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28 April 2010

ASX RELEASE

2010 Annual Report

Please find attached the Everest Financial Group 2010 Annual Report.

The 2010 Annual Report is also available from Everest's website and will be mailed on 29 April 2011 to those Shareholders who have requested to receive a printed copy. Shareholders who have elected to receive share registry communications electronically will receive an email link to the report.

Ends.

For further information please visit our website www.everest.com.au



2010 ANNUAL REPORT

Corporate Directory

Directors of the Company	Greg Martin, Independent Chairman Marea Laszok, Independent Director Michael Sutherland, Company Secretary
Company Secretary	Michael Sutherland
Auditors	Ernst & Young
Country of Incorporation	Australia
Registered Office	Level 35 AMP Centre 50 Bridge Street Sydney NSW 2000
Contact Details	Mail Address Level 35 AMP Centre 50 Bridge Street Sydney NSW 2000 Telephone: +61 2 8001 9100 Fax: + 61 2 8001 9200 Website: www.everest.com.au Share Registry Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: 1800 336 109 If calling from overseas: +61 2 8280 7691
Stock exchange	ASX Listed (ASX) The home exchange is Sydney ASX code: EFG

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Chairman's Report

At the Company's Annual General Meeting last year, we indicated to shareholders and the market that we were conducting a strategic review of the business. The review enabled detailed consideration to be given to various options for the business that were assessed on the extent to which they maximised value for the Company's shareholders.

Winding-down the business

The review concluded that the best option was for the Company to undertake an orderly wind down of its current operations and return excess capital to shareholders. As part of the wind down, Jeremy Reid relinquished his role as CEO and accepted a consulting role to assist with the orderly wind down of the Company's current business.

Transitioning the business

Having taken that decision, the primary focus for the Company was twofold; to transition its funds management business to an appropriately qualified third party and to minimise costs in order to facilitate and maximise the return of capital to shareholders. The Responsible Entity/Trustee and Management functions of the majority of the Company's investment funds have been progressively transitioned to One Investment Group (OIG). OIG also offered employment to a number of the Company's employees, which ensured a continuation of underlying fund knowledge and expertise for the benefit of investors in these funds. It also resulted in the significant saving of on-going employment costs and redundancy payments otherwise payable by the Company. Further reductions in overheads were achieved through sub-leasing office space to OIG and other entities.

The Company retains a small professional staff of 3 to focus on managing the funds which have not yet transitioned as well as outstanding corporate matters related to the wind down.

Capital Preservation

As well as focusing on costs minimisation during the wind down of the current business, we have also focused on optimal capital preservation strategies that serve the best interests of all the Company's shareholders – both longer term shareholders as well as those who more recently joined the register. To that end, the cash assets of the Group have been retained in cash or cash-like assets with a prudent and conservative risk profile.

Capital Returns

Subsequent to the end of the year, the Company completed a capital return of 4 cents per share. This amount was determined after careful consideration of the Company's current, anticipated and contingent financial requirements. Your Board determined that the return of capital would not adversely impact the rights of the Company's creditors or the ability of the Company to pay its debts as and when they fell due. Following the capital return, a 1 for 10 consolidation of the share capital of the Company was implemented with the approval of shareholders.

Since this initial return of capital, we have actively explored various wind-down options that would both maximize and expedite the further return of capital to shareholders. This task has been a challenging one due to two principal factors. Firstly, Everest Capital Limited (ECL), a subsidiary of the Company, received a notice from ASIC requiring it to produce documents in connection with investigations being undertaken by ASIC. The other factor is that ECL was served with a statement of claim by Bernard and Maurice Stang in relation to certain investments which they made some years ago in various funds operated and managed by ECL. Following a review of the Stangs' claim, ECL has indicated to the Company that it intends to vigorously defend this claim.

Chairman's Report (continued)

Notwithstanding these issues, the Company recognizes that many of its small retail shareholders would value further liquidity now. To this end, and as part of the recently announced decision to seek shareholder approval to de-list the Company from being quoted on the ASX, your Board has decided to seek shareholder approval to return a further and final 12.5 cents per share (1.25 cents per share pre the recent share consolidation) to shareholders wishing to exit their shareholding in the Company ahead of the proposed de-listing. These proposals will be put to shareholders for their consideration at the May 2011 Annual General Meeting.

My thanks go to my fellow Directors and the employees of the Company for their continued support and hard work.



Greg Martin
Chairman

Summary of 2010 Financial Results

	Year ended 31 December 2010	Year ended 31 December 2009
	\$m	\$m
Net management fees	3.6	8.1
EBITDA	(8.3)	0.4
Net profit/(loss) after tax	(5.6)	3.1
EPS	(2.28) cents	1.3 cents
AUM (at period end)	\$126 million	\$460 million

Directors' Report

Your Directors present their Report on Everest Financial Group Limited (**Company**) and the entities it controlled during the year (**consolidated entity** or **Group**) for the financial year ended 31 December 2010 (**financial year**).

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

Level 35 AMP Centre
50 Bridge Street
Sydney NSW 2000

Directors

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

Greg Martin	Independent Chairman
Marea Laszok	Independent Director
Jeremy Reid	Chief Executive Officer (resigned 27 August 2010) Executive Director – Everest Capital Limited
Brett Howard	Independent Director (appointed 27 August 2010; resigned 25 November 2010)
Michael Sutherland	General Counsel and Director (appointed 25 November 2010) Company Secretary (appointed 29 June 2010)

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

For details of the Directors' qualifications, experience, special responsibilities and other directorships, refer to page 6 to 7, which are to be read as part of this Report.

Principal activity

The principal activity of the consolidated entity during the financial year was funds management.

