



**EVEREST**

FINANCIAL GROUP

# Annual Report 2009

# Corporate Directory

<b>Directors of the Company</b>	Greg Martin, Independent Chairman Marea Laszok, Independent Director Jeremy Reid, Chief Executive Officer
<b>Company secretary</b>	Gary Kalmin
<b>Auditors</b>	Ernst & Young
<b>Country of incorporation</b>	Australia
<b>Registered office</b>	Level 35 AMP Centre 50 Bridge Street Sydney NSW 2000
<b>Contact details</b>	Mail address:  Level 35 AMP Centre 50 Bridge Street Sydney NSW 2000  Telephone: +61 2 8001 9100 Fax: +61 2 8001 9200  Website: <a href="http://www.everest.com.au">www.everest.com.au</a>
<b>Share registry</b>	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000  Telephone: 1800 336 109 If calling from overseas: +61 2 8280 7691
<b>Stock exchange</b>	ASX Listed (ASX)  The home exchange is Sydney  ASX code: EFG

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<b>Glossary</b>	<b>IBC</b>

# Chairman's Report

As we progress through 2010, with its encouraging signs of a global recovery, we reflect on 2009 as a challenging year for the Everest Financial Group Limited (EFG).

During the year, EFG completed the exchange offer for our largest fund, the Everest Babcock & Brown Alternative Investment Trust (EBI), which resulted in EFG retaining 27% of the fund in an unlisted form. Across other funds, EFG management has also been focused on making capital distributions and reducing leverage (where applicable), which along with the EBI restructure substantially reduced our Assets under Management (AUM). In light of these events, a significant focus has been placed on ensuring an appropriate size and scale for our business platform through a number of cost reduction initiatives, including:

- improving operating efficiencies within the business, resulting in costs reducing from approximately \$17 million per annum at our peak in 2007 to approximately \$5.5 million per annum; and
- consolidating resources, resulting in a head count (full time equivalent) reduction from 24 to 16 at year end. This included a small number of key hires to replace roles in our core business areas, including investment and risk management, legal and compliance.

These initiatives are expected to continue to provide further cost and operational savings over the remainder of 2010 and beyond. Being mindful of ensuring industry best practice within our business, we have engaged PricewaterhouseCoopers to assist in reviewing EFG's policies and procedures and have also introduced an Independent Review Committee to assist in managing any areas of conflict, or potential conflict, which may arise within the business.

In light of reduced revenue for 2009 and continuing into 2010, your Board determined to pay no cash bonuses to senior executives. The Board did, however, issue key staff members with options which vest over five years and are subject to rigorous performance hurdles, creating a strong alignment between staff and shareholders. The Board has been informed that EFG's CEO, Jeremy Reid has elected not to take up the option package offered to him (which was to be subject to shareholder approval).

In December 2009, a subsidiary of EFG (Everest Capital Limited) was served with a claim by LJK Nominees Pty Limited (LJK) in relation to its investment in the Everest Babcock & Brown Income Fund. Everest Capital Limited is defending the proceedings, although no date has yet been set for the hearing of the matter.

Looking forward, we continue to believe that our access to world class investment talent positions EFG well for the future. Exposure to this investment talent is currently not offered within the Australian investment landscape and we expect that allocations to alternative investment funds will increase over time. We have spent considerable time assessing the current market and working with investors to create and structure products that complement the portfolios of Australian investors. We look forward to sharing our latest investment offerings with you during the course of 2010.

The first of these offerings is the Everest Credit Opportunities Fund (ECOF), which focuses on investing in a portfolio of leading investment managers, who predominantly invest in distressed and value oriented investments within global credit markets. While it is early days, performance to date in ECOF has been pleasing, with distressed credit markets continuing to provide solid returns despite the uncertainty and volatility in global equity markets. We intend to continue to broaden our marketing efforts for ECOF in 2010.

At the end of 2009, EFG had approximately \$20 million in cash and seed investments in Everest funds, with no borrowings on its balance sheet. The Board continues to assess options and initiatives, including capital management initiatives, which will make best use of the balance sheet and maximise value for shareholders.

Many thanks go to my fellow Directors and the employees of EFG for their continued support and hard work. We remain committed to addressing the near-term challenges that remain before us, while focusing on rebuilding our investment platform for the benefit of all our shareholders.



**Greg Martin**  
Chairman

## Summary of 2009 Financial Results

	Year ended 31 December 2009	Year ended 31 December 2008
	\$m	\$m
Net management fees	\$8.1	\$28.5
EBITDA	\$0.4	\$16.5
Pre-tax operating result <sup>1</sup>	\$2.0	\$17.7
Net profit/(loss) after tax	\$3.1	(\$305.6)
Earnings per share	1.3 cents	(122.4) cents
AUM (at year end)	\$460 million	\$1.8 billion

### Breakdown of EBITDA and Cash NPAT for Everest Financial Group

	Year ended 31 December 2009	Year ended 31 December 2008
	\$m	\$m
<b>Net profit/(loss) after tax</b>	<b>\$3.1</b>	<b>(\$305.6)</b>
<i>Exclude:</i>		
Amortisation of intangibles	–	\$2.2
Impairment of intangibles	–	\$324.2
Equity settled share based expenses – employee option plan	(\$0.2)	\$1.4
Tax expense – non-cash	(\$0.1)	(\$9.7)
<b>Cash NPAT</b>	<b>\$2.9</b>	<b>\$12.4</b>
<i>Exclude:</i>		
Tax expense – cash	(\$2.2)	\$4.5
Depreciation	\$0.3	\$0.4
One-off expenses relating to cost management & restructuring	\$0.9	\$0.4
<b>Pre-tax operating result</b>	<b>\$2.0</b>	<b>\$17.7</b>
<i>Include:</i> one-off expenses relating to cost management & restructuring	(\$0.9)	(\$0.4)
<i>Exclude:</i> interest income	(\$0.6)	(\$0.8)
<b>EBITDA</b>	<b>\$0.4</b>	<b>\$16.5</b>

Note: May not add due to rounding.

# **Addendum**

## to Directors' Report and Financial Statements

### **Option grant to Jeremy Reid**

At the time this report was originally issued, it was proposed to issue 6,000,000 options to Everest's CEO, Jeremy Reid, subject to shareholder approval at the Everest 2010 AGM. It was also proposed, if shareholder approval was not obtained, that Jeremy Reid would receive cash payments upon each vesting condition and performance hurdle being satisfied equal to the intrinsic value of the options as if they had been issued.

As announced to shareholders on 20 April 2010, the Board has been informed by Everest's CEO, Jeremy Reid, that he has elected not to take up the option package offered to him. It has also been agreed that he will not receive any payment on account of the intrinsic value of the options.

In light of this, the Directors note that references to the issuance of options and any related cash payments to Jeremy Reid contained in this report should be disregarded.

There are no other changes to the report.

# Directors' Report

Your Directors present their Report on Everest Financial Group Limited (**Company**) and the entities it controlled during the year (**consolidated entity or Group**) for the financial year ended 31 December 2009 (**financial year**).

The Company is a public company limited by shares, incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange. Its registered office and principal place of business is:

Level 35 AMP Centre  
50 Bridge Street  
Sydney NSW 2000

## Directors

The names of the Directors of the Company in office at any time during or since the end of the financial year are:

<b>Greg Martin</b>	Independent Chairman (appointed 13 August 2009)
<b>Marea Laszok</b>	Independent Director (appointed 21 May 2009)
<b>Jeremy Reid</b>	Chief Executive Officer
<b>Trevor Gerber</b>	Chairman (from 15 February 2009) and prior to 15 February 2009 was Deputy Chairman (resigned 13 August 2009)
<b>Farrel Meltzer</b>	Non-Executive Director (appointed 20 February 2009, resigned 21 May 2009)
<b>Kerry Roxburgh</b>	Independent Director (resigned 21 May 2009)
<b>Michael Katz</b>	Independent Director (resigned 21 May 2009)
<b>David Kent</b>	Chairman (resigned 15 February 2009)

Directors have been in office since the start of the financial year to the date of this Report unless otherwise stated.

For details of the Directors' qualifications, experience, special responsibilities and other directorships, refer to pages 7 to 8, which are to be read as part of this Report.

## Principal activity

The principal activity of the consolidated entity during the financial year was investment management. No significant change in the nature of these activities occurred during the year.

## Operating results

The profit of the consolidated entity for the financial year after providing for income tax amounted to \$3,116,000 (2008 loss: \$305,585,000).

## Review of operations

A review of the operations of the consolidated entity during the financial year and the results of those operations found that during the year, the consolidated entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

## Significant changes in state of affairs

### Change of company name

The Company's proposal to change its name to "Everest Financial Group Limited" was passed by a successful shareholder vote at the General meeting held on 23 December 2008. The Company's name was updated by the Australian Securities and Investments Commission (ASIC) on 15 January 2009.

### Resignation as Responsible Entity of EBI

Everest Capital Investment Management Limited (ECIML), a wholly owned subsidiary of the Company, ceased to be the Responsible Entity for Everest Babcock & Brown Alternative Investment Trust (EBI). The change in responsible entity was passed by resolution at a meeting of unitholders held on 30 January 2009. Notification was received from ASIC on 5 February 2009 confirming that the new responsible entity of EBI is Permanent Investment Management Limited. EBI changed its name on 5 February 2009 to the Alternative Investment Trust (ASX code AIQ). Everest Capital Limited was removed as the investment manager of EBI on 23 February 2009, reducing the billable Assets Under Management (AUM) by approximately \$700 million at that point.

### Launch of the Everest Credit Opportunities Fund

On 1 September 2009, the Company announced the launch of a new investment fund, which will focus on investing in a select portfolio of the world's leading investment managers, who will predominantly invest in distressed and value-oriented investments within global credit markets. The Fund has been seeded with \$4 million from the Company's balance sheet.

## Litigation

On 2 December 2009, a subsidiary of the Company (Everest Capital Limited) was served with a claim by LJK Nominees Pty Limited (LJK) in relation to LJK's investment in the Everest Babcock & Brown Income Fund, of which Everest Capital Limited is the responsible entity. LJK has also taken action against Mr Jeremy Reid personally in those proceedings. Everest Capital Limited is defending the claim. See "Events subsequent to reporting date" on page 15 for developments after 31 December 2009 and see Note 22 of the Financial Report.

# Directors' Report

## Likely developments

The consolidated entity's objectives are to maintain profitability, manage costs, grow assets under management and diversify its investment product range and investor base. The consolidated entity will seek to meet its objectives by continued management of existing funds and offering new investors access to what it believes to be some of the leading investment managers focused on absolute returns. The consolidated entity will aim to identify, recruit and retain the very best people to support the business.

## Environmental issues

The consolidated entity's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Dividends paid or recommended

There was no dividend paid in respect of the year ended 31 December 2009 (2008: nil).

## Information on Directors

The names and appointment/resignation dates of the current Directors and former Directors of the Company during or since the end of the financial year are provided on pages 7 to 8 of the Report.

## Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each Director during the financial year were:

	Directors' Meetings		Audit & Risk Management Committee Meetings		Nomination & Governance Committee Meetings		Remuneration Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Greg Martin	4	4	1	1	–	–	2	2
Marea Laszok	6	6	1	1	1	1	3	3
Jeremy Reid	10	10	1	1	4	4	–	–
Trevor Gerber	6	6	1	1	4	4	2	2
Farrel Meltzer	2	2	–	–	–	–	–	–
Kerry Roxburgh	3	3	1	1	3	3	1	1
Michael Katz	3	3	–	1	–	–	1	1
David Kent	–	1	–	–	–	–	–	–

	Related Party Transactions Committee Meetings	
	Attended	Eligible to attend
Greg Martin	–	–
Marea Laszok	–	–
Jeremy Reid	–	–
Trevor Gerber	–	–
Farrel Meltzer	–	–
Kerry Roxburgh	1	1
Michael Katz	1	1
David Kent	–	–

The current Independent Directors are members of all Board committees. The Executive Director is a member of the Nomination & Governance Committee and a member of the Audit & Risk Management Committee.

# Directors' Report

## BOARD OF DIRECTORS

### Greg Martin

Term of office: Appointed Chairman 13 August 2009

Independent: Yes

External directorships: Greg is a director of Santos Limited, Australian Energy Market Operator (AEMO), Energy Developments Limited, the New South Wales Royal Botanic Gardens and Domain Trust and Jackgreen Limited (in Administration).

Skill, experience and expertise: Greg previously spent 25 years working with the Australian Gas Light Company (AGL), including the positions of Managing Director and Chief Executive Officer over a five-year period. He is a former Chairman of NGC Holdings Limited (a former New Zealand-listed company), former Chairman of the Energy Supply Association of Australia, and former Chief Executive of Challenger Infrastructure, part of the Challenger Financial Services Group.

Board committee membership: Member of the Audit & Risk Management Committee; Chairman of the Nomination & Governance Committee, Remuneration Committee and Related Party Transactions Committee.

### Marea Laszok

Term of office: Non-Executive Director since 21 May 2009

Independent: Yes

External directorships: Marea is a director of Advanced Management Planning Limited and Independent Community Living Association Inc.

Skill, experience and expertise: Marea served as an independent director on the board of Everest Capital Investment Management Limited from December 2006 until February 2009. She was formerly the Chief Executive Officer of Midland Bank Australia and Managing Director of Hongkong Bank of Australia Limited, where she spent 11 years as a senior executive.

