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Melbourne VIC 3000

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Website: <http://www.spd.com.au>

# Strategic Pooled Development Limited

A.C.N. 062 187 893

A.B.N. 71 062 187 893

Company Announcements Office  
Australian Stock Exchange Limited

## **Company's Printed Annual Report for the financial year ended 30 June 2010**

We advise the Company's printed Annual Report for the financial year ended 30 June 2010 has been posted to shareholders.

The Annual Report includes the Notice of Annual General Meeting, which will be held at:

Minter Ellison Lawyers  
Level 23  
Rialto North Tower  
525 Collins Street  
Melbourne

on Friday 26<sup>th</sup> November 2010 at 11:00am.

Dated 26<sup>th</sup> October 2010

**Strategic Pooled Development Limited**

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**STRATEGIC POOLED DEVELOPMENT LIMITED**  
**and its controlled entities**  
A.B.N. 71 062 187 893

**ANNUAL REPORT**  
**30 JUNE 2010**

# CORPORATE DIRECTORY

## DIRECTORS

Stephen Sedgman (Managing Director)  
John Walker (Executive Director)  
Andrew Kroger (Non-Executive Director)

## COMPANY SECRETARY

John Walker

## REGISTERED OFFICE

Level 1  
139 Collins Street  
Melbourne Victoria 3000 Australia

Telephone: +61 3 9639-1740  
Facsimile: +61 3 9639-1861  
E:Mail: [enquiries@spd.com.au](mailto:enquiries@spd.com.au)  
Internet: [www.spd.com.au](http://www.spd.com.au)

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067 Australia

Telephone: 1300 850 505 (within Australia)  
Telephone: +61 3 9415 5000 (outside Australia)  
Facsimile: +61 3 9473 2500  
Internet: [www.computershare.com](http://www.computershare.com)

## BANKERS

National Australia Bank Limited

## AUDITORS

PKF

**STRATEGIC POOLED DEVELOPMENT LIMITED**  
**ABN 71 062 187 893**

**ANNUAL REPORT**

**For the financial year ended 30 June 2010**

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# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

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## CORPORATE INFORMATION

**Board of Directors:** Stephen John Sedgman (Managing Director)  
John Lawson Walker (Executive Director)  
Andrew John Kroger (Non-Executive Director)

**Company Secretary:** John Lawson Walker

**Registered Office  
&  
Principal Place of Business:** Level 1  
139 Collins Street  
Melbourne, Victoria 3000

Telephone: +61 3 9639 1740  
Facsimile: +61 3 9639 1861  
Email: [enquiries@spd.com.au](mailto:enquiries@spd.com.au)  
Internet: <http://www.spd.com.au>

**Country of Incorporation:** Australia

**Number of Employees:  
(excluding Directors)** Three

**Solicitors:** Minter Ellison  
Rialto Towers  
525 Collins Street  
Melbourne, Victoria 3000

**Auditors:** PKF  
Level 14  
140 William Street  
Melbourne, Victoria 3000

**Bankers:** National Australia Bank Limited  
500 Bourke Street  
Melbourne, Victoria 3000

**Share Registry:** Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria 3067

**For ALL enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000  
Internet: <http://www.computershare.com>

**Australian Securities Exchange Limited  
("ASX"):**

The Company's fully paid ordinary shares are quoted on the Official List of the ASX. The ASX code is SPD and the Company's Home Branch is Melbourne.

# Strategic Pooled Development Limited and its controlled entities

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## MANAGING DIRECTOR'S REPORT

### **Cryosite Limited (CTE)**

Cryosite Limited remains the Group's largest portfolio investment and has shown a significant improvement in market value over last year.

The results for the current year have been released and are positive. Net operating cash flows for the year ended 30 June 2010 of approximately \$1million and cash balances in excess of \$2million.

### **Other Listed Investments**

The Group has other listed investments with a market value of in excess of \$1.5million. These investments are expected to provide a return in excess of current bank deposit rates.

### **Fisher Graham Wealth Pty Limited (FGW)**

FGW is the vehicle through which the Group operates its investment in the business area of asset and wealth management. Progress has been slower than initially anticipated, however it is expected and that FGW Group will, in the current year, be able to build on its existing income streams and generate capital growth.

The Board thanks you for your continuing support. I look forward to meeting with all of you at the Company's annual general meeting.



**STEPHEN J. SEDGMAN**  
**MANAGING DIRECTOR**

**Melbourne 31 August 2010**

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2010 and the auditor's report thereon.

### DIRECTORS:

The names and particulars of the Directors of the Company in office at the date of this report are:

| Name of Director         | Qualifications, Experience and Special Responsibilities  | Directors' meetings and circular resolutions attended by the Director | Directors' meetings and circular resolutions held during the period the person was a Director |
|--------------------------|--|---|---|
| Stephen John Sedgman     | B.Comm. (Melbourne)<br>Managing Director<br>Appointed 24 September 2007<br>Mr. Sedgman has over 35 years experience in asset/wealth management business in Australia.  | 4   | 4   |
| John Lawson Walker       | C.A.<br>Executive Director<br>Appointed 12 October 2007<br>Mr. Walker has been a Chartered Accountant for over 20 years. He has substantial experience in accountancy and secretarial services to a range of public and private companies. | 4   | 4   |
| Andrew John Kroger       | B.Ec. LLB (Monash) ASIA<br>Non-Executive Director<br>Appointed 1 November 1993<br>(Resigned as Managing Director 24 September 2007)<br>Stockbroking, gold mining and finance experience.<br>Director of various public Companies.          | 4   | 4   |
| <b>Company Secretary</b> |  |   |   |
| John Lawson Walker       | C.A.<br>Appointed 10 July 1997<br>Mr. Walker has been a Chartered Accountant for over 20 years. He has substantial experience in accountancy and secretarial services to a range of public and private companies.                          |   |   |



# Strategic Pooled Development Limited and its controlled entities

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## DIRECTORS' REPORT (cont'd)

### DIRECTORS: (cont'd)

Directorships of other listed entities held in the 3-year period to 30 June 2010

| Director             | Company Name  | Date Appointed            | Date Resigned            |
|----------------------|---|---------------------------|--------------------------|
| Stephen John Sedgman | N/A   | N/A                       | N/A                      |
| John Lawson Walker   | Process Wastewater Technologies Limited (delisted 19 October 2007)                | 31 Mar 2007               | Continuing               |
| Andrew John Kroger   | Process Wastewater Technologies Limited (delisted 19 October 2007)<br>CSG Limited | 19 Apr 1996<br>1 Mar 2007 | Continuing<br>Continuing |

### INTERESTS OF DIRECTORS IN SHARES IN THE COMPANY OR IN A RELATED BODY CORPORATE:

The particulars of shares held by the Directors of the Company in the Company or in any related body corporate as at the date of this report, and which are required to be declared in the register of Directors' shareholdings are set out below:

| Name of Director     | Shareholding |
|----------------------|--------------|
| Stephen John Sedgman | 6,450,000    |
| John Lawson Walker   | 11,094,995 * |
| Andrew John Kroger   | 330,770      |

\* Mr. Walker is the Trustee of the Eunson Trust, the beneficial and ultimate owner of shares attributed to Mr. Sedgman.

### PRINCIPAL ACTIVITIES:

The Group continues its principal activity of investing activities, however it intends to focus future investment into unlisted Australian owned and operated asset and wealth management companies.

### REVIEW AND RESULTS OF OPERATIONS:

The net profit of the Group for the financial year ended 30 June 2010 after the provision for income tax was \$38,648 (2009: loss (\$954,584)).

The main driver of the improved result is the increased value of the Company's share portfolio and, in particular, an increase of \$623,313 in the Company's investment in Cryosite Limited.

The Company's investment in asset and wealth management is via its 70% interest in the Fisher Graham Wealth Pty Ltd, (FGW Group).

During the year the FGW Group added to its "Client Book" via acquisition. The year was one where the two acquired "Client Books" were integrated and a new office established. As at 30 June 2010 funds under advice in GWMG was approximately \$65million.

FGW Group, in October 2009, acquired a 60% interest in Fisher Graham Wealth Private Pty Ltd (FGWP) the holder of an Australian Financial Services Licence.

FGWP has appointed an Authorised Representative.

The FGW Group, for the coming year aims, to build on its work to date by more active engagement with its client base and use of the various contacts it has established over the prior years.

The future prospects of the Group are primarily dependent on the performance of the Group's current investments including client books, and future investments.

## DIRECTORS' REPORT (cont'd)

### DIVIDENDS:

No dividends have been paid during the year nor is a dividend recommended.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS:

There were no significant changes in the state of affairs of the Group during the financial year ended 30 June 2010, other than those changes referred to above under "Review and Results of Operations".

### AFTER BALANCE DATE EVENTS:

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

### LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS:

As noted elsewhere in this report the Group intends to continue its investing activities, with focus on the areas of asset/wealth management.

### SHARE OPTIONS:

During the course of, and since the end of the financial year ended 30 June 2010, the Group has not granted any options, nor has it issued any shares by virtue of the exercise of any options. The Group has no unissued shares under option at the date of this report.

### REMUNERATION REPORT (AUDITED):

Remuneration of the Directors and Secretary of the Group is referred to as compensation as defined in AASB 124. Compensation levels for the Directors and Secretary of the Group is determined having regard to industry practice and the need to obtain and retain appropriately qualified and experienced industry persons.

Given the size and nature of the Group's business the Board has not adopted a formal compensation policy.

The compensation is of a fixed nature. There are no performance based incentives in the current compensation.

The compensation of the Directors' consists of the following:-

- (i) Base fee of \$35,000 per annum
- (ii) Statutory superannuation on the base fee
- (iii) Mr. Walker as both Director and Company Secretary is paid a combined fee of \$45,000 per annum plus statutory superannuation

# Strategic Pooled Development Limited and its controlled entities

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## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (AUDITED): (cont'd)

Set out below are the details of the compensation paid to the Directors and Secretary for the last two financial years.

|                      |      | Short Term Benefits      |              |                                |                |         |
|----------------------|------|--------------------------|--------------|--------------------------------|----------------|---------|
|                      |      | Base Fees and Allowances | Non-Monetary | Post Employment Superannuation | Other Benefits | Total   |
| <b>Directors</b>     |      |                          |              |                                |                |         |
| <b>Non-Executive</b> |      |                          |              |                                |                |         |
| Andrew John Kroger   | 2010 | 35,000                   | 0            | 3,150                          | 0              | 38,150  |
|                      | 2009 | 0                        | 0            | 38,150                         | 0              | 38,150  |
| <b>Executive</b>     |      |                          |              |                                |                |         |
| Stephen John Sedgman | 2010 | 8,750                    | 0            | 29,400                         | 0              | 38,150  |
|                      | 2009 | 0                        | 0            | 38,150                         | 0              | 38,150  |
| John Lawson Walker   | 2010 | 45,000                   | 0            | 4,050                          | 0              | 49,050  |
|                      | 2009 | 45,000                   | 0            | 4,050                          | 0              | 49,050  |
| Total Compensation   | 2010 | 88,750                   | 0            | 36,600                         | 0              | 125,350 |
|                      | 2009 | 45,000                   | 0            | 80,350                         | 0              | 125,350 |

In the previous year the Company acquired a 70% equity interest in Fisher Graham Wealth Pty Limited (FGW) and its wholly owned subsidiary Geelong Wealth Management Group Pty Limited (GWMG).

