning to witness a strengthening in property values in the most recent round of external property valuations.
- The Reverse Mortgages under management reduced by $10m or 4.6% for the year.
- The Friendly Society had the smallest reduction in FUM proportionately with a 3.6% decrease in policyholders funds under management. Management has spent considerable time and effort in managing the fixed interest investments of these various funds as well as providing regular policyholder forums in an effort to provide ongoing updates to policyholders concerning their respective investments. This focus on communicating with policyholders has had a positive impact in respect to slowing redemptions, which coupled with some modest asset value recoveries, has resulted in a minor FUM reduction of just under 4%.

Forward looking

As was mentioned in last year's report "there are some very encouraging signs emerging, across all divisions" as a result of the "hard work performed by the OFG executive team over the past 12 months" to 30 June 2009. This has been demonstrated by the strong result for the current year, and thus returning the company to paying dividends.

For the coming year, with a strengthened balance sheet, improving Net Tangible Assets, favourable terms of refinance with headroom capacity, the Property Funds Management division acquiring property and stability in the recurring income streams generating regular profits, management is buoyed on to continue achieving its growth strategy. Whilst the results of 2010 are encouraging, the opportunities that the market currently presents complimented with the company's financial stability, should enable OFG to take full advantage of these unique conditions.



Matthew Coy

Chief Financial Officer

DIRECTORS' REPORT
for the year ended 30 June 2010

The Directors of Over Fifty Group Limited (OFG or the company) submit herewith the annual financial report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

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

Roger Dobson

John McBain

MR ROGER W. DOBSON

(LL.B, LL.M)

Chairman, joined the Board in November 2007 in a non-executive capacity and is a senior partner of the law firm Henry Davis York. Mr Dobson is also the Chairman of the Nomination and Remuneration Committee. He is one of Australia's leading banking and finance lawyers and acts primarily for the major Australian banks and other financial institutions. He has extensive legal knowledge of the property funds management and financial services industries, as well as corporate governance and regulatory issues.

MR JOHN E. MCBAIN

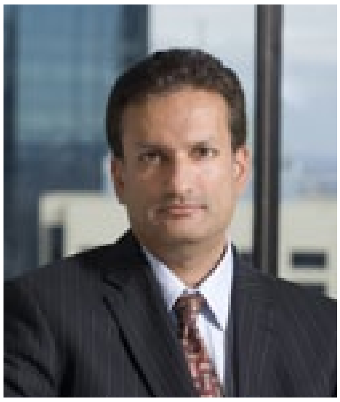
(Dip. Urban Valuation)

John was appointed CEO in April 2008. John is the founder of property funds manager, Century Funds Management, which was acquired by Over Fifty Group Limited in 2006. John is a director of subsidiaries Eclipse Property Group Limited, Century Funds Management and Over Fifty Mutual Friendly Society Limited and a director of an associated company Mortgageport Management.

In addition, John serves on the Investment Committees of both the Over Fifty Mutual Friendly Society and the Guardian Friendly Society. John originally qualified in property valuation in New Zealand and from 1990 to 2006 was heavily involved in both commercial property consulting and the growth of the unlisted property fund market in Australia. Prior to 1990 John spent four years as managing director of a specialist commercial property investment company based in the United Kingdom.

Jason Huljich

Peter Done



Deepak Gupta

MR JASON C. HULJICH

(B.Comm)

Executive Director and General Manager of the Property division of OFG, joined the Board in November 2007. He is also the Chief Executive Officer of Century Funds Management. Mr Huljich has been involved in investment property syndication in Australia since 1996 and has developed considerable expertise in investment property selection, syndicate feasibility and syndicate management.

MR PETER J. DONE

(B.Comm, FCA)

Chartered Accountant, joined the Board in November 2007 in a non-executive capacity. Mr Done is the chairman of the Audit, Risk Management and Compliance Committee of Over Fifty Group Limited, Over Fifty Mutual Friendly Society Limited and Over Fifty Guardian Friendly Society Limited, and is a member of the Friendly Society Investment Committees. Mr Done was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and board processes through his many senior roles.

MR DEEPAK K. GUPTA

(BCA, MBA, Cert. Investment Analysis)

Executive Director of Trustees Executors Limited, joined the Board in November 2007 in a non-executive capacity. He previously held various senior management positions in financial services companies and is currently a director of Tourism Holdings Limited (NZ). Mr Gupta worked at senior management level for major institutional investors in funds management and private equity investment and has been involved in a variety of private equity transactions.

DIRECTORS' REPORT (CONT.)
for the year ended 30 June 2010

Directors' shareholdings

The following table sets out each director's relevant interest in shares in OFG as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
R.W. Dobson	373,554	–
J.E. McBain	4,323,861	600,000
J.C. Huljich	2,189,540	400,000
P.J. Done	281,177	–
D.K. Gupta	98,437	–

Directors hold ordinary interests, with equal rights to other shareholders.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, which is on pages 19 – 33.

Company secretary

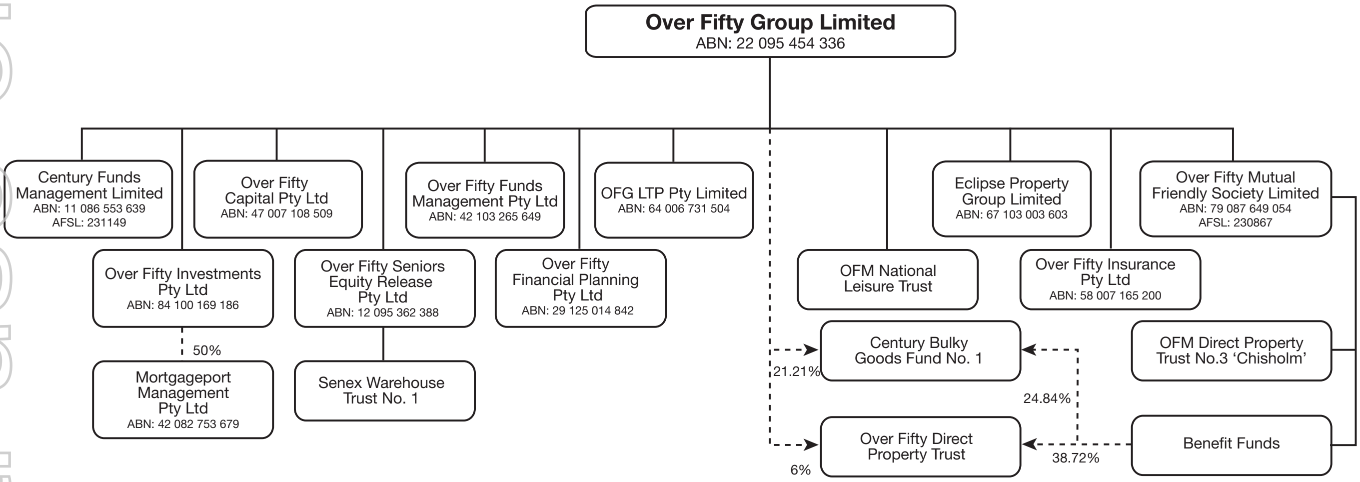
Mr Terry Reid, Chartered Accountant, has been the company Secretary since December 2007. He is a member of the Institute of Chartered Accountants in Australia.

Mr Matthew Coy (BBus, ASA), Chief Financial Officer, was appointed in October 2009 as an additional company Secretary to be based in Sydney.

Corporate Structure

Over Fifty Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The company has prepared a consolidated financial report incorporating the entities it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure. All entities are 100% owned unless otherwise stated.

Over Fifty Group Limited
as at June 2010



Note: - - - - - - - *represents partial ownership*

——— *represents 100% ownership.*

Principal activities

The consolidated entity's principal activities being the Over Fifty Group Limited (OFG or the Group) as the parent entity, and of its controlled entities, in the course of the financial year, were the marketing and management of investment products (including friendly society investment bonds and property investment funds), general insurance through agency arrangements, mortgage lending and management, property investment and management of Over Fifty Guardian Friendly Society Limited.

Review of operations

The consolidated net profit for the year is $6.318 million (2009: loss $12.413 million) after providing for an income tax expense relating to shareholders of $3.941 million (2009: income tax benefit $7.114 million).

The main sources of revenue were from the operations of the Over Fifty Mutual Friendly Society, Reverse Mortgages and the Property Funds Management divisions contributing up to 86% of the Group's revenue.

Operational highlights for the financial year were as follows:

Friendly Society

- As at 30 June 2010, Over Fifty Mutual Friendly Society administered $753 million (2009: $781 million) of friendly society benefit funds and has continued to be a core activity of the Group since 1980. Over the past 2 years the OFG Executive and Management has continued its focus on strengthening of its investment and operational staff strategically aimed at improving investment management capability and member communication and services.
- The Friendly Society has released its new education investment bond – "Sprout". This product is aimed at providing tax effective benefits for education expenses as well as competitive returns from a highly rated investment product. The product has its own ATO private ruling and is currently completing its initial soft marketing campaign. A Product Disclosure Statement can be obtained through contacting the Investor Services Team on 1300 50 50 50.

Property Funds Management

- The property funds management division contributed strongly to the group's annual net profit result. The major contributing factors were from acquisition fees from a new property trust settled in December 2009 and success fees from the sale of 5 properties generating solid capital gains for unit holders. The Century Funds Management executive team has been further strengthened with the recent appointment of a Capital Transaction Manager to support the company's strategy of future growth by acquisition to satisfy the current level of investor demand for new product. This key appointment coincides with the growing observation from Century that there is an increasing level of investment grade stock coming available as well as financiers willingness to fund new Century property investments vehicles.
- During the financial year, OFG sold Chisholm Shopping Centre in Canberra for $19.275 million. OFG holds two properties on the statement of financial position, being part of the accommodation resort, Peppers The Sands Resort, in Torquay for $16.0 million and Moonah Links for $11.0 million.

Mortgage Businesses

- The reverse mortgage business, Over Fifty Senior Home Equity Release Pty Limited, continues to administer approximately $205 million in loans facilitated through a warehouse loan funded by ANZ. The loan facility has been rolled to 30 September 2011 on more favourable terms than previously, and for a longer period. The facility has been drawn to $176 million of an available $225 million. The facility headroom is for undrawn loan amounts that the Mortgagors have available.
- 50% associate Mortgageport continued to contribute profitably to the Group's result for the year. It has been impacted by the credit downturn, and subsequently its profit contribution is down year on year with a decrease of 23% to $287,720 (2009: $374,000).
- In April 2007, OFG announced the closure of its commercial mortgage lending unit and continued to wind down its book.

Insurance

- The company has continued to successfully operate its insurance agency during the year. The company is committed to further growing this business which is demonstrating a strong and reliable recurring income stream with consistent annual growth. The business continues to actively maintain the risk of approximately 30,000 policyholders.

Significant expenses/adjustments incurred

- Specific provisions and write-offs totalling $654,000 to cover the expected non-recovery of mortgage advances relating to the commercial mortgage division which is currently being wound down.
- Equity accounted loss and impairment of investment in unlisted property trust $2.251 million.

Corporate governance practices

- The Directors have, in striving to achieve the highest standards of corporate behaviour and accountability, complied with the principles and practices set out in the corporate governance statement contained in this annual report.

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year other than as described in the notes to the financial statements.

Subsequent events

OFG's subsidiary company, Century Funds Management Limited, has accepted the request of a significant block of unit holders in two registered schemes, namely Becton Office Fund No. 2 "BOF2" and Becton Diversified Direct Property Fund "BDDPF" with aggregate asset values of $102 million and $124 million respectively, to be proposed before a vote of unitholders to replace Lachlan REIT Limited, a subsidiary of Becton Property Group Limited, as Responsible Entity of the Funds. The process will be conducted by a Unit Holder vote that has been scheduled to occur on 31 August 2010.

On 16 August 2010 OFG renewed its finance facility with the NAB on commercially improved terms with a new facility maturity date of 31 August 2011. The facility limit has increased to $12 million, and at the date of signing this report management has approximately $8.7 million available in undrawn funds. This increased working capital facility will provide OFG with additional resources to take advantage of strategic opportunities that exist in the market for consolidation of funds under management. During the financial year ended 30 June 2010 $15.7 million (30 June 2009: $3.0 million) of the NAB facility had been repaid by OFG, and subsequent to year end the drawdown was reduced by an additional $0.8 million to $3.3 million at 31 July 2010.

On 18 August 2010 the Board approved the declaration of a final dividend at 2.5 cents per share franked to 30% at 30% corporate income tax rate.

Future developments

OFG's strong result for the current period was buoyed on by the strong mix of recurring income from the four business lines – property funds management, friendly society, insurance agency and reverse mortgages, and has reinforced the board and senior management's optimism for the group's future performance. As reported last year, the short term group plans were to re-commence property acquisitions and introduce new friendly society products. Both these objectives were met during the last reporting period with a continuing goal of the group in the coming year to achieve further growth.

In addition to the strong return to operating profit, the group's financial position was further strengthened during the year with the addition of approximately $10.8 million of new share holder funds used to further retire corporate debt as well as provide working capital to fund strategic funds management consolidation. These strategies are currently being actively carried out by management.

Dividends

In respect of the financial year ended 30 June 2009 no dividends were paid, declared or recommended.

In respect of the financial year ended 30 June 2010, an interim dividend of 2.5 cents per share franked to 30% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 23 June 2010.

Indemnification of officers and auditors

OFG has agreed to indemnify all current and former Directors and Executive Officers of the company and its controlled entities against all liabilities to persons (other than the company or a related body corporate) which arise out of the performance of their normal duties as a Director or Executive Officer unless the liability relates to conduct involving a lack of good faith. OFG has agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT (CONT.)
for the year ended 30 June 2010

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board of directors		Audit, Risk Management & Compliance Committee		Investment Committee		Nomination & Remuneration Committee	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J.E. McBain	16	16	–	–	13	11	–	–
J.C. Huljich	16	15	–	–	–	–	–	–
R.W. Dobson	16	13	7	6	–	–	3	2
P.J. Done	16	15	7	7	13	12	3	3
D.K. Gupta	16	15	7	5	13	11	3	3

Note: J.E. McBain and J.C. Huljich are not members of the Audit, Risk Management & Compliance Committee.
R.W. Dobson and J.C. Huljich are not members of the Investment Committee.
J.E. McBain and J.C. Huljich are not members of the Nomination & Remuneration Committee.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit, risk management and compliance committee, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 35 of the annual report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Over Fifty Group Limited's (the company) directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Non-executive director remuneration
- Remuneration of executive directors and senior management
- All other employees remuneration
- Key terms of employment contracts.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr R.W. Dobson
(Independent Chairman)

Mr P.J. Done
(Independent Director)

Mr D.K. Gupta
(Independent Director)

Mr J.C. Huljich
(Executive Director)

Mr J.E. McBain
(Chief Executive Officer and Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr M.J. Coy
(Chief Financial Officer and additional Company Secretary based in Sydney, appointed 21 October 2009)

Mr T.D. Reid
(Company Secretary and General Manager - Friendly Societies)

Mr D.B. Govey
(Head of Assets)

Mr H.J. Schmiede
(Head of Finance – Property)

Mr A.S. Bali
(Development Executive)

Remuneration policy

OFG recognises the important role people play in the achievement of its long-term objectives and as a key source of competitive advantage. To grow and be successful, OFG must be able to attract, motivate and retain capable individuals.

- Competitive rewards are provided to attract and retain executive talent;
- Remuneration is linked to performance so that higher levels of performance attract higher rewards;
- Rewards to all staff but particularly executives are linked to the creation of value to shareholders;
- The criteria used to assess and reward staff include financial and non-financial measures of performance;
- The overall cost of remuneration is managed and linked to the ability of the company to pay; and
- Severance payments due to the Chief Executive Officer on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

Relationship between the remuneration policy and company performance

The main objective in rewarding the company executives for their performances is to ensure that shareholders' wealth is maximised through the company's continued growth moving forward. It is necessary to structure and strengthen this focus to drive this strategy so that they are aligned with the company's objectives and successes.

Under the Remuneration policy, senior management's remuneration includes a fixed remuneration component, short-term and long-term incentive arrangements. The long-term incentives are based on OFG's performance for the year in reference to specific Earnings Per Share (EPS) and Total Shareholder Return (TSR) hurdles being met. The short-term incentives are based on the individual's performance in the preceding 12 months compared to pre-agreed goals.

Where senior management are remunerated with securities, the Remuneration Policy places no limitations to their exposure to risk in relation to the securities.

Target incentive remuneration refers to the incentive pay provided for meeting performance requirements. Actual incentive remuneration can vary for executive directors and senior management depending on the extent to which they meet performance requirements.

In accordance with the company's corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. Clause 63.2 of the Constitution provides an aggregate maximum amount of not more than $750,000 per year.

Director Fees

Each Director receives a fee for being a Director of Group companies and an additional fee is paid to the Chairman and to the Chairman of each Board Committee. The payment of the additional fees to each Chairman recognises the additional time commitment and responsibility associated with the position.

Non-Executive Director Share Plan

In addition, following approval at the 2009 OFG AGM, a Non-Executive Director Share Plan was implemented. The concept of the Non-Executive Directors taking a component of their remuneration as OFG Shares is seen as further aligning their interests with shareholders.

Each of the Non-Executive Directors (Messrs Dobson, Done & Gupta) have been issued with 75,000 OFG Shares each under the Plan for nil consideration. These shares are subject to trading restrictions and participating Non-Executive Directors are not able to sell or otherwise deal with their OFG Shares issued under the Plan within 12 months of the date of issue unless a Change of Control Event occurs.

Remuneration of executive directors and senior management

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of stakeholders;
- Link rewards with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Chief Executive Officer seeks independent advice regarding market levels of remuneration for comparable executive roles.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives. The proportion of fixed and variable remuneration is established for each executive by the Chief Executive Officer after consultation with the Remuneration Committee. The table below details the fixed and variable components for the executives.

	% of total target annual remuneration		
	Fixed remuneration %	Short term incentive remuneration %	Long term incentive remuneration %
Executive director			
Mr J.C. Huljich	74%	7%	19%
Mr J.E. McBain	74%	7%	19%
Senior management			
Mr M.J. Coy	74%	7%	19%
Mr T.D. Reid	77%	8%	15%
Mr D.B. Govey	77%	8%	15%
Mr H.J. Schmiede	77%	8%	15%
Mr A.S. Bali	77%	8%	15%

Fixed Remuneration

Objective

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. This is reviewed annually by the Chief Executive Officer and the process consists of a review of company, business unit and individual performance as well as relevant comparative remuneration in the market. The same process is used by the Remuneration Committee when reviewing the fixed remuneration of the Chief Executive Officer.

The Chief Executive Officer and senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and salary sacrifice items such as motor vehicles, motor vehicle allowances and/or additional superannuation contributions. It is intended that the manner of payment chosen will be optimal without creating undue cost for the Group but always contained in their respective fixed total remuneration.

Variable Remuneration

Under OFG's Senior Management Remuneration Policy, long and short term performance incentives may be made under the company's bonus plans.

Short-term Incentives (STI)

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

(i) Performance Rights Plan (PRP)

At the 2003 AGM, OFG shareholders approved a Performance Rights Plan (PRP) to which the short-term incentives relate. Under this plan, the Board has been given discretion in granting to employee's rights to receive, in the future, a specified number of ordinary shares. At the 2009 AGM, members confirmed re-approval of the Plan and approval for the issue of up to 3 million Performance Rights for nil consideration. The Plan operates in the same way as when it was originally approved but has a much broader operation.

The PRP has two parts:

- **Compensation Performance Rights**

These were designed to compensate eligible employees for salary reductions made as of 1st May 2009, with the number to be issued determined by reference to the amount of the reduction; and

- **Incentive Performance Rights**

These provide eligible employees with a short-term incentive, and the Board may elect to award an employee with either Performance Rights or a cash bonus or a combination of both, bearing in mind the total remuneration the employee is awarded in a particular year.

Eligibility to grants under the PRP will be determined by the Board (or the Remuneration Committee acting as the Board's delegate).

The Board will make offers annually to employees of the company over the three years from 2009. In general terms participating employees selected by the Board will be issued a number of Performance Rights in respect of which the then current value of the underlying OFG Shares would equal a certain percentage of their prevailing base remuneration. Performance Rights will be granted, and are exercisable (unless the Board otherwise determines on grant), for nil consideration.

The Performance Rights will vest on, and are exercisable after, dates specified at the time of grant subject (other than for Compensatory Performance Rights) to the achievement of certain performance hurdles by the company which are based on the company's earnings per share (EPS). If the capital of the company is reconstructed then the hurdles will be adjusted as necessary for the plan.

The proposed grants of the Performance Rights are as detailed in Table 4.