Board committee membership: Chairperson of the Audit & Risk Management Committee; member of the Nomination & Governance Committee, Remuneration Committee and Related Party Transactions Committee.

### Jeremy Reid

Term of office: Chief Executive Officer since 4 February 2005

Independent: No

External directorships: Nil

Skill, experience and expertise: Jeremy is the founder and CEO of the Company. Under his strategic guidance and management, the Company has launched a range of absolute return funds and direct investments and AUM has grown from approximately \$5 million in February 2000 to its current levels. Jeremy has been an active investor and participant in global financial markets and managed funds for the past 10 years.

Board committee membership: Member of the Nomination & Governance Committee and Audit & Risk Management Committee.

### Trevor Gerber

Term of office: Resigned 13 August 2009  
Chairman from 15 February 2009  
Non-Executive Director since 23 March 2005

Independent: Yes

External directorships: Trevor is a director of MAp Airports Group and Chairman of Valad Property Group and former director of Macquarie Prologis.

Skill, experience and expertise: Trevor previously worked with Westfield Holdings Limited for 14 years until 1999 as Group Treasurer and subsequently as Director of Funds Management responsible for the listed property trusts, Westfield Trust and Westfield America Trust.

Board committee membership: Member of the Audit and Risk Management Committee and Remuneration Committee; Chairman of the Nomination & Governance Committee (until 13 August 2009).

### Farrel Meltzer

Term of office: Resigned 21 May 2009  
Appointed Non-Executive Director on 20 February 2009

Independent: No

External directorships: Farrel is Managing Director of the Wingate Group, and director of a number of Wingate related entities. Farrel is also a director of Jewish Care Inc (Victoria).

Skill, experience and expertise: Farrel is Managing Director of the Wingate group, a Melbourne-based investment and advisory firm, which he founded in 2003. Prior to establishing Wingate, Farrel held positions as Group Managing Director of Investec Bank (Australia) Limited and Head of ANZ Private Bank.

Board committee membership: Nil

# Directors' Report

## Kerry Roxburgh

Term of office: Resigned 21 May 2009  
Non-Executive Director since  
23 March 2005

Independent: Yes

External directorships: Kerry is the non-executive Chairman of the Charter Hall Group and of Tasman Cargo Airlines. Until 4 January 2010, he was also non-executive Chairman of Eircom Holdings Limited. He is also a non-executive director of Ramsay Health Care, Money Switch, the Law Cover Group and the Medical Indemnity Protection Society Group.

Skill, experience and expertise: Kerry is a Practitioner Member of the Securities & Derivatives Industry Association. He was Group Chief Executive Officer of E\*TRADE Australia until July 2000. Prior to joining E\*TRADE, for 10 years he was an Executive Director at the Hong Kong Bank of Australia, including five years as Chairman of James Capel Australia and five years as Managing Director of the bank's corporate finance subsidiary.

Board committee membership: Chairman of the Audit & Risk Management Committee; member of the Nomination & Governance Committee, Remuneration Committee and Related Party Transactions Committee (until 21 May 2009).

## Michael Katz

Term of office: Resigned 21 May 2009  
Non-Executive Director since  
21 June 2007

Independent: Yes

External directorships: Michael is a director of Musica Viva Australia.

Skill, experience and expertise: Michael was a member of the Executive Committee of the Commonwealth Bank of Australia (CBA) for 13 years. During this time he held senior positions as Head of the Institutional Bank and Head of Premium Financial Services with responsibility for corporate and high net worth clients and the trading, transactional and lending businesses. He was formerly a member of the boards of EDS Australia, Sydney Futures Exchange and the International Banks and Securities Association.

Board committee membership: Chairman of the Remuneration Committee; member of the Audit and Risk Management Committee and Related Party Transactions Committee (until 21 May 2009).

## David Kent

Term of office: Resigned on 15 February 2009  
Changed to Non-executive Chairman  
on 1 July 2008  
Executive Chairman since  
1 August 2006  
Executive Director since  
4 February 2005

Independent: No

External directorships: David is a director of Stockland Capital Partners Limited, Chairman of the SH Ervin Gallery Committee and a director of the Royal Sydney Golf Club Foundation.

Skill, experience and expertise: David was the Non-executive Chairman (changed from Executive on 1 July 2008) of the Company. He commenced his career in financial services in 1981 at Banque Nationale de Paris and Banque Paribas in Sydney and London. David worked for Morgan Stanley for 13 years in Sydney, Melbourne and New York; he became Managing Director and Head of Investment Banking in Australia and was a Member of Morgan Stanley's Asian Executive Committee. He has been a Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission and Head of Axis Australia.

Board committee membership: Member of the Audit & Risk Management Committee and Related Party Transactions Committee (until 15 February 2009).

## COMPANY SECRETARY

Gary Kalmin is company secretary of the Company, appointed 1 July 2008.

## Gary Kalmin

Gary joined the Company in January 2008 with responsibility for corporate development and strategic initiatives to support the growth of the business. In July 2009, he additionally assumed the role of Chief Financial Officer & Chief Operating Officer. Gary joined from Challenger Financial Services Group, where he spent more than five years in senior positions in corporate development and more recently as a Director and Head of Origination within the infrastructure business. In this role, Gary led many transactions and initiatives spanning Europe, North America and Australia, as well as the launch of the specialist funds business. Gary also previously held corporate finance roles at PricewaterhouseCoopers in Sydney and Barclays Bank in London. He is a member of the Institute of Chartered Accountants of Australia and a Fellow of the Financial Services Institute of Australia and has an MBA from the Australian Graduate School of Management.

# Directors' Report

## REMUNERATION REPORT (AUDITED)

This remuneration report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

The following persons were Directors of the Company during the year and (where applicable) up to the date of this Report:

<b>Greg Martin</b>	Independent Chairman (appointed 13 August 2009)
<b>Marea Laszok</b>	Independent Director (appointed 21 May 2009)
<b>Jeremy Reid</b>	Chief Executive Officer
<b>Trevor Gerber</b>	Chairman (from 15 February 2009) and prior to 15 February 2009 was Deputy Chairman (resigned 13 August 2009)
<b>Farrel Meltzer</b>	Non-Executive Director (appointed 20 February 2009, resigned 21 May 2009)
<b>Kerry Roxburgh</b>	Independent Director (resigned 21 May 2009)
<b>Michael Katz</b>	Independent Director (resigned 21 May 2009)
<b>David Kent</b>	Non-Executive Chairman (resigned 15 February 2009)

The following persons were KMP of the Company during the year and (where applicable) up to the date of this Report:

### Executives

<b>Jeremy Reid</b>	Chief Executive Officer
<b>Gary Kalmin</b>	Executive Director – CFO/COO
<b>Tim Ivers</b>	Executive Director – Investments
<b>Aaron Budai</b>	Chief Financial Officer (resigned 31 July 2009)
<b>Steve McKenna</b>	Head of Absolute Return Funds (resigned 12 June 2009)
<b>Will Peterson</b>	Head of Direct Investments (resigned 26 March 2009)
<b>John Peterson</b>	Chief Risk Officer (resigned 28 February 2009)

### Executives – remuneration policy (including Executive Directors)

The objective of the remuneration policy is to align executive and Director remuneration with sustainable shareholder value. To this end, the remuneration policy of the Company embodies the following principles:

- providing fair, consistent and competitive rewards to attract and retain high calibre executives;
- motivating the Company's executives and Directors to pursue the long-term growth and success of the Company;
- demonstrating a clear relationship between senior executives' performance and remuneration;
- a remuneration framework that incorporates both short and long-term incentives linked to Company performance and total shareholder return; and
- building a partnership between the Company and its Directors and executives by encouraging share ownership in the Company by Directors and executives.

The remuneration framework for executives involves three components:

- Total Employment Cost/total fixed remuneration;
- Short Term Incentives (STI); and
- Long Term Incentives (LTI).

### Total Employment Cost

Total Employment Cost is comprised of base salary plus superannuation guarantee contributions and other benefits provided through salary sacrifice arrangements. The Company may provide other work-related benefits.

Total Employment Cost is determined by reference to benchmarked information relating to external employment markets, as well as individual performance and position accountabilities, requirements, qualifications and experience. Any adjustment to Total Employment Cost is based on individual performance. An annual review process is undertaken on the individual performance of all executives. The result of the executive's individual appraisal is linked to the annual remuneration review and determines what, if any, increase will be received. There are no guaranteed increases in Total Employment Cost for executives.

### Short Term Incentives

The purpose of STI is to motivate staff to achieve and exceed business objectives on an annual basis. The Board will consider the cash payments of short-term incentives to staff based on performance relative to business objectives and individual performance indicators. The Company considers that this practice increases the alignment of employee rewards to the longer term performance objectives of the Company.

# Directors' Report

In the 2008 and prior years, a portion of STI payments were deferred (discussed below) as a retention tool. The policy was amended in 2009 to remove the deferral of STI. This was done to more clearly differentiate between short-term incentives, now paid in cash, and long-term incentives, discussed further below.

## Long Term Incentives

The LTI plan is designed to reward employees for creating long-term sustained Company performance. It seeks to align employees with shareholders, while recognising the need to balance short-term revenue growth with longer term business building. The provision of an LTI will assist in the attraction, retention and motivation of employees.

LTI may comprise an award of options, performance rights or other such appropriate instruments in the Company. The performance condition for an award of options or performance rights will be total shareholder return (TSR) over the vesting period, with staggered vesting. The staggered vesting profile ensures that executives have a rolling exposure to retain alignment with shareholders.

## Deferred remuneration

The Company had previously implemented a staff retention policy whereby an employee's annual bonus was split between a cash payment and a deferred amount. A deferred remuneration payment will generally only vest if the employee continues their employment with the Company until the third anniversary of the award.

The deferred remuneration figures quoted in the table on page 11 relate to the cost incurred by the Company in 2009 for prior years' deferrals. This deferred remuneration may be invested by the Company in Everest Financial Group Limited managed funds or shares in the Company (for the benefit of employees). In line with the changed policy there was no deferral in 2009.

## Consequence of performance on shareholder wealth

The table below shows the performance of the Group since 2006.<sup>1</sup>

Financial performance indicator	Year 2009	Year 2008	Year 2007	Year 2006	Year 2006
	Statutory	Statutory	Statutory	Normalised <sup>2</sup>	Statutory
Closing share price (\$)	0.06	0.07	1.55	2.00	2.00
Dividends paid (cents per share)	–	–	6.00	6.30	6.30
Net profit/(loss) before tax (\$000)	900	(310,829)	25,856	20,345	13,521
Net profit/(loss) after tax (\$000)	3,116	(305,585)	16,038	12,422	9,401
Cash earnings after tax (\$000) <sup>3</sup>	2,853	12,424	21,470	17,861	11,695
Basic earnings per share (cents)	1.26	(122.40)	6.60	5.50	7.30
Diluted earnings per share (cents)	1.26	(122.40)	6.30	5.20	6.90
Cash EPS (cents) <sup>3</sup>	1.15	5.00	8.90	8.00	9.00

Notes:

- 1 Information prior to the 2006 year does not provide a like-for-like comparison as the Company was part of the Everest Babcock & Brown Alternative Investments Group and held 30% of the shares in Everest Capital Limited.
- 2 The 2006 normalised results assume that the restructure of the Group that occurred in August 2006 took place on 1 January 2006 and hence provide a like-for-like comparison.
- 3 Cash earnings after tax and cash earnings per share reflect net profit after tax adjusted for non-cash charges of impairment and amortisation of intangibles, and employee option compensation.

# Directors' Report

The following table shows the remuneration of KMP (including the five highest paid executives) of the consolidated entity for the year ended 31 December 2009:

KMP	Short-term Benefits			Post Employment Benefits	LTI		Other		Total	% Performance Based
	Salary & Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Deferred Remuneration <sup>1</sup>	Options	Statutory Annual Leave	Termination Benefits		
<b>Executive Director</b>										
Jeremy Reid	500,000	–	10,475	14,103	142,384	12,928	–	–	679,890	23%
<b>Non-Executive Directors</b>										
Greg Martin	38,892	–	–	3,500	–	–	–	–	42,393	0%
Marea Laszok	48,858	–	–	4,397	–	–	–	–	53,256	0%
Trevor Gerber	62,463	–	–	5,762	–	–	–	–	68,225	0%
Kerry Roxburgh	32,273	–	–	2,737	–	–	–	–	35,011	0%
Michael Katz	32,273	–	–	2,737	–	–	–	–	35,011	0%
Farrel Melzer	10,952	–	–	–	–	–	–	–	10,952	0%
David Kent	14,453	–	–	3,881	77,781	–	–	–	96,115	81%
<b>Executives</b>										
Garry Kalmin	286,255	–	10,475	14,103	156,631	8,619	–	–	476,083	35%
Steve McKenna	113,782	–	–	6,872	327,659	–	5,113	–	453,427	72%
Aaron Budai	120,315	–	5,192	11,856	154,460	–	17,717	85,768	395,308	39%
Tim Ivers	172,487	–	6,358	9,873	28,698	8,619	–	–	226,035	17%
John Peterson	46,167	–	–	3,436	9,382	–	7,821	–	66,805	14%
Will Peterson	62,500	–	–	6,872	58,072	(210,083)	19,172	57,051	(6,415)	n/a
<b>Total</b>	<b>1,541,671</b>	<b>–</b>	<b>32,500</b>	<b>90,131</b>	<b>955,068</b>	<b>(179,917)</b>	<b>49,823</b>	<b>142,819</b>	<b>2,632,096</b>	<b>29%</b>

Note:

- Deferred remuneration amounts include the current year expense of deferred payments granted in prior years and expensed over the vesting period – typically three years. This includes amounts invested into EFG Limited shares. It is the cost of these shares, rather than the current market value, that is expensed over the period. This has resulted in the expense shown being greater than the economic value provided to the recipient. Where a staff member was not employed for the full period, the pro-rata amount of the expense is included in the figures above.