Set out below are details of the compensation paid to the Managing Directors of both companies. Details of contracts for both employees are as follows:

- No fixed period;
- Fixed salary reviewed annually;
- Termination is 4 weeks notice;
- Termination payments are statutory leave entitlements and maximum of 4 weeks pay in lieu of notice.

|  |      | Short Term Benefits      |              |                                |                |         |
|--|------|--------------------------|--------------|--------------------------------|----------------|---------|
|  |      | Base Fees and Allowances | Non-Monetary | Post Employment Superannuation | Other Benefits | Total   |
| <b>Fisher Graham Wealth Pty Limited</b>            |      |                          |              |                                |                |         |
| <b>Managing Director</b>                           |      |                          |              |                                |                |         |
| Gary Levitt  | 2010 | 119,265                  | 0            | 10,734                         | 0              | 129,999 |
| (Commenced 2 March 2009)                           | 2009 | 39,755                   | 0            | 3,578                          | 0              | 43,333  |
| <b>Geelong Wealth Management Group Pty Limited</b> |      |                          |              |                                |                |         |
| <b>Managing Director</b>                           |      |                          |              |                                |                |         |
| Andrew Carey                                       | 2010 | 88,026                   | 0            | 7,923                          | 0              | 95,949  |
| (Commenced 6 July 2009 – Terminated 30 July 2010)  | 2009 | 0                        | 0            | 0                              | 0              | 0       |
| Total Compensation                                 | 2010 | 207,291                  | 0            | 18,657                         | 0              | 225,948 |
|  | 2009 | 39,755                   | 0            | 3,578                          | 0              | 43,333  |

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## DIRECTORS' REPORT (cont'd)

### REMUNERATION REPORT (AUDITED): (cont'd)

Relationship between remuneration policy and Group performances.

The tables below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2010.

|                              | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | \$           |              | \$           | \$           | \$           |
| Revenue                      | 1,180,825    | 305,277      | 386,802      | 8,901,815    | 525,452      |
| Net profit/(loss) before tax | 104,681      | (954,584)    | (582,898)    | 1,970,952    | 101,821      |
| Net profit/(loss) after tax  | 104,681      | (954,584)    | (566,856)    | 1,422,529    | 94,899       |

As stated previously the key management are paid a fixed remuneration that is considered by the Directors to fairly reflect their contribution to the Company's performance.

|                              | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | cents        | cents        | cents        | cents        | cents        |
| Share price at start of year | 13.0         | 13.0         | 25.5         | 24.0         | 22.0         |
| Share price at end of year   | 8.0          | 12.0         | 13.0         | 25.5         | 24.0         |
| Dividends <sup>(1)</sup>     | 0            | 0            | 0            | 11.5         | 0            |
| Returns of Capital           | 0            | 0            | 0            | 7.7          | 0            |
| Basic earnings per share     | 0.30         | (2.88)       | (2.00)       | 5.69         | 0.12         |
| Diluted earnings per share   | 0.30         | (2.88)       | (2.00)       | 5.69         | 0.12         |

(1) The dividend of 11.5 cents consisted of 9.7 cents unfranked and 1.8 cents franked at the rate of 30 cents.

### INDEMNIFICATION OF OFFICERS AND AUDITORS:

Other than for the payment of a premium for Directors & Officers liability insurance neither during nor since the end of the financial year ended 30 June 2010 has the Group:

- (a) indemnified or made a relevant agreement for indemnifying against a liability, a person who is or has been an officer or auditor of the Group or of a related body corporate; or
- (b) paid, or agreed to pay, a premium in respect of a contract insuring against a liability, a person who is or has been an officer or auditor the Group or of a related body corporate.

## DIRECTORS' REPORT (cont'd)

### AUDIT COMMITTEE:

The current Board members also form the Audit Committee.

There were two Audit Committee meetings during the year ended 30 June 2010. All three Directors attended each meeting.

The main responsibilities of the Audit Committee are set out in the Corporate Governance section of the Directors' Report.

### ENVIRONMENTAL REGULATIONS:

The Group is not subject to any environmental regulations.

### AUDITOR'S INDEPENDENCE DECLARATION:

The Auditor's independence declaration is set out on page 14 and forms part of this Directors' Report.

### NON-AUDIT SERVICES:

The Auditor's did not provide any non-audit services for the year ended 30 June 2010.

### PROCEEDINGS ON BEHALF OF THE GROUP:

No person has applied for leave of the court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings

The company was not part to any such proceedings during the year.

### CORPORATE GOVERNANCE STATEMENT:

The Board of Directors are responsible for protecting the rights and interests of the Shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets. The Board's role is to govern the Company and not to manage it. It is the role of senior management (including Executive Directors) to manage the Company in accordance with the strategic goals set by the Board and under its direction. The Board does not have a management function.

Strategic supports the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council in December 2007.

The Board, in supporting these principles and recommendations of corporate governance is mindful of its size and composition and, in some cases, the Company seeks to meet the "spirit" of the principles without being in full compliance with those principles.

The Company has an Audit Committee. The Directors consider that the Company is not of a size nor are its affairs of such a nature as to currently justify the formation of additional committees. The Board will form other committees should the need arises.

The Board as a whole, together with the appointed committee, is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards.

Detailed below are the Corporate Governance Principles and Recommendations and how the Company has complied or seeks to comply with them.

## DIRECTORS' REPORT (cont'd)

### CORPORATE GOVERNANCE STATEMENT (cont'd):

#### *Principle One - Lay solid foundations for management and oversight*

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

The Board has adopted a formal charter setting out the obligations and responsibilities of the Board of Directors.

It is the responsibility of the Managing Director, the other Executive Director and other senior executive(s) of the Company to manage the affairs of the Company in accordance with the strategic goals set by the Board and under its direction. The Managing Director is primarily responsible for such management. His responsibilities include implementing and monitoring (together with the Board) the strategic and financial plans for the Company and being the primary channel of communication and point of contact between the executive management and the Board.

There are no letters of appointment for the Executive Directors, Messrs. Sedgman and Walker. In regard to the other senior executive(s) (in the subsidiaries), contracts of employment are in place setting out their term of office, duties, rights and responsibilities and entitlements on termination.

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

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the performance of the directors and other senior executives is reviewed against the objectives of the Company.

- 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Board Charter can be viewed on the Company's website, [www.spd.com.au](http://www.spd.com.au).

#### *Principle Two - Structure the Board to add value*

- 2.1 A majority of the board should be independent directors.

The Company at present does not have any independent directors.

The Managing Director and Director/Company Secretary are the major shareholders in the Company.

The non-executive Director is the former Managing Director and major shareholder of the Company.

The Board does not consider this a disadvantage to the proper management of the Company the enhancement of shareholder value nor their ability to carry out their responsibilities as set out in the Board Charter.

The Directors have been selected based upon a determination of the skills and experience considered necessary to achieve the objectives of the Company. Where deemed necessary the Company will seek additional Directors.

- 2.2 The chair should be an independent director.

As noted above, there are no independent directors, further due to its size the Board has elected not to appoint a permanent Chairman.

## DIRECTORS' REPORT (cont'd)

### CORPORATE GOVERNANCE STATEMENT (cont'd):

#### *Principle Two - Structure the Board to add value (cont'd)*

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

Refer comments in points 2.2 and 2.3 above.

- 2.4 The Board should establish a nomination committee.

The Board, given its size and straight forward structure of the Company, does not consider the establishment of a separate nomination committee to be necessary or cost effective at this time.

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

The performance of the Board, Executive Directors and Senior Executives is evaluated in accordance with recommendation 1.2 above.

- 2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.

The names of the Directors of the Company in office at the date of this report are set out elsewhere in the Directors' Report.

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise.

The Directors stand for re-election by shareholders in accordance with the requirements of the constitution and the ASX Listing Rules (i.e. on a 3 year rotational basis).

The other matters required to be reported upon under this requirement are set out above.

#### *Principle Three - Promote ethical and responsible decision-making*

- 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code.

The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. This philosophy is set out in the company's code of ethics/(conduct).

- 3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of the policy.

The Company has adopted a Securities Trading Policy which applies to directors, senior executives and other employees.

- 3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Code of Ethics and Securities Trading Policy can be viewed on the Company's website.

## DIRECTORS' REPORT (cont'd)

### CORPORATE GOVERNANCE STATEMENT (cont'd):

#### *Principle Four - Safeguard Integrity in Financial Reporting*

4.1 The Board should establish an audit committee

The Board has established a separately constituted Audit Committee.

4.2 The audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not the chair of the board
- has at least 3 members

The current audit committee comprises the full Board of the Company. As noted in point 2.1 there are no independent Directors of the Company.

All members are financially literate and have had extensive experience in the preparation and presentation of annual financial reports. In addition, Mr. Walker is a Chartered Accountant with extensive "hands-on" experience in dealing with financial reporting matters.

The Board has approved Mr Walkers' appointment as Chairman of the Committee.

As the composition of the Board changes over time, the Board will review the size and composition of its Audit Committee.

4.3 The audit committee should have a formal charter

The Board has adopted a formal charter for its Audit Committee.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.

As noted above the full Board of the Company comprise the audit committee. The names of the Directors' in office at the date of this report and number of audit committee meetings attended by each are set out elsewhere in the Directors' report.

The audit partner is rotated as is statutorily required. The selection of the auditor is based upon experience, cost effectiveness and overall potential to provide pro-active assistance to the Company within the bounds of auditor independence.

The Charter of the Audit Committee can be viewed on the Company's website.