A Performance Right represents the right to subscribe for or acquire one OFG Share in the company for nil consideration (unless otherwise determined by the Board at the time of grant). Performance Rights may not be transferred, or encumbered without the approval of the Board and will not be listed for quotation on any stock exchange.

The Board may determine from time to time the performance conditions (if any) that will apply to Performance Rights. Only Performance Rights which satisfy these conditions or which vest following a Change of Control Event will vest and become exercisable. The Incentive Performance Rights will be issued subject to an earnings per share (EPS) hurdle.

Only persons employed on the relevant Performance Rights Grant Date by the company or one of its subsidiaries (together the Over Fifty Group – OFG) will be eligible to receive a grant of Performance Rights. The Performance Rights of an eligible employee will be forfeited upon termination of the eligible employee's ceasing to be an employee or director of the company (other than as a result of certain circumstances such as death, total and permanent disability or redundancy or the sale of an OFG company or business which employs the OFG employee or as otherwise determined by the Board).

(ii) Short Term Incentive Employee Share Plan (the Plan)

In the 2006 financial year, the Board approved the establishment of the OFG Short Term Incentive Employee Share Plan (the Plan) to establish a method by which eligible employees may participate in the future growth and profitability of the company, and to assist in the recruitment, reward, retention and motivation of employees of the company and its subsidiaries. The Plan and issue of shares under the Plan were approved at the 2006 AGM. This plan is separate to OFG's Performance Rights Plan.

Under the Plan, there are no performance conditions, which allow the Board, in its discretion, to offer eligible employees fully paid ordinary shares in the company (shares) with a market value of up to $1,000 per employee per financial year. Eligible employees include permanent full-time and part-time employees of OFG and its subsidiaries. Directors (whether executive or non-executive) cannot participate in the Plan unless specific approval is given by shareholders. Where Shares are issued under the plan during a year, their value is taken up in the financial statements in employee benefits expense.

Participants are restricted from selling, disposing of, encumbering or otherwise dealing with Shares issued under the Plan for a period of three years from the date the Shares were provided (Restriction Period). If a participant ceases to be an employee of OFG or its subsidiaries during the Restriction Period, the restrictions on disposal will cease.

Under ASX Listing Rule 7.1 the company may not issue or agree to issue equity securities which in aggregate exceed 15% of the company's fully paid issued share capital in any 12 month period without obtaining shareholder approval, unless an exception applies. ASX Listing Rule 7.2 exception 9 (as an exception to ASX Listing Rule 7.1) provides that issues of equities securities under an employee incentive scheme, such as the Plan, are not included when calculating this 15% limit if, no more than three years before the date of issue, shareholders approved the issue of securities under the employee incentive scheme as an exception to ASX Listing Rule 7.1.

Long-term Incentives (LTI)

The company's Participating Rights Plan was first approved by shareholders at the company's 2003 Annual General Meeting but no shares have been issued pursuant to the original plan. A revised plan called the Executive Option Plan has been approved at the 2009 AGM to replace the original Participating Rights Plan. It is proposed that various issues of equity securities under the Performance Rights Plan (PRP) and the Executive Option Plan be made to Mr John McBain and Mr Jason Huljich who are Executive Directors of the company (Executive Directors).

The Executive Option Plan (LTI) and the Performance Rights Plan (STI) will generally deliver the whole of the variable reward component of an employee's total remuneration and there will be no short-term cash bonuses paid in addition to awards made under the Plans (other than in exceptional cases as determined by the Board).

The Performance Rights above to be issued to the Executive Directors are Compensation and Incentive Performance Rights and are to be granted as Compensation to the Executive Directors for salary reductions made in this financial year. The number issued has been determined by reference to the amount of the reduction.

Executive Option Plan

The Executive Option Plan (EOP) represents the long-term incentive for senior executives. The award of Executive Options under this plan will be subject to EPS hurdles and no Executive Option will be capable of being exercised until the third year after the date of granting (that is, 2012). The number of Executive Options proposed to be issued to the Executive Directors is set out in Table 5.

Under the EOP, Executives selected by the Board will be granted options to subscribe for OFG Shares (Executive Options). The Executive Options will not vest:

- until the lodgement or publication by the company of its annual financial statements for the financial year ending 30 June 2012 (Announcement Date); or
- a change of control event (as defined below) occurs.

The Executive Options will also not vest:

- if the relevant Executive is not at that time an employee or director unless they have only ceased to be an employee or director due to a Qualifying Reason (death, total and permanent disability, redundancy;
- the sale of an OFG company or business which employs the OFG employee or as otherwise determined by the Board).

The Executive Options held by an Executive will be forfeited if the Executive ceases to be an employee or a director other than due to a Qualifying Reason or if after the Announcement Date none of the Executive Options have vested.

Executive Options are only exercisable if a performance hurdle is met or if there is a Change of Control Event. All or part only of the Executive Options may vest and become exercisable as defined in Table 5.

A change of control occurs if a person acquires:

- a relevant interest (within the meaning of section 608 of the Corporations Act 2001) in more than 50% of the ordinary shares in the company; or
- control of the company,

or any other event occurs which the Board determines, in its absolute discretion, to be a Change of Control Event.

If an event occurs affecting the number or type of securities on issue in the capital of the company (including a subdivision, consolidation or reduction), the Executive Options will be restructured in a manner which is fair and equitable to the Executives which is consistent with the relevant provisions of the ASX Listing Rules at that time.

The Board has determined that the combination of the EPS performance hurdle and setting the exercise price above the anticipated fair market value of the underlying OFG Share at the time of grant is appropriate because satisfaction of the hurdles (and therefore vesting) should correspond to an increase in shareholder value.

Of the total number of Executive Options of an executive that become exercisable one third will have an exercise price of $0.66, one third an exercise price of $0.73 and one third an exercise price of $0.80 per Executive Option.

The Executive Options may be exercised from the Announcement Date for a period of three months less one day.

The maximum number of Executive Options issued under the Executive Option Plan, and of OFG Shares issued upon exercise of the Executive Options, will be 2.1 million. One Executive Option on its valid exercise entitles the holder to be issued with one OFG Share. The Executive Options will be issued to Executives for nil consideration. Under the previous executive option plan 1.1 million options were issued to the previous CEO. No shares were issued pursuant to the exercise of those options and all of those options have now lapsed.

All other employees remuneration

Objective

The company aims to reward all other employees with a level of remuneration commensurate with their position and responsibilities within the company and ensuring that it is competitive by market standards.

Structure

In determining the level of all other employees' remuneration, the Chief Executive Officer may seek independent advice regarding market levels of remuneration for comparable roles. Remuneration packages are fixed and inclusive of statutory Superannuation contributions. After completion of a qualifying period, employees may be invited to participate in the company's Bonus Program which will vary from time to time depending on company policies as amended from time to time and the changing needs of the business. Bonus payments do not form part of the remuneration package and will be determined at the absolute discretion of the company. Eligible employees will be advised annually of their participation in any bonus program.

Group Performance

OFG's share price has risen by 24% ($0.10 cents per share) for the period to 30 June 2010 from $0.42 cents per share as at 30 June 2009 to $0.52 cents per share as at 30 June 2010. OFG's consolidated statutory profit for 2010 is $6.318 million. An interim dividend of 2.5 cents per share franked to 30% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 23 June 2010.

Participating Rights Plan

The company's Participating Rights Plan was first approved by shareholders at the company's 2003 Annual General Meeting but no shares have been issued pursuant to the original Plan.

Whilst the Group's operating earnings remained encouraging, the adversely impacted statutory result has resulted in the OFG directors, senior management and staff not being paid any short term incentives and not being granted any participating rights during the year.

The tables below show the performance of the Group (as measured by its TSR) as compared to the ASX Financial (excluding Property Trusts) Accumulation Index and the Group's earnings and movements in shareholder wealth for the five years to June 2010:

	TSR		
	OFG	ASX Financial (ex Property Trusts)	LTI vesting conditions met/ not met
30/06/06	16.18%	24.49%	Not met
30/06/07	9.73%	24.86%	Not met
30/06/08	-54.05%	-33.61%	Not met
30/06/09	-54.40%	-11.71%	Not met
30/06/10	31.33%	11.59%	Met

	EPS		
	OFG cents/share	% Movement	LTI vesting conditions met/not met
30/06/06	14.0	-0.71%	Not met
30/06/07	11.0	-21.43%	Not met
30/06/08	-4.6	-141.82%	Not met
30/06/09	-21.4	-365.22%	Not met
30/06/10	9.3	143.46	Met

The LTI vesting conditions have been met. However, the terms and conditions of that plan state that performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years.

OFG's overall objective is to reward senior management based on the company's performance and build on shareholder's wealth but this is subject to market conditions for the year. Table 1 below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2010:

Table 1: Summary of earnings

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Revenue	93,892	97,636	94,909	147,062	117,604
Net profit/(loss) before tax*	10,259	(19,527)	(1,065)	11,378	10,904
Net profit/(loss) after tax	6,318	(12,413)	(2,707)	6,514	7,305

*Exclusive of the benefit funds.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	$0.42	$0.91	$2.22	$2.26	$2.04
Share price at end of year	$0.52	$0.42	$0.91	$2.22	$2.26
Interim dividend (1)	2.5 cps	0.0 cps	5.0 cps	5.0 cps	5.0 cps
Final dividend	0.0 cps	0.0 cps	3.0 cps	6.0 cps	6.0 cps
Basic earnings per share	9.3 cps	(21.4)cps	(4.6)cps	11.0 cps	14.0 cps
Diluted earnings per share	8.4 cps	(21.4)cps	(4.6)cps	11.0 cps	14.0 cps

(1) 30 June 2010: franked to 30% at 30% corporate income tax rate.

REMUNERATION REPORT (CONT.)
Remuneration of directors and senior management

Table 2: Remuneration for the year ended 30 June 2010

	Short-term employee benefits				
	Salaries $	**Fees $**	**Bonus $**	**Car allowance $**	**Non-monetary benefits $**
Directors					
R.W. Dobson	–	95,000	–	–	–
J.E. McBain	316,819	–	–	20,000	–
J.C. Huljich	225,711	–	–	20,000	–
P.J. Done	–	67,125	–	–	–
D.K. Gupta *	–	49,000	–	–	–
Sub total	**542,530**	**211,125**	**–**	**40,000**	**–**
Senior management					
M.J. Coy **	231,192	–	–	–	–
T.D. Reid **	180,233	–	–	–	–
D.B. Govey	179,546	–	–	–	–
H.J. Schmiede	165,738	–	–	–	–
A.S. Bali	179,549	–	–	–	–
Sub total	**936,258**	**–**	**–**	**–**	**–**
Grand total	**1,478,788**	**211,125**	**–**	**40,000**	**–**

* D.K. Gupta was re-elected as a Director on 29/10/2009.

** M.J. Coy was appointed as an additional Company Secretary of OFG, to be based in Sydney, on 21 October 2009. Terry Reid will continue as Company Secretary.

No directors or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonus

No cash bonuses granted during the 30 June 2010 financial year, to the above senior management, or any other staff of OFG.

Participating rights

The performance conditions attached to the bonus incentives for the financial year ended 30 June 2010 were not met. This resulted in 100% of the bonus amount being forfeited by each executive director and senior management personnel for the current financial year.

Performance Rights

As a result of all OFG staff receiving either a 7.5% or 10% reduction to their remuneration during the current period, in accordance with the resolutions at the October 2009 AGM, staff were granted Performance Rights as compensation for the decreased remuneration (98% were granted). The condition being employment from 1 May 2009 to 1 July 2010.

Also in accordance with the October 2009 AGM, performance rights were also granted to staff instead of cash bonus.

Valuation of options and performance rights

The value of options granted at the grant date in 2010 are $202,872.

The value of the Performance Rights granted at the grant date in 2010 are $405,831. The performance conditions attached to the bonus incentives for the financial year ended 30 June 2010 will be known on 30 September 2010.

Non-Executive Directors' remuneration

The aggregate directors' remuneration paid in 2010 was $388,200 (2009: $281,827).

	Post employment benefits	Share-based payment			Termination benefits	Total
	Superannuation $	Performance rights $	Options $	Participating rights $	Termination Payments $	$
	8,550	54,945	–	–	–	158,495
	30,314	57,347	79,819	–	–	504,299
	22,114	42,156	53,212	–	–	363,193
	3,690	54,945	–	–	–	125,760
	–	54,945	–	–	–	103,945
	64,668	**264,338**	**133,031**	**–**	**–**	**1,255,692**
	20,807	40,843	43,235	–	–	336,077
	15,383	23,836	13,303	–	–	232,755
	16,159	31,826	13,303	–	–	240,834
	14,916	20,375	–	–	–	201,029
	16,160	24,613	–	–	–	220,322
	83,425	**141,493**	**69,841**	**–**	**–**	**1,231,017**
	148,093	**405,831**	**202,872**	**–**	**–**	**2,486,709**

REMUNERATION REPORT (CONT.)

Table 3: Remuneration for the year ended 30 June 2009

	Short-term employee benefits			
	Salaries $	**Fees $**	**Bonus $**	**Car allowance $**
Directors				
R.W. Dobson	–	107,500	–	–
J.E. McBain	348,006	–	34,000	20,000
J.C. Huljich	248,458	–	15,000	20,000
P.J. Done	–	74,000	–	–
M.G. Grant *	–	24,667	–	–
D.K. Gupta	–	49,000	–	–
Sub total	**596,464**	**255,167**	**49,000**	**40,000**
Senior management				
M.J. Coy **	252,599	–	25,000	–
T.D. Reid ***	197,188	–	28,000	–
D.B. Govey	197,675	–	15,000	–
S.E. Harding ****	116,334	–	–	–
A.S. Bali	196,175	–	37,968	–
H.J. Schmiede *****	107,735	–	–	–
Sub total	**1,067,706**	**–**	**105,968**	**–**
Grand total	**1,664,170**	**255,167**	**154,968**	**40,000**

* M.G. Grant resigned on 29 October 2008.
** M.J. Coy was appointed as the Chief Financial Officer of OFG on 1 October 2008.
*** T.D. Reid was appointed as the General Manager of Over Fifty Mutual Friendly Society on 1 October 2008.
**** S.E. Harding resigned on 30 June 2009.
***** H.J. Schmiede was appointed as the Head of Finance – Property on 1 December 2008.

No directors or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses

Cash bonuses granted during the 30 June 2008 financial year, to the above senior management, were paid on 28 August 2008 except for T.D. Reid and J.E. McBain which were paid on 1 December 2008. The performance conditions attached to the bonus incentives for the financial year ended 30 June 2009 were not met. This resulted in 100% of the bonus amount being forfeited by each executive director and senior management personnel for the current financial year.

Valuation of options and participating rights

There were no rights granted to senior management during 2009.

Non-Executive Directors' remuneration (including Directors Retirement Fund)

The aggregate directors' remuneration paid in 2009 was $281,827 (2008: $381,177).

The past practice of providing for a directors retirement fund, in addition to directors fees, has been discontinued during the period.

All OFG staff

During the period all OFG staff received a minimum of 7.5% reduction in their remuneration as well as forfeiting all performance bonuses, with senior management receiving a 10% reduction in their remuneration. In addition, all staff remuneration has been frozen until 30 June 2010.

	Post employment benefits		Share-based payment		Termination benefits	Total
	Superannuation $	Directors Retirement Fund $	Participating rights $	Options $	Termination Payments $	$
	9,675	–	–	–	–	117,175
	36,180	–	–	–	–	438,186
	25,511	–	–	–	–	308,969
	6,660	–	–	–	–	80,660
	2,220	8,105	–	–	–	34,992
	–	–	–	–	–	49,000
	80,246	**8,105**	**–**	**–**	**–**	**1,028,982**
	24,984	–	–	–	–	302,583
	19,060	–	3,355	–	–	247,603
	17,659	–	–	–	–	230,334
	10,117	–	–	–	–	126,451
	21,073	–	–	–	–	255,216
	9,622	–	–	–	–	117,357
	102,515	**–**	**3,355**	**–**	**–**	**1,279,544**
	182,761	**8,105**	**3,355**	**–**	**–**	**2,308,526**

Share-based payments granted as compensation and incentive for the current financial year

Performance Rights plan

Details to the plan are set out above under “Short-term Incentives (STI)”.

Details of the proposed grants of Performance Rights in 2010 are set out below:

Table 4: Performance rights criteria

	Performance Rights Grant Date	Number of performance rights	EPS Hurdle	Vesting Date
Compensation Performance Rights	10 February 2010	0.7 million	No EPS hurdle	1 July 2010
Incentive Performance Rights	30 June 2010	0.3 million	8.96 cents	30 September 2010
Incentive Performance Rights	1 July 2010	1 million	(i)	1 July 2011
Incentive Performance Rights	1 July 2011	1 million	(i)	1 July 2012

(i) EPS hurdle will be set at the time of grant

An estimate value of the maximum and minimum possible total value of the grant for financial years after 30 June 2010 to which the report relates, is not reliable as the grant has not been allocated.

Executive Option plan

Details to the plan are set out above under “Long-term Incentives (LTI)”.

The number of Executive Options proposed to be issued to the Executive Directors is set out below:

Table 5: Executive Option plan

Name of Executive Director	Executive options granted on 29 October 2009 (ii)	Compensation Performance Rights granted on 10 February 2010	Incentive Performance Rights granted on 30 June 2010
Mr J.E. McBain	600,000	69,633	39,600
Mr J.C. Huljich	400,000	50,797	29,500

(ii) Of the total number of Executive Options of an executive that become exercisable one third will have an exercise price of $0.66, one third an exercise price of $0.73 and one third an exercise price of $0.80 per Executive Option.

All of the Executive Options will become exercisable if:

- the Company meets or exceeds all of the following EPS targets for financial years shown:

Financial Year (FY)	EPS Hurdle
2010	8.96 cents
2011	10.04 cents
2012	11.23 cents

or,

- the simple average of the Company’s EPS for the 3 financial years is 10.07 cents.

Part only of the Executive Options will become exercisable if:

- A Change of Control Event occurs (the number of Executive Options vesting will be pro-rata to the proportion of the vesting period that has elapsed at the time of the Change of Control Event); or
- Based on the EPS achieved and on the following sliding scale, assuming that the EPS for the purposes of the growth chart was 8 cents for the financial year ending 30 June 2010:

EPS Growth	% Executive Options Vesting
Less than 8%	0%
8 – 8.99%	20%
9 – 9.99%	40%
10 – 10.99%	60%
11 – 11.99%	80%
12 – 12.99%	100%

Fair Market Value

Fair market value is the price that would be negotiated at the valuation dates in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

Share based payment

During the financial year, the following share-based payment arrangements were granted. The fair market value of the Rights at the valuation dates are set out below:

	Grant date	Fair value	Vesting date	Expiry date
Compensation PR	10 February 2010	65.00 cents	1 July 2010	1 July 2010
Incentive PR	30 June 2010	52.50 cents	30 September 2010	30 September 2010
Executive Option	29 October 2009	39.91 cents	1 July 2012	28 October 2014

Participating Rights Plan

The proportion of Rights that vest is cumulative over the vesting period disclosed in Table 7 which will be determined by the Company's performance measured in terms of EPS and TSR, ranked against the ASX Financial (excluding Property Trusts) Accumulation Index.

Table 6:

Earnings Per Share (EPS) performance criteria

EPS is based on normalised operating earnings before tax. The EPS performance hurdle and subsequent percentages of the Rights that become exercisable depend on the following vesting scale:

- If OFG achieves less than 10% growth in EPS per annum, no Rights vest.
- If OFG achieves 10% growth in EPS or greater, 70% of Rights vest.
- If OFG achieves 11% growth in EPS or greater, 80% of Rights vest.
- If OFG achieves 12% growth in EPS or greater, 90% of Rights vest.
- If OFG achieves 13% growth in EPS or greater, 100% of Rights vest.

Total Shareholders Return (TSR) Performance criteria

The TSR performance hurdles and percentages of the Rights that become exercisable upon meeting the performance hurdle are as follows:

- If TSR rank is less than the index, no Rights vest.
- If TSR rank is equal to or greater than the index, all Rights vest.

During the financial year, the following share-based payment arrangements granted under the Participating Rights plan were in existence. The fair market value of the Rights at the valuation dates are set out below:

Tranche	Grant date	Rights fair value including market hurdle (TSR)	Rights fair value (EPS)	Vesting date	Expiry date
1	26 May 2006	$1.32	$2.22	30 June 2007	26 May 2011
2	26 May 2006	$1.27	$2.12	30 June 2008	26 May 2011
3	26 May 2006	$1.18	$2.03	30 June 2009	26 May 2011
4	1 July 2006	$1.13	$1.88	30 June 2010	30 June 2011
5	1 July 2007	$1.11	$1.85	30 June 2011	30 June 2012

The valuation approach employed is an adjusted form of the Black – Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation analysis that incorporates an estimate of the probability of achieving the TSR hurdle.