Where KMP were not employed by the Company for the full period, the remuneration shown in the tables reflects the remuneration paid for the period of employment.

# Directors' Report

The following table shows the remuneration of KMP (including the five highest paid Executives) of the consolidated entity for the year ended 31 December 2008:

KMP	Short-term Benefits			Post Employment Benefits	LTI		Other		Total	% Performance Based
	Salary & Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Deferred Remuneration <sup>1</sup>	Options	Statutory Annual Leave	Termination Benefits		
<b>Executive Director</b>										
Jeremy Reid	500,000	320,250	9,930	13,437	89,176	–	–	–	932,793	44%
<b>Non-Executive Directors</b>										
Greg Martin	–	–	–	–	–	–	–	–	–	–
Marea Laszok	–	–	–	–	–	–	–	–	–	–
Trevor Gerber	100,917	–	–	9,083	–	–	–	–	110,000	0%
Kerry Roxburgh	82,569	–	–	7,598	–	–	–	–	90,167	0%
Michael Katz	82,569	–	–	7,598	–	–	–	–	90,167	0%
Farrel Melzer	–	–	–	–	–	–	–	–	–	–
David Kent	207,339	–	4,965	9,145	39,970	389,206	–	–	650,624	66%
<b>Executives</b>										
Garry Kalmin	264,327	297,500	4,365	13,437	42,763	–	–	–	622,392	55%
Steve McKenna	250,000	157,500	–	13,437	209,481	143,691	–	–	774,109	66%
Aaron Budai	193,128	84,000	8,730	13,437	37,763	43,112	–	–	380,169	43%
Tim Ivers	–	–	–	–	–	–	–	–	–	–
John Peterson	277,000	105,000	–	13,437	20,058	71,850	–	–	487,345	40%
Will Peterson	250,000	157,500	–	13,437	204,015	140,055	–	–	765,007	66%
Brian O'Sullivan	75,000	–	4,365	56,565	84,946	184,749	35,905	–	441,529	61%
<b>Total</b>	<b>2,282,848</b>	<b>1,121,750</b>	<b>32,355</b>	<b>170,611</b>	<b>728,171</b>	<b>972,663</b>	<b>35,905</b>	<b>–</b>	<b>5,344,303</b>	<b>53%</b>

## Executive employment contracts

**Jeremy Reid,**

**Chief Executive Officer/Managing Director**

Length of contract: open-ended

Frequency of base remuneration review: annually

Criteria used to determine the amount of bonus:

- Individual performance indicators;
- Attainment of business objectives; and
- As determined by the Board of the Company in its discretion.

Termination of employment:

- By either party on giving 12 months notice;
- At any time by Everest Capital on payment in lieu of 12 months notice; and
- At any time by Everest Capital if any of the conditions for summary termination are met, including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation.

## Other KMP

### Standard Terms

Length of contract: open-ended

Frequency of base remuneration review: annually

Termination of employment:

- By either party on giving required notice (see summary below); and
- Immediately by Everest Capital on payment in lieu of notice if any of the conditions for summary termination are met, including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation.

# Directors' Report

## Non-Standard Terms

KMP		Required notice period
Gary Kalmin	Executive Director – CFO/COO	2 months
Tim Ivers	Executive Director – Investments	3 months
Aaron Budai	Chief Financial Officer (resigned 31 July 2009)	1 month
Steve McKenna	Head of Absolute Return Funds (resigned 12 June 2009)	1 month
Will Peterson	Head of Direct Investments (resigned 26 March 2009)	2 months
John Peterson	Chief Risk Officer (resigned 28 February 2009)	3 months

## Remuneration options

### Options granted to KMP during the year

The table below highlights remuneration options granted to KMP during the 2009 financial year. There were no remuneration options granted to KMP during the 2008 financial year.

Name	Granted number	Grant date	Value per option at grant date \$	Exercise price per option \$	Vesting & first exercise date	Last exercise date	% Remuneration consisting of options for the year
<b>Executives</b>							
Gary Kalmin	4,000,000	24/09/2009	0.0225	0.07	24/09/2011	24/09/2015	2%
Tim Ivers	4,000,000	24/09/2009	0.0225	0.07	24/09/2011	24/09/2015	4%

The Board also agreed to issue 6 million options to Jeremy Reid on the same terms as those granted to other staff as disclosed above, subject to shareholder approval which will be sought at the next General Meeting of shareholders. If shareholder approval is not obtained, Jeremy Reid will receive cash payments upon each vesting condition and performance hurdle being satisfied equal to the intrinsic value of the options as if they had been issued.

### Options previously granted to KMP that have been cancelled during the year

The table below highlights remuneration options which had been granted to KMP which were cancelled during the 2009 financial year.

Name	Cancelled number	Exercise price per option \$	Vesting & first exercise date	Last exercise date
<b>Non-Executive Director</b>				
David Kent	2,016,069	0.622	01/08/2008	01/08/2010
	4,031,868	1.006	01/08/2008	01/08/2010
	<b>6,047,937</b>			
<b>Executives</b>				
Steve McKenna	2,015,934	0.85	01/08/2008	01/08/2010
Aaron Budai	604,848	0.85	01/08/2008	01/08/2010
John Peterson	1,008,034	0.85	01/08/2008	01/08/2010
Will Peterson	600,000	3.74	01/07/2011	01/07/2013

The table below highlights remuneration options which had been granted to KMP which were cancelled during the 2008 financial year.

2009				
Name	Cancelled number	Exercise price per option \$	Vesting & first exercise date	Last exercise date
<b>Executive</b>				
Brian O'Sullivan	3,023,968	0.85	01/08/2008	01/08/2010

# Directors' Report

## Option holdings of KMP

2009						
Name	Balance at beginning of period (1 Jan 2009)	Cancelled number	Granted number	Balance at end of period (31 Dec 2009)	Exercise price per option \$	Total vested and exercisable at 31 Dec 2009
<b>Executive Director</b>						
Jeremy Reid <sup>1</sup>	–	–	6,000,000	6,000,000	0.07	–
<b>Non-Executive Directors</b>						
Greg Martin				–		
Marea Laszok				–		
Trevor Gerber				–		
Kerry Roxburgh				–		
Michael Katz				–		
Farrel Melzer				–		
David Kent	2,016,069	2,016,069	–	–		
	4,031,868	4,031,868	–	–		
	<b>6,047,937</b>	<b>6,047,937</b>	–	–		
<b>Executives</b>						
Gary Kalmin	–		4,000,000	4,000,000	0.07	–
Steve McKenna	2,015,934	2,015,934		–		
Aaron Budai	604,848	604,848		–		
Tim Ivers	–		4,000,000	4,000,000	0.07	–
John Peterson	1,008,034	1,008,034		–		
Will Peterson	600,000	600,000		–		

Note:

- 1 Jeremy Reid's options are subject to shareholder approval.

2008						
Name	Balance at beginning of period (1 Jan 2008)	Cancelled number	Granted number	Balance at end of period (31 Dec 2008)	Exercise price per option \$	Total vested and exercisable at 31 Dec 2008
<b>Executive Director</b>						
Jeremy Reid	–	–	–	–		
<b>Non-Executive Directors</b>						
David Kent	2,016,069			2,016,069	0.622	2,016,069
	4,031,868			4,031,868	1.006	4,031,868
	<b>6,047,937</b>			<b>6,047,937</b>		<b>6,047,937</b>
Trevor Gerber	–	–	–	–		
Kerry Roxburgh	–	–	–	–		
Michael Katz	–	–	–	–		
Phillip Green	–	–	–	–		
David Fuchs	–	–	–	–		
<b>Executives</b>						
Gary Kalmin				–		
Steve McKenna	2,015,934	–	–	2,015,934	0.85	2,015,934
Aaron Budai	604,848	–	–	604,848	0.85	604,848
John Peterson	1,008,034	–	–	1,008,034	0.85	1,008,034
Will Peterson	600,000	–	–	600,000	3.74	
Brian O'Sullivan	3,023,968	3,023,968	–	–		

# Directors' Report

## Unissued shares

As at the date of this Report, there were 16,605,678 (2008: 8,964,557) unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. Further information on unissued shares is shown in Note 27 to the financial statements.

## Indemnification of officers

During the financial year, the Company paid a premium in respect of a contract insuring Directors of the Company, the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Proceedings on behalf of the Company

On 2 December 2009 a subsidiary of the Company (Everest Capital Limited) was served with a claim by LJK Nominees Pty Limited (LJK) in relation to LJK's investment in the Everest Babcock & Brown Income Fund of which Everest Capital Limited is the responsible entity. LJK has also taken action against Mr Jeremy Reid personally in those proceedings. Everest Capital Limited is defending the claim.

The Company was not a party to other proceedings during the year.

## Events subsequent to reporting date

In relation to the proceedings discussed above, LJK has made further allegations in a draft amended statement of claim against both Everest Capital Limited and Mr Jeremy Reid. Everest Capital Limited is considering both the merits of the draft amendments and of the original claim and has not yet formed a view as to whether and to what extent the claims have merit. Accordingly, the Company has not yet determined to what extent LJK's claims may have an adverse impact on the Company.

On 23 February 2010, an investor in the EBI Income Fund brought action with the purpose of replacing Everest Capital Limited as the trustee of the EBI Income Fund. The action was brought in connection with proceedings initiated by Everest Capital Limited to seek judicial advice and declarations in relation to the request for a meeting of members of the EBI Income Fund to vote on a proposal to replace the trustee. The matter is scheduled for hearing on 11 March 2010.

## Rounding

The amounts contained in this Report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the alternatives available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

## Non-audit services

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received the following for the provision of non-audit services:

	2009	2008
	\$	\$
Assurance related services	–	13,000

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

Signed in accordance with a resolution of the Board of Directors of the Company.



On behalf of the Board

**Greg Martin**  
Chairman

Sydney, 26 February 2010

# Auditor's Independence Declaration



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

## Auditor's Independence Declaration to the Directors of Everest Financial Group Limited

In relation to our audit of the financial report of Everest Financial Group Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink, appearing to read "Elliott Shadforth".

Elliott Shadforth  
Partner  
Sydney  
26 February 2010

Liability limited by a scheme approved  
under Professional Standards Legislation

# Corporate Governance Statement

The Directors of the Company (Board) are responsible for the corporate governance of the Company.

The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they were elected and to whom they are accountable.

The format of the Corporate Governance Statement is consistent with the Australian Securities Exchange Corporate Governance Council's (Council's) Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines). In accordance with the Council's Recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a Recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is now structured with reference to the Council's Recommendations, which are as follows:

## Principle 1: Lay solid foundations for management and oversight

*Establish and disclose the respective roles and responsibilities of board and management.*

The role of the Board is to set goals and policies for the operation of the Company; to oversee its management; to regularly review performance; and to generally monitor the Company's affairs in the best interests of shareholders. This information is set out on the Company's website at [www.everest.com.au](http://www.everest.com.au). For these responsibilities the Board is accountable to shareholders. The Chief Executive Officer is responsible and accountable to the Board for the management of the Company.

The Company conducts annual performance reviews for all staff whereby performance is measured against a number of relevant criteria. These reviews are linked to the annual remuneration review as outlined in the Remuneration Report, and also form the basis for setting ongoing performance objectives for staff. Performance reviews were completed for senior executives during the reporting period, in accordance with this process.

The Board believes that the Company is in compliance with Principle 1.

## Principle 2: Structure the board to add value

*Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*

The details of each Director's skill, experience and expertise are set out in the Directors' Report. The majority of the Directors are Non-Executive Directors, with a broad range of skills, expertise and experience from a diverse range of backgrounds. As at 31 December 2009 the Board had a majority of Independent Directors as contemplated by Recommendation 2.1. There were two directors who satisfied the independence criteria set out in this Recommendation, namely Mr Martin and Ms Laszok. At the date of this Report, Mr Martin (appointed 13 August 2009) is the Chairman, replacing Mr Gerber who retired from the position of Non-Executive Chairman of the Company.

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

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Greg Martin	6 months
Marea Laszok	9 months
Jeremy Reid	58 months

For additional details regarding Board members experience please refer to the Director's report on pages 4 to 15.

The Board has a Nomination & Governance Committee and a summary of its Charter is available on the Company's website. The Nomination & Governance Committee recommends suitable Directors for approval by the Board and by the shareholders.

The Committee advises the Board on appropriate corporate governance standards and policies. In making recommendations to the Board regarding appointment of Directors, the Committee assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which the required skills and experience are represented at the Board. The Committee may obtain information from, and consult with, management and external advisors, if it considers appropriate. The Committee is also required to critically review the performance and effectiveness of the Board and its individual members. The Committee reviews each Director's performance against measurable and qualitative indicators.

# Corporate Governance Statement

To assist Directors to fully meet their responsibilities to bring an independent viewpoint to matters coming before them, the Board has agreed upon a procedure in appropriate situations for Directors to take independent professional advice at the expense of the Company after advising the Chairman of their intention to do so.

The Board believes that the Company is in compliance with Principle 2.

### **Principle 3: Promote ethical and responsible decision-making**

*Actively promote ethical and responsible decision-making.*

The Company is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.