#### *Principle Five - Make Timely and Balanced Disclosure*

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

The Company has adopted a market disclosure and communications policy (Continuous Disclosure Policy). The Managing Director and Company Secretary are responsible for ensuring the Company's continuous disclosure obligations are met.

5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.

The Continuous Disclosure Policy can be viewed on the Company's website.



## DIRECTORS' REPORT (cont'd)

### CORPORATE GOVERNANCE STATEMENT (cont'd):

#### *Principle Six - Respect the rights of shareholders*

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

As noted above in relation to recommendation 5.1, the Company has established a market disclosure and communications policy.

It has a website which provides shareholders with ready access to Company information and any ASX announcements such as:

- Annual and Half-yearly financial reports
- Disclosure of monthly NTA's
- Any announcements released to ASX.

The Company invites the auditor to attend the Annual General Meeting of Shareholders.

The Chairman of the meeting will permit shareholders to ask questions of the auditor regarding the preparation and conduct of the audit.

- 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Continuous Disclosure Policy can be viewed on the Company's website.

#### *Principle Seven - Recognise and Manage Risk*

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

Although there is no stand alone risk management policy, the Company through its Board Charter and Audit Committee Charter has established policies to identify material financial and other business risks and for the review and management of those risks.

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

The Board has charged management with the responsibility of designing and implementing an appropriate system of risk management and internal control. Until the Audit Committee consists of a majority of independent directors, the oversight of management's effectiveness in performing these duties will rest with the full Board.

Declarations as to effectiveness of this requirement are received as part of requirement 7.3 below.

## DIRECTORS' REPORT (cont'd)

### CORPORATE GOVERNANCE STATEMENT (cont'd):

#### *Principle Seven - Recognise and Manage Risk (cont'd)*

- 7.3 The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The size and nature of the activities of the Company does not require the services of a Chief Financial Officer. The Managing Director and the Company Secretary are required to make declarations to the Board in accordance with the requirements of section 295A of the Corporations Act.

- 7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.

Except that there is no stand alone risk management policy which can be publicly disclosed, the Company considers it has complied with this recommendation.

#### *Principle Eight - Remunerate Fairly and Responsibly*

- 8.1 The board should establish a remuneration committee

The Board, given its size and the straight forward structure of the Company, does not consider the establishment of a separate remuneration committee to be necessary or cost effective at this time.

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

At this point of time the Board does not consider it necessary to adopt a formal remuneration policy for its Directors. Currently, the Company's three Directors each draw fees of \$35,000 per annum plus superannuation.

In addition, Mr. Walker received a further amount of \$10,000 per annum in his role of Company Secretary.

Senior executives of the subsidiary companies are paid in accordance with the experience and expertise that is required of their position.

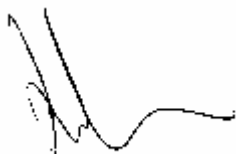
As a general rule Directors will be remunerated only by the payment of a fixed annual fee.

An explanation of the basis and quantum of Directors and Executives compensation is set out on pages 5 and 6.

- 8.3 Companies should provide the information required in the Guide to reporting on Principle 8.

Except to the extent that it relates to a separate remuneration committee, the Company considers it has met complied with this recommendation as required.

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



**John L. Walker**  
**Director**  
**Melbourne 31 August 2010**

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of Strategic Pooled Development Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Strategic Pooled Development Limited and the entities it controlled during the year.



**J A Mooney**  
**Partner**  
**PKF**

31 August 2010  
Melbourne

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF STRATEGIC POOLED DEVELOPMENT LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Strategic Pooled Development Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income and 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 Strategic Pooled Development Limited (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 1b, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Strategic Pooled Development Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1b.

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Liability limited by a scheme approved under Professional Standards Legislation.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's Opinion*

In our opinion the Remuneration Report of Strategic Pooled Development Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



**PKF**



**J A Mooney**  
Partner

31 August 2010  
Melbourne

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

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## DIRECTORS' DECLARATION

The Directors of Strategic Pooled Development Limited ('the Company') declare that:

1. the financial statements and notes, as set out on pages 18 to 54 and in the remuneration report in the Directors' Report set out on pages 5 to 7, are in accordance with the Corporations Act 2001 and in their opinion;
  - (a) give a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2010 and of the performance, for the financial year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 1; and
3. there are reasonable grounds to believe that the Company and the consolidated entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010 required by Section 295A of the Corporations Act 2001.

**This declaration is made in accordance with a resolution of the Board of Directors.**



**John L. Walker**  
**Director**  
**Melbourne 31 August 2010**

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

|  |             | CONSOLIDATED |           |
|--|-------------|--------------|-----------|
|  | <i>Note</i> | 2010         | 2009      |
|  |             | \$           | \$        |
| Revenue  | 2           | 1,180,825    | 305,277   |
| Depreciation and amortisation expenses                             | 3           | (6,100)      | (5,500)   |
| Employee benefits expenses   |             | (496,661)    | (279,896) |
| Office and occupancy expenses                                      |             | (70,258)     | (57,123)  |
| Administration expenses  |             | (84,903)     | (68,946)  |
| Adjustment to fair value of investments through the profit or loss |             | 0            | (791,350) |
| Impairment of goodwill   | 10          | (56,238)     | 0         |
| Amortisation of client book  | 10          | (81,750)     | 0         |
| Impairment of client book  | 10          | (246,600)    | 0         |
| Interest expense   |             | (955)        | 0         |
| Other expenses   |             | (98,712)     | (77,122)  |
| Profit/(loss) before income tax                                    |             | 38,648       | (974,660) |
| Income tax credit/(expense)  | 4           | 0            | 0         |
| Profit/(loss) for the year   |             | 38,648       | (974,660) |
| Other comprehensive income for the year net of tax                 |             | 0            | 0         |
| Total comprehensive income/(loss) for the year                     |             | 38,648       | (974,660) |
| Profit/(loss) attributable to:                                     |             |              |           |
| Owners of the parent entity  |             | 104,681      | (954,584) |
| Non-controlling interest   |             | (66,033)     | (20,076)  |
|  |             | 38,648       | (974,660) |
| Total comprehensive income/(loss) attributable to:                 |             |              |           |
| Owners of the parent entity  |             | 104,681      | (954,584) |
| Non-controlling interest   |             | (66,033)     | (20,076)  |
|  |             | 38,648       | (974,660) |

|   |    | 2010  | 2009   |
|---|----|-------|--------|
|   |    | cents | Cents  |
| Earnings per share for (loss) attributable to the ordinary equity holders of the Company: |    |       |        |
| Basic Earnings per Share (cents per share)  | 19 | 0.30  | (2.88) |
| Diluted Earnings per Share (cents per share)  | 19 | 0.30  | (2.88) |

*The accompanying notes form part of these financial statements.*

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED |                  |                  |
|--|--------------|------------------|------------------|
|  | Note         | 2010             | 2009             |
|  |              | \$               | \$               |
| <b>Accumulated (Losses)</b>                              |              |                  |                  |
| Opening balance  |              | (792,977)        | 161,607          |
| Profit/(loss) attributable to members of the entity      |              | 104,681          | (954,584)        |
|  |              | <u>(688,296)</u> | <u>(792,977)</u> |
| <b>Issued Capital</b>                                    |              |                  |                  |
| 34,500,158 (2009: 34,500,158) fully paid ordinary shares |              |                  |                  |
| Opening balance  |              | 5,471,876        | 4,537,501        |
| Shares issued 24 September 2008 @ 16.25 cents per share  |              | 0                | 934,375          |
| Closing balance  |              | <u>5,471,876</u> | <u>5,471,876</u> |
| <b>Non-Controlling Interest</b>                          |              |                  |                  |
| Opening balance  |              | 4,894            | 0                |
| Interest on acquisition of controlled entity             |              | 4                | 24,970           |
| (Loss) attributable to non-controlling interest          |              | (66,033)         | (20,076)         |
| Closing balance  |              | <u>(61,135)</u>  | <u>4,894</u>     |

*The accompanying notes form part of these financial statements.*



# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

|                                  |      | CONSOLIDATED     |                  |
|----------------------------------|------|------------------|------------------|
|                                  | Note | 2010<br>\$       | 2009<br>\$       |
| <b>ASSETS</b>                    |      |                  |                  |
| <b>CURRENT ASSETS</b>            |      |                  |                  |
| Cash and cash equivalent         | 21   | 1,593,482        | 3,519,472        |
| Trade and other receivables      | 6    | 16,017           | 24,010           |
| Investments                      | 8    | 1,563,900        | 551,957          |
| Other current assets             | 7    | 6,864            | 6,222            |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>3,180,263</b> | <b>4,101,661</b> |
| <b>NON-CURRENT ASSETS</b>        |      |                  |                  |
| Investments                      | 8    | 1,038,773        | 415,460          |
| Property, plant and equipment    | 9    | 5,783            | 7,731            |
| Intangible assets                | 10   | 774,654          | 535,040          |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>1,819,210</b> | <b>958,231</b>   |
| <b>TOTAL ASSETS</b>              |      | <b>4,999,473</b> | <b>5,059,892</b> |
| <b>LIABILITIES</b>               |      |                  |                  |
| <b>CURRENT LIABILITIES</b>       |      |                  |                  |
| Trade and other payables         | 12   | 87,741           | 66,864           |
| Employee provisions              | 13   | 59,326           | 62,635           |
| Borrowings                       | 14   | 129,961          | 246,600          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>277,028</b>   | <b>376,099</b>   |
| <b>TOTAL LIABILITIES</b>         |      | <b>277,028</b>   | <b>376,099</b>   |
| <b>NET ASSETS</b>                |      | <b>4,722,445</b> | <b>4,683,793</b> |
| <b>EQUITY</b>                    |      |                  |                  |
| Issued capital                   | 15   | 5,471,876        | 5,471,876        |
| Accumulated (loss)               |      | (688,296)        | (792,977)        |
| Parent interest                  |      | 4,783,580        | 4,678,899        |
| Non-controlling interest         |      | (61,135)         | 4,894            |
| <b>TOTAL EQUITY</b>              |      | <b>4,722,445</b> | <b>4,683,793</b> |