The Monte Carlo model is based on the assumption that share price movements are lognormal distributed, a similar assumption that underpins the BSM.

The BSM takes into account the following factors:

- The Rights have no exercise price;
- The time to expiry for the Rights accords with their respective vesting dates;
- The price of the underlying shares at grant date ($2.22);
- The expected volatility of the share price (25%);
- The dividend yield expected on the shares (4.7%); and
- The risk-free interest rate for the life of the Rights (6.43%).

Table 7: During the current year, the following Participating Rights were on issue

Name	Tranche	No. granted		Grant date	Rights fair value	Rights fair value including market hurdle	Vested		% of grant forfeited	% of compensation for the year consisting of options
		EPS	TSR		EPS	TSR	No.	%		
T.D. Reid	Tranche 3	10,723	10,723	26 May 2006	$2.03	$1.18	nil	nil	100%	–
	Tranche 4	6,637	6,637	1 July 2006	$1.88	$1.13	nil	nil	100%	–
	Tranche 5	10,511	10,511	1 July 2007	$1.85	$1.11	–	–	–	2%
Total		**27,871**	**27,871**							

Table 8: During the current year, the following rights were held as part of remuneration:

Name	Tranche	No. at beginning	No. Granted		Exercised	Lapsed/ forfeited	Balance at end	Exercisable	Not vested
			EPS	TSR					
T.D. Reid	Tranche 3	21,446	–	–	–	(21,446)	–	–	–
	Tranche 4	13,274	–	–	–	(13,274)		–	–
	Tranche 5	21,022	–	–	–	–	21,022	–	21,022
Total		**55,742**	**–**	**–**	**–**	**(34,720)**	**21,022**	**–**	**21,022**

Key terms of employment contracts

Current CEO

Mr John McBain, was appointed as CEO of Over Fifty Group Limited (OFG) on April 2008. He is also an executive director of the OFG. Mr McBain is employed under contract and no changes have been made on the employment contract since his appointment as CEO. The current employment contract commenced on 10 July 2006 and terminated on 9 July 2010. OFG is to commence negotiations to enter into a new employment contract with Mr McBain.

The summary of the major terms and conditions of Mr McBain's employment contract are as follows:

- Mr McBain receives Fixed Compensation plus Superannuation contributions.
- Mr McBain is entitled to a motor vehicle allowance and can elect to apply a portion of his salary as a motor vehicle allowance. For the year ended 30 June 2010, Mr McBain elected to allocate from his total salary amount $20,000 (2009: $20,000) to his motor vehicle allowance.
- Mr McBain is entitled to car parking within close proximity to the OFG's office.
- Mr McBain is eligible to participate in the bonus program which will be determined at the discretion of the Company. This is calculated as a percentage of the total fixed compensation for the previous financial year. To be eligible he must remain in office following the end of the relevant financial year.
- OFG may terminate this employment contract by providing 6 months written notice or provide payment in lieu of the notice period. Any payment in lieu of notice will be based on the Total Fixed Compensation Package.
- OFG may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the CEO is only entitled to remuneration up to the date of termination.

Other executives (standard contracts)

All executives are employed under contract. The Company may terminate the executive's employment agreement by providing 1–6 months written notice or providing payment in lieu of the notice period (based on the Total Fixed Compensation package).

Upon a participant's termination of employment with OFG, the unvested and vested performance rights of the participant will be dealt with as specified in the table below.

Type of termination	Unvested rights	Vested rights
Redundancy or retrenchment	Lapse after 12 months from date of termination of employment. Rights retain ability to be tested and if they become vested, exercisable.	Lapse after 60 days from the date termination of employment takes effect.
Special circumstances (Death or disability)	Lapse	Lapse after 180 days from the date termination of employment takes effect.
Dismissal for serious misconduct (e.g.. Fraud)	Lapse	Lapse from the date termination of employment takes effect.
Termination in any other instance (e.g.. Resignation)	Lapse	Lapse from the date termination of employment takes effect.

On behalf of the Board

R.W. DOBSON
Director
Chairman

P.J. DONE
Director
Chairman – Audit, Risk Management and Compliance Committee

Sydney
19 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
Over Fifty Group Limited
Level 30, 367 Collins Street
Melbourne VIC 3000

19 August 2010

Dear Board Members

Over Fifty Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Over Fifty Group Limited.

As lead audit partner for the audit of the financial statements of Over Fifty Group Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Gustafson

Member of
Deloitte Touche Tohmatsu

CORPORATE GOVERNANCE STATEMENT
for the year ended 30 June 2010

This statement sets out the eight core principles identified by the ASX Corporate Governance Council (the Council) as underlying good corporate governance and outlines the approach of Over Fifty Group Limited (OFG or the company) to each of the principles.

As recognised by the Council, corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. At OFG, corporate governance will evolve with our changing circumstances and will be tailored to meet those circumstances.

PRINCIPLE 1: Lay solid foundations for management and oversight

The role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of OFG. It is responsible for overseeing the financial position, and for monitoring the business and affairs of OFG on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues relating to internal controls and approaches to risk management. It ensures that there are processes in place to conform to legal requirements and corporate governance standards and that risk exposures are adequately managed.

For full details of the role of the Board please refer to our Board Charter, a link to which is contained under the Corporate Governance page of our website.

Delegation to Senior Executives

The role of the Chief Executive Officer (CEO) and Senior Executives is to manage OFG in accordance with the direction given by the Board.

The CEO's responsibilities include:

- Formulating and reviewing, with the Board, the vision and strategy for OFG;
- Developing actions and plans to achieve the vision and implement the strategy and to report to the Board on the progress against those plans;
- Appointing a management team and negotiating terms and conditions of their employment; and
- Approving the remuneration levels of all staff.

Performance Review of Senior Executives

The performance of the CEO is reviewed periodically by the Nomination and Remuneration Committee and the Board. This assessment is made against pre-determined criteria including Key Performance Indicators relating to OFG's performance as determined in OFG's Strategic Plan.

Performance reviews of Senior Executives are carried out by the CEO who reports the findings to the Nomination and Remuneration Committee. The CEO conducts the reviews each year by comparing performance against agreed measures, evaluating any efficiencies or improvements during the course of the year and deciding upon targets for next year.

PRINCIPLE 2: Structure the board to add value

Directors

The Directors' Report in the Annual Report contains details of the directors' skills, experience and qualifications. It also states the date the individual director was appointed to the board, their status as non-executive or executive directors and the committees on which they sit. The directors seek to ensure the Board consists of directors with an appropriate range of experience, skills, knowledge and vision to enable it to operate OFG's business with excellence. The number of directors is limited by OFG's constitution to a minimum of 5 and a maximum of 13. The Board considers that the ideal size is 5 to 8 directors.

Currently the Board consists of 5 directors. Three of the five directors, namely Roger Dobson, Peter Done and Deepak Gupta are considered to be independent as per independence criteria set out in the Board Charter. The three independent directors do not have relationships with OFG which affect their independent status, such as substantial shareholdings or direct employment.

They do not provide material professional consultancy services, they are not a material supplier or customer and they do not have a material contractual relationship with OFG or other group member except as a director. Our CEO, John McBain and Jason Huljich are executive directors. Directors are required to disclose at each Board meeting any interests that may affect their independence. Independent directors reconfirm their independent status to the board by way of a written confirmation on an annual basis.

Directors are selected and appointed in accordance with documented procedures. For full details on the procedures for the selection and appointment of directors please see our policy, a link to which is contained under the Corporate Governance page of our website.

Chairman

OFG's chairman, Roger Dobson is considered to be an independent director for the reasons given above. There is a clear division of responsibility at the head of the company as the roles of chairman and the CEO are not performed by the same person. The Board Charter also provides that the chairman shall be an independent non-executive director. A Statement of Position Authority is in place for the CEO which details the responsibilities and authorities for that position.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee formulates criteria for appointment of directors to the Board, identifies potential candidates and recommends remuneration of directors and senior management. Appointments to the Board are made on the understanding that a minimum of one term of three years and a maximum of three terms (9 years) will be served. A link to the charter of the Nomination and Remuneration Committee can be found on the Corporate Governance page of our website.

Specific activities include:

- Annual review of Board composition to ensure that the necessary skills are represented, together with the appropriate continuity and balance;
- Assessment of the effectiveness and composition of Board committees;
- Regular evaluation of the performance of the CEO;
- Recommending remuneration for non-executive directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs, are in place.

The Nomination and Remuneration Committee consists of three directors, all of whom are independent and is chaired by an independent director. Detail of membership of the Nomination and Remuneration Committee including meeting attendance is set out in at the end of the Corporate Governance Statement. Each director's skills, experience and expertise is contained in the Director's Report.

Board Performance

The Board reviewed and assessed its performance for the 2009/10 financial year. Detailed consideration was given to the following areas:

- The Board's composition;
- The operations and effectiveness of the Board and its Committees;
- Decision making processes, including agendas, frequency of meetings and content of papers;
- Communications between Board and executives;
- Determination of company strategy; and
- The Board's policies for board renewal.

Continuing education to update and enhance director knowledge is seen as an important factor in ensuring optimum performance by each director.

Clause 5 of the Board Charter gives directors the authority to seek professional advice as considered necessary in the performance of its duties at OFG's expense. The directors also have full access to the company secretary to assist them to carry out their role.

Re-election of Directors

The company's constitution stipulates that a number of directors not exceeding one-third of their number should retire by rotation at each annual general meeting (AGM). A director must offer themself for re-election at the third AGM since their election or re-election, unless they have served three terms at which time the director must retire from the Board. The CEO, if also a director, is not subject to the retirement by rotation process, and is not included when calculating the number of directors required to retire by rotation.

PRINCIPLE 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has established a Directors and Employee Code of Conduct that sets the standard by which all officers and employees of the company are to conduct themselves in the course of their duties. Potential breaches of the Code of Conduct can be reported to management, the Audit, Risk Management & Compliance Committee or an external auditor using the guide outlined in OFG's Whistleblower Policy. A link to the Code of Conduct can be found under the Corporate Governance page of our website.

Trading in OFG's Securities

The Board has established a policy concerning trading in the company's securities by directors, officers and employees. The policy prohibits Directors and employees trading in OFG shares if they are aware of any price sensitive information regarding the shares and also, at nominated times when a 'black-out period' is imposed. A link to OFG's Directors & Staff Share Trading Policy can be found under the Corporate Governance page of our website.

PRINCIPLE 4: Safeguard integrity in financial reporting

Audit, Risk Management and Compliance Committee

Our Audit, Risk Management & Compliance Committee consists of three non-executive directors, has a majority of independent directors and is chaired by an independent chair who is not the chair of the OFG Board. All members are financially literate holding financial or accounting qualifications and have professional experience in a financial or accounting related field. The Committee chairman, Peter Done is a chartered accountant with over 40 years of experience. Deepak Gupta has 20 years' experience in the financial services and investment management industry. The third member of the committee, Roger Dobson is the senior partner in the banking and finance practice at the legal firm in which he is a partner. The Committee meets quarterly with the external and internal auditors of OFG present. Detail of the Audit, Risk Management & Compliance Committee member's names, appointment date, status, qualifications and meeting attendance is set out a the end of this Corporate Governance Statement.

Charter

The Board has formulated an Audit, Risk Management & Compliance Committee Charter, a link to which is contained under the Corporate Governance page of our website.

External auditor

Procedures have been established in relation to the external auditor selection, appointment and lead partner rotation. A link to the procedures relating to the external auditor selection, appointment and lead partner rotation can be found under the Corporate Governance page of our website.

PRINCIPLE 5: Make timely and balanced disclosures

The Board has established written policies and procedures on information disclosure. The focus of these procedures is to effect OFG's commitment to:

- Comply with the general and continuous disclosure principles contained in the ASX Listing Rules and the Corporations Act;
- Prevent the selective or inadvertent disclosure of price sensitive information;
- Ensure that shareholders and the market are provided with full and timely information about its activities; and
- Ensure that all market participants have equal opportunity to receive externally available information issued by OFG.

A summary of our Continuous Disclosure Policy can be found under the Corporate Governance page of our website.

Responsibility for compliance with OFG's continuous disclosure obligations rests with the company Secretaries. Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the company.

Information is posted on OFG's website as soon as reasonably practicable after the stock exchange confirms an announcement has been made, with the aim of making the information accessible to the widest audience.

PRINCIPLE 6: Respect the rights of shareholders

OFG aims to provide prompt, accurate and accessible information to its shareholders. It has established a Communications Policy detailing steps to be taken to achieve this objective, a copy of which can be viewed under the Corporate Governance page of our website.

The main mechanisms through which OFG communicates with its shareholders are:

- The Annual Report and Half-year Financial Reports;
- Announcements made to the Australian Stock Exchange;
- Notices and explanatory memoranda of annual general meetings (AGMs);
- The annual general meeting; and
- OFG's website **http://www.overfifty.com.au.**

OFG's website forms an important part of the strategy for communicating with shareholders. OFG's website has a shareholders page which includes share details, company reports, company announcements and press releases (including copies of any significant presentations made to analysts or a template of such presentations), and items relating to AGMs.

In designing notices and explanatory statements / memoranda of AGMs, OFG gives consideration to the guidelines given by the ASX Corporate Governance Council in its Principles of Good Corporate Governance and Best Practice Recommendations.

At the time of providing a notice of meeting and explanatory memoranda for the AGM a form is provided for shareholders to mail back to OFG if they wish to raise any issues. At the AGM, the company will, where appropriate, endeavour to address issues raised by shareholders in these forms. During the course of the AGM the floor is opened for questions.

PRINCIPLE 7: Recognise and manage risk

The OFG Board has established a Risk Management Framework for OFG, a summary of which can be viewed under the Corporate Governance page of our website. Risk management is an integral part of the governance of OFG and is one of the main responsibilities of the Board and Senior Management. The Board is ultimately responsible for approving and reviewing OFG's Risk Management Framework. The monitoring and management of risk on an ongoing basis is the responsibility of management as represented by the heads of the respective business units of OFG.

At OFG, managing risk is a continuous process for both Management and the Board. OFG's comprehensive risk management framework requires a detailed annual business risk review, which seeks to define all the major risks that could prevent or impact the company from achieving its objectives. This review has been completed for this financial year and the Board has accepted management's report that material business risks have been managed effectively.

The management of risk is then continually addressed during the year at the business unit level. Periodically, an external audit firm is engaged to review the effectiveness of OFG's risk management framework. Combined with this, is an embedded compliance culture to ensure OFG meets the requirements of the Australian Securities and Investments Commission for conducting a financial services business and operating managed investment schemes. A robust compliance framework has been implemented which requires the business to monitor its activities and those of its outsourced service providers. The compliance function at OFG reports directly to the Audit, Risk Management & Compliance Committee and the Board.

An internal audit function has also been established with a focus on OFG's control environment. The annual internal audit plan is determined having regard to the risk profile of the business arising from the annual business risk review.

The Audit, Risk Management & Compliance Committee has the below risk management responsibilities:

- Assessing risks arising from OFG's operations and ensuring the adequacy of measures taken to moderate those risks;
- Reviewing and assessing the effectiveness of OFG's Risk Management Framework and internal control practices and ensure there is a continuous process for the management of significant risks throughout OFG; and
- Monitoring compliance with the company's Risk Management Framework.

Quarterly risk management reporting is provided to the Audit, Risk Management and Compliance Committee by management.

The CEO and CFO have declared in writing to the Board for both the half-year and full-year financial statements that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: Remunerate fairly and responsibly

Remuneration Committee

The Nomination and Remuneration Committee consists of three directors, all of whom are independent and is chaired by an independent director. Detail of membership of the Nomination and Remuneration Committee including meeting attendance is set out at the end of this Corporate Governance Statement.

Remuneration related responsibilities of the Nomination and Remuneration Committee include:

- Recommending fees for directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs and incentive schemes, are in place.

OFG recognises the important role people play in the achievement of its long-term objectives and as a key determinant of competitive advantage. To grow and be successful, OFG must be able to attract, motivate and retain capable individuals.

Senior Executive remuneration structure

The key principles that underpin OFG's Senior Executive Remuneration Policy are:

- Competitive rewards are provided to attract and retain executive talent;
- Remuneration is linked to performance so that higher levels of performance attract higher rewards;
- Rewards to all staff but particularly executives are linked to the creation of value to shareholders;
- The criteria used to assess and reward staff include financial and non-financial measures of performance;
- The overall cost of remuneration is managed and linked to the ability of the company to pay; and
- Severance payments due to the CEO on termination are limited to pre-established contractual arrangements which do not commit OFG to making any unjustified payments in the event of non-performance.

The remuneration policy assists OFG to achieve its business strategy and objectives. OFG recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. OFG values and its ability to provide interesting and challenging career opportunities, also play an important role.

PRINCIPLE 8: Remunerate fairly and responsibly

Non-executive director remuneration structure

The Board has established a policy relating to the remuneration of non-executive directors. OFG pays non-executive directors fees at a level which is sufficient to attract individuals with the appropriate skills, and to fairly reimburse those directors for services provided. Non-executive director's remuneration does not include incentive schemes or performance related payments. In the current year, the Non-executive directors received shares as part of their compensation.

Executive directors are paid a salary commensurate with their position and responsibilities and at a level which attracts high calibre executives with appropriate skills and experience. Executive directors also participate in OFG's long-term and short term incentive plans.

Further information regarding director and senior executive remuneration can be found in the Remuneration Report.