The Company has adopted a Continuous Disclosure Policy, a Share Trading Policy and a Code of Conduct. The Share Trading Policy covers dealing in the Company securities by its officers and employees. The Code of Conduct includes the code of conduct for Directors and all employees, contractors and advisors of the Company. The documents are also summarised on the Company's website.

The Board believes that the Company is in compliance with Principle 3.

### **Principle 4: Safeguard integrity in financial reporting**

*Have a structure to independently verify and safeguard the integrity of the Company's financial reporting.*

The Board has established the Audit & Risk Management Committee, which reports to the Board, to oversee the integrity of the financial reporting process. The Chairperson of the Committee is not the Chairperson of the Company. The Committee has a formal Charter which is summarised on the Company's website. The Charter sets out the role and responsibilities, composition and structure of the Committee. Qualifications of the Committee members, number of meetings and attendance are disclosed in the Directors' Report. The Charter of the Audit & Risk Management Committee sets out procedures for appointment of auditors and establishing their independence.

The Committee is required to confirm the quality and reliability of the financial information prepared, working on behalf of the Board with the external auditor. The Committee reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence. The Committee provides oversight on the status of the business risks of the Company via its risk management processes, aimed at ensuring risks are identified, assessed and properly managed.

The Board has obtained from the Chief Executive Officer and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Board believes that the Company is in compliance with Principle 4.

### **Principle 5: Timely and balanced disclosure**

*Promote timely and balanced disclosure of all material matters concerning the Company.*

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company keeps the market advised of all information required to be disclosed under the Rules which it believes would have material effect on the price or value of the Company's securities.

The Company has written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance. A summary of this policy is available on its website.

The Board believes that the Company is in compliance with Principle 5.

### **Principle 6: Respect the rights of shareholders**

*Respect the rights of shareholders and facilitate the effective exercise of those rights.*

The Board's primary responsibility to shareholders is to do its utmost to meet the Company's objectives and to increase the Company's value for all shareholders. The Company has designed a communications strategy in order to promote effective communication with shareholders. An internet website is maintained on which all ASX announcements, Half Year Reports, Annual Reports, details of corporate governance practices and related material are posted and available for shareholders and investors.

The Board believes that the Company is in compliance with Principle 6.

# Corporate Governance Statement

## **Principle 7: Recognise and manage risk**

*Establish a sound system of risk oversight and management and internal control.*

The Company has established and maintains a sound system of risk oversight, management and internal control. Since its inception, the Company has recognised and addressed material risks to the business, particularly investment risk.

Management has established a system for identifying, assessing, monitoring and managing material risk throughout the organisation. This system includes the Company's internal compliance and control system.

The Investment Committee of Everest Capital Limited, the wholly owned subsidiary of the Company, is primarily responsible for dealing with issues arising from investment risk. The Manager assesses investment risk because its managed funds invest in investments which are not risk free. Everest Capital's Investment Committee is the principal body for investment manager appointment and removal, and investment allocation decisions. Any investment must be approved by the Investment Committee which is composed of Everest Capital's most senior and experienced executives. A submission will be made to the Investment Committee only after the investment team has conducted rigorous analysis and due diligence on both the underlying investment manager and on the construction of the portfolio. Everest Capital has an Investment Committee charter that details protocols on how it operates and how decisions are made. Everest Capital's Risk Committee is responsible for other risk management decisions.

The Company's Directors and management are primarily responsible for recognising and managing all other risk issues such as operational risk, disaster recovery, credit and counter-party risk. This aspect of management's role is overseen by the Company's management and the Audit & Risk Management Committee. The Board receives regular reporting from management in relation to the effectiveness of the Company's management of its material business risks. As part of the Audit & Risk Management oversight, PricewaterhouseCoopers have been engaged to assist in reviewing the Company's policies, procedures and processes. This includes a review of risk management, compliance and regulatory issues as well as the charters of all committees.

The Board has obtained from the Chief Executive Officer and the Chief Financial Officer assurance that, to the best of their knowledge and belief, 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.

The Company has additionally established an Independent Review Committee comprising the current Independent Directors of the Company in their personal capacity. The purpose of this Committee is to assist in managing any areas of conflict, or potential conflict, which may arise within the business.

The Board believes that the Company is in compliance with Principle 7.

## **Principle 8: Remunerate fairly and responsibly**

*Ensure that the level and composition of remuneration of management is sufficient and reasonable and that its relationship to corporate and individual performance is defined.*

The Board has established a Remuneration Committee with the aim of helping the Board achieve its objective of ensuring the Company has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders and has policies that are consistent with, and complementary to, the strategic direction and objectives of the Company; to observe the remuneration policies and practices and to fairly and responsibly reward the Chief Executive Officer, Directors and other senior management having regard to the performance of the Company, the performance of the executives and the general pay environment.

For details on the remuneration of Independent Directors and the Key Management Personnel please see page 12 of the Directors' Report.

The Board believes that the Company is in compliance with Principle 8.

# Financial Report

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>Revenue</b>	2	<b>10,816</b>	32,560	–	7,554
Share of net profits of joint venture accounted for using the equity method		<b>24</b>	234	–	–
Profit/(loss) on the sale of investments	2	<b>(37)</b>	(102)	–	–
Fund expenses	2	<b>(1,638)</b>	(1,589)	–	–
Employee benefits expense	2	<b>(3,965)</b>	(8,273)	–	–
Other expenses	2	<b>(4,125)</b>	(6,913)	<b>(584)</b>	(903)
Non-controlling interests		<b>167</b>	–	–	–
Depreciation and amortisation expenses	2	<b>(342)</b>	(2,520)	–	–
Impairment of investments in subsidiaries	2	–	–	–	(307,470)
Impairment of intangibles	2	–	(324,226)	–	–
Profit/(loss) before income tax expense		<b>900</b>	(310,829)	<b>(584)</b>	(300,819)
Income tax (expense)/benefit	3	<b>2,216</b>	5,244	<b>2,921</b>	(129)
<b>Net profit/(loss) for the period attributable to owners of the parent</b>		<b>3,116</b>	(305,585)	<b>2,337</b>	(300,948)
<b>Other comprehensive income</b>					
Changes in fair value of available-for-sale financial assets (after tax)		<b>115</b>	(263)	–	–
Exchange differences on translation of foreign operations		<b>6</b>	81	–	–
Reversal of revaluation of initial acquisition of 30% of Everest Capital Limited		–	(4,568)	–	–
<b>Total other comprehensive income</b>		<b>121</b>	(4,750)		
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>3,237</b>	(310,335)	<b>2,337</b>	(300,948)

		Cents	Cents
<b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company</b>			
Basic earnings/(loss) per share	21	1.3	(122.4)
Diluted earnings/(loss) per share	21	1.3	(122.4)

The accompanying notes form part of the financial statements.

# Financial Report

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>Current assets</b>					
Cash and cash equivalents	6	15,013	15,778	11	–
Fees and other receivables	7	2,366	7,861	26	755
Prepayments	8	108	191	69	68
Current tax assets	15a	3,578	–	3,578	–
Deferred bonus		157	280	–	–
<b>Total current assets</b>		<b>21,222</b>	<b>24,110</b>	<b>3,684</b>	<b>823</b>
<b>Non-current assets</b>					
Financial assets	9	7,309	350	–	–
Property, plant and equipment	10	847	1,257	–	–
Investment in subsidiary	11	–	–	25,273	25,002
Investments accounted for using the equity method	12	48	406	–	–
Deferred income tax asset	3	1,262	1,202	516	795
Deferred bonus		111	352	–	–
<b>Total non-current assets</b>		<b>9,577</b>	<b>3,567</b>	<b>25,789</b>	<b>25,797</b>
<b>Total assets</b>		<b>30,799</b>	<b>27,677</b>	<b>29,473</b>	<b>26,620</b>
<b>Current liabilities</b>					
Trade and other payables	13	1,493	3,683	30	165
Derivative financial instruments		103	–	–	–
Loans from related parties	14	–	–	5,749	4,617
Current tax liabilities	15b	–	752	–	752
Provisions	16	333	326	–	–
Non-controlling interests – trusts		2,685	–	–	–
<b>Total current liabilities</b>		<b>4,614</b>	<b>4,761</b>	<b>5,779</b>	<b>5,534</b>
<b>Non-current liabilities</b>					
Trade and other payables	13	471	925	–	–
Provisions	16	251	252	–	–
Other liabilities		372	599	–	–
<b>Total non-current liabilities</b>		<b>1,094</b>	<b>1,776</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>5,708</b>	<b>6,537</b>	<b>5,779</b>	<b>5,534</b>
<b>Net assets</b>		<b>25,091</b>	<b>21,140</b>	<b>23,694</b>	<b>21,086</b>
<b>Equity</b>					
Equity attributable to equity holders of the parent:					
Contributed equity	17	320,346	319,692	322,257	322,257
Reserves	18	8,301	8,120	7,856	7,585
Retained profits/(accumulated losses)	19	(303,556)	(306,672)	(306,419)	(308,756)
<b>Total equity</b>		<b>25,091</b>	<b>21,140</b>	<b>23,694</b>	<b>21,086</b>

The accompanying notes form part of the financial statements.

# Financial Report

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Issued shares	Asset revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Available for sale invest- ments valuation reserve	Retained earnings/ accum- ulated losses	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Entity</b>							
<b>Balance at 1 January 2009</b>	<b>319,692</b>	<b>3,179</b>	<b>86</b>	<b>5,199</b>	<b>(344)</b>	<b>(306,672)</b>	<b>21,140</b>
Net profit/loss for the year	–	–	–	–	–	3,116	3,116
Other comprehensive income	–	–	6	–	115	–	121
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>115</b>	<b>3,116</b>	<b>3,237</b>
Dividends paid or provided	–	–	–	–	–	–	–
Employee share options	–	–	–	(209)	–	–	(209)
Share-based payments reserve	–	–	–	269	–	–	269
Treasury shares	654	–	–	–	–	–	654
<b>Balance at 31 December 2009</b>	<b>320,346</b>	<b>3,179</b>	<b>92</b>	<b>5,259</b>	<b>(229)</b>	<b>(303,556)</b>	<b>25,091</b>
<b>Balance at 1 January 2008</b>	<b>322,257</b>	<b>7,747</b>	<b>5</b>	<b>3,102</b>	<b>(81)</b>	<b>6,456</b>	<b>339,486</b>
Net profit/loss for the year	–	–	–	–	–	(305,585)	(305,585)
Other comprehensive income	–	(4,568)	81	–	(263)	–	(4,750)
<b>Total comprehensive income</b>	<b>–</b>	<b>(4,568)</b>	<b>81</b>	<b>–</b>	<b>(263)</b>	<b>(305,585)</b>	<b>(310,335)</b>
Dividends paid or provided	–	–	–	–	–	(7,543)	(7,543)
Employee share options	–	–	–	1,369	–	–	1,369
Share-based payments reserve	–	–	–	728	–	–	728
Treasury shares	(2,565)	–	–	–	–	–	(2,565)
<b>Balance at 31 December 2008</b>	<b>319,692</b>	<b>3,179</b>	<b>86</b>	<b>5,199</b>	<b>(344)</b>	<b>(306,672)</b>	<b>21,140</b>
<b>Parent Entity</b>							
<b>Balance at 1 January 2009</b>	<b>322,257</b>	<b>–</b>	<b>–</b>	<b>7,585</b>	<b>–</b>	<b>(308,756)</b>	<b>21,086</b>
Net profit/loss for the year	–	–	–	–	–	2,337	2,337
Other comprehensive income	–	–	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,337</b>	<b>2,337</b>
Dividends paid or provided	–	–	–	–	–	–	–
Employee share options	–	–	–	–	–	–	–
Share-based payments reserve	–	–	–	271	–	–	271
Treasury shares	–	–	–	–	–	–	–
<b>Balance at 31 December 2009</b>	<b>322,257</b>	<b>–</b>	<b>–</b>	<b>7,856</b>	<b>–</b>	<b>(306,419)</b>	<b>23,694</b>
<b>Balance at 1 January 2008</b>	<b>322,257</b>	<b>–</b>	<b>–</b>	<b>5,655</b>	<b>–</b>	<b>(265)</b>	<b>327,647</b>
Net profit/loss for the year	–	–	–	–	–	(300,948)	(300,948)
Other comprehensive income	–	–	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(300,948)</b>	<b>(300,948)</b>
Dividends paid or provided	–	–	–	–	–	(7,543)	(7,543)
Employee share options	–	–	–	1,202	–	–	1,202
Share-based payments reserve	–	–	–	728	–	–	728
Treasury shares	–	–	–	–	–	–	–
<b>Balance at 31 December 2008</b>	<b>322,257</b>	<b>–</b>	<b>–</b>	<b>7,585</b>	<b>–</b>	<b>(308,756)</b>	<b>21,086</b>

The accompanying notes form part of the financial statements.