*The accompanying notes form part of these financial statements.*

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

|   |                        | <b>CONSOLIDATED</b> |  |
|---|------------------------|---------------------|--|
| <i>Note</i>   | <b>2010</b>            | <b>2009</b>         |  |
|   | \$                     | \$                  |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                     |  |
| Receipts from operations  | 334,530                | 98,569              |  |
| Payments to suppliers and employees   | (731,674)              | (498,487)           |  |
| Dividends received  | 42,435                 | 167                 |  |
| Interest received   | 106,647                | 200,862             |  |
| <b>NET CASH (USED IN) OPERATING ACTIVITIES</b>  | <b>21(b) (248,062)</b> | <b>(198,889)</b>    |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |                     |  |
| Sale of listed investments designated as being at fair value through profit or loss             | 557,648                | 0                   |  |
| Purchase of listed investments designated as being at fair value through profit or loss         | (1,753,183)            | (508,220)           |  |
| Purchase of property, plant and equipment   | (4,152)                | (1,807)             |  |
| Purchase of intangible assets   | (487,843)              | (246,600)           |  |
| Payment for subsidiary, net of cash acquired  | (14,398)               | (16,870)            |  |
| Return of capital – listed investments designated as being at fair value through profit or loss | 16,000                 | 0                   |  |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                                      | <b>(1,685,928)</b>     | <b>(773,497)</b>    |  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                        |                     |  |
| Advance from non-controlling interest   | 8,000                  | 0                   |  |
| Proceeds from issue of shares   | 0                      | 934,375             |  |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>  | <b>8,000</b>           | <b>934,375</b>      |  |
| <b>NET (DECREASE) IN CASH HELD</b>  |                        |                     |  |
| Cash and cash equivalent at the beginning of the financial year                                 | 3,519,472              | 3,557,483           |  |
| <b>CASH AND CASH EQUIVALENT AT THE END OF THE FINANCIAL YEAR</b>                                | <b>21(a) 1,593,482</b> | <b>3,519,472</b>    |  |

*The accompanying notes form part of these financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity

Strategic Pooled Development Limited (the “Company”) is a publicly listed company domiciled in Australia. The address of the Company’s registered office is Suite 903, Exchange Tower, 530 Little Collins Street, Melbourne, Victoria. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprises the Company and its subsidiaries (together referred as to as the “Group” and individually as “Group entities”).

The principal activity of the Group is investment. However, it is intended to focus future investment into unlisted Australian owned and operated asset and wealth management companies.

The financial report was authorised for issue by the Board of Directors of the Company on the date shown on the Declaration by the Board of Directors attached to the Financial statements.

#### (b) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

During the year ended 30 June 2010, the Federal Government introduced amendments to the Corporations Act 2001 removing the requirement for consolidated groups to include full parent entity financial statements. Royal Assent for these amendments was received on 28 June 2010. The Group has adopted these amendments for the consolidated group financial statements for the year ended 30 June 2010.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (c) Principles of Consolidation

A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 8(b) to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Principles of Consolidation (cont'd)

Non- controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### *Business combinations*

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### (d) Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

#### (e) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expenses (income).

Current income tax expense charged to the profit or loss is the tax payable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax assets and tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expenses but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (e) Income Tax (cont'd)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### (f) Financial Instruments

##### *Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *Derecognition*

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial Instruments (cont'd)

*Classification and Subsequent Measurement*

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

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(iv) *Investment in subsidiaries*

Investment in subsidiaries are accounted for at cost in the individual financial statements of the parent entity less provision for impairment.

(g) Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on both a straight line basis and diminishing balance basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| <b>Class of Fixed Asset</b>    | <b>Depreciation Rate</b> |
|--------------------------------|--------------------------|
| Office furniture and equipment | 13-40%                   |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(h) Employee Benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximately the same as the related liability, are used.

Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits, and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

**(i) Dividend Imputation**

Franked dividends paid are franked at the prevailing general corporate tax rate.

The franking credits available to the Company are disclosed in note 5 to the accounts.

**(j) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

**(k) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses.

**(l) Revenue**

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases:

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of the leased item, are recognised as an expense on a straight-line basis.

#### (n) Trade and other payables

Liabilities for trade payables and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### (o) Share Capital

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

#### (p) Earnings Per Share

Basis earnings per share is determined by dividing the profit after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the profit after related income tax expense adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of shares both issued and potentially dilutive outstanding during the financial year.

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Intangibles

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held interest,

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group has elected to measure the non-controlling interest's proportionate share of the identifiable net assets (proportionate interest method).

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment annually and is allocated at subsidiary level, and carried at cost less accumulated impairment losses.

**Other Intangible Assets – Client Book**

Client Book(s) that are acquired by the Group are initially recorded at cost. They have a finite life which is considered to be between 12 – 15 years.

Clients Book(s) will be carried at cost less accumulated amortisation. Amortisation will be calculated using the straight line method.

(s) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers.

In the current year the following estimates were used regarding Goodwill:

Goodwill on acquisition of sub-subsidiary: Goodwill is associated with the Australian Financial Services Licence held by the sub-subsidiary. The nature of the licence is such that Goodwill is written-off in the year of acquisition.

Goodwill on acquisition of subsidiary: Goodwill is associated with the purchase of Fisher Graham Wealth Pty Limited in the second half of the year ended 30 June 2009. The Goodwill has been written-off in the current financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (t) Changes in accounting policy

Strategic Pooled Development Limited had to change some of its accounting policies as the result of new or revised Australian accounting standards and interpretations which became operative for the annual reporting period commencing 1 July 2009.

The effected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segments – new AASB 8 *Operating Segments*
- Presentation of Financial Statements – AASB 101

#### Principles of consolidation

The effect of AASB 127 (revised) on the current reporting period was the allocation of losses to the non-controlling interest in subsidiaries such that accumulated losses exceed the value of the non-controlling interest in the subsidiary's equity.

This has resulted in an amount of \$61,135 of additional comprehensive income being attributable to the owners of Strategic Pooled Development Limited. Previously this amount being the excess of accumulated losses over non-controlling interest equity, would have charged to the owners of Strategic Pooled Development Limited.

#### Presentation of Financial Statements

There have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact of the Group's financial statements.

#### *Disclosure impact*

Terminology changes – The revised version AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (t) Changes in accounting policy (cont'd)

Other comprehensive income – The revised version of AASB 101 introduces the concept of ‘other comprehensive income’ which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### **Business combinations**

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group’s previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree’s net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group’s net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of Fisher Graham Wealth Private Pty Limited disclosed in note 8.

#### **Segment reporting**

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments have been determined as set out in note 2(b) below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (u) New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements of embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investments can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows;
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2010). This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.
  - AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These Standards detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (u) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

This Standard clarifies the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 9 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

This Standard specifies requirements for entities using the full-cost method in place of retrospective application of Australian Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4, when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing 1 February 2010).

This Standard clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137 139, 1023 & 1032 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19: [AASB1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow for a first-time adopter to apply the transitional provisions in Interpretation 19. This Standard is not expected to impact the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably, in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards.

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|   | CONSOLIDATED |         |
|---|--------------|---------|
|   | 2010         | 2009    |
|   | \$           | \$      |
| <b>2. (a) REVENUE</b>   |              |         |
| Revenue from operating activities   |              |         |
| Adjustment to fair value of listed investments designated as being at fair value through profit or loss | 455,720      | 0       |
| Commissions received  | 222,702      | 0       |
| Dividends received on financial assets designated at fair value through profit or loss                  | 42,435       | 167     |
| Interest received on bank deposits  | 101,540      | 206,541 |
| Total revenues from operating activities  | 822,397      | 206,708 |
| Revenue from non-operating activities   |              |         |
| Write-back of amount due on purchase of client book   | 246,600      | 0       |
| Office costs reimbursed   | 111,828      | 98,569  |
| Total revenues from non-operating activities  | 358,428      | 98,569  |
| Total revenues  | 1,180,825    | 305,277 |

### 2. (b) SEGMENT INFORMATION

The groups financial performance is viewed as Investment income of SPD “the company” and the fee income generated by the FGW Group.

Unless otherwise stated all amounts are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements.

Inter-segment adjustments are accounted for in accordance with note 1(c) to the financial statements.

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 2. (b) SEGMENT INFORMATION (cont'd)

| Year ended 30 June 2010  | FGW Group        | Investment<br>Income         | Inter-Segment<br>Adjustment         | Total            |
|--|------------------|------------------------------|-------------------------------------|------------------|
| Revenue  |                  |                              |                                     |                  |
| External Revenue   | 222,702          | 598,466                      | 0                                   | 821,168          |
| Interest Revenue   | 841              | 100,699                      | 0                                   | 101,540          |
| Interest Revenue:  |                  |                              |                                     |                  |
| - FGW Group  | 0                | 65,757                       | (65,757)                            | 0                |
| - Write-back of amount due on<br>purchase of client book   | 246,600          | 0                            | 0                                   | 246,600          |
| Other inter-segment:   |                  |                              |                                     |                  |
| - Adjustment   | 0                | 0                            | 11,517                              | 11,517           |
| <b>Total Segment Revenue</b>   | <b>470,143</b>   | <b>764,922</b>               | <b>(54,240)</b>                     | <b>1,180,825</b> |
| Expenses   |                  |                              |                                     |                  |
| Interest Expense   | 66,712           | 0                            | (65,757)                            | 955              |
| Depreciation   | 100              | 6,000                        | 0                                   | 6,100            |
| Amortisation   |                  |                              |                                     |                  |
| - Client Books   | 81,750           | 0                            | 0                                   | 81,750           |
| - Goodwill   | 14,398           | 41,840                       | 0                                   | 56,238           |
| Impairment   |                  |                              |                                     |                  |
| - Client Books   | 246,600          | 0                            | 0                                   | 246,600          |
| - Advance to subsidiary  | 0                | 235,000                      | (235,000)                           | 0                |
| Other Segment Expenses   | 380,333          | 371,250                      | (1,049)                             | 750,534          |
| <b>Total Segment Expenses</b>  | <b>789,893</b>   | <b>654,090</b>               | <b>(301,806)</b>                    | <b>1,142,177</b> |
| Net (loss)/profit before income<br>tax   | (319,750)        | 110,832                      | 247,566                             | 38,648           |
| <b>Year ended 30 June 2009</b>   | <b>FGW Group</b> | <b>Investment<br/>Income</b> | <b>Inter-Segment<br/>Adjustment</b> | <b>Total</b>     |
| Revenue  |                  |                              |                                     |                  |
| External Revenue   | 167              | 98,569                       | 0                                   | 98,736           |
| Interest Revenue   | 0                | 206,541                      | 0                                   | 206,541          |
| Interest Revenue:  |                  |                              |                                     |                  |
| - FGW Group  | 0                | 1,238                        | (1,238)                             | 0                |
| <b>Total Segment Revenue</b>   | <b>167</b>       | <b>306,348</b>               | <b>(1,238)</b>                      | <b>305,277</b>   |
| Expenses   |                  |                              |                                     |                  |
| Interest Expense   | 1,238            | 0                            | (1,238)                             | 0                |
| Depreciation   | 0                | 5,500                        | 0                                   | 5,500            |
| Adjustment to fair value of listed<br>investments designated as being<br>at fair value through the profit or<br>loss | 0                | 791,350                      | 0                                   | 791,350          |
| Impairment in value of subsidiary  | 0                | 88,583                       | (88,583)                            | 0                |
| Other Segment expenses   | 67,087           | 416,000                      | 0                                   | 483,087          |
| <b>Total Segment Expenses</b>  | <b>68,325</b>    | <b>1,301,433</b>             | <b>(89,821)</b>                     | <b>1,279,937</b> |
| Net (loss)/profit before income<br>tax   | (68,158)         | (995,085)                    | (88,583)                            | (974,660)        |



# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 2. (b) SEGMENT INFORMATION (cont'd)

| <b>Year ended 30 June 2010</b> | <b>FGW Group</b> | <b>Investment<br/>Income</b> | <b>Inter-Segment<br/>Adjustment</b> | <b>Total</b> |
|--------------------------------|------------------|------------------------------|-------------------------------------|--------------|
| Segment assets                 | 871,885          | 4,885,430                    | (757,842)                           | 4,999,473    |
| Increases for the period       |                  |                              |                                     |              |
| - capital expenditure          | 4,006            | 146                          | 0                                   | 4,152        |
| - acquisitions                 | 624,204          | 0                            | 0                                   | 624,204      |
| Segment Liabilities            | 1,175,512        | 94,358                       | (992,842)                           | 277,028      |

The inter-segment adjustments to assets and liabilities are predominantly related to intercompany advances.

| <b>Year ended 30 June 2009</b> | <b>FGW Group</b> | <b>Investment<br/>Income</b> | <b>Inter-Segment<br/>Adjustment</b> | <b>Total</b> |
|--------------------------------|------------------|------------------------------|-------------------------------------|--------------|
| Segment assets                 | 537,897          | 4,742,910                    | (220,915)                           | 5,059,892    |
| Increases for the period       |                  |                              |                                     |              |
| - capital expenditure          | 0                | 1,807                        | 0                                   | 1,807        |
| - acquisitions                 | 493,200          | 0                            | 0                                   | 493,200      |
| Segment Liabilities            | 522,824          | 104,512                      | (251,237)                           | 376,099      |

The inter-segment adjustments to assets and liabilities are predominantly related to intercompany advances.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|   | CONSOLIDATED |           |
|---|--------------|-----------|
|   | 2010         | 2009      |
|   | \$           | \$        |
| <b>3. PROFIT/(LOSS) FOR THE YEAR</b>  |              |           |
| Loss has been arrived at after charging (crediting) the following items:  |              |           |
| (a) Expenses  |              |           |
| Depreciation of property, plant and equipment   | 6,100        | 5,500     |
| Amounts paid to superannuation plans  | 71,057       | 91,488    |
| Rental expenses on operating leases – minimum lease payment   | 36,977       | 32,740    |
| <b>4. INCOME TAX</b>  |              |           |
| (a) The components of tax expense comprise:   |              |           |
| Current tax payable   | 0            | 0         |
| Income tax (credit)/expense   | 0            | 0         |
| (b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows: |              |           |
| Prima facie tax payable on profit/(loss) before income tax at 30% (2009: 30%)   |              |           |
| - consolidated group  | 11,594       | (292,398) |
| Add/(Less):   |              |           |
| Tax effect of:  |              |           |
| - Non-deductible amortisation and impairment  | 115,376      | 0         |
| - Other non-allowable items   | (64,282)     | 0         |
| - Deferred tax asset not recognised   | (62,688)     | 292,398   |
| Income tax (credit)/expense attributable to entity  | 0            | 0         |
| (c) Tax rates   | 0%           | 0%        |

The reduced effective tax rate is due to the deferred tax not recognised.

(d) Unrecognised deferred tax assets

A deferred tax asset for the consolidated entity of \$849,608 (2009: \$912,296) has not been recognised. The asset arises from realised and unrealised losses on the adjustment to fair value of investments designated at fair value through the profit and loss. A deferred tax asset has not been recognised in respect of this item because the Directors do not currently consider it probable that future taxable profits will be available against which the company can utilise the benefits therefrom.

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 5. DIVIDENDS PAID OR PROPOSED

There has been no dividend paid or declared during the current or previous financial year nor is it proposed to declare a dividend for the year ended 30 June 2010.

At 30 June 2010, the Company's franking account stood at \$1,728,245 at 30% (2009: \$1,728,245 at 30%).

No income tax is expected to be paid in respect of the 2010 financial year subsequent to the financial year, therefore the franking credits available for the subsequent financial year is \$1,728,245 (2009: \$1,728,245).

|                                     | CONSOLIDATED  |               |
|-------------------------------------|---------------|---------------|
|                                     | 2010          | 2009          |
|                                     | \$            | \$            |
| <b>6. RECEIVABLES (CURRENT)</b>     |               |               |
| Interest receivable                 | 11,612        | 16,719        |
| Non-trade debts receivable – others | 4,405         | 7,291         |
|                                     | <u>16,017</u> | <u>24,010</u> |

There are no balances within receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. There are no impaired assets.

### 7. OTHER CURRENT ASSETS

|             |              |              |
|-------------|--------------|--------------|
| Prepayments | <u>6,864</u> | <u>6,222</u> |
|-------------|--------------|--------------|

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|   | CONSOLIDATED     |                |
|---|------------------|----------------|
|   | 2010             | 2009           |
|   | \$               | \$             |
| <b>8. INVESTMENTS</b>                                 |                  |                |
| <b>Total Investments</b>                              |                  |                |
| Financial assets at fair value through profit or loss |                  |                |
| - Current investments listed                          | 1,563,900        | 551,957        |
| - Non-current investments listed                      | 1,038,773        | 415,460        |
|   | <u>2,602,673</u> | <u>967,417</u> |

**(a) Financial assets designated at their value through profit and loss:**

| Name of Entity and<br>Principal Activity   |  | Consolidated                         |           |                     |            |
|--|--|--------------------------------------|-----------|---------------------|------------|
|  |  | Percentage of Issued Shares<br>held: |           | Carrying<br>Amount: |            |
|  |  | 2010<br>%                            | 2009<br>% | 2010<br>\$          | 2009<br>\$ |
| <b>Listed Investments</b>  | <i>(at fair value)<sup>(1)</sup></i>   |                                      |           |                     |            |
| <b>Cryosite Limited</b><br>(biologicals storage system)                                    | Interest held in 8,656,443<br>(2009: 8,312,229)<br>Ordinary Shares<br>Bid Price: 2010: \$0.012<br>(2009: \$0.05) | 18.56%                               | 17.82     | 1,038,773           | 415,460    |
| <b>Mineral Resources Limited</b>   | Interest held in 40,000<br>Ordinary shares<br>Bid Price: 2010: \$8.08  | N/A                                  | 0         | 323,200             | 0.00       |
| <b>Customers Limited</b>   | Interest held in 100,000<br>Ordinary shares<br>Bid Price: 2010: \$2.75   | N/A                                  | 0         | 275,000             | 0.00       |
| <b>CSG Limited</b>   | Interest held in 300,000<br>Ordinary shares<br>Bid Price: 2010: \$1.81   | N/A                                  | 0         | 541,500             | 0.00       |
| <b>Westpac Banking Corp</b>  | Interest held in 20,000<br>Ordinary shares<br>Bid Price: 2010: \$21.21   | N/A                                  | 0         | 424,200             | 0.00       |
| <b>Greenvale Mining NL</b><br>(Exploration and development of oil<br>shale) <sup>(2)</sup> | Interest held in 0<br>(2009: 444,240) Ordinary<br>Shares<br>Bid Price: 2010: \$0.08<br>(2009: \$0.08)            | 0                                    | 3.03      | 0.00                | 34,207     |
| <b>Macquarie Airports Reset<br/>Exchange Securities Trust</b>                              | Interest held in 0<br>(2009: 5,000)<br>Tickets<br>Bid Price: 2010: \$103.55<br>(2009: \$103.55)                  | 0                                    | N/A       | 0.00                | 517,750    |
| Current Investments  |  |                                      |           | 1,563,900           | 551,957    |
| Non-Current Investments  |  |                                      |           | 1,038,773           | 415,460    |

(1) Fair value of listed investments on the Australian Securities Exchange is determined by reference to the 'bid price' is represented by the "bid price" as per published price quotations (refer note 1(f)).

# Strategic Pooled Development Limited and its controlled entities

A.B.N. 71 062 187 893

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 8. INVESTMENTS (cont'd)

#### (b) Controlled entity:

|  | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST |      |
|--|--------------------------|--------------------|------|
|  |                          | 2010               | 2009 |
| <b>Controlled entities consolidated</b>  |                          |                    |      |
| Subsidiaries of Strategic Pooled Development Limited   |                          |                    |      |
| - Fisher Graham Wealth Pty Limited (FGW) and its wholly owned subsidiary Geelong Wealth Management Group Pty Limited (GWMG). | Australia                | 70%                | 70%  |
| - Fisher Graham Wealth Private Pty Limited 60% owned by (FGWP).  |                          |                    |      |

#### Controlled entity disclosure information

On 16 October 2009, FGW acquired 60% in Fisher Graham Wealth Private Pty Limited for a purchase consideration of \$14,400 representing 12 ordinary fully paid shares. There is no additional consideration payable. This acquisition represents the Group's further investment in asset and wealth management based businesses. The goodwill is attributable to the Australian Financial Services Licence (AFSL) held by FGWP. The goodwill is not deductible for tax purposes. Included within other expenses in the statement of comprehensive income are acquisition related costs totalling \$8,600 for legal advice.

As noted below the fair value of the shares is based upon the value ascribed to the AFSL owned by FGWP. Consideration was for cash, based on 60% of the fair value.

The non-controlling interests 40% has been determined on the same basis.