Addendum : Board Committee detail

Nomination and Remuneration Committee

Current member name	Appointment date	Status	Qualifications	Meetings held	Meetings attended
Roger Dobson	22 Jan 08	Independent Chair	LLB, LLM	3	2
Peter Done	22 Jan 08	Independent	B.Comm(Accntg), FCA	3	3
Deepak Gupta	29 Oct 09	Independent	BCA, MBA	3	3

Audit, Risk Management & Compliance Committee

Current member name	Appointment date	Status	Qualifications	Meetings held	Meetings attended
Peter Done	22 Jan 08	Independent Chair	B.Comm(Accntg), FCA	7	7
Roger Dobson	22 Jan 08	Independent	LLB, LLM	7	6
Deepak Gupta	25 Nov 08	Independent	BCA, MBA	7	5

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2 to the financial statements; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

R.W. DOBSON

Director

Chairman

P.J. DONE

Director

Chairman – Audit, Risk Management and Compliance Committee

Sydney

19 August 2010

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 June 2010

	Note	Consolidated		Parent	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
Revenue	3(i)	68,282	79,299	9,582	6,902
Applications for bonus funds	5(c)	11,951	15,259	–	–
Other income	3(ii)	13,659	3,078	462	381
Other expenses	3(ii)	(4,786)	(30,315)	–	–
Share of loss in associate	12	(1,921)	(2,840)	–	–
Employee benefits expense	5(a)	(7,177)	(7,431)	(2,347)	(2,192)
Finance costs	4	(17,180)	(21,546)	(1,703)	(2,018)
Administration and management fees	5(b)	(16,642)	(18,565)	(9)	(4)
Redemption expense	5(c)	(65,684)	(100,114)	–	–
Net movement in policy liabilities – benefit funds	5(c)	42,816	91,910	–	–
Mortgage advance provisioning	5(b)	(3,456)	(9,335)	–	(56)
Depreciation expense		(353)	(546)	(253)	(243)
Advertising and marketing expense		(772)	(1,141)	(134)	(216)
Rental expense – operating leases		(756)	(707)	(513)	(481)
Consulting and professional fees		(2,756)	(2,720)	(810)	(989)
Impairment in respect of parent company guarantee		120	(7,271)	120	(7,271)
Impairment of investments in associates	12	691	(2,318)	–	–
Impairment of investments in associates – carried at cost		–	–	(3,600)	(7,425)
Impairment for the non-recoverable loans to subsidiaries		–	–	139	(2,425)
Revaluation of investment property assets	5(b)	(13)	(6,837)	–	–
Realised/unrealised profit/(loss) on investments		15	–	15	–
General and administration expenses	5(b)	(3,158)	(3,093)	(1,074)	(1,426)
Profit/(loss)before tax		**12,880**	**(25,233)**	**(125)**	**(17,462)**
Income tax (expense)/benefit relating to shareholders		(3,941)	7,114	2,168	6,122
Income tax (expense)/benefit relating to benefit funds		(2,621)	5,706	–	–
Total Income tax (expense)/benefit	6	**(6,562)**	**12,820**	**2,168**	**6,122**
Profit/(loss) for the year		**6,318**	**(12,413)**	**2,043**	**(11,340)**
Other comprehensive income:					
Profit/(loss) on cash flow hedges taken to equity		1,223	(5,106)	–	–
Share of other comprehensive income/(loss) of associates		323	(1,527)	–	–
Income tax relating to components of other comprehensive income		(464)	1,991	–	–
Other comprehensive income/(expense) for the period (net of tax)		**1,082**	**(4,642)**	**–**	**–**
Total Comprehensive income for the period		**7,400**	**(17,055)**	**2,043**	**(11,340)**
Attributable to:					
Equity holders of the parent		6,318	(12,854)	2,043	(11,340)
Non-controlling interests		–	441	–	–
		6,318	**(12,413)**	**2,043**	**(11,340)**
Earnings per share					
Basic (cents per share)	7	9.3	(21.4)	–	–
Diluted (cents per share)	7	8.4	(21.4)	–	–

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Assets					
Cash and cash equivalents	26	55,368	28,285	3,714	526
Trade and other receivables	8	13,399	7,792	42,684	40,999
Income tax receivable	6	1,800	13,560	–	1,682
Financial assets at fair value through profit and loss	9	495,733	556,767	147	127
Other financial assets	9	208,552	224,118	59,970	59,730
Investment property	11	27,000	27,000	–	–
Investment property – held for sale	11	–	19,000	–	–
Investment in associates	12	11,886	13,162	4,032	7,560
Plant & equipment	13	1,198	1,345	847	1,003
Deferred tax assets	6	14,317	16,088	5,124	4,200
Other assets	10	2,115	2,651	136	46
Intangible assets	14	52,812	52,571	–	–
Total Assets		**884,180**	**962,339**	**116,654**	**115,873**
Trade and other payables	15	5,324	6,097	146	342
Borrowings	16	204,458	254,991	4,116	19,830
Other liabilities	18	14,053	13,826	13,562	13,403
Policyholders funds	20	548,040	596,022	–	–
Derivative financial liabilities	19	15,951	12,409	–	–
Income tax payable	6	–	–	4,688	–
Provisions	17	711	556	247	251
Total Liabilities		**788,537**	**883,901**	**22,759**	**33,826**
Net Assets		**95,643**	**78,438**	**93,895**	**82,047**
Equity					
Contributed equity	21	100,018	89,045	100,018	89,045
Reserves	21	(2,172)	(3,984)	738	8
Accumulated losses	21	(2,203)	(6,623)	(6,861)	(7,006)
Total Equity		**95,643**	**78,438**	**93,895**	**82,047**

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 June 2010

					Consolidated
	Share capital $'000	Retained earnings $'000	Cash flow hedge reserve $'000	Share of associates reserve $'000	Share based incentive reserve $'000
Balance at 1 July 2008	88,511	8,027	651	–	103
(Loss)/profit for the year	–	(12,854)	–	–	–
Other comprehensive income for the year	–	–	(3,574)	(1,069)	–
Total comprehensive income for the year	**–**	**(12,854)**	**(3,574)**	**(1,069)**	**–**
Issued during the year:					
Dividend Reinvestment Plan	534	–	–	–	–
Acquisition of minority interest share of Eclipse Property Group Limited	–	–	–	–	–
Expiry of put option held by minority interest	–	–	–	–	–
Executive share-based incentives	–	–	–	–	(95)
Payment of dividends (note 22)	–	(1,796)	–	–	–
Balance at 30 June 2009	**89,045**	**(6,623)**	**(2,923)**	**(1,069)**	**8**
Balance at 1 July 2009	89,045	(6,623)	(2,923)	(1,069)	8
Profit for the year	–	6,318	–	–	–
Other comprehensive income for the year	–	–	856	226	–
Total comprehensive income for the year	**–**	**6,318**	**856**	**226**	**–**
Issued during the year:					
Executive share option plan	–	–	–	–	213
Employee share scheme	–	–	–	–	517
Shares issued on Capital Raising (net of costs)	10,349	–	–	–	–
Dividend Reinvestment Plan	459	–	–	–	–
Shares issued to Non-executive directors	165	–	–	–	–
Payment of dividends (note 22)	–	(1,898)	–	–	–
Balance at 30 June 2010	**100,018**	**(2,203)**	**(2,067)**	**(843)**	**738**

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).

The above Statement of Changes of Equity should be read in conjunction with the accompanying notes.

			Parent			
Attributable to equity holders of the parent $'000	Non-controlling interests $'000	Total $'000	Issued capital $'000	Retained earnings $'000	Share based incentive reserve $'000	Total $'000
97,292	(4,639)	92,653	88,511	6,130	103	94,744
(12,854)	441	(12,413)	–	(11,340)	–	(11,340)
(4,643)	–	(4,643)	–	–	–	–
(17,497)	**441**	**(17,056)**	**–**	**(11,340)**	**–**	**(11,340)**
534	–	534	534	–	–	534
–	(115)	(115)	–	–	–	–
–	4,754	4,754	–	–	–	–
(95)	–	(95)	–	–	(95)	(95)
(1,796)	(441)	(2,237)	–	(1,796)	–	(1,796)
78,438	**–**	**78,438**	**89,045**	**(7,006)**	**8**	**82,047**
78,438	–	78,438	89,045	(7,006)	8	82,047
6,318	–	6,318	–	2,043	–	2,043
1,082	–	1,082	–	–	–	–
7,400	**–**	**7,400**	**–**	**2,043**	**–**	**2,043**
213	–	213	–	–	213	213
517	–	517	–	–	517	517
10,349	–	10,349	10,349	–	–	10,349
459	–	459	459	–	–	459
165	–	165	165	–	–	165
(1,898)	–	(1,898)	–	(1,898)	–	(1,898)
95,643	**–**	**95,643**	**100,018**	**(6,861)**	**738**	**93,895**

STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Cash flows from operating activities					
Interest received		10,214	14,155	124	116
Dividends received		14,152	20,276	594	459
Management fees received		20,114	25,503	–	–
Rent, trust distributions and other income received		8,636	12,106	1,261	1,293
Redemption paid from bonus funds		(65,684)	(100,114)	–	–
Redemption paid from unit linked funds		(13,911)	(17,810)	–	–
Applications received by unit linked funds		4,412	3,143	–	–
Applications received by bonus funds		18,284	15,259	–	–
Payments to suppliers and employees		(28,093)	(44,604)	(1,869)	122
Income tax received/(paid)		4,689	(11,629)	907	(2,108)
Net cash (used in)/provided by operating activities	**26**	**(27,187)**	**(83,715)**	**1,017**	**(118)**
Cash flows from investing activities					
Interest payments on mortgage loans		(8,909)	(11,487)	–	–
Payments for investment property		(13)	(1,558)	–	–
Payments for plant and equipment		(224)	(135)	(73)	(92)
Proceeds from disposal of plant and equipment		19	1	5	–
Proceeds from sale of investments		2,439	158	–	–
Acquisition of subsidiaries net of cash acquired	29	(790)	128	(790)	(100)
Proceeds from investment in other financial assets		13,434	16,355	–	–
Payment for investment in associated entities		(69)	(350)	–	(350)
Other investments		55,972	84,664	–	–
Net cash provided by/ (used in) investing activities		**61,859**	**87,776**	**(858)**	**(542)**
Cash flows from financing activities					
Proceeds from issue of equity securities		10,349	–	10,349	–
Loans (to)/from related entities		(8,856)	(347)	9,841	4,505
Loans from/(to) mortgage holders		24,055	2,770	–	–
Proceeds from borrowings		10,906	26,112	–	–
Repayment of borrowings		(42,596)	(22,987)	(15,714)	(4,170)
Dividends and distributions paid		(1,447)	(1,796)	(1,447)	(1,796)
Net cash (used in)/provided by financing activities		**(7,589)**	**3,752**	**3,029**	**(1,461)**
Net increase/(decrease) in cash and cash equivalents		**27,083**	**7,813**	**3,188**	**(2,121)**
Cash and cash equivalents at the beginning of the financial year		**28,285**	**20,472**	**526**	**2,647**
Cash and cash equivalents at the end of the financial year	**26**	**55,368**	**28,285**	**3,714**	**526**

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2010

1. General information

Over Fifty Group Limited (the company) is a public company listed on the Australian Stock Exchange (trading under the symbol OFG), incorporated and operating in Australia.

Over Fifty Group Limited's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
Level 30,	Level 30,
367 Collins Street	367 Collins Street
Melbourne VIC 3000	Melbourne VIC 3000
Tel: 1300 50 50 50	Tel: 1300 50 50 50

The entity's principal activities are the marketing and management of investment products, general insurance through agency arrangements, mortgage lending and management and property investment.

2. Significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 19 August 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for investment properties and those financial assets and financial liabilities which have been valued at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

Going concern

The Directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the financial year ended 30 June 2010, $15.7 million (30 June 2009: $3.0 million) of the NAB floating working capital facility has been repaid by OFG parent company. The facility drawn was reduced subsequent to 30 June 2010 by a further $0.8 million, to $3.3 million at 31 July 2010.

OFG has extended its finance facility with NAB for a period ending 31 August 2011.

Furthermore, OFG has negotiated an increased working capital facility of $12.0 million that will provide OFG with additional resources to take advantage of strategic opportunities that exist in the market for consolidation of funds under management. The facility currently has approximately $8.8 million available in undrawn funds.

2. Significant accounting policies (cont.)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the entity's accounting policies

There are no critical judgements in applying the Group's accounting policies for the year ended 30 June 2010.

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the participating rights (Participating Rights plan) was determined by an external valuer using an adjusted form of the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation analysis, using the assumptions detailed in note 32. The fair value of the Executive Option (new Executive Option plan) is determined using the Black-Scholes Option Pricing Model (BSM).

Useful lives of plant and equipment

As described in note 2(j), the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives to be 3 – 15 years. There has been no change compared to prior years.

Investment property

Investment property, which is property held to earn rentals, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

The Group policy is to engage at least every 3 years an accredited valuer to fair value its property investments. In-house expertise is used to value property investment in intervening years.

Employee entitlements

Estimation by management is applied when determining the following key assumptions used in the calculation of long service leave at statement of financial position date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

Commercial mortgages

Commercial mortgages held are reviewed on an individual basis and tested for their recoverability and impaired accordingly. Refer to Note 9.

Valuation of Fixed For Life loans within the reverse mortgage portfolio

Actuarial forecasts are prepared recording the fair value of fixed for life loans undertaken by borrowers within the reverse mortgage portfolio. Assumptions include future market interest rates and mortality when recording the present value of these loans.

Fair value of derivatives and other financial instruments

As described in note 27, management uses their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value for unlisted instruments includes some assumptions not supported by observable market prices or rates.

Note 27 (h) describes the assumptions used for the valuation technique in assessing the fair value of the 50 year swaps.

Actuarial methods and assumptions

A Financial Condition Report is being prepared by the Society's Appointed Actuary, Mr Guy Thorburn. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2010.

The amount of the benefit fund liabilities has been determined in accordance with the methods and assumptions disclosed in this Financial Condition Report.

Policy liabilities for benefit funds, other than the Funeral Benefit Fund, are valued using the accumulation method and are equal to the contributions made by members, net of fees, together with bonus additions to date. The balance of the fund is the unvested policyholder benefit liabilities (or surplus). Each year's bonus declaration results in a movement from unvested policyholder benefit liabilities to the vested policy liability. The bonus rate is subject to the amount vesting being no more than the distributable portion of unvested policyholder benefit liabilities.

For the Funeral Benefit Fund, the policy liability has been taken to be the value of assets of the fund net of other liabilities less the value of the current period bonus. This liability represents the present value of guaranteed benefits (pre bonus) plus the present value of future bonuses. Following declaration of the bonus, there would then be no surplus under this arrangement. The Society currently expects to deduct 1.50% of the fund's assets from investment earnings for expense allowances. It has been assumed that interest will be earned in future years at rates after tax sufficient at least to meet this level of expense.

The main variables that determine the bonus rate for a benefit fund are the value of the net assets of each benefit fund at the end of the year, the amounts standing to the credit of each investment account through the previous year and the investment return (net of fees and taxes where applicable) earned by the fund throughout the year. The excess of the net assets of the benefit fund over the liabilities after meeting the prudential standards is the surplus that is generally able to be distributed to members as a bonus.

There is no provision in the funds' rules for any surplus to be transferred to the Management Fund. The Management Fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members. Hence there is no profit and consequently, no need for a profit carrier.

Changes in economic conditions and demographics will alter the unallocated surplus. The Capital Requirements, as set by APRA, are designed to ensure there is sufficient unallocated surplus to cover the effect of these changes.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries) (referred to as the 'Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

OFG, as prescribed by AASB 1038 Life Insurance Contracts, is required to recognise the assets, liabilities, income, expenses and equity of the benefit funds, which it manages in its consolidated financial statements. The assets and liabilities of the Benefit Funds do not impact the net profit after tax of the equity holders of OFG.

The benefit fund operations of the company comprise the issue and administration of contracts governed under the Life Insurance Act 1995 (Life Act). For the purposes of the financial statements these are classified as either benefit funds with discretionary participation features (bonus funds) or benefit funds without discretionary participation features (unit linked funds).

Within the bonus funds, annual bonus rates are declared by the company with guidance of the Appointed Actuary and within the restrictions pursuant to the Life Act; this is considered a Discretionary Participation Feature (DPF) and cause these funds to meet the definition of life insurance contracts under AASB 1038 Life Insurance Contracts.

The value of policyholders funds in the unit linked funds is solely dependent on the market valuation of the underlying assets, therefore, there is no discretionary participation feature and these funds do not meet the definition of life insurance contracts under AASB 1038 Life Insurance Contracts.

The company derives fee income from the administration of the benefit funds. Management fees are recognised on an accrual basis when the Group has the right to receive payment.

For the purposes of this financial report, holders of both bonus and unit linked funds are referred to as policyholders.

Monies held in the benefit funds are subject to distribution and transfer restrictions pursuant to the Life Act.

2. Significant accounting policies (cont.)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

OFG has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, OFG has no legal rights to Guardian's net assets and therefore does not control Guardian. It is, therefore, considered inappropriate to include Guardian in the consolidation.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(c) Investments in associates

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

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

The Group's investment in Mortgageport Management Pty Ltd, Century Bulky Goods Fund No.1 and Direct Property Trust are accounted for using the equity method of accounting in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(d) Goods and services tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Management fees

Management fees are recognised on an accruals basis when the Group has the right to receive payment.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term.

Property acquisition income

Property acquisition income is recognised when an investment property has been acquired in an established fund.

Sale and performance fee income is recognized upon settlement of the sale of an established fund property.

Commission and application fee income

All commissions and application fee income is recognised on an accruals basis when the Group has the right to receive the payment.

2. Significant accounting policies (cont.)

(f) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments:

- Executive Option Plan that were granted after 29 October 2009 and vest after 1 July 2012
- Compensation and Incentive Performance Rights that were granted after 10 February 2010 and vested after
- 1 July 2010 and 30 September 2010 respectively

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

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in other comprehensive income for the year.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

The Benefit Funds are part of the tax consolidated group, they are allocated a share of the income tax liability attributable to the Over Fifty Mutual Friendly Society Limited equal to the income tax liability that would have arisen to the Benefit Funds had they been stand-alone.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of 1 July 2003. Over Fifty Group Limited is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'stand-alone' approach based on the allocation specified in the tax funding arrangement.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Over Fifty Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by Over Fifty Group Limited.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in the statement of financial position.

2. Significant accounting policies (cont.)

(i) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as 'at fair value through profit or loss'.

Financial assets at fair value through profit and loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with investment strategy; or
- it forms part of a contract containing an embedded derivative.

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income. Fair value is determined in the manner described in note 27.

Other financial assets

Other financial assets include mortgage loans. Mortgage loans are held directly at amortised cost using the effective yield method except for mortgage loans held by the Benefit Funds which are measured at fair value through profit and loss. An allowance for impairment loss is made at year end for specific amounts when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written-off when identified.

Derecognition of financial assets

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

Impairment of financial assets

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using effective interest method less impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Plant and equipment 3–15 years

(k) 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 non-current 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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.

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(n) Leasing

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

Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as a lessee

Operating leases held by the Group are novated motor vehicle leases that have been provided as part of salary packaging and leases of office premises.

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

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are granted as part of operating leases, the aggregate of such incentives are recognised as a reduction of rental income on a straight line basis over the life of the lease.

2. Significant accounting policies (cont.)

(o) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of comprehensive as a bargain purchase gain.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of comprehensive as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(r) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(s) Derivative financial instruments

The Group enters into derivative financial instruments such as interest rate swaps to manage its exposure to interest rate and equity price risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking the hedge. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The Group designates certain derivatives as either hedges of fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Note 27 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of changes in equity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other expenses or other income line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

2. Significant accounting policies (cont.)

Fair value hedge (cont.)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in other comprehensive income.

(t) Solvency and Capital Adequacy

Friendly Societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held is laid down by the Life Insurance Act 1995 and accompanying actuarial standards. These standards are Actuarial Standard 2.03 and 3.03. These standards have been met as at 30 June 2010.

(u) Product classification

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

Insurance contracts

Insurance contracts are those containing significant risk at the inception, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a Discretionary Participation Feature (DPF). DPF means a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

(a) that are likely to be a significant portion of the total contractual benefits;

(b) whose amount or timing is contractually at the discretion of the issuer; and

(c) that are contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract;

(ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or

(iii) the profit or loss of the company, fund or other entity that issues the contract.

Applications and redemptions on investment contracts with a DPF are accounted for through profit or loss. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is recognised through profit or loss.

Applications and redemptions on investment contracts without a DPF are accounted for through the statement of financial position as a movement in policyholder liabilities. Distributions on these contracts are charged to profit or loss as a movement in the policyholder liability. Premiums relating to the investment component are accounted for as a deposit through the statement of financial position.

(v) Policyholders' funds

Assets held by the benefit funds are included in total assets in the statement of financial position of the Group. A corresponding liability labelled policyholders' funds is shown in total liabilities in the statement of financial position. Note 19 shows the movement in bonus funds (with DPF) and unit linked funds (without DPF).

The liability to bonus fund policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets after tax, on the basis charged to policyholders. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB 1038 Life Insurance Contracts applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

The policyholder funds liabilities for unit linked funds are equal to the number of units held, multiplied by the unit redemption price based on market value of the fund's investments as at the valuation date. Applications to these funds are not recorded as income, redemptions from these funds are not recorded separately as expenses, but amounts distributable to policyholders are recorded as an expense. No guarantees are provided by the Society in respect of the unit linked funds.

Claims incurred in respect of the benefit funds represent investment withdrawals (redemptions) and are recognised as a reduction in policyholder liabilities. Redemptions in respect of bonus funds are also disclosed as an expense as set out above.

Amounts received in respect of the benefit funds represent investment deposits (applications) and are recognised as a increase in policyholder liabilities. Applications in respect of bonus funds are also disclosed as revenue as set out above.

Benefit fund expenses which are directly attributable to an individual policy or product are allocated directly to the benefit fund within which that class of business is conducted. The apportionment basis has been made in line with the principles set out in the Life Insurance Actuarial Standards Board (LIASB) Valuation Standard (Actuarial Standard AS 1.04) and the apportionment is in accordance with Division 2 of Part 6 of the Life Act.

(w) Unit prices

Unit prices are determined in accordance with the benefit fund's rules and are calculated as the net assets attributable to unit holders of the fund, divided by the number of units on issue.

(x) Adoption of new and revised Accounting Standards

In the current year, the company and Group have adopted the new and revised Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The adoption of the below new and revised Standards and Interpretations have resulted in changes to the Group's presentation of, or disclosure in, its financial statements in the following areas:

- Presentation of the report has been changed to reflect AASB 101 Presentation of Financial Statements as updated by AASB 2007-8 Amendments to Australian Accounting Standards. This amendment introduced the Statement of comprehensive income which displays components of profit and loss and components of other comprehensive income. As a result of the amendments to this standard the Group has made the following changes to the primary statements for the year ended 30 June 2010:

Previous primary statement	Current primary statement
Income statement	Statement of comprehensive income
Balance sheet	Statement of financial position
Statement of changes in equity	Statement of changes in equity
Cash flow statement	Statement of cash flows

- Further amendments to Australian Accounting Standards arising from AASB 101. This amending standard changed the term 'general purpose financial report' to 'general purpose financial statements' in Australian Accounting Standards (including interpretations) to better align with IFRS terminology.
- Information about the Group's segments. The adoption of AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 has resulted in both a re-designation of the Group's reportable segments and amended segment disclosures.
- Disclosure improvements about financial instruments. The adoption of AASB 7 Financial Instruments and AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments requires enhanced disclosures about fair value measurements and liquidity risk.
- New requirements for accounting for business combinations. The adoption of AASB 3 Business Combinations (2008) alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for.