# Financial Report

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>Cash flow from operating activities</b>					
Receipts from customers		16,167	38,907	-	-
Payments to suppliers and employees		(11,833)	(16,178)	(744)	(927)
Interest received		555	756	-	11
Dividends received		-	-	-	7,543
Tax paid		(2,173)	(6,883)	-	(98)
<b>Net cash inflow from operating activities</b>	24(b)	<b>2,716</b>	<b>16,602</b>	<b>(744)</b>	<b>6,529</b>
<b>Cash flow from investing activities</b>					
Payment for treasury shares		(178)	(2,565)	-	-
Payment for property, plant and equipment		(27)	(114)	-	-
Payment for financial assets		(3,276)	-	-	-
<b>Net cash (outflow) from investing activities</b>		<b>(3,481)</b>	<b>(2,679)</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Proceeds of borrowings from related parties		-	-	755	460
Dividends paid		-	(7,543)	-	(7,543)
<b>Net cash (outflow) from financing activities</b>		<b>-</b>	<b>(7,543)</b>	<b>755</b>	<b>(7,083)</b>
Net increase/(decrease) in cash and cash equivalents held		(765)	6,380	11	(554)
Cash and cash equivalents at beginning of financial year		15,778	9,398	-	554
<b>Cash and cash equivalents at end of financial year</b>	24(a)	<b>15,013</b>	<b>15,778</b>	<b>11</b>	<b>-</b>

The accompanying notes form part of the financial statements.

# Notes

## To Financial Statements

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial statements and notes of the Consolidated Entity comply with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of Directors dated 26 February 2010.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Both the functional and presentation currency of the Company is presented in Australian Dollars.

#### Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. A list of significant subsidiaries appears in Note 11 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

#### (b) Business combinations

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

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

#### (c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and at call deposits with financial institutions.

#### (d) Investments in subsidiaries

Investments in subsidiaries are measured at the lower of cost or recoverable amount.

#### (e) Interest in a jointly controlled entity

The consolidated entity has an interest in a joint venture that is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The interest in a joint venture company is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity. Under the equity method, the parent's share of the results of the joint venture entity is recognised in the statement of comprehensive income and the share of movements in reserves is recognised in the statement of financial position.

# Notes

## To Financial Statements

### (f) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

### (g) Property, plant and equipment

#### Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

#### Depreciation

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

Class of fixed asset	Estimate Useful Life
Leasehold improvements	5 years
Furniture, fixtures and fittings	2 to 40 years
Computer equipment	2.5 to 10 years

### (h) Financial assets

The Group classifies its financial assets investments as fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to the purchase or sale of the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### (i) Designated as at fair value through profit or loss upon initial recognition

These include equity securities and investments in managed funds. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies.

#### (ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

# Notes

## To Financial Statements

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

#### (j) Receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified and the amount of the loss is recognised in the statement of comprehensive income within 'fund expenses'.

#### (k) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to employee superannuation funds are expensed when incurred.

#### (l) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period which they arise.

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

#### (m) Goods and Services Tax (GST)

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 Australian Taxation Office (ATO), 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 ATO 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 ATO is classified as operating cash flows.

#### (n) Income tax

##### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

##### Deferred tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

# Notes

## To Financial Statements

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### Tax consolidation legislation

The Company and its wholly owned Australian controlled entities implemented the tax consolidation legislation effective 1 August 2006.

The Company and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone tax payer method in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 3(g)(ii).

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

### (o) Operating leases

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 received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and spread over the lease term.

### (p) Revenue

Management and performance fee revenue derived from managed funds is recognised proportionately over the period in which the fee is attributable.

Management fees are accrued monthly on completion of service to which the fee relates. Performance fees are accrued when the liability is crystallised and the fees are definite and determinable. This occurs when the performance conditions for the relevant funds have been met.

Interest revenue is recognised on a time proportionate basis using the effective interest rate method.

Commission and other income primarily relate to trail commission arising from the delivery of financial services by Everest Finance Group Pty Limited, a wholly owned subsidiary of Everest Capital Limited.

Commission and Other Income are recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

### (q) Fund expenses

Fund expenses comprise of rebates paid and payable to Everest Financial Group Limited managed funds which have invested in other Everest Financial Group Limited managed funds as well as costs paid and payable to distributors. These costs are recognised on an accrual basis.

### (r) Share-based payments

Equity-settled share-based payments (including options) granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. The options granted during the year were valued using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. As the options contain vesting conditions which are market conditions, these market conditions have been included in the estimate of fair value. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The cost of equity-settled transactions (including options) is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (vesting date).

# Notes

## To Financial Statements

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Company to employees of subsidiaries are recognised in its separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. The expense recognised by the Group is the total expense associated with all awards.

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 consolidated entity's estimate of shares that will eventually vest.

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

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

#### (s) Earnings per share

##### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### Diluted earnings per share

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

#### (t) Significant accounting judgments

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have

an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financials are outlined below:

##### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

##### 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 is determined by an external valuer using a binomial model, with the assumptions detailed in Note 28. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### (u) New Accounting Standards and Australian Accounting interpretations

##### Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2009. When applied in future periods, other than the impact of AASB 9 *Financial Instruments* discussed below, these recently issued or amended standards are not expected to have a material impact on the Group's financial results or reporting position; however, they may impact Financial Report disclosures.

AASB 9 *Financial Instruments* is applicable to financial reporting periods beginning on or after 1 January 2013. The standard requires all financial instruments to be classified as either amortised cost or fair value. The Group currently classifies some of its investments as available-for-sale assets, which will not be permitted under the new standard. The fair value movements in these investments may not be allowed to be recorded as other comprehensive income but rather through the profit and loss. This is not expected to have a material impact on the Group's financial results.

##### Changes in Accounting Standards

Since 1 January 2009, the Group has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 January 2009. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Group, however, it has resulted in changes to presentation and disclosure.

# Notes

## To Financial Statements

### NOTE 2: PROFIT/(LOSS) FROM OPERATIONS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Management fees	9,741	30,103	–	–
Performance fees	–	89	–	–
Interest	599	756	–	11
Dividend income	–	–	–	7,543
Commission income	632	1,375	–	–
Foreign exchange gains/(losses)	(577)	87	–	–
Gains/(losses) on fund investments	374	–	–	–
Other income	47	150	–	–
	<b>10,816</b>	<b>32,560</b>	<b>–</b>	<b>7,554</b>
<b>Other Income</b>				
Profit/(loss) on the sale of investments	(37)	(102)	–	–
<b>Profit/(loss) before income tax</b>				
Profit/(loss) before income tax expenses has been arrived at after the following:				
<b>Fund expenses</b>				
Management fee rebates	275	1,352	–	–
Bad debt expense	1,363	237	–	–
	<b>1,638</b>	<b>1,589</b>	<b>–</b>	<b>–</b>
<b>Expenses</b>				
Employee benefits expense	3,965	8,273	–	–
<b>Other expenses</b>				
Equity settled share-based expenses – employee option plan	(203)	1,363	–	–
Equity settled share-based expenses – employee shares	1,093	1,049	–	–
Occupancy expense	759	825	–	–
Loss/(gain) on disposal of fixed assets	95	–	–	–
Insurance	221	172	221	172
Independent Directors' remuneration	262	353	262	353
Administration expenses	1,295	1,645	95	228
Professional fee expenses	603	1,506	6	150
	<b>4,125</b>	<b>6,913</b>	<b>584</b>	<b>903</b>
<b>Depreciation and amortisation expenses</b>				
Depreciation of property, plant and equipment	342	353	–	–
Amortisation of intangibles	–	2,167	–	–
	<b>342</b>	<b>2,520</b>	<b>–</b>	<b>–</b>
Impairment of investment in subsidiaries	–	–	–	307,470
<b>Impairment of intangibles</b>				
Impairment of intangibles	–	328,794	–	–
Reversal of asset revaluation reserve	–	(4,568)	–	–
	<b>–</b>	<b>324,226</b>	<b>–</b>	<b>–</b>
<b>Total expenses</b>	<b>8,432</b>	<b>341,932</b>	<b>584</b>	<b>308,373</b>

# Notes

## To Financial Statements

### NOTE 3: INCOME TAX

#### (a) Income tax expense

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
The major components of income tax expense are:				
<b>Statement of Comprehensive Income</b>				
<i>Current income tax</i>				
Current income tax charge	(4,849)	4,544	(5,893)	–
Tax losses not recognised	2,693	–	2,693	–
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(60)	(9,747)	279	129
Overprovision in prior year	–	(41)	–	–
<b>Income tax expense/(benefit) reported in the Statement of Comprehensive Income</b>	<b>(2,216)</b>	<b>(5,244)</b>	<b>(2,921)</b>	<b>129</b>

#### (b) Reconciliation between tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense as follows:				
Profit/(loss) before income tax expense	900	(310,829)	(584)	(300,819)
Income tax expense calculated at 30% (2008: 30%)	270	(93,249)	(175)	(90,246)
<i>Add:</i>				
Tax effect of:				
• non-deductible expenses	882	665	–	46
• equity settled share-based expenses	(122)	(421)	–	–
• depreciation and amortisation	35	698	–	–
• impairment of investment in subsidiary	–	–	–	92,241
• impairment of intangible assets	–	98,639	–	–
• use of losses by group entity	–	–	–	495
• other assessable income	–	2	–	–
<i>Less:</i>				
Tax effect of:				
• dividends received	–	–	–	(2,263)
• other non-assessable items	–	(1,370)	–	–
• other deductible expenses <sup>1</sup>	(5,914)	(420)	(5,718)	(273)
<b>Current Income tax expense/(benefit)</b>	<b>(4,849)</b>	<b>4,544</b>	<b>(5,893)</b>	<b>–</b>

Note:

1 Other deductible expenses include a deduction of \$18 million which relates to the termination of the management rights for EBI.

# Notes

## To Financial Statements

### (c) Amounts charged or credited to equity

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Deferred income tax related to items charged or credited directly to equity				
Unrealised gain/(loss) on investments available-for-sale	-	-	-	-
Transaction costs	-	-	-	-
<b>Income tax benefit reported in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (d) Recognised deferred tax assets and liabilities

	Statement of Financial Position		Statement of Comprehensive Income	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Deferred income tax at 31 December relates to the following:				
<b>Consolidated</b>				
<i>(i) Deferred tax liabilities</i>				
Management rights	-	-	-	(8,643)
Amortisation of intangibles	-	-	-	(1,170)
Unrealised gain on investments available-for-sale	-	-	-	(41)
Deferred employee benefits expense	-	-	-	(988)
Fixed assets	-	-	-	(25)
<b>Deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,867)</b>
<i>(ii) Deferred tax assets</i>				
Transaction costs	516	795	279	129
Provision for employee benefits	132	173	41	16
Deferred employee benefits expense	137	172	35	986
Accruals	27	29	2	22
Provision for doubtful debts	441	-	(441)	-
Fixed assets	9	33	24	(33)
<b>Deferred tax assets</b>	<b>1,262</b>	<b>1,202</b>		
<b>Deferred tax expense/(benefit)</b>			<b>(60)</b>	<b>(9,747)</b>
<b>Parent entity</b>				
<i>(i) Deferred tax assets</i>				
Transaction costs	516	795	279	129
<b>Deferred tax assets</b>	<b>516</b>	<b>795</b>		
<b>Deferred tax expense/(benefit)</b>			<b>279</b>	<b>129</b>

### (e) Tax losses

The Group has tax losses of \$8,976,000 which are not recognised in the accounts (tax impact of \$2,693,000 at 30% tax rate). This is due to a lack of certainty of recovery of these losses. These are income losses. The Group does not have any capital losses (2008: nil).

### (f) Unrecognised temporary differences

At 31 December 2009, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2008: nil).

# Notes

## To Financial Statements

### NOTE 3: INCOME TAX (continued)

#### (g) Tax consolidation

##### (i) Members of the tax consolidated group and the tax sharing arrangement

The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

##### (ii) Tax effect accounting by members of the tax consolidated group

##### *Measurement method adopted under Interpretation 1052 Tax Consolidation Accounting*

The Company and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone tax payer method approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

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

##### *Nature of the tax funding agreement*

Interpretation 1052 requires the consolidated current and deferred tax to be allocated to the individual members of the Group, using a method that is "systematic, rational and consistent with the broad principles established in AASB 112". Interpretation 1052 does not prescribe any mandatory method, but does provide examples of the kind of methods that may be acceptable to allocate tax balances.

Once the method has been determined, it is applied to calculate current and deferred tax amounts for each subsidiary member. Interpretation 1052 then requires that any current tax liability is derecognised in the member and immediately assumed by the Company. Further, any deferred tax asset that is recognised for tax losses or credits is also derecognised in the subsidiary member and immediately assumed by the Company.

The consolidated entity has entered into this Agreement to cause payments to be made from/to the Company to/from the funding members in respect of current tax liability and deferred tax assets assumed. Any

difference between such payments and the amounts derecognised and assumed by the Company is required by Interpretation 1052 to be accounted for as an equity transaction between the Company and the relevant funding member.

The application of these calculation principles in determining funding amounts for the purposes of this agreement must, in so far as possible, not result in any contribution by or distribution to equity participants as between any Group member under the application of any accounting standard.

##### *Tax consolidation contributions/(distributions)*

The Company has recognised the following amounts as tax-consolidation contribution adjustments:

	Parent Entity	
	2009	2008
	\$000	\$000
Total increase/(decrease) to tax payable of the Company	–	(495)
Total increase/(decrease) to intercompany assets of the Company	(3,578)	752
Total increase to investment in subsidiary accounts of the Company	–	–

### NOTE 4: SEGMENT INFORMATION

The consolidated entity operates in one business segment (investment management) and one geographical area (Australia). Segments have been determined based on how the business is managed.

### NOTE 5: DIVIDENDS

During the 2009 year the Company did not pay any dividends to shareholders.