The assets and liabilities arising from the acquisition are as follows:

|                           | Acquiree's carrying amount | Fair Value |
|---------------------------|----------------------------|------------|
| Consisting of:            |                            |            |
| Cash                      | 4                          | 4          |
| Goodwill on consolidation | 0                          | 23,996     |
|                           | 4                          | 24,000     |
| Less: minority interests  |                            | (9,600)    |
| Net assets acquired       |                            | 14,400     |

The revenue of FGWP Pty Limited included in the consolidated revenue of the Group since acquisition was \$16,618 and the profit included in the consolidated profit of the Group was \$1,573. Had the results relating to FGWP Pty Limited been consolidated from 1 July 2009, revenue would have been \$1,180,825 and a consolidated profit of \$38,648 for the year ended 30 June 2010.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED |          |
|--|--------------|----------|
|  | 2010         | 2009     |
|  | \$           | \$       |
| <b>9. PROPERTY, PLANT AND EQUIPMENT</b>              |              |          |
| Office and computer equipment – at cost              | 110,689      | 106,537  |
| Accumulated depreciation                             | (104,906)    | (98,806) |
| Net carrying amount of property, plant and equipment | 5,783        | 7,731    |
| <b>Reconciliation</b>                                |              |          |
| Carrying amount at beginning                         | 7,731        | 11,424   |
| Additions for the year                               | 4,152        | 1,807    |
| Depreciation expense                                 | (6,100)      | (5,500)  |
| Carrying amount at end                               | 5,783        | 7,731    |
| <b>10. INTANGIBLE ASSETS</b>                         |              |          |
| Goodwill – at cost                                   | 56,238       | 41,840   |
| Less: impairment                                     | (56,238)     | 0        |
|  | 0            | 41,840   |
| Client book – at acquisition cost                    | 1,103,004    | 493,200  |
| Less: impairment of client book                      | (246,600)    | 0        |
| Less: amortisation                                   | (81,750)     | 0        |
|  | 774,654      | 493,200  |
|  | 774,654      | 535,040  |

### 11. RECONCILIATION OF MOVEMENTS IN INTANGIBLE ASSETS

|  |          |        |
|--|----------|--------|
| <b>Goodwill</b>                            |          |        |
| Balance at beginning of the year           | 41,840   | 0      |
| Acquisitions through business combinations | 14,398   | 41,840 |
| Less: impairment charges                   | (56,238) | 0      |
|  | 0        | 41,840 |

The impairment of Goodwill has been determined in accordance with estimates described in note 1(s).

|                                  |           |         |
|----------------------------------|-----------|---------|
| <b>Client book</b>               |           |         |
| Balance at beginning of the year | 493,200   | 0       |
| Acquisitions                     | 609,804   | 493,200 |
| Less: impairment of client book  | (246,600) | 0       |
| Less: amortisation               | (81,750)  | 0       |
|                                  | 774,654   | 493,200 |

The Impairment of the client book is as a result of the determination of the final purchase price based on the recurring revenue for the 12 month period since acquisition date (June 2009), as determined by the contract of purchase.

As a result of the Impairment of \$246,600 there has been an amount of \$246,600 included in Comprehensive income, being the write back of amount due on purchase of client book.

Client books have a finite life. Amortisation has been determined as described in note 1(r). The Group has used an amortisation period of 12 years. The remaining amortisation period of Client book is 11 years.

All amounts of impairment and amortisation are disclosed in the statement of comprehensive income.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | <b>CONSOLIDATED</b> |                |
|--|---------------------|----------------|
|  | <b>2010</b>         | <b>2009</b>    |
|  | <b>\$</b>           | <b>\$</b>      |
| <b>12. TRADE AND OTHER PAYABLES</b>                                |                     |                |
| Sundry payables and accrued expenses                               | <u>87,741</u>       | <u>66,864</u>  |
| <b>13. EMPLOYEE PROVISIONS</b>                                     |                     |                |
| Current employee benefits  |                     |                |
| - Annual leave   | 37,766              | 42,615         |
| - Long service leave   | 21,560              | 20,020         |
| Aggregated employee benefits                                       | <u>59,326</u>       | <u>62,635</u>  |
| The movement in employee benefits for the year are detailed below: | <b>Long Service</b> |                |
| Opening balance 1 July   | <b>Leave</b>        |                |
| Additional provisions  | 20,020              |                |
| - entitlements   | 1,540               |                |
| Amounts used   | <u>0</u>            |                |
| Closing balance 30 June  | <u>21,560</u>       |                |
| <b>14. BORROWINGS</b>  |                     |                |
| Due to non-controlling interest                                    | 8,000               | 0              |
| Amount due pursuant to contract of purchase – secured              | 121,961             | 246,600        |
|  | <u>129,961</u>      | <u>246,600</u> |

The amount due pursuant to contract of purchase is secured by a floating charge over the “Client Book”. The carrying amount of the security at cost is \$609,804 (2009: \$493,200) (refer note 10). The amount is interest free and repayable October 2010 (2009: June 2010). The borrowings outstanding at 30 June 2009 were extinguished during the financial year.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED     |                  |
|--|------------------|------------------|
|  | 2010             | 2009             |
|  | \$               | \$               |
| <b>15. ISSUED CAPITAL</b>  |                  |                  |
| Issued and paid up capital   |                  |                  |
| 34,500,158 ordinary shares fully paid (2009: 34,500,158 ordinary shares) | 5,471,876        | 5,471,876        |
| Movements during the year  |                  |                  |
| Balance at beginning of year   |                  |                  |
| 34,500,158 (2009: 28,750,158) shares                                     | 5,471,876        | 4,537,501        |
| Placement of issued shares (2009: 5,750,000)                             | 0                | 934,375          |
|  | <u>5,471,876</u> | <u>5,471,876</u> |

Pursuant to approval at a meeting of shareholders dated 17 September 2008, on 24 September 2008 the Company issued 5,750,000 shares at an issue price of 16.25 cents per share via a placement, to Fisher Graham Group Pty Limited (FGG).

Messrs Sedgman and Walker are Directors of FGG.

In addition, Mr Walker is the Trustee of the Eunson Trust, the ultimate beneficial owner of FGG.

The Company has no preference shares or unissued shares for which options are outstanding. The Company does not have any restricted securities on issue.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

The Company has unlimited authorised capital with no par value.

An objective of the Board is to maximise returns to shareholders. Since inception the Company has managed its capital and returns to shareholders via returns of capital and payment of dividends.

The Group's debt and capital includes ordinary shares and financial liabilities supported by financial assets.

In recent years the Company has made strategic placements of shares in order to assist in the replenishment of the asset base of the Company.

This enhanced capital base affords the Company greater opportunities for investment in asset and wealth management businesses while mitigating risk through diversification.

This has resulted in the Company recently taking on limited level of debt associated with the acquisition of the 'Client Book' by Geelong Wealth Management Group Pty Limited.

Collateral via a floating charge over the acquired 'Client Book' has been provided to the vendor.



# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED |        |
|--|--------------|--------|
|  | 2010         | 2009   |
|  | \$           | \$     |
| <b>16. AUDITORS' REMUNERATION</b>  |              |        |
| Total of all remuneration received, or due and receivable by the auditors, in connection with: |              |        |
| - Audit and review services  | 27,052       | 25,140 |

### 17. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

The following persons are key management personnel of the Group pursuant to AASB 124 at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

#### Executive Directors & Officers

S.J. Sedgman - Managing Director

J.L. Walker - Company Secretary and Director

G. Levitt - Managing Director – Fisher Graham Wealth Pty Limited

A. Carey - Managing Director - Geelong Wealth Management Group Pty Limited

#### Non-Executive Directors

A.J. Kroger

During the financial year ended 30 June 2010, the following transactions took place with related parties:

- The Group received \$58,367 (2009: \$65,712) from S.H.R. Pty Limited ("SHR"), for the provision of administration services at commercial rates. SHR is a Company associated with Mr. Kroger.
- The Group received \$53,461 (2009: \$31,857) from Process Wastewater Technologies Limited ("PWT") for the provision of administration services at commercial rates. PWT is a company of which Messrs. Kroger and Walker are Directors.
- The Group paid \$6,510 (2009: \$nil) being reimbursement of car parking costs to Fisher Graham Group Pty Limited (FGG). FGG is a wholly owned subsidiary of BTI (refer note (d) below.)

All transactions with Director related entities are on a commercial basis no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

- In the previous year, the Company acquired a 70% interest in Fisher Graham Wealth Pty Limited (FGW). FGW was, immediately prior to the signing of the share subscription agreement, a company controlled by Beautess Investments Pty Limited (BTI). Messrs. Sedgman and Walker have the following interest/association with BTI. Mr. Sedgman is Managing Director. Mr Walker is the Trustee shareholder of BTI.

At the time of the signing of the agreement Mr. Sedgman was a Director of FGW and Mr. Walker was Secretary of FGW. Messrs. Sedgman and Walker's involvement at Board level of FGW continues after the acquisition.

In addition, Mr. Levitt is a Director of FGW and holds a 15% interest in FGW.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 17. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (cont'd)

- (e) During the current and previous years, the Company made advances to various subsidiaries as detailed below. The balance of these advances at balance date are as follows:

|   | 2010    | 2009    |
|---|---------|---------|
|   | \$      | \$      |
| Fisher Graham Wealth Pty Limited            | 255,000 | 0       |
| Geelong Wealth Management Group Pty Limited | 737,843 | 250,000 |
| Interest received by Company for the year   |         |         |
| Fisher Graham Wealth Pty Limited            | 10,860  | 0       |
| Geelong Wealth Management Group Pty Limited | 54,897  | 1,238   |

Mr. Levitt is a Director of both FGW and GWMG.  
Mr. Carey is a Director of GWMG.

- (f) Key Management Personnel's shareholdings – 2010

| <b>Directors</b>      | Balance<br>1-Jul-09 | Received as<br>Remuneration | Options<br>Exercised | Net Change<br>Other | Balance<br>30-Jun-10 |
|-----------------------|---------------------|-----------------------------|----------------------|---------------------|----------------------|
| Stephen John Sedgman* | 5,750,000           | 0                           | 0                    | 700,000             | 6,450,000            |
| John Lawson Walker*   | 10,015,359          | 0                           | 0                    | 1,044,036           | 11,059,395           |
| Andrew John Kroger    | 330,770             | 0                           | 0                    | 0                   | 330,770              |
| Gary Levitt           | 0                   | 0                           | 0                    | 0                   | 0                    |
| Andrew Carey          | 0                   | 0                           | 0                    | 0                   | 0                    |

\* Mr. Walker is a Trustee of the Eunson Trust, the beneficial and ultimate owner of shares attributed to Mr. Sedgman (refer note 15).