2. Significant accounting policies (cont.)

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

  The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations.

  The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

- AASB 123 Borrowing Costs (as revised in 2007) and AASB 2007– 6 Amendments to Australian Accounting Standards arising from AASB 123.

  The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

- AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items.

  The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
• AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
• AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
• AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014

3. Revenue

The following is an analysis of the Group's revenue for the year:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(i) Revenue				
Interest revenue:				
– Parent and subsidiaries	16,623	20,100	168	125
– Benefit funds	9,738	13,733	–	–
Dividend revenue:				
– Parent and subsidiaries	20	17	9,026	6,607
– Benefit funds	14,151	19,622	–	–
Management fees from:				
– Related entity	2,040	1,707	–	–
– Policyholders of benefit funds	14,283	14,729	–	–
– Property	5,455	4,376	–	30
Rental income	4,515	4,396	388	140
Property acquisition fees	1,457	619	–	–
	68,282	**79,299**	**9,582**	**6,902**
(ii) Other income/(expenses)				
Other income				
Unrealised gain on financial assets held for trading	8,911	–	6	4
Commission received	1,227	1,717	–	–
Application fees	1	270	–	–
Gain on disposal of property	222	–	–	–
Sale performance fee	1,886	–	–	–
Other income	1,412	1,091	456	378
	13,659	3,078	462	381
Other expenses				
Loss on sale of unit trusts	(4,786)	(29,738)	–	–
Unrealised loss on financial assets held for trading	–	(488)	–	–
Ineffectiveness of fair value hedge loss	–	(62)	–	–
Valuation fees	–	(27)	–	–
	(4,786)	(30,315)	–	–
	8,873	**(27,237)**	**462**	**381**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2010

4. Finance Costs

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest expense:				
– Bill facilities	17,765	18,196	1,050	1,709
	17,765	18,196	1,050	1,709
Other				
– Other finance costs	259	587	653	309
– (Gain)/loss arising on derivatives in a designated fair value hedge accounting relationship	(4,286)	7,114	–	–
– Loss/(gain) arising on adjustment to hedged items in a designated fair value hedge accounting relationship	3,442	(4,351)	–	–
	(585)	3,350	653	309
	17,180	**21,546**	**1,703**	**2,018**

5. Profit for the year before tax

Profit for the year includes the following expenses:

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
(a) Employee benefits expense				
Wages and salaries	5,150	5,854	1,454	1,949
Employee share scheme	517	72	262	(30)
Executive share option plan	378	(95)	378	(95)
Superannuation	457	543	30	47
Increase in annual leave provision	212	178	23	40
Provision – long service leave	45	13	42	21
Termination benefits	–	221	–	17
Payroll taxes	270	440	78	188
Other associated personnel expenses	148	205	80	55
Total Employee benefit expense	**7,177**	**7,431**	**2,347**	**2,192**
(b) General and administration expenses				
Real Estate expenses	158	167	42	58
Information systems expenses	479	471	202	293
Office administration expenses	438	535	143	160
Insurance expenses	231	490	129	407
Directors fees	211	255	211	255
Membership subscriptions	157	177	1	1
Travel expenses	166	215	98	119
Other general expenses	506	392	248	133
Direct operating expenses of investment properties:				
Properties generating rental income	812	390	–	–
Total General and administration expenses	**3,158**	**3,093**	**1,074**	**1,426**
Revaluation of investment property assets (i)	**13**	**6,837**	**–**	**–**

(i) The impairment of investment property assets as at 30 June 2010 relates to the write down of expenses capitalised for Peppers The Sands Resort, in Torquay and Moonah Links by $13,000. In 2009, the impairment of investment property assets relate to write down of Peppers The Sands Resort, in Torquay by $2.068 million, Moonah Links by $2.603 million and Chisholm Shopping centre, in Canberra by $2.166 million. During the 2009/2010 financial year, the Group sold Chisholm Village Shopping Centre for $19.275 million.

5. Profit for the year before tax (cont.)

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Mortgage advance provisioning:					
Credit related write-offs of mortgage loans at fair value through profit and loss		2,895	3,087	–	–
Impairment of Mortgage loans at amortised cost		561	6,248	–	56
		3,456	**9,335**	**–**	**56**
Management fees:					
Administration and funds management expenses		4,890	5,674	9	4
Management Fees to Group by bonus funds (with DPF)		9,882	11,071	–	–
Management Fees to Group by unit linked funds (no DPF)		1,870	1,820	–	–
Total management fees		**16,642**	**18,565**	**9**	**4**

(c) Net movement in Policyholders' liabilities – Benefit funds

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Redemptions expense bonus funds		(65,684)	(100,114)	–	–
Applications bonus fund		11,951	15,259	–	–
Undistributed profit attributed to bonus fund members	20	7,959	4,618	–	–
Undistributed profit/(loss) attributed to unitised fund members	20	2,958	(11,673)	–	–
		(42,816)	**(91,910)**	**–**	**–**

6. Income taxes

Income tax recognised in profit or loss

Tax expense/(benefit) comprises:

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Current tax expense in respect of the current year	5,282	(4,973)	(1,414)	(2,321)
Adjustments recognised in the current year in relation to the current tax of prior years	(194)	(3,115)	2	6
	5,088	**(8,088)**	**(1,412)**	**(2,315)**
Deferred tax expense relating to the origination and reversal of temporary differences	1,474	(4,732)	(756)	(3,807)
Total tax expense/(benefit)	**6,562**	**(12,820)**	**(2,168)**	**(6,122)**
Attributable to:				
Continuing operations	**6,562**	**(12,820)**	**(2,168)**	**(6,122)**

6. Income taxes (cont.)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit/(loss) from operations	12,880	(25,233)	(125)	(17,462)
Less tax relating to benefit funds included in profit before tax	(2,621)	5,706	–	–
Profit/(loss) before tax attributable to shareholders	10,259	(19,527)	(125)	(17,462)
Income tax expense/(benefit) calculated at 30%	3,078	(5,858)	(38)	(5,239)
Tax effect of amounts which are not deductible (taxable) in:				
– Inter-entity consolidated dividends	–	–	(2,424)	(1,978)
– Expenses relating to exempt income and non-allowable expenses	1,005	1,277	292	1,089
Adjustments recognised in the current year in relation to the current tax of prior years	(142)	(2,533)	2	6
Tax relating to benefit funds	2,621	(5,706)	–	–
	6,562	**(12,820)**	**(2,168)**	**(6,122)**

As a result of tax consolidation, OFG recognises current tax related receivables and corresponding payables from its subsidiaries and the benefit funds. The amount is the net of tax provisions, deferred tax assets and deferred tax liabilities held by the benefit funds.

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

6. Income taxes (cont.)

Income tax recognised directly in equity

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
The following deferred amounts were charged/(credited) directly to equity during the period:				
Deferred tax				
Arising on income and expenses taken directly to equity:				
– Share issue	168	–	168	–
Total income tax recognised directly in equity	**168**	**–**	**168**	**–**

Income tax recognised in other comprehensive income

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
– Revaluations of financial instruments treated as cash flow hedge	(464)	1,990	–	–
Total income tax recognised in other comprehensive income	**(464)**	**1,990**	**–**	–
Current tax assets and liabilities				
Current tax assets				
Tax refund receivable	1,800	13,560	–	1,682
Current tax liabilities				
Income tax payable attributable to:				
Parent entity	–	–	(4,688)	–
Income tax (payable)/receivable	**1,800**	**13,560**	**(4,688)**	**1,682**

Over Fifty Group is the head company of its income tax consolidation group. This income tax consolidation group includes Over Fifty Mutual Friendly Society Limited and its associated benefit funds. Although Over Fifty Group is the head company, it does not hold the income tax related payables and receivables of the associated benefit funds. To protect the interest of the benefit funds' policyholders, the Australian Prudential Regulation Authority has recommended that, all payables and receivables of life company benefit funds be settled via their responsible Friendly Societies only when the payables and receivables are due. Consequently, it is Over Fifty Group's policy to allow the benefit funds to retain their income tax related payables and receivables, until the lodgement of the income tax return.

6. Income taxes (cont.)

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

2010	Consolidated						
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Charged to other comprehensive income $'000	Recycled from equity to income $'000	Acquisitions/ disposals $'000	Closing balance $'000
Temporary Differences							
Deferred tax asset							
Deferred loss on financial assets-OFG	3,023	671	–	(96)	–	–	3,597
Investment properties	1,655	(1,097)	–	–	–	–	558
Provisions	788	169	168	–	–	–	1,125
Cash out guarantees	2,181	–	–	–	–	–	2,181
Financial derivatives	5,636	(785)	–	(96)	–	–	4,755
Deferred tax attributable to benefit funds	7,062	(2,393)	–	–	–	–	4,669
Capital loss	–	824	–	–	–	–	824
Other	20	2	–	–	–	–	22
Deferred tax (liability)							
Deferred gain on financial assets-benefit funds	(1)	(15)	–	–	–	–	(16)
Prepayments	(1,350)	215	–	–	–	–	(1,135)
Fair value movements in mortgage assets	(2,920)	929	–	(272)	–	–	(2,263)
Other	(6)	6	–	–	–	–	–
	16,088	**(1,474)**	**168**	**(464)**	**–**	**–**	**14,317**

Presented in the statement of financial position as follows:

Deferred tax asset	17,731
Deferred tax (liability)	(3,414)
	14,317

6. Income taxes (cont.)

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

2009	Consolidated Opening balance $'000	Charged to income $'000	Charged to equity $'000	Charged to other comprehensive income $'000	Recycled from equity to income $'000	Acquisitions/ disposals $'000	Closing balance $'000
Temporary Differences							
Deferred tax asset							
Investment properties	970	685	–	–	–	–	1,655
Deferred loss on financial assets-OFG	–	2,565	–	458	–	–	3,023
Provisions	1,390	(602)	–	–	–	–	788
Cash out guarantees	–	2,181	–	–	–	–	2,181
Financial derivatives	183	4,005	–	1,449	–	–	5,637
Deferred tax attributable to benefit funds	6,914	148	–	–		–	7,062
Other	92	(73)	–	–	–		19
Deferred tax (liability)							
Investment properties	194	(194)	–	–	–	–	–
Prepayments	(323)	(1,027)	–	–			(1,350)
Software deduction	(2)	2	–	–	–	–	–
Fair value movements in mortgage assets	(84)	(2,920)	–	84	–	–	(2,920)
Other	(7)	1	–	–	–	–	(6)
	9,327	**4,771**	**–**	**1,991**	**–**	**–**	**16,088**

Presented in the statement of financial position as follows:

Deferred tax asset	20,365
Deferred tax (liability)	(4,277)
	16,088

6. Income taxes (cont.)

2010	Consolidated Opening balance $'000	Charged to income $'000	Charged to equity $'000	Charged to other comprehensive income $'000	Recycled from equity to income $'000	Acquisitions/ disposals $'000	Closing balance $'000
Temporary Differences							
Deferred tax asset							
Deferred loss on financial assets	1,665	671	–	–	–	–	2,336
Provisions	359	86	168	–	–	–	613
Cash out guarantees	2,181	–	–	–	–	–	2,181
Deferred tax (liability)							
Prepayments	(4)	1	–	–	–	–	(3)
Other	(1)	(2)	–	–	–	–	(3)
	4,200	**756**	**168**	**–**	**–**	**–**	**5,124**

Presented in the statement of financial position as follows:	
Deferred tax asset	5,130
Deferred tax (liability)	(6)
	5,124

2009	Consolidated Opening balance $'000	Charged to income $'000	Charged to equity $'000	Charged to other comprehensive income $'000	Recycled from equity to income $'000	Acquisitions/ disposals $'000	Closing balance $'000
Temporary Differences							
Deferred tax asset							
Deferred loss on financial assets	–	1,665	–	–	–	–	1,665
Post employment benefits	164	(164)	–	–	–	–	–
Provisions	–	359	–	–	–	–	359
Future deductions under section 40-880	326	(326)	–	–	–	–	–
Cash out guarantees	–	2,181	–	–	–	–	2,181
Deferred tax (liability)							
Prepayments	(94)	90	–	–	–	–	(4)
Software deduction	(2)	2	–	–	–	–	–
Other	(1)	–	–	–	–	–	(1)
	393	**3,807**	**–**	**–**	**–**	**–**	**4,200**

Presented in the statement of financial position as follows:	
Deferred tax asset	4,205
Deferred tax (liability)	(5)
	4,200

7. Earnings per share

	Consolidated 2010 Cents per share	Consolidated 2009 Cents per share
Basic earnings per share	9.3	(21.4)
Total basic earnings per share	**9.3**	**(21.4)**
Diluted earnings per share	8.4	(21.4)
Total diluted earnings per share	**8.4**	**(21.4)**

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010 $'000	2009 $'000
Net profit/(loss)	6,318	(12,854)
Earnings used in the calculation of basic EPS	**6,318**	**(12,854)**

	2010 No. '000	2009 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	68,009	60,142

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2010 $'000	2009 $'000
Net profit/(loss)	6,652	(12,854)
Earnings used in the calculation of diluted EPS	**6,652**	**(12,854)**

	2010 No. '000	2009 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	68,009	60,142
Weighted average shares deemed to be issued for no consideration in respect of:		
– Employee share scheme	455	–
– Convertible notes	10,447	–
Weighted average number of ordinary shares used in the calculation of diluted EPS	**78,911**	**60,142**

8. Trade and other receivables

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Amount owing by – related entities (i)	7,282	2,921	51,725	51,220
Provision for non recoverable loans (ii)	–	–	(9,041)	(10,221)
Sundry debtors	6,117	4,871	–	–
	13,399	**7,792**	**42,684**	**40,999**

(i) Terms and conditions of amounts owing by controlled entities and related parties are set out in Note 25. Included is management fees receivable from the benefit funds where no interest is charged.
(ii) This provision recognises the difference between the carrying value of the inter-company loans and the recoverable amount of the intercompany loans.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Ageing of past due but not impaired				
1 – 60 days	–	473	–	–
60 – 120 days	–	470	–	–
120 + days	2,305	1,477	–	–
Total	**2,305**	**2,420**	**–**	**–**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Movement in the provision for non recoverable loans

	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Balance at the beginning of the year	–	–	(10,221)	(11,132)
Additional provision raised on non recoverable loans	–	–	(1,851)	(8,988)
Provision reversals during the year	–	–	1,989	6,563
Amounts written off as uncollectable	–	–	1,041	3,336
Balance at the end of the year	**–**	**–**	**(9,042)**	**(10,221)**

9. Financial assets

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets at fair value through profit and loss:				
Floating rate notes	141,336	98,802	–	–
Standard discounted securities	16,108	84,777	27	12
Unit trusts	300,796	326,505	120	115
Mortgage loans	37,493	46,683	–	–
	495,733	556,767	147	127
Investments in related parties:				
Investments in subsidiaries	–	–	59,810	59,570
	–	–	59,810	59,570
Loans carried at amortised cost:				
Mortgage loans: Reverse Mortgages	205,409	214,998	–	–
Mortgage loans: Commercial Mortgages	3,797	9,120	–	–
Allowance for impairment loss (i)	(654)	–	–	–
Loans to subsidiaries	–	–	160	160
	208,552	224,118	160	160
	704,285	**780,885**	**60,117**	**59,858**
Disclosed in the financial statements as:				
Financial assets at fair value through profit and loss	495,733	556,767	147	127
Other financial assets	208,552	224,118	59,970	59,730
	704,285	**780,885**	**60,117**	**59,858**

(i) Allowance for impairment loss

An allowance for impairment loss is recognised when there is objective evidence that a mortgage receivable is impaired. The movement in the allowance for impairment loss is as follows:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
At 1 July	–	686	–	–
Charge for the year	(654)	–	–	–
Amounts written off	–	(686)	–	–
At 30 June	**(654)**	**–**	**–**	**–**

	Consolidated		Parent	
Mortgage loans	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Ageing of past due but not impaired				
1 – 60 days	5,061	302	–	–
60 – 120 days	–	18	–	–
120 + days	27,074	43,474	–	–
Total	**32,135**	**43,794**	**–**	**–**

Although some mortgage loans have exceeded their maturity date, the directors believe that all mortgage loan balances are recoverable and not impaired.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2010

10. Other assets

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Prepayments (i)	2,115	2,651	136	46

(i) Prepayments relate mainly to the upfront mortgage brokerage commissions for the reverse mortgages.

11. Investment property

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Investment properties held for sale (at fair value):				
Balance at beginning of financial year	19,000	–	–	–
Transferred from investment properties held at fair value	–	19,643	–	–
Additions	–	1,523	–	–
Revaluation	–	(2,166)	–	–
Disposals	(19,000)	–	–	–
Balance at end of financial year	**–**	**19,000**	**–**	**–**
Investment properties held at fair value:				
Balance at beginning of financial year	27,000	51,278	–	–
Additions	13	36	–	–
Revaluation	(13)	(4,671)	–	–
Disposals	–	–	–	–
Transferred to investment properties held for sale	–	(19,643)		
Balance at end of financial year	**27,000**	**27,000**	**–**	**–**

Disposal

During the year, the Group sold Chisholm Village Shopping Centre in Canberra for $19.275 million.

Acquisitions

There were no new acquisitions during the financial year.

Revaluations

At 30 June 2009, the Group engaged CB Richard Ellis, an independent valuer that is not related to the Group, to fair value its property investments. CB Richard Ellis is a member of the Australian Institute of Valuers, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

At 30 June 2010, these properties were valued by an OFG executive and Head of Property Jason Huljich and were adopted by the Board. The valuation was arrived at by reference to an average capitalisation rate of 10.05%. The average capitalisation rate has been determined based on discussion with CB Richard Ellis and market information.

Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards. Any movement in the fair value of the properties is charged directly to the profit and loss.

The effective date of the revaluation was 30 June 2010.

12. Investment in associates

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'0.00	2009 $'000
Century Bulky Goods Fund No.1 (i) – (ii)	3,042	5,099	1,192	7,560
Mortgageport (iii)	6,327	5,602	–	–
Direct Property Trust (iv)	2,517	2,461	2,840	–
	11,886	**13,162**	**4,032**	**7,560**

(i) Century Bulky Goods Fund No.1 – accounting treatment:

At consolidation level, investment in associates are accounted using the equity method.

At parent level, the investment held in Century Bulky Goods Fund No.1 is carried at amortised cost.

(ii) The Group has a 46% investment in Century Bulky Goods Fund No.1 (CBGF#1), an unlisted property fund which invests in bulky goods (large format retail) centres. Although the Group holds a 46% investment in CBGF#1, it does not control the voting rights and it is, therefore, considered inappropriate to include CBGF#1 as part of the consolidated group. OFG has elected to split account its investment in CBGF#1, that is, to equity account for the consolidated group's 21% investment and fair value account for the Income Accumulation Fund's 25% investment.

(iii) The Group has a 50% investment in Mortgageport Management Pty Limited, a wholesale residential mortgage origination and management company incorporated in Australia. Although the Group holds a 50% investment in Mortgageport, it does not control the company, and it is, therefore considered inappropriate to include Mortgageport as part of the consolidated group.

(iv) The Group has a 44% investment in Over Fifty Direct Property Trust (DPT), an unlisted property trust. Although the Group holds a 44% investment in DPT, it does not control the voting rights and it is, therefore, considered inappropriate to include DPT as part of the consolidated group. OFG has elected to split account its investment in DPT, that is, to equity account for the consolidated group's 5% investment and fair value account for the Income Accumulation Fund's 16% and Growth Bond Fund's 23% investment.

Reconciliation of movement in investments accounted for using the equity method

	Consolidated	
	2010 $'000	2009 $'000
Balance at 1 July	13,162	5,602
Share of profit/(loss) for the year	(1,921)	(2,840)
	11,241	2,762
Dividends	(441)	(739)
Additions – paid in cash	72	350
Additions – non cash	–	14,634
Impairments	691	(2,318)
Share of reserve	323	(1,527)
Balance at 30 June	**11,886**	**13,162**

12. Investment in associates (cont.)

Summarised financial information in respect of the Group's associate is set out below:

	Consolidated	
	2010 $'000	2009 $'000
Financial position:		
Total assets	185,883	223,752
Total liabilities	(125,307)	(153,424)
Net Assets	**60,576**	**70,328**
Group's share of associate's net assets	**6,153**	**7,928**
Financial performance:		
Total revenue	28,801	27,924
Total profit/(loss) for the year	(7,124)	(12,794)
Group's share of associate's profit/(loss)	**(1,921)**	**(2,840)**

There was an impairment write back of $732,000 relating to Mortgageport (the associate) in the current year (PY: nil) and there were no capital commitments or other commitments relating to the associate.