During the 2008 year the Company paid the following dividends to shareholders:

- A final dividend in respect of the six months ended 31 December 2008 was not paid given the net loss position of the Company for this period.
- An interim dividend in respect of the six months ended 30 June 2008 was not paid given the net loss position of the Company for that period.
- A final dividend of 3.0 cents per share, totalling \$7,543,000, in respect of the six months ended 31 December 2007 was paid to shareholders on 20 March 2008.

Total dividends paid during the financial year ended 31 December 2009 amounted to nil (2008: \$7,543,000). All dividends were franked to 100% at a corporate tax rate of 30%. At 31 December 2009 the adjusted franking account balance is \$6,251,000 (2008: \$7,644,000).

# Notes

## To Financial Statements

### NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Cash on hand	1	1	-	-
Cash at bank	15,012	15,777	11	-
	15,013	15,778	11	-

### NOTE 7: FEES AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Management fees receivable	3,364	7,681	-	-
Allowance for impairment	(1,471)	-	-	-
	1,893	7,681	-	-
Intercompany receivable	-	-	-	752
Fund expenses	349	-	-	-
Other debtors	124	180	26	3
	2,366	7,861	26	755

Receivables (including intercompany) are non interest bearing and generally subject to 30–90 day terms. As at the date of this report, the above management fees have not yet been collected.

#### (a) Allowance for impairment

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The allowance for impairment in the current year relates to management fees receivable on two Everest funds where insufficient cash is available within the funds to pay outstanding management fees. Other management and performance fees receivable and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The receivables relate to the Everest Financial Group Limited Funds which are considered low credit risk.

#### (b) Fair value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair values.

### NOTE 8: PREPAYMENTS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Other prepayments	41	192	10	26
Prepaid insurance	227	178	217	187
Less amounts amortised	(160)	(179)	(158)	(145)
	108	191	69	68

# Notes

## To Financial Statements

### NOTE 9: FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Non-current</b>				
Investments held in EFG's managed funds – available-for-sale	413	350	–	–
Investments held as seed investments in new EFG managed funds – designated as at fair value through profit and loss	–	–	–	–
Hedge Fund Investments	6,072	–	–	–
Listed Investments	824	–	–	–
	7,309	350	–	–

#### (a) Impairment and risk disclosure

The maximum exposure to credit risk at the reporting date is the fair value of the investments.

### NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Plant and equipment</b>				
<i>Leasehold Improvements</i>				
At cost	1,000	1,181	–	–
Less accumulated depreciation	(477)	(388)	–	–
	523	793	–	–
<i>Computer equipment</i>				
At cost	298	299	–	–
Less accumulated depreciation	(285)	(230)	–	–
	13	69	–	–
<i>Office equipment</i>				
At cost	590	579	–	–
Less accumulated depreciation	(388)	(285)	–	–
	202	294	–	–
<i>Furniture, fixtures and fittings</i>				
At cost	140	123	–	–
Less accumulated depreciation	(31)	(22)	–	–
	109	101	–	–
<b>Total plant and equipment</b>	847	1,257	–	–

# Notes

## To Financial Statements

### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.

#### Year ended 31 December 2009

	Leasehold Improvements		Computer software	
	Consolidated	Parent Entity	Consolidated	Parent Entity
	\$000	\$000	\$000	\$000
<b>2009</b>				
Balance at the beginning of the year	793	-	69	-
Additions	-	-	-	-
Disposals	(95)	-	-	-
Depreciation expense	(175)	-	(56)	-
<b>Carrying amount at the end of the year</b>	<b>523</b>	<b>-</b>	<b>13</b>	<b>-</b>

	Office equipment		Furniture, fixtures & fittings	
	Consolidated	Parent Entity	Consolidated	Parent Entity
	\$000	\$000	\$000	\$000
<b>2009</b>				
Balance at the beginning of the year	294	-	101	-
Additions	11	-	16	-
Disposals	-	-	-	-
Depreciation expense	(103)	-	(8)	-
<b>Carrying amount at the end of the year</b>	<b>202</b>	<b>-</b>	<b>109</b>	<b>-</b>

	Total	
	Consolidated	Parent Entity
	\$000	\$000
<b>2009</b>		
Balance at the beginning of the year	1,257	-
Additions	27	-
Disposals	(95)	-
Depreciation expense	(342)	-
<b>Carrying amount at the end of the year</b>	<b>847</b>	<b>-</b>

# Notes

## To Financial Statements

### NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2008

	Leasehold Improvements		Computer software	
	Consolidated	Parent Entity	Consolidated	Parent Entity
	\$000	\$000	\$000	\$000
<b>2008</b>				
Balance at the beginning of the year	968	–	106	–
Additions	–	–	29	–
Depreciation expense	(175)	–	(66)	–
<b>Carrying amount at the end of the year</b>	<b>793</b>	<b>–</b>	<b>69</b>	<b>–</b>

	Office equipment		Furniture, fixtures & fittings	
	Consolidated	Parent Entity	Consolidated	Parent Entity
	\$000	\$000	\$000	\$000
<b>2008</b>				
Balance at the beginning of the year	312	–	110	–
Additions	85	–	–	–
Depreciation expense	–	–	–	–
Carrying amount at the end of the year	(103)	–	(9)	–
	294		101	

	Total	
	Consolidated	Parent Entity
	\$000	\$000
<b>2008</b>		
Balance at the beginning of the year	1,496	–
Additions	114	–
Depreciation expense	(353)	–
<b>Carrying amount at the end of the year</b>	<b>1,257</b>	<b>–</b>

# Notes

## To Financial Statements

### NOTE 11: INVESTMENT IN SUBSIDIARIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Non-current</b>				
Shares in controlled entities – at cost	–	–	332,743	332,472
Impairment of subsidiary	–	–	(307,470)	(307,470)
<b>Total</b>	–	–	<b>25,273</b>	25,002

The impairment of investment in subsidiaries in 2008 resulted from the impairment of all intangible assets held by the Group arising from the investment in Everest Capital.

#### List of Significant Subsidiaries

<b>Subsidiary:</b>	Everest Capital Limited
<b>Country of incorporation:</b>	Australia
<b>Date acquired:</b>	1 August 2006
<b>Percentage owned:</b>	100%

<b>Subsidiary:</b>	Everest Capital Investment Management Limited
<b>Date acquired:</b>	1 August 2006
<b>Country of incorporation:</b>	Australia
<b>Percentage owned:</b>	100%

<b>Subsidiary:</b>	Everest Capital Management Limited
<b>Date acquired:</b>	1 August 2006
<b>Country of incorporation:</b>	British Virgin Islands
<b>Percentage owned:</b>	100%

<b>Subsidiary:</b>	Everest Finance Group Pty Limited
<b>Date acquired:</b>	1 August 2006
<b>Country of incorporation:</b>	Australia
<b>Percentage owned:</b>	100%

<b>Subsidiary:</b>	Everest Financial Group Limited Employee Share Trust
<b>Date acquired:</b>	25 January 2008
<b>Country of incorporation:</b>	Australia
<b>Percentage owned:</b>	100%

<b>Subsidiary:</b>	Everest Credit Opportunities Fund
<b>Date acquired:</b>	28 August 2009
<b>Country of incorporation:</b>	Australia
<b>Percentage owned:</b>	59%

<b>Subsidiary:</b>	Everest Principal Investment Fund
<b>Date acquired:</b>	22 October 2009
<b>Country of incorporation:</b>	Australia
<b>Percentage owned:</b>	100%

# Notes

## To Financial Statements

### NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Interest in Jointly Controlled Entity

Everest Capital, a wholly owned subsidiary of the Company has a 50% interest in the EFG Capital Management Limited joint venture company.

EFG Capital Management Limited was registered in Hong Kong (company registration number 1100721) on 9 January 2007. EFG Capital Management Limited is the trustee of Global Masters Fund (Fund). On 2 July 2007, units in the Fund were listed on a non-tradeable platform of the Singapore Exchange Securities Trading Limited. Everest Capital is the investment manager and AFG the distributor of the Fund.

The Company's investment in the joint venture is accounted for under the equity method of accounting in the consolidated financial statements.

Information relating to the jointly controlled entity is set out below:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Non-current</b>				
Carrying amount of investment in joint venture	48	406	-	-

The joint venture had no contingent liabilities or commitments at 31 December 2009 (2008: nil).

### NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Trade creditors	553	906	-	165
Sundry creditors and accruals	687	2,497	30	-
Deferred bonus payable	253	280	-	-
	1,493	3,683	30	165
<b>Non-current</b>				
Deferred bonus payable	471	925	-	-

Current payables are recognised when incurred, are non-interest bearing and generally subject to 30–90 day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair values. The non-current payables are due between one and three years.

### NOTE 14: BORROWINGS

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>Current</b>					
Loans from related parties	23(e)	-	-	5,749	4,617

# Notes

## To Financial Statements

### NOTE 15a: TAX ASSETS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Income tax	3,578	–	3,578	–

### NOTE 15b: TAX LIABILITIES

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Income tax	–	752	–	752

### NOTE 16: PROVISIONS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Current</b>				
Employee benefits	280	326	–	–
Provision for sub-lease	53	–	–	–
	<b>333</b>	<b>326</b>	<b>–</b>	<b>–</b>
<b>Non-current</b>				
Employee benefits	158	252	–	–
Provision for sub-lease	93	–	–	–
	<b>251</b>	<b>252</b>	<b>–</b>	<b>–</b>

The provision for sub-lease arises due to a shortfall in income to be received for premises which have been sub-leased when compared to the lease obligation on that space.

### NOTE 17: CONTRIBUTED EQUITY

#### (a) Share Capital

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
251,442,316 (2008: 251,442,316) fully paid ordinary shares	320,346	319,692	322,257	322,257
<b>Total</b>	<b>320,346</b>	<b>319,692</b>	<b>322,257</b>	<b>322,257</b>

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

#### (b) Reconciliation of the movement in fully paid ordinary shares

	Consolidated 2009		Consolidated 2008	
	No 000s	\$000	No 000s	\$000
Balance at the beginning of the financial year	248,664	319,692	251,442	322,257
Treasury shares – net movement <sup>1</sup>	(2,187)	654	(2,778)	(2,565)
<b>Balance at the end of the financial year</b>	<b>246,477</b>	<b>320,346</b>	<b>248,664</b>	<b>319,692</b>

Note:

1 Relates to shares purchased as part of the Employee Share Trust (See Note 23(a)).

# Notes

## To Financial Statements

### NOTE 17: CONTRIBUTED EQUITY (continued)

#### (c) Capital management

When managing share capital (capital) the objectives of the Group and the Company are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Entities within the Group are subject to externally imposed capital requirements as conditions of the entities' Australian Financial Services Licences. The terms of these licences are as follows:

Everest Capital Limited (ACN 092 753 252; AFSL 225 102) is authorised to operate kinds of registered managed investment schemes which hold derivatives and financial assets. Everest Capital Investment Management Limited (ACN 112 731 978; AFSL 288 360) is authorised to operate, and is the former responsible entity of, the Everest Babcock & Brown Alternative Investment Trust (now Alternative Investment Trust) (ARSN 112 129 218), which is listed on the Australian Securities Exchange. Each licensee is required to hold net tangible assets of at least 0.5% of the value of its registered scheme assets, subject to a minimum amount of \$50,000 and a maximum of \$5 million. Externally imposed requirements have been complied with during the financial year.

The Group's policy for managing these requirements is as follows:

The Group has developed controls to monitor compliance arrangements including conditions imposed by each AFSL. As part of these controls, the Company generally holds monthly internal compliance committee meetings where risk and compliance reports are provided to the relevant responsible manager. External compliance committee meetings for each scheme are held quarterly.

All entities within the Group complied with their requirements during the year.

### NOTE 18: RESERVES

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
Asset revaluation reserve	(a)	3,179	3,179	-	-
Foreign currency translation reserve	(b)	92	86	-	-
Share-based payment reserve	(c)	5,259	5,199	7,856	7,585
Available-for-sale investments revaluation reserve (after tax effect)	(d)	(229)	(344)	-	-
		8,301	8,120	7,856	7,585

#### (a) Asset revaluation reserve

Movements during the financial year					
Balance at the beginning of the financial year		3,179	7,747	-	-
Reversal of asset revaluation reserve		-	(4,568)	-	-
<b>Balance at the end of the financial year</b>		<b>3,179</b>	<b>3,179</b>	<b>-</b>	<b>-</b>

Due to the impairment of the Company's investment in its subsidiary in 2008, the Group has written down \$4,568,000 of the asset revaluation reserve.

#### (b) Foreign currency translation reserve

Movements during the financial year					
Balance at the beginning of the financial year		86	5	-	-
Translation of foreign operations		6	81	-	-
<b>Balance at the end of the financial year</b>		<b>92</b>	<b>86</b>	<b>-</b>	<b>-</b>

Exchange differences relating to the translation of Everest Capital Management Limited from US dollars to Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

# Notes

## To Financial Statements

### (c) Share-based payment reserve

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Movements during the financial year</b>				
Balance at the beginning of the financial year	5,199	3,102	7,585	5,655
Employee share options	(209)	1,369	–	1,202
Employee shares	269	728	271	728
<b>Balance at the end of the financial year</b>	<b>5,259</b>	<b>5,199</b>	<b>7,856</b>	<b>7,585</b>

The value at grant of EFG employee share options is amortised to the share-based payment reserve over the vesting period. The cost of EFG shares held in the Employee Share Trust is amortised through the share-based payment reserve over the vesting period.