#### Key Management Personnel's shareholdings - 2009

| <b>Directors</b>      | Balance<br>1-Jul-08 | Received as<br>Remuneration | Options<br>Exercised | Net Change<br>Other | Balance<br>30-Jun-09 |
|-----------------------|---------------------|-----------------------------|----------------------|---------------------|----------------------|
| Stephen John Sedgman* | 0                   | 0                           | 0                    | 5,750,000           | 5,750,000            |
| John Lawson Walker*   | 4,265,359           | 0                           | 0                    | 5,750,000           | 10,015,359           |
| Andrew John Kroger**  | 7,500,000           | 0                           | 0                    | (7,169,230)         | 330,770              |
| Gary Levitt           | 0                   | 0                           | 0                    | 0                   | 0                    |

\* Mr. Walker is a Trustee of the Eunson Trust, the beneficial and ultimate owner of shares attributed to Mr. Sedgman (refer note 15).

\*\* Mr. Kroger disposed of his shares on an arms length basis.

|                              | 2010           | 2009           |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short term employee benefits | 296,041        | 84,755         |
| Post employment benefits     | 55,257         | 83,928         |
|                              | <u>351,298</u> | <u>168,683</u> |

### 18. CONTINGENT LIABILITIES

There were no contingent liabilities outstanding against the Group at the end of the current or previous financial year. No contingent liabilities in respect of, termination benefits under service agreements with Directors, or any other persons involved in the management of the Group existed at the end of the current or previous financial year.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 19. EARNINGS PER SHARE

The following reflects the profit/(loss) and share data used in the calculations of basic and diluted earnings per share.

|   | 2010       | 2009       |
|---|------------|------------|
|   | \$         | \$         |
| Earnings used in the calculation of basic and diluted earnings per share  | 104,681    | (954,584)  |
| Weighted average number of ordinary shares of the Group outstanding during the financial year, used in the calculations of basic and diluted earnings per share | 34,500,158 | 33,161,117 |

### 20. FINANCIAL RISK MANAGEMENT

#### Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, listed share investments, accounts receivable, accounts payable and borrowings.

The risk management of net cash balances and listed investments is by the Board as a whole.

Being a small Board, discussions are held on an informal but regular basis to ensure adverse effects on financial performances are kept to a minimum given the market conditions.

#### (i) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

##### *Interest Rate Risk*

Interest rate risk is currently on short-term deposits with bank. These are managed according to cash requirements. The Group has debt associated with the acquisition of an intangible asset. The debt is non interest bearing.

##### *Liquidity Risk*

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that cash resources are adequately maintained. Borrowings, when they occur, are likely to be associated with acquisition of intangible assets.

##### *Credit Risk*

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, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

As at balance date, acquired intangible assets have been provided as security against borrowings.

The Group holds large cash balances with a major Australian bank. The Group does not consider this to be an exposure to a material credit risk. The Group does not have a significant exposure to material credit risk in its other financial instruments. All financial instruments are neither past due nor impaired.

##### *Price Risk*

The Group holds significant investments which are listed on the Australian Securities Exchange. The Group has exposure to price risk via movements in the share price of its investments.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 20. FINANCIAL RISK MANAGEMENT (cont'd)

#### (ii) Financial Instrument composition and maturity analysis

##### *Consolidated*

The tables below reflect the undiscounted contractual settlement terms for financial instruments, as well as management's expectations of the settlement period.

| 2010                          | Floating<br>interest rate<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$ |
|-------------------------------|---------------------------------|-------------------------------|-------------|
| <b>Financial Assets:</b>      |                                 |                               |             |
| Cash and cash equivalents     | 1,593,482                       | 0                             | 1,593,482   |
| Receivables                   | 0                               | 22,881                        | 22,881      |
| Investments                   | 0                               | 2,602,673                     | 2,602,673   |
| Total                         | 1,593,482                       | 2,625,554                     | 4,219,036   |
| <b>Financial Liabilities:</b> |                                 |                               |             |
| Trade and other payables      | 0                               | 87,741                        | 87,741      |
| Employee entitlements         | 0                               | 59,326                        | 59,326      |
| Borrowings                    | 0                               | 129,961                       | 129,961     |
| Total                         | 0                               | 277,028                       | 277,028     |
| 2009                          | Floating<br>interest rate<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$ |
| <b>Financial Assets:</b>      |                                 |                               |             |
| Cash and cash equivalents     | 3,519,472                       | 0                             | 3,519,472   |
| Receivables                   | 0                               | 30,232                        | 30,232      |
| Investments                   | 0                               | 967,417                       | 967,417     |
| Total                         | 3,519,472                       | 997,649                       | 4,517,121   |
| <b>Financial Liabilities:</b> |                                 |                               |             |
| Trade and other payables      | 0                               | 66,864                        | 66,864      |
| Employee entitlements         | 0                               | 62,635                        | 62,635      |
| Borrowings                    | 0                               | 246,600                       | 246,600     |
| Total                         | 0                               | 376,099                       | 376,099     |

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 20. FINANCIAL RISK MANAGEMENT (cont'd)

#### (ii) Financial Instrument composition and maturity analysis (cont'd)

All financial assets and financial liabilities fall due within 1-year. At the end of the reporting period there are no financial assets that are impaired (2009: nil).

Trade and other payables are expected to be paid as follows:

|  | CONSOLIDATED   |                |
|--|----------------|----------------|
|  | 2010           | 2009           |
|  | \$             | \$             |
| Trade and other payables – less than 2 months              | 87,741         | 66,863         |
| Borrowings – greater than 3 months and less than 6 months  | 121,961        | 0              |
| Borrowings – greater than 6 months and less than 12 months | 8,000          | 246,600        |
|  | <u>217,702</u> | <u>313,463</u> |

#### *Net fair values*

Net fair values of financial assets and liabilities are determined on the following basis:

Cash, cash equivalents: the carrying amount approximates fair value because of their short-term to maturity.

Account receivable and payable: the carrying amount approximates fair value.

Borrowings: the carrying amount approximates fair value.

Employee entitlements: the carrying amount approximates fair value.

Investments: for financial investments traded in organised financial markets, fair value is the current quoted market bid price for an asset.

The carrying amount and net fair values of financial assets and financial liabilities are as follows:

| Consolidated                 | Note  | Carrying Amount  |                  | Net Fair Value   |                  |
|------------------------------|-------|------------------|------------------|------------------|------------------|
|                              |       | 2010             | 2009             | 2010             | 2009             |
|                              |       | \$               | \$               | \$               | \$               |
| <b>Financial Assets</b>      |       |                  |                  |                  |                  |
| Cash and cash equivalent     | 21    | 1,593,482        | 3,519,472        | 1,593,482        | 3,519,472        |
| Receivables                  | 6 & 7 | 22,881           | 30,232           | 22,881           | 30,232           |
| Investments                  | 8     | 2,602,673        | 967,417          | 2,602,673        | 967,417          |
|                              |       | <u>4,219,036</u> | <u>4,517,121</u> | <u>4,219,036</u> | <u>4,517,121</u> |
| <b>Financial Liabilities</b> |       |                  |                  |                  |                  |
| Trade and other payables     | 12    | 87,741           | 66,864           | 87,741           | 66,864           |
| Employee entitlements        | 13    | 59,326           | 62,635           | 59,326           | 62,635           |
| Borrowings                   | 14    | 129,961          | 246,600          | 129,961          | 246,600          |
|                              |       | <u>277,028</u>   | <u>376,099</u>   | <u>277,028</u>   | <u>376,099</u>   |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 20. FINANCIAL RISK MANAGEMENT (cont'd)

#### (ii) Financial Instrument composition and maturity analysis (cont'd)

##### *Net fair values (cont'd)*

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

| Level   | Valuation Method   |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3 | Inputs for the asset or liability that are not based on observable market data (unobservable inputs).  |

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

| Financial asset or liability                   | Fair value method   |
|--|---|
| Cash, cash equivalents and short-term deposits | The carrying amount approximates fair value because of their short-term to maturity (Level: n/a).             |
| Receivables and payables                       | The carrying amounts approximate fair value (Level: n/a).   |
| Investments (listed securities)                | The fair value is calculated using quoted prices in active markets (Level 1).                                 |
| Other investments (term deposits)              | The carrying amount approximates fair value because of their term to maturity is only 12 months (Level: n/a). |

#### Financial Assets

Financial assets at fair value through profit or loss:

- Investments (listed securities)

| 2010      |           | 2009    |         |
|-----------|-----------|---------|---------|
| \$        | \$        | \$      | \$      |
| Level 1   | Total     | Level 1 | Total   |
| 2,602,673 | 2,602,673 | 967,417 | 967,417 |

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 20. FINANCIAL RISK MANAGEMENT (cont'd)

#### (iii) Sensitivity Analysis

##### *Interest Rate Risk and Price Risk*

The following tables illustrate sensitivities to the Group's exposure to interest rate risk and price risk. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management assesses to be in a range that is not unreasonably possible.

##### *Interest Rate Sensitivity Analysis (cash and cash equivalents)*

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows (bp = basis points):

|   | CONSOLIDATED |          |
|---|--------------|----------|
|   | 2010         | 2009     |
|   | \$           | \$       |
| Change in profits                             |              |          |
| - increase in interest rate by 75bp (120bp)   | 11,951       | 42,234   |
| - (decrease) in interest rate by 75bp (120bp) | (11,951)     | (42,234) |
| Change in equity                              |              |          |
| - increase in interest rate by 75bp (120bp)   | 11,951       | 42,234   |
| - (decrease) in interest rate by 75bp (120bp) | (11,951)     | (42,234) |

##### *Price Risk Sensitivity Analysis (investments in listed shares)*

At 30 June 2010, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

|  | CONSOLIDATED |           |
|--|--------------|-----------|
|  | 2010         | 2009      |
|  | \$           | \$        |
| Change in profits                        |              |           |
| - increase in share price by 15% (20%)   | 390,401      | 193,514   |
| - (decrease) in share price by 15% (20%) | (390,401)    | (193,514) |
| Change in equity                         |              |           |
| - increase in share price by 15% (20%)   | 390,401      | 193,514   |
| - (decrease) in share price by 15% (20%) | (390,401)    | (193,514) |