There was an impairment relating to CBGF#1 (the associate) of $42,325 in the current year (PY: $2,238,098) and there were no capital commitments or other commitments relating to the associate.

There was no impairment relating to DPT (the associate) in the current year (PY: $79,445) and there were no capital commitments or other commitments relating to the associate.

Dividends received from associates

During the year, the Group received dividends of $287,720 (2009: $373,888) from Mortgageport Management Pty Limited and $153,840 (2009: $188,542) from DPT.

13. Plant and equipment

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Gross carrying amount				
Balance at beginning of financial year	3,095	3,203	1,848	1,756
Additions	224	146	97	92
Disposals	(29)	(254)	–	–
Balance at end of financial year	**3,290**	**3,095**	**1,945**	**1,848**
Accumulated depreciation and impairment				
Balance at beginning of financial year	(1,750)	(1,458)	(845)	(602)
Disposals	11	254	–	–
Depreciation expense	(353)	(546)	(253)	(243)
Balance at end of financial year	**(2,092)**	**(1,750)**	**(1,098)**	**(845)**

Net book value	Consolidated	Parent
As at 30 June 2009	**1,198**	**847**
As at 30 June 2008	**1,345**	**1,003**

14. Goodwill

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Gross amount at beginning of the period	52,571	47,182	–	–
Additional amounts recognised during the year	241	–	–	–
Goodwill acquired from business combinations (i)	–	5,389	–	–
Impairment losses	–	–	–	–
Carrying amount at end of the period	**52,812**	**52,571**	**–**	**–**

(i) Goodwill acquired in relation to the acquisition of Eclipse Property Group Limited (Note 29).

Goodwill is subject to annual impairment testing. During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment loss was to be charged for the 2010 financial year (2009: nil).

The carrying amount of goodwill allocated to cash-generating units relates to the acquisitions of Century Funds Management in financial year 2007 and Eclipse Property Group Ltd in 2009.

Allocation of goodwill to cash-generating units

The carrying amount of goodwill was allocated to the following cash-generating units:

Property – Century Funds Management Ltd (i)	42,369	42,369	–	–
– Eclipse Property Group Limited (ii)	10,443	10,202	–	–
	52,812	**52,571**	**–**	**–**

(i) Century Funds Management Ltd

The recoverable amount of the property unit has been determined based on a value in use calculation using Funds Under Management (FUM) projections and profit and loss projections covering a five-year period.

Key assumptions
The key assumptions used in the value in use calculations for the following cash-generating units are as follows:

Carrying amount:	$42,369,082
Funds under management growth target:	These targets are based on the anticipated growth in FUM. A growth rate of 10% (2009:10%) has been set over the 5 years. This is based on an assessment of published market forecasted FUM.
Revenue:	Revenues in 2011 are based on board approved budgets and are assumed to increase at a rate of 11.90% (2009: 6.5%) per annum for the period 2012-2015. This target rate incorporates both anticipated growth in sums invested and the market.
Expenses:	Expenses are assumed to increase at a rate of 3% (2009: 3%) per annum.
Pre-tax discount Rate:	Discount rates reflect the interest rate used to calculate the present value of future cash flows. A rate of 12.97% (2009: 13.17%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to the yield on a ten year bond at the beginning of the budgeted year.
Terminal growth rate:	A growth rate of 3% (2009: 3%) has been applied to the calculation of the terminal value of the asset.

14. Goodwill (cont.)

(ii) Eclipse Property Group Limited (EPGL)

The recoverable amount of the property unit has been determined based on a value in use calculation using Funds Under Management (FUM) projections and profit and loss projections covering a five -year period.

Key assumptions

The key assumptions used in the value in use calculations for the following cash-generating units are as follows:

Carrying amount:	$10,442,979
Funds under management growth target:	These targets are based on the anticipated growth in FUM. A growth rate of 10% (2009: 10%) has been set over the 5 years. This is based on an assessment of published market forecasted FUM.
Revenue:	Revenues in 2011 are based on board approved budgets and are assumed to increase at a rate of 7.63% (2009: 6.5%) per annum for the period 2012-2015. This target rate incorporates both anticipated growth in sums invested and the market.
Expenses:	Expenses are assumed to increase at a rate of 3% (2009: 3%) per annum.
Pre-tax discount rate:	Discount rates reflect the interest rate used to calculate the present value of future cash flows. A rate of 12.97% (2009: 13.17%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to the yield on a ten year bond at the beginning of the budgeted year.
Terminal growth rate:	A growth rate of 3% (2009: 3%) has been applied to the calculation of the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2010, the estimated recoverable amount of Century Funds Management and Eclipse Property Group Ltd exceeded their carrying value by $6.03 million and $1.21 million respectively. The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value in both cases.

	Assumptions used in value in use calculation 2011 – 2015		Change required for recoverable amount to equal carrying value 2011 – 2015	
	Century Funds Management	Eclipse Property Group	Century Funds Management	Eclipse Property Group
	%	%	%	%
Revenue growth rate (average)	11.90	7.63	2.60	2.45
Post-tax discount rate	12.97	12.97	1.34	1.13
Expenses growth rate	3.00	3.00	5.55	6.33

15. Trade and other payables

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
GST payable/(recoverable) (i)	84	452	(51)	86
Sundry creditors (ii)	5,240	5,645	197	256
	5,324	**6,097**	**146**	**342**

(i) GST is payable or recoverable either on a monthly or quarterly basis.
(ii) Sundry creditors are non-interest bearing and payable on commercial terms 7 to 60 days.

16. Borrowings

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
NAB working capital facility (i)	4,116	19,830	4,116	19,830
Hire purchase contracts	7	37	–	–
Reverse mortgage bill facilities and notes – secured (ii)	176,335	195,147	–	–
Investment property facilities – secured (iii)	24,000	39,977	–	–
	204,458	**254,991**	**4,116**	**19,830**

Financing facilities:

(i) On 16 August 2010 OFG renewed its finance facility with the NAB on commercially improved terms with a new facility maturity date of 31 August 2011. The facility limit has increased to $12 million, and at the date of signing this report management has approximately $8.7 million available in undrawn funds. This increased working capital facility will provide OFG with additional resources to take advantage of strategic opportunities that exist in the market for consolidation of funds under management. During the financial year ended 30 June 2010 $15.7 million (30 June 2009: $3.0 million) of the NAB facility had been repaid by OFG, and subsequent to year end the drawdown was reduced by an additional $0.8 million to $3.3 million at 31 July 2010.

(ii) $176.3 million (30 June 2009: $195.1 million) non-recourse notes on issue to ANZ secured over the mortgages held in Senex Warehouse Trust No.1. The notes have a renewal date of 30 September 2011 or repayment of the underlying mortgage loans in the trust. During the financial year ended 30 June 2010, notes worth $8.1 million (30 June 2009: $25.7 million) were issued.

(iii) $24.0 million bank bill maturing March 2013. This facility is secured over property at Moonah Links, Fingal, Vic and Pepper Sands Resort Torquay. The fair value of the investment property located at Moonah Links is $11.0 million at 30 June 2010. The fair value of the investment property located at Torquay is $16.0 million at 30 June 2010.

This loan is non-recourse to the wider group, and has continued to remain in breach of 2 loan covenants since reported at 30 June 2009. NAB has noted this position whilst reserving its rights.

16. Borrowings (cont.)

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Working capital facility under guarantee, reviewed annually and payable at call:				
• amount used	4,116	19,830	4,116	19,830
• amount unused	2,920	–	2,920	–
	7,036	**19,830**	**7,036**	**19,830**
Secured bank bills, reviewed annually:				
• amount used	24,000	39,977	–	–
• amount unused	–	1,353	–	–
	24,000	**41,330**	**–**	**–**
Secured notes:				
• amount used	176,335	195,147	–	–
• amount unused	48,665	44,853	–	–
	225,000	**240,000**	**–**	**–**

17. Provisions

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Provision for long service leave (i)	273	237	69	86
Provision for annual leave	438	319	178	165
	711	**556**	**247**	**251**

(i) Provision for long service leave

The liability for long service leave is measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

The estimated long service leave provision has been calculated based on assumptions covering a 10 year period (2009: 10 years).

	Consolidated		Parent	
	Provision for long service leave $'000	Provision for annual leave $'000	Provision for long service leave $'000	Provision for annual leave $'000
Balance at 1 July 2008	224	290	66	154
Additional provision recognised	13	28	21	11
Reductions	–	–	–	–
Balance at 30 June 2009	**237**	**318**	**87**	**165**
Additional provision recognised	36	120	42	13
Reductions (i)	–	–	(60)	–
Balance at 30 June 2010	**273**	**438**	**69**	**178**

(i) The reductions relate to internal allocation between segments.

18. Other liabilities

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Rent incentives received	383	485	383	485
Accruals	817	537	326	114
Deferred consideration (i)	5,702	5,533	5,702	5,533
Convertible notes (ii)	7,151	7,271	7,151	7,271
	14,053	**13,826**	**13,562**	**13,403**

(i) Deferred consideration
The deferred consideration agreement relates to the acquisition of Eclipse Property Group Limited by OFG in 2009.

(ii) Convertible notes
During the period, OFG agreed with the specific unitholders in Century Bulky Goods Fund No. 1 to substitute their guarantee with convertible notes. At maturity, being 29 February 2012, the noteholders may elect to convert their notes into OFG shares. Interest is payable on the note at a rate of 7.82%, quarterly in arrears.

19. Derivative financial liabilities

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest rate swaps	15,951	12,409	–	–
	15,951	**12,409**	**–**	**–**

Details about the entity's exposure to interest rate and credit risk can be found in Note 27 – Financial instruments.

20. Policyholders funds

	Consolidated	
	2010 $'000	2009 $'000
Bonus Rated Benefit Funds (with DPF)		
Opening balance	496,252	574,490
Movement in Seed Capital	4,333	2,000
Applications received	11,951	15,259
Redemptions paid	(65,684)	(100,114)
Current period income	7,959	4,618
Closing Balance	**454,811**	**496,252**
Unitised Benefit Funds (no DPF)		
Opening balance	99,769	126,109
Applications received	4,413	3,143
Redemptions paid	(13,911)	(17,810)
Current period income	2,958	(11,673)
Closing Balance	**93,229**	**99,769**
Total Policyholders Funds	**548,040**	**596,022**

20. Policyholders funds (cont.)

Under AIFRS the income, expenses, assets and liabilities of the benefit funds are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the benefit funds' assets and liabilities are included in the Group's financial statements. The shareholders of the Group have no rights over the assets and liabilities held in the benefit funds. The composition of the assets and liabilities balance is as follows:

	Consolidated	
	2010 $'000	2009 $'000
Assets		
Attributable to shareholders	336,140	366,317
Attributable to benefit fund policyholders	548,040	596,022
Total Assets	**884,180**	**962,339**
Cash	41,402	19,607
Income tax receivable	6,387	14,727
Financial assets at fair value	495,581	554,628
Deferred tax assets	4,670	7,060
	548,040	**596,022**
Liabilities		
Attributable to shareholders	240,497	287,879
Attributable to benefit fund policyholders	548,040	596,022
Total Liabilities	**788,537**	**883,901**

A detailed benefit funds segment note can be found in the financial statements of Over Fifty Mutual Friendly Society Limited.

Guarantees to benefit fund policyholders.

Over Fifty Mutual Friendly Society Limited (OFMFS) provides a guarantee to policyholders of two of its benefit funds, Over Fifty Capital Guaranteed Bond Fund and Over Fifty Income Accumulation Fund as follows: "If, when OFMFS in right of the Bonds is required under the Bond rules to pay Policy Benefits to a Policy Owner as a consequence of the termination of the Bond or the Maturity or Surrender of a Policy, and OFMFS determines that the sums to be paid to the Policy Owner from the Bonds shall be less than the amounts standing to the credit of the relevant Accumulation Account Balance, (or in the case of a partial surrender, the relevant proportion of the Accumulation Account Balance), OFMFS guarantees to take all action within its control, including making payment from its Management Fund to the Policy Owner to ensure that the total sums received by the Policy Owner as a consequence of the termination, Maturity or Surrender equal the relevant Accumulation Account Balance, (or) in the case of a partial surrender, the relevant proportion thereof."

Management believes that no provision should be raised for the following reasons:

- The Funds follow an investment strategy that is appropriate for the liabilities of the fund. The Fund cannot alter their investment strategy without the approval of the members and APRA, following a report from the Appointed Actuary;
- The Fund must meet the Capital Adequacy standards on a continuous basis. These additional reserves held within the funds imply that the funds are able to withstand a "shock" in the market value of assets. if the Funds can withstand a shock in asset values and still meet their liabilities from their own reserves, then this further reduces the likelihood of the Funds calling on the guarantee provided;
- The guarantee of benefits does not require OFG to inject funds simply where reserves are insufficient; and
- The Society must also meet ongoing capital requirements set by APRA and there are sufficient surplus assets in the Management Fund to provide capital support if needed.

There are $431,056,060 of policyholder funds relating to these guarantees.

21. Issued capital and retained earnings

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Issued and paid up capital				
60,298,873 fully paid ordinary shares (2009: 59,670,387)	89,045	88,511	89,045	88,511
15,650,818 fully paid ordinary shares issued during the year (2009: 628,486)	10,973	534	10,973	534
	100,018	**89,045**	**100,018**	**89,045**

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

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

Unless otherwise stated, ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2010		2009	
	No. of Shares	$'000	No. of Shares	$'000
(b) Movement in shares on issue				
Balance at beginning of financial year	60,298,873	89,045	59,670,387	88,511
Issued during the year:				
Dividend Reinvestment Plan	819,557	459	628,486	534
Share Purchase Plan (i)	15,650,818	10,349	–	–
Non–executive directors share based incentives	225,000	165	–	–
Balance at end of financial year	**76,994,248**	**100,018**	**60,298,873**	**89,045**

(i) During the period OFG raised $10.349 million, net of raising costs, through an institutional placement of 15.651 million shares. The funds raised were predominately used to repay the corporate debt facility with NAB and to facilitate working capital needs and pursue acquisition opportunities.

(ii) At the AGM in October 2009, the shareholders approved the issuance of 225,000 shares (75,000 to each of the three Non-executive directors) for nil consideration.

(c) Reserves

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash flow hedge reserve	(2,067)	(2,923)	–	–
Share of associates cash flow hedge reserve	(843)	(1,069)	–	–
Share based incentive reserve	738	8	738	8
	(2,172)	**(3,984)**	**738**	**8**

21. Issued capital and retained earnings (cont.)

	Consolidated		Parent	
Cash flow hedge reserve	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at beginning of financial year	(2,923)	652	–	–
Gain/(loss) recognised on cash flow hedges:			–	–
– Interest rate swaps	1,223	(5,106)	–	–
Income tax related to gains/losses recognised in other comprehensive income	(367)	1,531	–	–
Balance at end of financial year	**(2,067)**	**(2,923)**	**–**	**–**

The cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective as cash flow hedges.

	Consolidated		Parent	
Share of associates reserve	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at beginning of financial year	(1,069)	–	–	–
Movement in reserve	226	(1,069)	–	–
Balance at end of financial year	**(843)**	**(1,069)**	**–**	**–**

The share of associates reserve represents the share of movement in the reserves of the Century Bulky Goods Fund.

	Consolidated		Parent	
Share based incentive reserve	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at beginning of financial year	8	103	8	103
Executive share option plan	213	(95)	213	(95)
Employee share scheme	517	–	517	–
Balance at end of financial year	**738**	**8**	**738**	**8**

The share based incentive reserve is used to record the value of share-based payments provided to employees, including the CEO, as part of their remuneration. Refer to note 32 for further details of these plans.

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(d) Accumulated losses				
Balance at beginning of financial year	(6,623)	8,027	(7,006)	6,130
Dividends paid (Note 22)	(1,898)	(1,796)	(1,898)	(1,796)
Net profit/(loss) attributable to members of Over Fifty Group Limited	6,318	(12,854)	2,043	(11,340)
Balance at end of the financial year	**(2,203)**	**(6,623)**	**(6,861)**	**(7,006)**

22. Dividends

	2010		2009	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend: (i)				
Franked to 30% at a 30% tax rate	2.5	(1,898)	–	–
Final dividend:				
Fully franked at a 30% tax rate	–	–	3.0	1,796
Balance at end of financial year	**2.5**	**(1,898)**	**3.0**	**1,796**

	Parent	
	2010 $'000	2009 $'000
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at 1 July at 30% (2009:30%)	2,628	2,792
– increase/(decrease) in franking credits that will result from the payment of income tax payable/ (refund) as at the end of the financial year	(1,717)	(164)
Franking account balance at 30 June	**911**	**2,628**

23. Commitments and contingencies

Operating leases

Operating lease commitments – Group as lessee

The Group has entered into 2 commercial leases for its office premises. The leases have an average life of between 4.3 years and 4.7 years with renewal options included in the contracts.

Future minimum rentals payable under operating leases are as follows:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not longer than 1 year	800	770	–	–
Longer than 1 year and not longer than 5 years	2,234	3,034	–	–
Longer than 5 years	–	–	–	–
	3,034	**3,804**	**–**	**–**

Operating lease commitments – Group as lessor

Operating leases relate to the investment properties owned by the Group with remaining lease terms of between 0.5 and 6 years (30 June 2009: 0.5 and 14.1 years).

Non-cancellable operating lease receivables

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not longer than 1 year	3,969	3,219	–	–
Longer than 1 year and not longer than 5 years	18,833	27,881	–	–
Longer than 5 years	611	12,045	–	–
	23,413	**43,145**	**–**	**–**

24. Remuneration of auditors

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Auditor of the parent entity				
Audit and review of the financial report	341,621	544,695	143,131	345,030
Other assurance services	28,750	63,000	14,250	–
	370,371	**607,695**	**157,381**	**345,030**

The auditor of Over Fifty Group Limited is Deloitte Touche Tohmatsu (Australia).

25. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed below:

Name of subsidiary	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Over Fifty Mutual Friendly Society Limited	Australia	100%	100%
Over Fifty Capital Pty Ltd	Australia	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	Australia	100%	100%
Over Fifty Insurance Pty Ltd	Australia	100%	100%
Over Fifty Investments Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 2 “Dominion”	Australia	100%	100%
Over Fifty Funds Management Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 3 Chisholm	Australia	100%	100%
OFM National Leisure Trust	Australia	100%	100%
OFM Bluegums Leisure Trust	Australia	100%	100%
OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd)	Australia	100%	100%
Senex Warehouse Trust No. 1	Australia	100%	100%
Century Funds Management Ltd	Australia	100%	100%
Over Fifty Financial Planning Pty Ltd	Australia	100%	100%
Eclipse Property Group Limited	Australia	100%	100%

Details of interests in associates are disclosed in note 12 to the financial statements.

25. Related party transactions (cont.)

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 31 to the financial statements.

ii. Key management personnel equity holdings

Fully paid ordinary shares of Over Fifty Group Limited

	Balance at 1 July No.	Vested as Remuneration No.	Net other change No.	Balance at 30 June No.	Balance at date of resignation No.	Balance held nominally No.
2010						
R.W. Dobson	66,501	75,000	232,053	373,554	–	–
J.E. McBain	4,146,917	–	176,944	4,323,861	–	–
J.C. Huljich	2,189,524	–	16	2,189,540	–	–
P.J. Done	51,494	75,000	154,683	281,177	–	–
D.K. Gupta	–	75,000	23,437	98,437	–	–
M.J. Coy	349,098	–	19	349,117	–	–
T.D. Reid	3,482	–	87	3,569	–	–
D.B. Govey	404,947	–	25,689	430,636	–	–
A.S. Bali	–	–	–	–	–	–
H.J. Schmiede	–	–	–	–	–	–
2009						
R.W. Dobson	30,000	–	36,501	66,501	–	–
J.E. McBain	4,132,162	–	14,755	4,146,917	–	–
J.C. Huljich	2,104,302	–	85,222	2,189,524	–	–
P.J. Done	20,434	–	31,060	51,494	–	–
M.G. Grant	42,988	–	1,518	44,506	44,506	–
D.K. Gupta	–	–	–	–	–	–
M.J Coy	349,082	–	16	349,098	–	–
T.D. Reid	3,482	–	–	3,482	–	–
D.B. Govey	397,984	–	6,963	404,947	–	–

All equity transactions with directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

25. Related party transactions (cont.)

Long-term Incentives: Executive Option and Performance Rights plan

The Performance Rights to be issued to the Executive Directors are made of Compensation Performance Rights and Incentive Performance Rights and are to be granted as Compensation to The Executive Directors.