### (d) Available-for-sale investments revaluation reserve

<b>Movements during the financial year</b>				
Balance at the beginning of the financial year	(344)	(81)	–	–
Revaluation (after tax effect)	115	(263)	–	–
<b>Balance at the end of the financial year</b>	<b>(229)</b>	<b>(344)</b>	<b>–</b>	<b>–</b>

### NOTE 19: RETAINED PROFITS/(ACCUMULATED LOSSES)

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Retained profits/(accumulated losses) at the beginning of the financial year	(306,672)	6,456	(308,756)	(265)
Net profit/(loss) attributable to owners of the parent	3,116	(305,585)	2,337	(300,948)
Dividends provided for or paid	–	(7,543)	–	(7,543)
<b>Retained profits/(accumulated losses) at the end of the financial year</b>	<b>(303,556)</b>	<b>(306,672)</b>	<b>(306,419)</b>	<b>(308,756)</b>

### NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
<b>Operating lease commitments</b>				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
<i>Payable</i>				
• not later than one year	932	885	–	–
• later than one year and not later than five years	1,718	2,412	–	–
	<b>2,650</b>	<b>3,297</b>	<b>–</b>	<b>–</b>

#### General description of leasing arrangement

Operating lease commitments relate to the rental of office premises with a lease term of 4.5 years with an option to extend for an additional 4 years.

On 1 May 2007 Everest Capital commenced lease payments for additional space at its current premises. This agreement was terminated in December 2008.

The termination of this additional lease took effect as at 1 January 2009 as a result of the Company negotiating a transfer of its lease commitment to a third party entity ('transferee'). The transferee has agreed to take on all future commitments relating to the lease.

# Notes

## To Financial Statements

### NOTE 21: EARNINGS/(LOSS) PER SHARE

	2009	2008
	\$000	\$000
Earnings/loss used in calculating earnings per share For basic and diluted earnings per share: Net profit/(loss) for the year attributable to ordinary equity holders of the parent	3,116	(305,585)

	2009	2008
<b>(a) Basic (loss)/earnings per share (cents)</b>	1.3	(122.4)
<b>(b) Diluted (loss)/earnings per share (cents)</b>	1.3	(122.4)

### (c) Weighted average number of shares used as the denominator

	Consolidated	
	2009	2008
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	248,241,678	249,582,858
Adjustments for calculation of diluted earnings per share: Options	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	248,241,678	249,582,858

### (d) Information concerning the classification of securities

#### Options

Options granted to employees under the ESOP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. All 16,605,678 (2008: 15,012,494) options have been excluded from this calculation as they are not dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 27.

### NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

In relation to the proceedings discussed in the Directors' Report, LJK has made further allegations in a draft amended statement of claim against both Everest Capital Limited and Mr Jeremy Reid. Everest Capital Limited is considering both the merits of the draft amendments and of the original claim and has not yet formed a view as to whether and to what extent the claims have merit. Accordingly, the Company has not yet determined to what extent LJK's claims may have an adverse impact on the Company.

On 23 February 2010, an investor in the EBI Income Fund brought action with the purpose of replacing Everest Capital Limited as the trustee of the EBI Income Fund. The action was brought in connection with proceedings initiated by Everest Capital Limited to seek judicial advice and declarations in relation to the request for a meeting of members of the EBI Income Fund to vote on a proposal to replace the trustee. The matter is scheduled for hearing on 11 March 2010.

# Notes

## To Financial Statements

### NOTE 23: RELATED PARTY TRANSACTIONS

#### (a) Key Management Personnel

The key management personnel compensation included in personnel expenses (Note 2) is as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Short-term employee benefits	1,574	3,473	240	319
Post-employment benefits	90	171	23	34
Long-term employment benefits	955	728	–	–
Share-based payment compensation	(180)	973	–	–
Termination benefits	193	–	–	–
	2,632	5,345	263	353

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

#### Security holdings

As at 31 December 2009, the relevant interests of the Directors of the Company are set out in the table below.

Name	Balance 01/01/2009	Shares held when took office	Shares Purchased <sup>1</sup>	Shares sold	Shares held when left office	Balance 31/12/2009
<b>Executive Director</b>						
Jeremy Reid	44,984,215					44,984,215
<b>Non-Executive Directors</b>						
Greg Martin	n/a	3,002,778				3,002,778
Marea Laszok	n/a	2,223				2,223
Trevor Gerber	91,668				91,668	n/a
Kerry Roxburgh	25,000				25,000	n/a
Michael Katz	25,000				25,000	n/a
Farrel Melzer	n/a	–			–	n/a
David Kent	69,548		95,095		164,643	n/a

Note:

1 Increase in shares for David Kent relates to shares previously held on his behalf in the Employee Share Trust.

As at 31 December 2008, the relevant interests of the Directors of the Company are set out in the table below.

Name	Balance 01/01/2008	Shares held when took office	Shares purchased <sup>1</sup>	Shares sold	Shares held when left office	Balance 31/12/2008
<b>Executive Director</b>						
Jeremy Reid	44,984,215		–	–		44,984,215
<b>Non-Executive Directors</b>						
David Kent	69,548		–	–		69,548
Trevor Gerber	91,668		–	–		91,668
Kerry Roxburgh	25,000		–	–		25,000
Michael Katz	25,000		–	–		25,000
Phillip Green	785,919		25,556	–	811,475	n/a
David Fuchs	59,112		–	–	59,112	n/a

# Notes

## To Financial Statements

### NOTE 23: RELATED PARTY TRANSACTIONS (continued)

#### Employee Share Trust

On 18 December 2007 the Board established the Deferred Share Plan (DSP) which provides certain Company personnel with one-off retention bonuses in the form of Everest Financial Group Limited shares as well as to provide for both the mandatory and voluntary deferral of annual cash bonuses in return for providing employees with shares in the Company. The Board further established an Employee Share Trust (EST) whereby shares in the Company can be provided in lieu of cash bonuses. The EST is structured so as to enable it to also be used for the employee option plan and DSP, both existing and in future. On 30 January 2008, the Board through its Committee approved the purchase of shares under the DSP. As at the date of this report the EST held 4,965,308 shares in the Company.

The relevant interests of the Directors and executives of the Company held through the EST are set out in the table below.

Name	Vesting 31/12/2010	Vesting 31/12/2011	Vesting 31/12/2012	Total
<b>Executive Director</b>				
Jeremy Reid	211,350	1,303,432		1,514,782
<b>Executives</b>				
Gary Kalmin	305,714	1,210,838	220,223	1,736,755
Steve McKenna				–
Aaron Budai				–
Tim Ivers	100,000		100,000	200,000
John Peterson				–
Will Peterson				–

<b>As at 31/12/2008</b>				
Name	Vesting 31/12/2010	Vesting 31/12/2011	Vesting 31/12/2012	Total
<b>Executive Director</b>				
Jeremy Reid	211,350	–	–	211,350
<b>Non-Executive Director</b>				
David Kent	95,095	–	–	95,095
<b>Executives</b>				
Gary Kalmin	205,714	–	120,223	325,937
Steve McKenna	435,310	–	325,223	760,533
Aaron Budai	114,857	–	100,000	214,857
John Peterson	48,302	–	25,000	73,302
Will Peterson	377,567	–	325,223	702,790

The Company paid costs of \$34,000 on behalf of the Chief Executive Officer in relation to legal proceedings.

#### (b) Equity interests in subsidiaries

Equity interests in subsidiaries are disclosed in Note 11 to the financial report.

# Notes

## To Financial Statements

### (c) Parent transactions with wholly owned subsidiaries

Everest Capital has entered into a sub-advisory agreement with Everest Capital Management Limited (ECML) whereby ECML delegates the provision of management services to British Virgin Islands incorporated funds to Everest Capital. In return for these services, management and performance fees derived by ECML, net of rebates or commissions to third party distributors, are payable to Everest Capital.

Everest Capital has entered into an Administrative Services and Management Agreement with Everest Capital Investment Management Limited (ECIML) under which Everest Capital will provide administrative and management services to ECIML. In return for these services, all management and incentive fees derived by ECIML are payable to Everest Capital.

### (d) Other related parties

Management fees and performance fees derived from related party managed investment schemes are disclosed in the table below:

	Consolidated	
	2009	2008
	\$	\$
<b>Revenue</b>		
Management fees	9,074,637	29,350,338
Performance fees	–	34,500
<b>Fund Costs</b>		
Management fees	183,383	1,003,930
Performance fees	–	–

All related party transactions are conducted on normal commercial terms and conditions. Outstanding balances at the end of the year are unsecured, interest free and settlement occurs in cash.

During the year, the Company paid certain expenses on behalf of one of the funds due to insufficient cash being available within the fund. The fund successfully completed an entitlement offer during the year and has also subsequently received significant proceeds from underlying investments. Therefore, the fund will reimburse the Company for these expenses.

### (e) Loans from related parties

During the year loans totalling \$1,132,000 were made to Everest Financial Group Limited from Everest Capital, the wholly owned subsidiary of the Company (2008: \$461,000 borrowed). This facility is to assist in the payment of operating and other costs. This loan is non-interest bearing and has no specified repayment date nor is it subject to any contract. The amount outstanding as at 31 December 2009 is \$5,749,000 (2008: \$4,617,000).

### (f) Loans to related parties

In October 2009, Everest Capital Limited made a short-term loan of \$98,000 to EFG Capital Management Limited on arm's length terms. This amount, including interest, was fully repaid in December 2009.

### (g) Ultimate parent entity

The Company is the ultimate parent entity of the Group.

### (h) Current tax benefit receivable/intercompany receivable

The Company is the head entity of the tax consolidated group. Current tax benefit receivable of the Company amounts to \$3,578,000 (2008: \$752,000 tax liability).

# Notes

## To Financial Statements

### NOTE 24: CASH FLOW INFORMATION

#### (a) Reconciliation of cash and cash equivalents

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash on hand	1	1	-	-
Cash at bank	15,012	15,777	11	-
	15,013	15,778	11	-

#### (b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Profit/(loss) for the year	3,116	(305,585)	2,337	(300,948)
<i>Non-cash flows in profit/(loss)</i>				
Depreciation	342	353	-	-
Amortisation	-	2,167	-	-
Loss/(gain) on sale of investments	(503)	102	-	-
Loss on disposal of fixed assets	95	-	-	-
Share-based payments	893	2,407	-	-
Impairment of assets	-	324,226	-	307,470
Share of profit from joint venture	(24)	(234)	-	-
Tax losses transferred between group entities	-	-	(3,793)	495
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in receivables	5,495	7,424	3	(3)
(Increase)/decrease in other assets	910	2,474	(1)	2
Increase/(decrease) in payables	(1,781)	(5,912)	(161)	(24)
Increase/(decrease) in income tax payable	(811)	(12,126)	872	(463)
(Increase)/decrease in income tax receivable	(3,578)	-	-	-
Increase/(decrease) in provisions	(1,438)	1,306	-	-
<b>Cash flows from operating activities</b>	<b>2,716</b>	<b>16,602</b>	<b>(744)</b>	<b>6,529</b>

#### (c) Credit standby arrangement and loan facilities

##### Banker's undertaking

Up until March 2009, Everest Capital Investment Management Limited (ECIML) had an agreement with Westpac Banking Corporation Limited (WBC) for an unconditional undertaking for WBC to pay Everest Capital Investment Management Limited (ECIML) up to \$5,000,000, to satisfy in part, the condition of ECIML's Australian Financial Services Licence relating to minimum net tangible asset requirements. The cash collateral for this undertaking was placed in a WBC term deposit and held as security by WBC until the undertaking was cancelled. Following the removal of ECIML as responsible entity of EBI on 5 February 2009, the Company cancelled the bankers undertaking of \$5,000,000 as ECIML is now able to satisfy its licensee financial requirements independently. WBC cancelled the undertaking and returned the cash collateral of \$5,000,000 to the Company with ASIC's written consent.

In addition, WBC has agreed to an unconditional undertaking to pay the lessor of Everest Capital Limited on demand, up to \$411,000, to satisfy in part, the lease conditions between Everest Capital limited and its lessor. In accordance with and to support the unconditional undertaking Everest Capital Limited has posted collateral equal to the unconditional undertaking of \$441,000. It is anticipated that the \$441,000 bankers undertaking will be cancelled and the monies released at the end of the lease term in September 2012.

# Notes

## To Financial Statements

### (d) Non-cash investing and financing activities

No additional shares were issued during the 2009 financial year (2008: nil).

### NOTE 25: FINANCIAL INSTRUMENTS

The Group's and the Company's principal financial instruments comprise cash, receivables and payables.

The Group's and the Company's activities may expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. These risks are managed through a process of ongoing identification, measurement and monitoring.

The Board reviews and agrees policies for managing each of these risks identified below.

#### (a) Interest rate risk

The Group's and the Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Non Interest Bearing		Total	
	2009	2008	2009	2008	2009	2008
Consolidated	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>						
Cash and cash equivalents	15,013	15,778	–	–	15,013	15,778
Fees and other receivable	–	–	2,366	7,861	2,366	7,861
<b>Total Financial Assets</b>	<b>15,013</b>	<b>15,778</b>	<b>2,366</b>	<b>7,861</b>	<b>17,379</b>	<b>23,639</b>
<b>Financial Liabilities</b>						
Trade and other payables	–	–	1,964	4,608	1,964	4,608
Derivative financial instrument	–	–	103	–	103	–
<b>Total Financial Liabilities</b>	<b>–</b>	<b>–</b>	<b>2,067</b>	<b>4,608</b>	<b>2,067</b>	<b>4,608</b>

There is no significant impact on interest rate risk as cash is the only asset or liability with interest rate exposure.