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|   | CONSOLIDATED     |                  |
|---|------------------|------------------|
|   | 2010             | 2009             |
|   | \$               | \$               |
| <b>21. NOTES TO THE CASH FLOW STATEMENT</b>   |                  |                  |
| <b>(a) Reconciliation of cash and cash equivalent</b>   |                  |                  |
| For the purposes of the cash flow statement, cash includes cash on hand and in banks and on short term deposit for less than 30 days. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows: |                  |                  |
| Cash at bank and in hand  | 155,457          | 86,433           |
| Short term bank deposits  | 1,438,025        | 3,433,039        |
| Cash  | <u>1,593,482</u> | <u>3,519,472</u> |
| <b>(b) Reconciliation of operating (loss) after income tax to net cash (used in) operating activities</b>   |                  |                  |
| Profit/(loss) after income tax  | 38,648           | (974,660)        |
| <b>Adjustment for non cash income and expense items</b>   |                  |                  |
| (Profit) on the sale of investments   | (22,767)         | 0                |
| Depreciation of property, plant and equipment   | 6,100            | 5,500            |
| Adjustment to fair value investments  | (432,949)        | 791,350          |
| Amortisation of Client Book and intangibles   | 137,988          | 0                |
| <b>Changes in assets and liabilities</b>  |                  |                  |
| Decrease/(Increase) in receivables and other debtors  | 4,465            | (5,115)          |
| Decrease/(Increase) in accounts payable   | 23,762           | (39,649)         |
| Increase/(Decrease) in provision for employee entitlements  | (3,309)          | 23,685           |
| <b>NET CASH (USED IN) OPERATING ACTIVITIES</b>  | <u>(248,062)</u> | <u>(198,889)</u> |



# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED  |      |
|--|---------------|------|
|  | 2010          | 2009 |
|  | \$            | \$   |
| <b>21. NOTES TO THE CASH FLOW STATEMENT (cont'd)</b>   |               |      |
| <b>(c) (i) Acquisition of Entity</b>   |               |      |
| During the year the Group acquired a 60% interest in the controlled entity – Fisher Graham Wealth Private Pty Limited (FGWP). Details of the transactions are: |               |      |
| Purchase consideration (being cash)  | 14,400        |      |
| Consisting of:   |               |      |
| Assets and liabilities held at acquisition date:   |               |      |
| Cash   | 4             |      |
| Goodwill on consolidation  | 14,398        |      |
| Less non-controlling interests in acquisition  | (2)           |      |
| Cash outflow on acquisition  | <u>14,400</u> |      |

### (c) (ii) Acquisition of Entity - 2009

During the year ended 30 June 2009 the Company acquired a 70% interest in the controlled entity – Fisher Graham Wealth Pty Limited (FGW). Details of the transactions are:

|  |                       |
|--|-----------------------|
| Purchase consideration (being cash)              | <u>100,100</u>        |
| Consisting of:                                   |                       |
| Assets and liabilities held at acquisition date: |                       |
| Cash   | 102,040               |
| Receivables                                      | 11,000                |
| Payables   | (15,985)              |
| Employee entitlements                            | <u>(13,825)</u>       |
|  | 83,230                |
| Goodwill on consolidation                        | 41,840                |
| Less non-controlling interests in acquisition    | <u>(24,970)</u>       |
| Cash outflow on acquisition                      | <u><u>100,100</u></u> |

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

|  | CONSOLIDATED  |          |
|--|---------------|----------|
|  | 2010          | 2009     |
|  | \$            | \$       |
| <b>22. OPERATING LEASE COMMITMENTS</b>   |               |          |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: |               |          |
| Payable – minimum lease payments:  |               |          |
| - not later than 12 months   | 25,520        | 0        |
| - between 12 months and 5-years  | 43,947        | 0        |
|  | <u>69,467</u> | <u>0</u> |

The Company operates on a monthly tenancy only. Including in the rental amount is outgoings calculated or a proportion of costs based on lettable area of tenancy.

The lack of a lease does not impose any restrictions which are considered detrimental to the operations of the Company.

A subsidiary, GWMG, entered into a non-cancellable lease for a 3-year term with an option to renew the lease at the end of the 3 years for 2 further terms of 3-years.

Rent is payable monthly in advance. Rent is reviewed annually to CPI increase and to market if the option to renew is exercised.

### 23. EMPLOYEE BENEFITS

|  |               |               |
|--|---------------|---------------|
| Aggregate liability for employee benefits including costs: |               |               |
| Current  |               |               |
| Other creditors and accruals                               | 16,932        | 11,456        |
| Provision for employee entitlements                        | 59,326        | 62,635        |
|  | <u>76,258</u> | <u>74,091</u> |

The Group contributes to the individual superannuation of its full-time employees at the rate of 9% of salary. The fund is a fully-vested accumulated contribution type plan

### 24. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

# Strategic Pooled Development Limited and its controlled entities

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2010

### 25. SUPPLEMENTARY INFORMATION ON THE PARENT ENTITY

As a result of the passing of the Corporate Reporting Reform Bill 2010, the requirement to provide parent entity financial statements has been removed.

However the following information on the parent entity is required to be disclosed:-

|  | 2010      | 2009      |
|--|-----------|-----------|
|  | \$        | \$        |
| Current Assets                                 | 3,086,937 | 4,058,202 |
| Non Current Assets                             | 1,798,493 | 684,708   |
| Total Assets                                   | 4,885,430 | 4,742,910 |
| Current Liabilities                            | 94,358    | 104,512   |
| Non Current Liabilities                        | 0         | 0         |
| Total Liabilities                              | 94,358    | 104,512   |
| Shareholder's Equity                           | 4,791,072 | 4,638,398 |
| Profit/loss for the year                       | 152,674   | (995,085) |
| Total Comprehensive income/(loss) for the year | 152,674   | (995,085) |
| Guarantees                                     | 0         | 0         |
| Contingent Liabilities                         | 0         | 0         |
| Capital Commitments                            | 0         | 0         |

# Strategic Pooled Development Limited and its controlled entities

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## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 1 October 2010.

### Classes of Equity Securities Issued by the Company

Total number of fully paid ordinary shares issued by the Company 34,500,158

### Distribution of Ordinary Shares

(i) Analysis of numbers of shareholders, by size of holding

|                  | Shareholders | Units      |
|------------------|--------------|------------|
| 1 – 1,000        | 70           | 39,068     |
| 1,001 – 5,000    | 136          | 389,674    |
| 5,001 – 10,000   | 52           | 408,141    |
| 10,001 – 100,000 | 67           | 1,983,156  |
| 100,001 – max    | 43           | 31,680,119 |
| Total            | 368          | 34,500,158 |

(ii) Number of shareholders holding less than a marketable parcel of 6,250 ordinary shares

209 445,636

### Substantial Shareholders

The names of the Company's substantial shareholders and the number of ordinary shares in which they have an interest, as recorded in the Company's Register of Substantial Shareholders, is set out below:

|  | <b>Number and Percentage of<br/>Ordinary Shares in which an<br/>Interest is held</b> |                   |
|--|--|-------------------|
|  | <b>Number</b>  | <b>Percentage</b> |
| Mr. J.L. Walker  | 11,015,359   | 31.93%            |
| Mr. S.J. Sedgman and other members of the Beautess Group | 6,450,000  | 18.69%            |
| Mr. G. Robins  | 3,882,590  | 11.25%            |
| Mr. T. Klinger and Ginga Pty Limited                     | 2,328,587  | 6.75%             |
| Peleton Nominees Pty Limited                             | 1,846,154  | 5.35%             |

### Voting Rights

The voting rights attaching to the Company's fully paid ordinary shares are set out below:

On a show of hands, every member present in person, or by proxy, shall have one vote, and upon a poll each share shall have one vote.

# Strategic Pooled Development Limited and its controlled entities

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## SHAREHOLDER INFORMATION (cont'd)

### Twenty Largest Shareholders

The names of the Company's twenty largest shareholders, and the number of fully paid ordinary shares in which they have an interest is set out below:

| <b>Rank:</b> | <b>Shareholder's Name:</b>                                    | <b>Number of Shares Held</b> | <b>% of Capital Held</b> |
|--------------|---|------------------------------|--------------------------|
| 1            | Fisher Graham Group Pty Limited                               | 6,450,000                    | 18.70                    |
| 2            | Mr. Gary Griffith Robins                                      | 2,839,107                    | 8.23                     |
| 3            | IEAH Pty Limited <IEAH Super Fund A/c>                        | 2,800,000                    | 8.12                     |
| 4            | Mr. John Lawson Walker  | 1,700,000                    | 4.93                     |
| 5            | Peleton Nominees Pty Limited                                  | 1,692,308                    | 4.91                     |
| 6            | Aloren (no 155) Pty Limited <Butterworth Super Fund A/c>      | 1,538,462                    | 4.46                     |
| 7            | Mr. Gary Owen & Mrs. Judy Owen <Gary Owen & Co PL Emp BF A/c> | 1,230,769                    | 3.57                     |
| 8            | Shalimar Fourteen Pty Limited                                 | 1,098,407                    | 3.18                     |
| 9            | Belhaven Inc  | 1,000,000                    | 2.90                     |
| 10           | Thorpebay Pty Limited   | 834,949                      | 2.42                     |
| 11           | Mr. Ivan Alexander Wheen                                      | 749,014                      | 2.17                     |
| 12           | Ginga Pty Limited <T G Klinger Super Fund A/c>                | 684,826                      | 1.98                     |
| 13           | Merc Park Pty Limited <Parkline Super Fund A/c>               | 615,385                      | 1.78                     |
| 14           | Mr. Tom George Klinger  | 604,072                      | 1.75                     |
| 15           | Rodean Investments Pty Limited <Howard B Fraser S/F A/c>      | 500,000                      | 1.45                     |
| 16           | Mr Theo Onisforou <Onisforou Superfund A/c>                   | 485,000                      | 1.41                     |
| 17           | Mr. Thomas George Klinger                                     | 423,578                      | 1.23                     |
| 18           | Wat Nominees Pty Limited                                      | 400,000                      | 1.16                     |
| 19           | Mr. Thomas George Klinger                                     | 388,345                      | 1.13                     |
| 20           | Miss Sandra Françoise Robins <Robins Family A/c>              | 377,902                      | 1.10                     |
|              | <b>Total</b>  | <b>26,412,124</b>            | <b>76.58</b>             |

### Inquiries from Shareholders

Shareholders wishing to record a change of address or other holder details or with queries regarding their shareholding should contact the office of the Share Registry as detailed in the Corporate Directory at the front of this Annual Report.

Shareholders sponsored by a broker should advise their broker of any change of address, etc.

Shareholders with any other query are invited to contact the Company's Melbourne office as detailed in the Corporate Directory at the front of this Annual Report.

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