- Compensation Performance Rights were designed to compensate eligible employees for salary reductions made as of 1st May 2009, with the number to be issued determined by reference to the amount of the reduction.
- The incentive rights provide eligible employees with a short-term incentive, the objective being to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

	Bal at 1 July No.	Granted as options No.	Granted as compensation rights No.	Granted as incentive rights No.	Exercised No.	Net other change No.	Balance at 30 June No.
2010							
J. McBain	–	600,000	69,633	39,600	–	–	709,233
J. Huljich	–	400,000	50,797	29,500	–	–	480,297

Former Long Term Incentive Plan of Over Fifty Group Limited: Participating Rights Plan

Performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years. The LTI plan was set up to reward all employees in a manner that aligns the elements of remuneration with the creation of shareholder wealth.

The rights granted are valued by an external consultant in line with the requirements of Accounting Standard AASB 2. The company then applies an estimation of the tenure risk associated with employees still being employed at the time the rights vest for those subject to TSR and EPS performance hurdles, and the probability of OFG attaining the required increase in TSR and EPS. The resultant value is charged to the profit and loss evenly across the vesting period.

	Balance at 1 July No.	Granted as compensation rights No.	Exercised No.	Net other change No.	Balance at 30 June No.
2010					
T.D. Reid	34,296	–	–	(13,274)	21,022
2009					
T.D. Reid	55,742	–	–	(21,446)	34,296

Share options of Over Fifty Group Limited

Share option holdings were only held by the former CEO, Mr C.R. Martin. All share options lapsed upon his resignation on 1 August 2008.

	Bal at 1 July No.	Granted as compensation rights No.	Exercised No.	Net other change No.	Balance at 30 June No.
2009					
C.R Martin	1,100,000	–	–	(1,100,000)	–

iii. Other transactions with key management personnel of the Group

As a matter of Board policy, all transactions with Directors and Director-related entities are conducted on normal commercial or employee terms.

During the financial year, the following transactions occurred between the company and key management personnel:

- Henry Davis York, a related party of R. Dobson, was paid $745,823 (2009: $54,347) for legal consultancy fees.

25. Related party transactions (cont.)

(c) Transactions with other related parties

Aggregate amounts received from related parties:

	Consolidated	
	2010 $'000	2009 $'000
Management fees :		
Over Fifty Guardian Friendly Society Limited	2,039,750	1,706,706
Over Fifty Mutual Friendly Society Limited Benefit Funds	14,282,862	14,728,603
Property Trusts	9,987,954	7,388,752
	26,310,566	**23,824,061**

Where a management agreement is in place, management fees are charged to controlled entities in accordance with such agreements.

Terms and conditions of transactions with related parties

Investments in benefit funds held by certain directors are made on the same terms and conditions as all other persons. Directors and director-related entities received the same returns on these investments as other policyholders.

The parent entity and its related entities entered into transactions, which are insignificant in amount, with Directors and their Director-related entities in their domestic dealings and are made in arm's length transactions both at normal market prices and on normal commercial terms. These are:

– receipt of general insurance premiums; and

– payment of general insurance benefits.

Over Fifty Group Limited pays some expenses on behalf of related entities and receives a reimbursement for these payments. No interest is received or paid on inter-entity balances.

Transactions between Over Fifty Group Limited and its related parties

During the financial year, the following transaction occurred between the company and its other related parties:

- Over Fifty Group Limited received dividends of $9,026,000 (2009: $6,613,000) from its subsidiaries.
- Century Funds Management Limited made a short-term advance of $216,500 to one of its managed investment funds, Century Bulky Goods Fund.
- Convertible notes – Peter Done has 180,278 notes at $1.
- 601 Bourke St Pty Limited (a subsidiary of Century Funds Management Limited) borrowed $984,265 from Century Property Trust No 10 unitholders and on lent the funds to Century Property Trust No 10.
- Century Opportunity Fund No 2 Pty Limited (a subsidiary of Century Funds Management Limited) borrowed $595,538 from unitholders in Century Opportunity Fund No 2 and on lent the funds to Century Opportunity Fund No 2.
- During the year no interest was charged on intercompany balances.

26. Notes to the statement of cash flows

Under AASB 107 Cash Flow Statements, the income, expenses, assets and liabilities of the benefit funds are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the benefit funds' cash is included in the Group's statements with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the benefit funds. The composition of the closing cash balance is as follows:

	Consolidated	
	2010 $'000	2009 $'000
Attributable to shareholders	13,966	8,678
Attributable to benefit fund policyholders	41,402	19,607
Total	**55,368**	**28,285**

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash and cash equivalents	**55,368**	**28,285**	**3,714**	**526**

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit/(loss) for the year	6,318	(12,413)	2,043	(11,340)
Depreciation and amortisation	353	546	253	244
Movement in provision for doubtful debts	654	(1,379)	(1,180)	(910)
Executive share-based incentives	(738)	(103)	(738)	(103)
Unrealised income/(loss) (i)	3,762	43,117	(2,990)	19,543
(Profit)/loss on sale of investments	5	(1)	–	–
Share of loss in associate	1,921	2,840	–	–
Fair value gain/(loss) on derivatives	843	(62)	–	–
Amortisation of borrowed costs	(163)	447	–	–
Increase in deferred income tax assets	1,771	(5,804)	(924)	(4,265)
(Decrease)/increase in tax provision	11,760	(16,424)	6,370	(368)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Sundry receivables	(5,607)	7,257	(1,685)	(2,844)
Prepayments	536	306	(90)	163
Increase/(decrease) in liabilities:				
Trade and other payables	(774)	(2,631)	(196)	(152)
Provisions	155	7,166	154	(86)
Decrease in policyholder liability	(47,983)	(106,577)	–	–
Net cash flows from/(used in) operating activities	**(27,187)**	**(83,715)**	**1,017**	**(118)**

(i) Unrealised income/(loss) is arising mainly from the Benefit Funds with a profit of $4,114,446 (2009: profit $30,230,306) and from the corporate entities with a loss of $353,266 (2009: profit $12,886,222).

27. Financial instruments

The OFG consolidated results comprise the assets and liabilities of both the OFG group and the benefit funds. The shareholders of OFG are subject only to the risks and rewards of assets and liabilities in OFG and not those of the assets and liabilities held in the benefit funds which are required to be aggregated in the financial report as prescribed by AASB 1038 Life Insurance Contracts. Therefore, this note only addresses the financial assets and financial liabilities held directly on OFG's statement of financial position and not those assets and liabilities held by the benefit funds (as detailed in Note 20).

The only risk to the shareholders of OFG, in respect to the benefit funds, is limited to capital reserving. Over Fifty Mutual Friendly Society Limited (OFMFS), being a subsidiary of OFG, acts in the capacity of manager for two capital guaranteed benefit funds. To mitigate the risk of these guarantees being called upon, the benefit funds set aside prescribed reserving which is determined upon a "1 in 400 year event" stress testing scenario. The reserving calculations are verified by an independent actuary appointed by the Friendly Society. The Benefit Funds at 30 June 2010 have set aside the requisite reserving as determined by the investment profile of the two respective funds. If the required reserving under the "Capital Adequacy Test" needs increasing, in addition to the Funds assets that OFG holds, OFMFS would be required to inject additional seed capital. Seed capital is later repaid to OFMFS when reserving is returned to a normal sustainable level.

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Group.

The Group employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Group.

The Investment & Lending Committee's function is to manage and oversee the Group's investments in accordance with the investment objectives and framework as set down by the Board. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Group's financial performance. These policies may include the use of certain financial derivative instruments.

The Group outsources the investment management to specialist investment managers, who provide services to the Group, co-ordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and the benefit funds product disclosure statements. The benefit funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

The Group uses interest rate swaps to manage the interest rate risk, that is, hedge against interest rate movements. Per interest rate swap agreements between the Group and the swap provider, the Group pays an agreed fixed rate to the swap provider, meanwhile receives a variable rate equal to 30-day Bank Bill Swap rate bid (BBSY) plus a facility margin from the swap provider. The objective of the hedge is to hedge fair value movements of fixed loans book that is attributable to interest rate risk, as well as hedge Group's exposure to variability in cash flows that is attributable to interest rate risk associated with its selected borrowings.

Derivative financial instruments of the benefit funds, consolidated into the financial statements of the Group under AIFRS, are used only for hedging of actual or anticipated exposures relating to investments. All financial arrangements are backed up by cash or assets (as appropriate) with a fair value at least equal to the notional value of the asset which underlies the financial instrument. The Group does not enter into or trade financial instruments for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives.

27. Financial instruments (cont.)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balance. This overall strategy remains unchanged from 2009.

The Group's capital structure consists of net debt (borrowings as detailed in note 16 and offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings which are all detailed in note 20).

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of the Friendly Society are regulated by APRA and the Management Fund of the Society has a minimum Management Capital Requirement (MCR) that must be maintained at all times. It is calculated monthly and projected forward for the next six months and these results are reported to the Board each month. The current level of share capital of the Friendly Society means that for the foreseeable future the MCR will continue to be met with a substantial excess. In addition, Century Funds Management Limited and Eclipse Property Group Limited have AFSL licences so as to operate as registered property trusts. The regulations require the entities to hold a minimum net asset amount which is maintained by way of bank guarantees. Where necessary, the bank guarantees will be increased to ensure the net asset requirement is always met.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and from there decides what the most appropriate form of funding (capital raising or borrowings) is which will depend on what the funding will be used for.

The capital structure of the benefit funds (and management fund) consists of cash and cash equivalents, bill facilities and mortgage assets. The benefit funds also hold a range of financial assets for investment purposes including investments in unit trusts, equity and floating rate notes. The Investment and Lending Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the benefit funds by maintaining a minimum of 15% of its total investments in cash and cash equivalents. The benefit funds have no restrictions or specific capital requirements on the application and redemption of units. The benefit fund's overall investment strategy remains unchanged from the prior year.

(d) Carrying amount by category of financial instruments

The carrying amount of each category of financial assets and liabilities is as follows:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets at fair value through the profit or loss – designated upon initial recognition	152	138	147	127
Loans and receivables	235,917	237,428	46,558	37,120
Total financial assets	**236,069**	**237,566**	**46,705**	**37,247**
Derivatives that are designated and effective as hedging instruments carried at fair value	15,951	12,409	–	–
Financial liabilities measured at amortised cost	222,635	273,362	17,115	27,357
Total financial liabilities	**238,586**	**285,771**	**17,115**	**27,357**

Financial assets and liabilities are recognised in accordance with the accounting policies detailed in note 2 to the financial statements.

27. Financial instruments (cont.)

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised on the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties. Concentration of credit risk in relation to mortgage loans is demonstrated by the following bands:

Loan balance outstanding	2010		2009	
	Number	Balance $'000	Number	Balance $'000
$ 0 – $ 250,000	0	–	1	200
$ 250,001 – $ 500,000	0	–	0	–
$ 500,001 – $ 1,000,000	0	–	3	2,400
$ 1,000,001 – plus	1	3,540	1	6,520
		3,540		**9,120**

Concentration of credit risk in relation to reverse mortgage loans is minimal, as each individual reverse mortgage loan is secured by an individual residential property. The loan is required to be paid off from the proceeds of disposal of secured property after borrowers' death.

Individual property valuations are conducted on a yearly basis in accordance with financier's requirements. At 30 June 2010, the highest loan to value ratio (LVR) of reverse mortgage loan book is 68%, and there are only 18 out of 2,523 reverse mortgage loans whose LVR is higher than 50% LVR.

There are no mortgage loans that are past due and not impaired.

Credit risk on mortgage loans

Credit risk on mortgage loans is managed through prudential lending guidelines, appropriate mortgage security arrangements and loan default credit risk insurance, and are reviewed and approved by the risk management committee annually.

Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well known rated agencies.

The exposure of credit risk in respect of financial assets is minimal.

The Group does not have any significant credit risk exposure to any single entity or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2010 or 30 June 2009.

Credit risk of the Parent

The Parent does have significant exposure to the extent that it has provided loans to its subsidiaries. This risk is covered by recourse to the assets of the subsidiaries. The parent does not have any financial assets that are past due and not impaired.

(f) Liquidity Risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The unit holders in the benefit funds are able to withdraw their units at any time and the benefit funds are therefore exposed to the liquidity risk of meeting unit holders' withdrawals at any time. The OFMFS Risk Management Statement has a requirement to maintain the benefit funds' cash holdings and liquid assets at a minimum of 15% of total assets.

27. Financial instruments (cont.)

The benefit funds' listed securities, listed managed investment schemes and unlisted management investment schemes are considered to be readily realisable. The benefit funds' other investments include investments in unlisted investments and first mortgage loans, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the benefit funds may not be able to liquidate all of these investments at their fair value in order to meet their liquidity requirements. The benefit funds' liquidity risks are managed in accordance with the funds investment strategies.

The liquidity risk is managed for the Group at a corporate level. The CFO regularly reviews the bank account balances across all entities, as well as current and future commitments and expected cash inflows. This is reviewed in even more detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statement of financial positions, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows, plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- re-negotiate the repayment terms of the borrowings
- sell assets that are held on the statement of financial position
- undertake an equity raising

This, combined with a profitable business going forward, should ensure that the Group continues to meet its commitments, including repayments of borrowings, as and when required.

The Group's overall strategy to liquidity risk management remains unchanged from 2009.

The following tables summarise the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	On Demand $'000	Total $'000
Non-derivative financial liabilities						
Consolidated						
2010						
Accounts payable	5,323	–	–	–	–	5,323
Borrowings	(i) 7,112	8,826	179,217	–	(ii) 24,000	219,155
Other liabilities	(iv) 5,832	419	(iii) 7,524	–	–	13,775
Total	**18,267**	**9,245**	**186,741**	**–**	**24,000**	**238,253**
2009						
Borrowings	3,513	220,154	6	–	39,978	263,651
Accounts payable	5,567	–	–	–	7,271	12,838
Total	**9,080**	**220,154**	**6**	**–**	**47,249**	**276,489**

(i) $4.1 million of this amount relates to the NAB working capital facility. On 16 August 2010 OFG renewed its finance facility with the NAB on commercially improved terms with a new facility maturity date of 31 August 2011. The facility limit has increased to $12 million which will provide OFG with additional resources to take advantage of strategic opportunities that exist in the market for consolidation of funds under management.

(ii) This loan is non-recourse to the wider group, and has continued to remain in breach of 2 loan covenants since reported at 30 June 2009. NAB has noted this position whilst reserving its rights.

(iii) Refer to Note 18 for details on the convertible notes.

(iv) The NAB working capital facility will accommodate the payment of the deferred consideration in relation to the Eclipse settlement.

	Less than 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	On Demand $'000	Total $'000
Non-derivative financial liabilities						
Consolidated						
2010						
Accounts payable	185	–	–	–	–	185
Borrowings	4,187	–	–	–	–	4,187
Other liabilities	5,832	419	7,524	–	–	13,775
Total	**10,204**	**419**	**7,524**	**–**	**–**	**18,147**
2009						
Borrowings	256	–	–	–	7,271	7,527
Accounts payable	659	20,025	–	–	–	20,684
Total	**915**	**20,025**	**–**	**–**	**7,271**	**28,211**

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis. The parent does not hold any derivative instruments (2009: nil).

	Less than 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	On Demand $'000	Total $'000
Derivative financial liabilities						
Consolidated						
2010						
Interest rate swaps	279	662	3,340	35,393	–	39,674
Total	**279**	**662**	**3,340**	**35,393**	**–**	**39,674**
2009						
Interest rate swaps	262	847	2,830	17,278	–	21,217
Total	**262**	**847**	**2,830**	**17,278**	**–**	**21,217**

(g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and price risk. Due to the nature of assets held by the parent and the Group (excluding the benefit funds), there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes. The Group manages the market risk associated with its benefit funds via outsourcing its investment management and the Investment Manager manages the financial risks relating to the operations of the benefit funds in accordance with an investment mandate set out in the benefit funds constitution and product disclosure statement. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

27. Financial instruments (cont.)

(g) Market risk (cont.)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates and lend funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The benefit funds' activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the funds to cash flow risk, whereas fixed interest rate instruments expose the fund to fair value interest rate risk. Ultimately unit holders of the benefit funds are exposed to this risk.

The tables below detail the parent and the Group's interest bearing financial assets and liabilities.

The following table excluded interest rate swaps which are represented in the tables below.

	Consolidated				Parent			
2010	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000
Financial Assets								
Cash and cash equivalents	4.78%	6,078	7,888	13,966	4.94%	144	3,570	3,714
Mortgage Loans	8.35%	149,930	58,622	208,552	–	–	–	–
Total financial assets		**156,008**	**66,510**	**222,518**		**144**	**3,570**	**3,714**
Financial liabilities								
Borrowings	5.65%	204,452	6	204,458	4.80%	4,116	–	4,116
Total financial liabilities		**204,452**	**6**	**204,458**		**4,116**	**–**	**4,116**
Net interest bearing financial assets/(liabilities)		**(48,444)**	**66,504**	**18,060**		**(3,972)**	**3,570**	**(402)**

	Consolidated				Parent			
2009	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000
Financial Assets								
Cash and cash quivalents	3.35%	7,495	1,184	8,678	2.97%	186	340	526
Mortgage Loans	7.16%	167,926	56,192	224,119	–	–	–	–
Total financial assets		**175,421**	**57,376**	**232,797**		**186**	**340**	**526**
Financial liabilities								
Borrowings	5.12%	246,869	8,122	254,991	6.65%	19,830	–	19,830
Total financial liabilities		**246,869**	**8,122**	**254,991**		**19,830**	**–**	**19,830**
Net interest bearing financial assets/(liabilities)		**(71,448)**	**49,254**	**(22,194)**		**(19,644)**	**340**	**(19,304)**

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss except for those designated and effective as cash flow hedges in which case the fair value movements will be recorded in equity.

	Average contracted rate		Notional principal amount		Fair value	
Consolidated	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Pay fixed for floating contracts designated as effective in fair value hedge						
50 years swaps contracts (i)	7.49%	7.50%	19,273	23,326	(12,208)	(8,513)
			19,273	23,326	(12,208)	(8,513)
Pay fixed for floating contracts designated as effective in cash flow hedges						
Less than 1 year	7.08%	6.87%	5,034	6,116	(304)	(194)
1 – 2 years	8.40%	7.08%	7,192	4,426	(1,066)	(289)
2 – 8 years	7.32%	7.52%	31,892	39,084	(2,373)	(3,413)
			44,118	49,626	(3,743)	(3,896)
			63,391	**72,952**	**(15,951)**	**(12,409)**

(i) Refer to Note 27 (h) regarding the fair value of 50-year swap contracts

The objective of interest rate swap contracts, excluding the 50 year swap, in a hedge relationship is to match the cash flows obtained from the fixed rate book to the floating funding obligations under the warehouse trust facility. This strategy is in accordance with the OFG Treasury Policy. The hedged item (being floating funding obligation) is expected to impact profit or loss over the next five years (2009: six years) following year-end where the Group has an interest rate exposure from fixed rate reverse mortgages from customers at a fixed rate for either the first four or eight years of the loan.

The hedged item cash flows are expected to occur at the end of the fixed rate loan as the floating funding obligations and fixed rate reverse loan mortgages are compounding.

27. Financial instruments (cont.)

(g) Market risk (cont.)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the parent and the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The following table illustrates the effect on profit after tax and other equity reserves if interest rates had been 1% higher or lower and all other variables were held constant.

		Effect On			
	Change in variable	Profit after tax		Other Reserves	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated					
Interest rate risk	+ 1%	**1,112**	**(462)**	**831**	**1,539**
Parent					
Interest rate risk	+ 1%	**(3)**	**(135)**	**–**	**–**

	Change in variable	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated					
Interest rate risk	– 1%	**(1,112)**	**443**	**(859)**	**(1,605)**
Parent					
Interest rate risk	- 1%	**3**	**135**	**–**	**–**

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analyses above take into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only.

Other price risk

Other price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The benefit funds have investments in unlisted managed investment schemes, which expose it to price risk. Sensitivity of these amounts to other price risk impacts policyholder liabilities rather than profit and other equity reserve attributable to shareholders.