	Floating Interest Rate		Non Interest Bearing		Total	
	2009	2008	2009	2008	2009	2008
Parent	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>						
Cash and cash equivalents	11	–	–	–	11	–
Trade and other receivable	–	–	26	755	26	755
<b>Total Financial Assets</b>	<b>11</b>	<b>–</b>	<b>26</b>	<b>755</b>	<b>37</b>	<b>755</b>
<b>Financial Liabilities</b>						
Trade and other payables	–	–	30	165	30	165
Derivative financial instrument	–	–	–	–	–	–
Loan from related parties	–	–	5,749	4,617	5,749	4,617
<b>Total Financial Liabilities</b>	<b>–</b>	<b>–</b>	<b>5,779</b>	<b>4,782</b>	<b>5,779</b>	<b>4,782</b>

There is no significant impact on interest rate risk as cash is the only asset or liability with interest rate exposure.

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and fees and other receivables. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report. The Group's receivables relate primarily to the Everest Financial Group Limited Funds which are considered low credit risk. In the current year a provision for impairment has been raised relating to management fees receivable on two Everest funds where insufficient cash is available within the funds to pay outstanding management fees.

# Notes

## To Financial Statements

### NOTE 25: FINANCIAL INSTRUMENTS (continued)

#### (c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and banking facilities. Management monitors the Group's liquidity reserve on an ongoing basis.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Less than 3 months	1,310	3,403	30	165
3–6 months	33	–	–	–
6–12 months	253	280	5,749	4,617
Greater than 12 months	471	925	–	–
	<b>2,067</b>	4,608	<b>5,779</b>	4,782

#### (d) Price risk

The Group has exposure to equity, credit and other securities directly and indirectly via hedge fund investments. The value of these securities may rise and fall in accordance with market movements.

#### (e) Fair values

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

**Level 1** – the fair value is calculated using quoted prices in active markets.

**Level 2** – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (observed from prices).

**Level 3** – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non-market observable inputs (Level 3)	Total
<b>Year ended 31 December 2009</b>				
<b>Consolidated</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>				
Listed investments	824	–	–	824
Hedge funds	–	6,485	–	6,485
<b>Total Financial Assets</b>	<b>824</b>	<b>6,485</b>	<b>–</b>	<b>7,309</b>
<b>Financial Liabilities</b>				
Derivative financial instrument	–	103	–	103
<b>Total Financial Liabilities</b>	<b>–</b>	<b>103</b>	<b>–</b>	<b>103</b>

## Notes To Financial Statements

The parent entity does not hold any financial instruments at fair value.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair values of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use observable market inputs.

Financial instruments that use valuation techniques with only observable market inputs include hedge funds which are independently priced by administrators, and foreign exchange contracts not traded on a recognised exchange.

The following sensitivity analysis is based on the fair value exposures in existence at reporting date.

At 31 December 2009, if market values had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
+10%	401	(21)	41	35
-10%	(401)	21	(41)	(35)

### NOTE 26: REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Audit and review of the financial report	90,000	154,000	54,000	91,000
Other assurance services	-	13,000	-	-
	90,000	167,000	54,000	91,000

# Notes

## To Financial Statements

### NOTE 27: SHARE OPTION PLAN

#### (a) Employee Share Option Plan (ESOP)

The Company has in place a Long Term Incentive Plan (LTI) which is designed to reward employees for creating long-term sustained Company performance. It seeks to align employees with shareholders, while recognising the need to balance short-term revenue growth with longer term business building. The provision of an LTI will assist in the attraction, retention and motivation of employees.

The LTI has been delivered through an award of options under the Employee Share Option Plan (ESOP). Allocations under the ESOP were issued in recognition of past and present contribution to the growth of the Group. Allocations under the ESOP were approved by the Board based on recommendations by the CEO which took into account length of service, seniority in the organisation and contribution to the success of the Company.

#### (b) Recognised share-based payment expenses

	Consolidated		Parent	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Expenses arising from equity-settled share-based payment transactions – Employee Share Option Plan (Note 2)	(203)	1,363	–	–
	(203)	1,363	–	–

#### (c) Summary of options under ESOP

The following table illustrates the number (No) and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	2009	2009	2008	2008
	No	WAEP	No	WAEP
Outstanding options at the beginning of year	15,012,494	1.01	18,288,403	0.98
Issued number	17,400,000	0.07	–	–
Cancelled number	(15,806,816)	0.93	(3,275,909)	0.85
<b>Outstanding at the end of year</b>	<b>16,605,678</b>	<b>0.10</b>	<b>15,012,494</b>	<b>1.01</b>

Options outstanding under the plan as at 31 December 2009 were as follows:

Option Series	Number	Grant Date	Exercise Price	Vest Date	Expiration Date	Fair Value of Options Granted \$
Series 2	705,678	21/04/2005	0.85	1/08/2008	1/08/2010	379,912
Series 6	15,900,000	24/09/2009	0.07	24/09/2011 to 24/09/2014	24/09/2015	357,750

Options issued under the plan during the period ended 31 December 2009 were as follows:

Option Series	Number	Grant Date	Exercise Price	Vest Date	Expiration Date	Fair Value of Options Granted \$
Series 6	17,400,000	24/09/2009	0.07	24/09/2011 to 24/09/2014	24/09/2015	391,500

# Notes

## To Financial Statements

The Board also agreed to issue 6 million options to Jeremy Reid on the same terms as those granted to other staff as disclosed above, subject to shareholder approval which will be sought at the next General Meeting of shareholders. If shareholder approval is not obtained, Jeremy Reid will receive cash payments upon each vesting condition and performance hurdle being satisfied equal to the intrinsic value of the options as if they had been issued. Options cancelled under the plan during the period ended 31 December 2009 were as follows:

Option Series	Number	Exercise Price	Vest Date	Expiration Date
Series 1	2,016,069	0.622	1/08/2008	1/8/2010
Series 2	7,408,879	0.850	1/08/2008	1/8/2010
Series 3	4,031,868	1.006	1/08/2008	1/8/2010
Series 4	600,000	3.74	2/07/2011	2/07/2013
Series 5	250,000	3.06	9/10/2011	9/10/2013
Series 6	1,500,000	0.07	24/09/2011 to 24/09/2014	24/09/2015

### Forfeiture and cancellation

Options issued that have not vested will automatically lapse if the employee is no longer with the company. If the option has vested and an employee resigns, the employee has 30 days in which to exercise after which the options will lapse. If the employee is no longer with the Company due to redundancy then the employee has 90 days in which to exercise after which the options will lapse.

### (d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2009 is 2.81 years (2008: 0.15 years).

### (e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.07–\$0.85 (2008: \$0.622–\$3.74).

### (f) Weighted average fair value

The weighted average fair value of options granted during the 2009 year was \$0.0225. No options were granted during the 2008 year.

### (g) Option pricing model

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant. The options granted during the year were valued using a Monte Carlo model, taking into account the terms and conditions upon which the options were granted. As the options contain vesting conditions which are market conditions, these market conditions have been included in the estimate of fair value. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The following table lists the inputs to the model used for the year ended 31 December 2009:

Option pricing model Input	2009 Value	2008 Value
	%	%
Risk free rate	4.2–5.2	N/A
Dividend yield	3.5	N/A
Volatility	40–50	N/A

# Directors' Declaration

In accordance with a resolution of the Directors of Everest Financial Group Limited:

1. In the Directors' opinion:
  - (a) the financial statements and notes of the Company and consolidated entity are 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 31 December 2009 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay their debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2009.

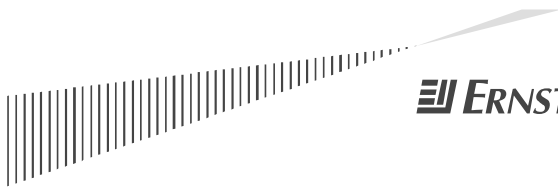


On behalf of the Board

**Greg Martin**  
Chairman

Sydney, 26 February 2010

# Auditor's Report



**ERNST & YOUNG**

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## Independent auditor's report to the members of Everest Financial Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Everest Financial Group Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

### *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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

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under Professional Standards Legislation

# Auditor's Report



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## **Independence**

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

## **Auditor's Opinion**

In our opinion:

1. the financial report of Everest Financial Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Everest Financial Group Limited and the consolidated entity at 31 December 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Auditor's Opinion**

In our opinion the Remuneration Report of Everest Financial Group Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink, appearing to read "Elliott Shadforth".

Elliott Shadforth  
Partner  
Sydney  
26 February 2010

## Additional Information

Additional information required by the ASX and not shown elsewhere in this Report is as follows.

This information is current at 15 April 2010.

As at 15 April 2010 a total of 251,442,316 shares of EFG were on issue.

### Distribution of shares

The number of shareholders of EFG by size of holding is:

Size of holding	Number of shareholders	Shares	% of issued capital
1 to 1,000	449	239,672	0.10%
1,001 to 5,000	750	1,910,611	0.76%
5,001 to 10,000	235	1,797,995	0.72%
10,001 to 100,000	361	10,784,543	4.29%
100,001 and over	105	236,709,495	94.14%
<b>Total</b>	<b>1,900</b>	<b>251,442,316</b>	<b>100.00%</b>

The number of EFG shareholders holding less than a marketable parcel of securities is 1,366 and they hold 3,271,519 shares.

### Twenty largest shareholders

The names of the 20 largest holders of shares in EFG are shown below and do not take into account any beneficial holdings through nominee entities:

Number	Investor	Current balance	% of issued capital
1	WINGATE DIRECT INVESTMENTS PTY LTD	49,402,468	19.65%
2	BLANN INVESTMENTS PTY LIMITED	35,188,238	13.99%
3	BELVEDERE CAPITAL PTY	25,196,580	10.02%
4	CITICORP NOMINEES PTY LIMITED	23,200,190	9.23%
5	REDLEAF GROUP PTY LTD	13,265,137	5.28%
6	NATPAC FINANCIAL SERVICES PTY LTD	8,495,800	3.38%
7	PACIFIC CUSTODIANS PTY LIMITED	8,109,094	3.23%
8	HOWARD SECURITIES PTY LTD	7,000,000	2.78%
9	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	6,694,125	2.66%
10	REIDCO PTY LIMITED	6,506,720	2.59%
11	FORTIS CLEARING NOMINEES P/L	3,650,729	1.45%
12	MR ANDREW RUDOLPH SYPKES & MRS ELIZABETH ANNE SYPKES	3,600,000	1.43%
13	HAZAKSON PTY LTD	3,540,900	1.41%
14	MR PAUL COZZI	2,601,667	1.03%
15	UBS NOMINEES PTY LTD	2,555,725	1.02%
16	BATIHA PTY LIMITED	2,500,000	0.99%
17	HYSIN PTY LIMITED	2,000,000	0.80%
18	MR CHENG LIAN	1,900,000	0.76%
19	BRAZIL FARMING PTY LTD	1,400,000	0.56%
20	LUJETA PTY LTD	1,399,984	0.56%
	<b>Total</b>	<b>208,207,357</b>	<b>82.81%</b>

## Additional Information

### Number of shares that are restricted or subject to voluntary escrow

There are no shares that are restricted or subject to voluntary escrow.

### Substantial shareholders

The names of substantial shareholders (which includes their associates) who have notified EFG in accordance with section 671B of the *Corporations Act 2001* are shown below.

Holder	Number of shares	% of issued capital
Wingate Direct Investments	49,402,468	19.65%
Jeremy Reid	47,552,631	18.91%
Blann Investments Pty Ltd	43,684,038	17.37%

### Voting rights

At a general meeting of the shareholders of EFG, on a show of hands, the shareholders will have one vote.

On a poll, the voting rights attached to a share will be one vote for each fully paid ordinary share.

# Glossary

<b>ATO</b>	Australian Taxation Office
<b>AUM</b>	Assets under management
<b>Board</b>	The board of directors of the Company
<b>Company</b>	Everest Financial Group Limited ABN 42 112 480 145
<b>Consolidated Entity</b>	EFG and its controlled entities
<b>Directors</b>	Directors of the Company as disclosed in this report
<b>EBI</b>	Everest Babcock & Brown Alternative Investment Trust ARSN 112 129 218
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>ECIML</b>	Everest Capital Investment Management Limited ACN 112 731 978 and AFSL 288 360
<b>ECML</b>	Everest Capital Management Limited, a company incorporated in the British Virgin Islands
<b>EFG</b>	Everest Financial Group Limited ABN 42 112 480 145
<b>EPS</b>	Earnings Per Share
<b>ESOP</b>	Employee Share Option Plan
<b>Everest Capital</b>	Everest Capital Limited ABN 86 092 753 252 and AFSL 225102
<b>Group</b>	EFG and its controlled entities
<b>GST</b>	Goods and services tax
<b>IFRS</b>	International Financial Reporting Standards
<b>KMP</b>	Key management personnel
<b>LTI</b>	Long-term incentives
<b>NPAT</b>	Net profit after tax
<b>NTA</b>	Net tangible assets
<b>Report</b>	The Annual Report for EFG for the year ended 31 December 2009
<b>Restructure</b>	The unstapling of units in EBI from the shares in EBB, and for EBB to acquire all of the shares in Everest Capital Limited that it did not already own, via a scrip-for-scrip transaction implemented on 1 August 2006
<b>STI</b>	Short-term incentives
<b>WAEP</b>	Weighted average exercise price