(h) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Consolidated			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Carrying amount
Financial assets				
Loans and receivables:				
– Reverse mortgage loans	**197,764**	**267,942**	**211,641**	**310,426**

Valuation techniques and assumptions applied for the purpose of measuring fair value

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

a) The fair valuation technique of the Group's Reverse Mortgage Loan book is based on below assumptions:

– the weighted average reverse mortgage holders age is 72 years;

– the future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from public available information released by the government;

– fixed or variable interest rates charged to borrowers are used to project future cash flows;

– a redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast;

– year end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2010 year end to work out the fair value of the reverse mortgage loan book.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for nonoptional derivatives, and option pricing models for optional derivatives.

b) The fair value technique of the Fixed for life interest rate swaps is based on below assumption:

– the weighted average reverse mortgage holders age is 72 years;

– the expected future cash flows in relation to the swaps are based on reverse mortgage borrowers expected life expectancy. Mortality information is sourced from data released by the government;

– difference between the fixed swap pay rates and forwards rates as of 30 June 2010 is used to calculate the future cash flows in relation to the swaps.

Fair value measurements recognised in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated			
2010	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at FVTPL				
Financial assets at fair value through profit and loss – designated upon initial recognition	–	152	–	152
Total	**–**	**152**	**–**	**152**
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(3,743)	(12,208)	(15,951)
Total	**–**	**(3,743)**	**(12,208)**	**(15,951)**

There were no transfers between Level 1, 2 and 3 in the period.

27. Financial instruments (cont.)

(h) Fair value of financial instruments (cont.)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Consolidated	
	Fair value through profit or loss Fixed For Life Swaps $'000	Total $'000
Opening balance	(8,512)	(8,512)
Total losses:		
– in profit or loss	(3,696)	(3,696)
Closing balance	**(12,208)**	**(12,208)**

Significant assumptions used in determining fair value of financial assets and liabilities

Fixed For Life swaps (FFL)

The objective of 50-year interest rate swap contracts in a hedge relationship is to hedge the exposure to changes in fair value of recognised assets, being fixed for life reverse mortgage loans, that is attributable to the interest rate risk and could affect profit or loss. This strategy is in accordance with the OFG Treasury Policy.

The fair value of the 50 year reverse mortgage loans and 50 years swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 15 years, with the yield curve at 15 years employed as the best proxy for subsequent rates due to non-observable market data.

Mortality rates up to age 95 for Males and Females have been assumed to be 95%, with consistent assumptions beyond age 95. Mortality improvements of 3% p.a. starting at age 70. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100.

Joint life mortality is calculated based on last death for loans with joint borrowers. Half of reverse mortgage loan portfolio consists of joint lives.

Adjusting the yield curve after 15 years by an increase/(decrease) of 100 basis points as at 30 June 2009 would cause the fair value of the 50 year swaps to increase/(decrease) by $2,531,876/($2,244,836). (2009: $2,634,346 /($2,333,903)).

Additionally, the valuations have been calculated with an assumption of deaths (as opposed to early voluntary repayment) of mortgagees during the life of the interest rate swaps. However, the swap agreements provide that in the event of death of a mortgagee there is a nil cost prepayment option. Accordingly, the assumption on the number of deaths and timing of such deaths will impact the valuation. If the assumption of the death rate changes to 10% of mortgagees 10 years after the inception of the swaps, the fair value as at 30 June 2010 would increase by $437,031 (2009: $297,000).

28. Subsequent events

OFG's subsidiary company, Century Funds Management Limited, has accepted the request of a significant block of unit holders in two registered schemes, namely Becton Office Fund No. 2 (BOF2) and Becton Diversified Direct Property Fund (BDDPF) with aggregate asset values of $102 million and $124 million respectively, to be proposed before a vote of unitholders to replace Lachlan REIT Limited, a subsidiary of Becton Property Group Limited, as Responsible Entity of the Funds. The process will be conducted by a unitholder vote that has been scheduled to occur on 31 August 2010.

On 16 August 2010 OFG renewed its finance facility with the NAB on commercially improved terms with a new facility maturity date of 31 August 2011. The facility limit has increased to $12 million, and at the date of signing this report management has approximately $8.7 million available in undrawn funds. This increased working capital facility will provide OFG with additional resources to take advantage of strategic opportunities that exist in the market for consolidation of funds under management. During the financial year ended 30 June 2010 $15.7 million (30 June 2009: $3.0 million) of the NAB facility had been repaid by OFG, and subsequent to year end the drawdown was reduced by an additional $0.8 million to $3.3 million at 31 July 2010.

On 18 August 2010, the Board approved the declaration of a final dividend at 2.5 cents per share franked to 30% at 30% corporate income tax rate.

29. Acquisition of business

There was no acquisition of business during the financial year ended 30 June 2010.

On 30 June 2009, OFG exercised its Call Option, under the Put & Call Option Deed dated 30 June 2008, over the remaining 49% of the Eclipse Property Group Limited's (EPGL). OFG acquired the initial 51% on 30 June 2008.

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
2009				
Eclipse Property Group Limited	Property funds	30/06/09	49	5,633

Net assets acquired	Eclipse Property Group Limited			
	2010		2009	
	Book value $'000	Fair value on acquisition $'000	Book value $'000	Fair value on acquisition $'000
Assets				
Trade & other receivables	–	–	1,152	1,152
Property plant and equipment	–	–	11	11
Deferred tax asset	–	–	22	22
Liabilities				
Trade & other payables	–	–	(1,205)	(1,205)
Total fair value of net assets acquired	**–**	**–**	**445**	**445**
2010 : 49% thereof	–	–		
2009: 49% thereof			218	218
Goodwill on acquisition				5,415
		–		**5,633**

Net cash flow on acquisition

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Total purchase consideration excluding contingent consideration	6,492	5,633	6,492	5,633
Less: Deferred consideration	(5,702)	(5,533)	(5,702)	(5,533)
Consideration paid in cash	**790**	**100**	**790**	**100**
Less: cash & cash equivalents acquired	–	(228)	–	–
Total cash (inflow)/outflow	**790**	**(128)**	**790**	**100**

During the year, $790,000 was paid as part of the Share Sale Agreement.

The goodwill has increased due to reassessment on contingent deferred consideration.

30. Segment information

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risk and reward approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

BUSINESS SEGMENTS

In prior years, segment information reported externally was analysed on the basis of grouping of types of business segments (i.e. Friendly Society Funds Management, Insurances, Mortgages and Property). However, information reported to the Board for the purpose of resource allocation and assessment of performance is more specifically focused on operating business divisions. The Group's reportable segments under AASB 8 are therefore as follows:

(a) Friendly Society Funds Management – a range of financial products, including single and multi-premium investments.

(b) Insurances – general, home and contents, motor vehicle and travel insurance agency.

(c) Commercial Mortgages – provide funding and equity capital secured by mortgages (non-residential tenants).

(d) Reverse Mortgages – provide funding and equity capital secured by mortgages (seniors).

(e) Mortgageport – equity accounted investment in money manager and mortgage broker.

(f) Property Investments – National Leisure Trust, Chisholm.

(g) Property Funds Management – Century Funds Management Limited and Eclipse Property Group Limited.

(h) Corporate (include intercompany eliminations and LTP).

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies. This is the measure reported to the chief operating decision maker.

The following is an analysis of the Group's revenue and results by reportable operating segment for the current year under review:

2010	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Revenue				
Interest, dividends and other investment income	24,079	1	32	16,000
Management, risk and establishment fees	13,834	–	–	781
Rent and other (i)	20,936	1,318	4	(11)
Total segment revenue	**58,849**	**1,319**	**36**	**16,770**
Profit/(loss) before tax	11,546	1,011	(1,145)	3,404
Income tax (expense)/benefit	(6,432)	(303)	344	(850)
Net profit				

(i) During the year ended 30 June 2010, other revenue includes applications in Friendly Society Funds Management and commissions in Insurance.

Year ended 30 June 2010					
	Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
	–	16	228	176	40,532
	–	–	8,619	–	23,234
	–	5,513	2,581	(215)	30,126
	–	**5,529**	**11,428**	**(39)**	**93,892**
	–	590	5,430	(7,956)	12,880
	–	159	(1,648)	2,168	(6,562)
					6,318

30. Segment information (cont.)

2009	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Revenue				
Interest, dividends and other investment income	33,493	8	772	18,908
Management, risk and establishment fees	14,683	–	36	306
Rent and other (i)	15,390	1,155	203	267
Total segment revenue	**63,566**	**1,163**	**1,011**	**19,481**
Profit/(loss) before tax	4,626	470	(5,778)	910
Income tax (expense)/benefit	2,702	(253)	1,797	(298)
Net profit				

(i) During the year ended 30 June 2009, other revenue includes applications in Friendly Society Funds Management and commissions in Insurance.

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the current year un

2010	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Assets	558,249	82	3,949	223,373
Liabilities	(549,374)	(24)	(53)	(199,139)

2009	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Assets	604,414	583	9,378	205,458
Liabilities	(597,203)	(62)	(193)	(213,592)

Other segment information

2010	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Carrying value of investments accounted for using the equity method	–	–	–	–
Depreciation and amortisation of segment assets	7	–	–	2
Significant other non–cash expenses	2,898	–	369	–

2009	Friendly Society Funds Management $'000	Insurance $'000	Commercial Mortgages $'000	Reverse Mortgages $'000
Carrying value of investments accounted for using the equity method	–	–	–	–
Depreciation and amortisation of segment assets	34	–	–	8
Significant other non-cash expenses	–	–	6,228	2,763

Geographical information

The consolidated entity operates in one geographic region, Australia.

Year ended 30 June 2009				
Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
–	11	168	114	**53,474**
–	–	6,376	31	**21,432**
–	7,851	1,071	(3,207)	**22,730**
–	**7,862**	**7,615**	**(3,062)**	**97,636**
374	(2,727)	376	(23,484)	**(25,233)**
1	2,589	(8)	6,290	**12,820**
				(12,413)

der review:

Year ended 30 June 2010				
Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
7,227	30,990	15,614	44,696	**884,180**
–	(25,573)	(4,028)	(10,346)	**(788,537)**

Year ended 30 June 2009				
Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
5,603	38,444	16,295	82,164	**962,339**
–	(42,311)	(4,074)	(26,466)	**(883,901)**

Year ended 30 June 2010				
Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
6,327	–	–	5,559	**11,886**
–	–	91	253	**353**
–	204	345	3,046	**6,862**

Year ended 30 June 2009				
Mortgageport $'000	Property Investments $'000	Property Funds Management $'000	Corporate (incl eliminations and LTP) $'000	Consolidated $'000
5,602	–	–	7,560	**13,162**
–	–	260	244	**546**
–	6,837	–	12,804	**28,632**

31. Key management personnel compensation

Details of key management personnel

- R.W. Dobson (Chairman) appointed 28 November 2007
- J.E. McBain (Director, Chief Executive Officer) appointed 4 April 2008 as CEO and Director on 10 July 2006
- J.C. Huljich (Director, General Manager – Property division) appointed 28 November 2007
- P.J. Done (Non-executive director) appointed 28 November 2007
- D.K. Gupta (Non-executive director) appointed 28 November 2007, re-elected as a Director on 29 October 2009
- T.D. Reid (Company Secretary, and General Manager – Friendly Societies) appointed 1 October 2008
- M.J. Coy (Chief Financial Officer and appointed additional Company Secretary of OFG, to be based in Sydney on 21 October 2009)
- D.B. Govey (Head of Assets) appointed 1 May 2006
- A.S. Bali (Development Executive) appointed 1 July 2007
- H.J. Schmiede (Head of Finance – Property) appointed 1 December 2008

Key management personnel compensation

The aggregate compensation paid to key management personnel of the company and the Group is set out below:

	Consolidated		Parent	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Short-term employee benefits	1,729,913	2,114,305	1,024,847	1,334,564
Post-employment benefits	144,349	190,866	85,475	123,452
Termination benefits	–	–	–	–
Share-based payment	612,447	3,355	481,447	–
	2,486,709	**2,308,526**	**1,591,769**	**1,458,016**

32. Share-based payments

Participating Rights Plan

At the 2003 AGM, OFG shareholders approved a Participating Rights Plan to which the long-term incentives relate. Under this plan, the Board has been given discretion in granting to employees rights to receive, in the future, a specified number of ordinary shares. The number of shares to be delivered pursuant to the rights is subject to satisfying performance hurdles and time-related vesting conditions as detailed in the table below. If OFG achieves a growth in Earnings Per Share (EPS) and a Total Shareholder Return (TSR) which matches or exceeds that of the ASX (excluding Property Trusts) Financial Accumulation index, the performance rights will convert into shares at the target date in the future as set out in the table below. Performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years. The LTI plan was set up to reward all employees in a manner that aligns the elements of remuneration with the creation of shareholder wealth.

The Group uses TSR and EPS as performance hurdles as it ensures an alignment between comparative shareholder return and reward for executives.

The performance will vest after each year as per table below subject to meeting the performance hurdles described.

The performance rights will also be tested at the end of four years measuring the average compound performance over the preceding four financial years; as in the table below subject to meeting the performance hurdles described.

32. Share-based payments (cont.)

EPS performance criteria

EPS is based on normalised operating earnings before tax. The EPS performance hurdle and subsequent percentages of the rights that become exercisable depend on the following vesting scale:

- If OFG achieves less than 10% growth in EPS per annum, no Rights vest.
- If OFG achieves 10% growth in EPS or greater, 70% of Rights vest.
- If OFG achieves 11% growth in EPS or greater, 80% of Rights vest.
- If OFG achieves 12% growth in EPS or greater, 90% of Rights vest.
- If OFG achieves 13% growth in EPS or greater, 100% of Rights vest.

TSR Performance criteria

The TSR performance hurdles and percentages of the Rights that become exercisable upon meeting the performance hurdle are as follows:

- If TSR rank is less than the index, no Rights vest.
- If TSR rank is equal to or greater than the index, all Rights vest.

Full details of the number of performance rights issued, the vesting dates and the performance hurdles are detailed below:

Tranche	Grant date	Vesting date	No. of rights EPS hurdles	No. of rights TSR hurdles
First	29 May 2006	30 June 2007	40,251	40,251
Second	29 May 2006	30 June 2008	100,212	100,212
Third	29 May 2006	30 June 2009	169,554	169,554
Fourth	1 July 2006	30 June 2010	109,734	109,734
Fifth	1 July 2007	30 June 2011	137,948	137,948

The following reconciles the outstanding participating rights granted under the plan at the beginning and end of the financial year:

	2010	2009
Balance at beginning of the financial year	154,654	224,289
Granted during the financial year	–	–
Forfeited during the financial year	–	–
Expired during the financial year	(116,169)	(69,635)
Balance at end of the financial year	**38,485**	**154,654**

For assumptions used in valuing these rights refer to the Remuneration Report.

During the financial year ended 30 June 2010, no Participating Rights were granted (2009: Nil) due to the EPS and TSR performance criteria not being met.

32. Share-based payments (cont.)

Performance Rights and Executive Option Plan

At the 2009 AGM, members confirmed re-approval of the pre-existing Performance Rights Plan and approval for the issue of up to 3 million Performance Rights. The Plan operates in the same way as when it was originally approved but has a much broader operation.

The Company's Performance Rights Plan was first approved by shareholders at the Company's 2003 Annual General Meeting but no shares have been issued pursuant to the original plan. A revised employee share scheme has been approved at the 2009 AGM. It is composed of an Executive Option Plan and Performance Rights Plan.

The Executive Option Plan proposed that various issues of equity securities under the Performance Rights Plan and the Executive Option Plan be made to Mr John McBain and Mr Jason Huljich who are Executive Directors of the Company (Executive Directors).

The Performance Rights plan is made of two parts:

- **Compensation Performance Rights**

These were designed to compensate eligible employees for salary reductions made as of 1st May 2009, with the number to be issued determined by reference to the amount of the reduction;

- **Incentive Performance Rights**

These provide eligible employees with a short-term incentive, and the Board may elect to award an employee with either Performance Rights or a cash bonus or a combination of both, bearing in mind the total remuneration the employee is awarded in a particular year.

Eligibility to grants under the PRP will be determined by the Board (or the Remuneration Committee acting as the Board's delegate).

Performance criteria for Performance Rights

	Performance Rights Grant date	Number of Performance Rights	EPS Hurdle	Vesting date
Compensation Performance Rights	10 February 2010	0.7 million	No EPS hurdle	1 July 2010
Incentive Performance Rights	30 June 2010	0.3 million	8.96 cents	30 September 2010
Incentive Performance Rights	1 July 2010	1 million	(i)	1 July 2011
Incentive Performance Rights	1 July 2011	1 million	(i)	1 July 2012

(i) EPS hurdle will be set at the time of grant

An estimate value of the maximum and minimum possible total value of the grant for financial years after 30 June 2010 to which the report relates, is not reliable as the grant has not been allocated.

The Executive Options will not vest:

- until the lodgement or publication by the Company of its annual financial statements for the financial year ending 30 June 2012 (Announcement Date); or
- a change of control event (as defined below) occurs.

The number of Executive Options and Performance Rights proposed to be issued to the Executive Directors is set out below:

Name of Executive Director	Executive options granted on 29 October 2009	Compensation Performance Rights granted on 10 February 2010	Incentive Performance Rights granted on 30 June 2010
Mr J.E. McBain	600,000	69,633	39,600
Mr J.C. Huljich	400,000	50,797	29,500

32. Share-based payments (cont.)

Performance Rights and Executive Option Plan (cont.)

All of the Executive Options will become exercisable if :

- the Company meets or exceeds all of the following EPS targets for financial years shown:

Financial Year (FY)	EPS Hurdle
2010	8.96 cents
2011	10.04 cents
2012	11.23 cents

or,

- the simple average of the Company's for the 3 financial years is 10.07 cents

Part only of the Executive Options will become exercisable if :

- A Change of Control Event occurs (the number of Executive Options vesting will be pro-rata to the proportion of the vesting period that has elapsed at the time of the Change of Control Event); or
- Based on the EPS achieved and on the following sliding scale, assuming that the EPS for the purposes of the growth chart was 8 cents for the financial year ending 30 June 2010:

EPS Growth	% Executive Options Vesting
Less than 8%	0%
8 – 8.99%	20%
9 – 9.99%	40%
10 – 10.99%	60%
11 – 11.99%	80%
12 – 12.99%	100%

During the financial year ended 30 June 2010, performance rights for a value of $169,309 (2009: Nil) were granted as performance rights and options to the executive directors.

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Independent Auditor's Report to the Members of Over Fifty Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Over Fifty Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 41 to 107.

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 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Member of
Deloitte Touche Tohmatsu

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Over Fifty Group Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 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*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 33 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

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

DELOITTE TOUCHE TOHMATSU

Stephen Gustafson
Partner
Chartered Accountants
Sydney, 19 August 2010

ADDITIONAL SECURITIES EXCHANGE INFORMATION
as at 16 September 2010

Distribution of holders of equity securities

	Number of holders	Number of ordinary shares
1 – 1,000	13,739	6,186,330
1,001 – 5,000	7,429	16,568,458
5,001 – 10,000	1,091	7,496,794
10,001 – 100,000	702	15,509,783
100,001 and over	51	31,918,191
	23,012	**77,679,556**
Holding less than a marketable parcel	**12,323**	**4,913,387**

Substantial shareholders

Ordinary shareholders	Number of shares held
RBC Dexia Services Australia Nominees Pty Limited	7,325,581
Resolute Funds Management Pty Ltd	4,323,861

Twenty largest holders

	Ordinary Shares	
Ordinary shareholders	Number	Percentage
1. RBC Dexia Services Australia Nominees Pty Limited	7,325,581	9.43%
2. Resolute Funds Management Pty Limited	4,323,861	5.57%
3. Paritai Pty Limited	2,189,116	2.82%
4. Prudential Nominees Pty Ltd	1,775,000	2.29%
5. JP Morgan Nominees Australia Limited	1,504,187	1.94%
6. Vintage Capital Pty Ltd	1,072,871	1.38%
7. Avanteos Investments Limited <1259738 A/C>	1,000,000	1.29%
8. Trust Company Superannuation Services Limited	960,253	1.24%
9. Sterling Grace Capital Management LP	802,550	1.03%
10. Sterling Grace International LLC	802,550	1.03%
11. Drake Associates LP	746,550	0.96%
12. Avanteos Investments Limited <2412987 A/C>	600,000	0.77%
13. National Nominees Limited	555,458	0.72%
14. National Exchange Pty Ltd	500,000	0.64%
15. HSBC Custody Nominees (Australia) Limited	458,968	0.59%
16. Ross Elsom Nominees Pty Ltd	444,532	0.57%
17. Vexdat Pty Ltd	430,165	0.55%
18. Avanteos Investments Limited <1703553 A/C>	373,437	0.48%
19. Avanteos Investments Limited <2469707 A/C>	365,000	0.47%
20. Coorong Holdings Pty Ltd *	362,335	0.47%
	26,592,414	**34.23%**

* Restrictions on the sale of these shareholdings apply.

Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

On-market buy-back

There is no current on-market buyback.

USEFUL INFORMATION

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NOTES