On 28 June 2010, the Company announced it intended to wind down its operations and return capital to shareholders. Since that time, Everest Capital Limited, a wholly owned subsidiary of the Company, has been transitioning its funds management business to One Investment Group (OIG). It is expected that all funds management activities will be transitioned by 31 March 2011.

Operating results

The loss of the consolidated entity for the financial year after providing for income tax amounted to \$5,601,000 (2009 profit: \$3,116,000).

Review of operations

On 28 June 2010, the Company announced it intended to wind down its operations and return capital to Shareholders. Since that time, various actions have been taken to wind down the Company's funds management business.

Directors' Report (continued)

Significant changes in state of affairs

- Chief Executive Officer

On 31 July 2010, the Managing Director and Chief Executive Officer, Jeremy Reid was given notice of his termination and commenced serving out his 12 month notice period. Under the termination agreement, Mr Reid's employment with the Group will cease on 28 February 2011. Mr Reid resigned from the Board of the Company on 27 August 2010 but remains as Executive Director of Everest Capital Limited, a wholly owned subsidiary of the Company. The Company has entered into a short term consultancy agreement with Mr Reid to continue to oversee the wind-down process of the Company.

- Business Transition

As announced on 27 July 2010, the Company has started to move its responsible entity/trustee and management functions to OIG. Whilst the Company accepted nil consideration for the sale and transfer, it has however agreed to sub-let office space from the Company, effective 15 August 2010, which had assisted in a smooth transition of the funds management operations as well as contributing to the reduction in the Company's operating costs. Furthermore OIG has offered employment to a number of former employees of the Company which ensured a continuation of underlying fund knowledge and expertise for the benefit of investors in these funds. This resulted in the significant saving of on-going employment costs and redundancy payments otherwise payable by the Company. Since that time, Everest Capital Limited, a wholly owned subsidiary of the Company, has been transitioning its funds management business to One Investment Group (OIG). It is expected that all funds management activities will be transitioned by 31 March 2011.

- Litigation Update

On 11 November 2010, ECL entered into a settlement of the Federal Court litigation between ECL, Mr Jeremy Reid, LJK Nominees Pty Limited, BT Securities Limited and BT (Queensland) Pty Limited. The dispute has been resolved on confidential terms without any party admitting liability. ECL paid net \$1 million towards the settlement.

On 9 December 2010, ECL was served with a statement of claim by Bernard and Maurice Stang in relation to certain investments they made in Everest Absolute Return Fund and Everest Global Growth Fund in June 2003 and May 2004 respectively. The claimants are seeking declarations that ECL is bound to guarantee the capital and performance of their investments in both funds. Following a review of the Stangs' claim, ECL has indicated to the Company that it intends to vigorously defend this claim.

- ASIC Investigation

On 19 November 2010, ECL received a notice from the Australian Securities and Investments Commission (ASIC) requesting certain documents in relation to an investigation into suspected contraventions of the Corporations Act by various directors and officers of ECL in affording discretionary redemptions to members of the Everest Babcock & Brown Income Fund. ECL has been assisting ASIC fully in its investigation by supplying the relevant information.

Directors' Report (continued)

Likely developments

As part of the wind-down strategy of the Group, the Company continues to assess its capital requirement and intends to return any excess capital to shareholders where possible. ECL has transitioned majority of its trustee, responsible entity and management functions in respect of various investments trust to One Investment Group. It is expected that all transitions to One Investment Group will be completed by 31 March 2011. However it should be noted that some aspects of the outstanding transitions are not directly within the control of Everest.

At the 24 February 2011 meeting, the shareholders approved the Company undertaking an equal reduction of capital by means of a distribution to shareholders in the Company of \$0.04 per share. The payment to registered shareholders on record date of 4 March 2011 will be made no later than 14 March 2011.

The shareholders also approved the consolidation of the number of shares on issue in the Company in the ratio of 10 to 1. The new consolidated shares will commence trading on 24 March 2011.

Environmental issues

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

Dividends paid or recommended

There was no dividend paid in respect of the year ended 31 December 2010 (2009: nil).

Information on Directors

The names and appointment/resignation dates of the current Directors and former Directors of the Company during or since the end of the financial year are provided on page 6 to 7 of the Report.

Directors' Report (continued)

Directors' Meetings

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

	Directors' Meetings ¹		Audit & Risk Management Committee Meetings		Nomination & Governance Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Greg Martin	27	28	4	4	2	2
Marea Laszok	28	28	4	4	2	2
Jeremy Reid	17	17	4	4	2	2
Brett Howard	8	8	-	-	-	-
Michael Sutherland	3	3	-	-	-	-

	Remuneration Committee Meetings		Related Party Transactions Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Greg Martin	1	1	3	3
Marea Laszok	1	1	3	3
Jeremy Reid	1	1	-	-
Brett Howard	-	-	-	-
Michael Sutherland	-	-	3	3

The Independent Directors are members of all Board committees.

Note 1 – The total number of meetings include 8 circular resolutions of directors

Directors' Report (continued)

BOARD OF DIRECTORS

Greg Martin

Term of office:	Appointed Chairman 13 August 2009
Independent:	Yes
External Directorships:	Greg is a director of Santos Limited, Australian Energy Market Operator (AEMO), Energy Developments Limited and Chairman of the New South Wales Royal Botanic Gardens and Domain Trust
Former Directorship:	Jackgreen Limited

Skill, experience and expertise: Greg previously spent 25 years working with The Australian Gas Light Company (AGL) including the positions of Managing Director and Chief Executive Officer over a 5-year period. He is a former Chairman of NGC Holdings Limited (a former New Zealand-listed company), former Chairman of the Energy Supply Association of Australia, and former Chief Executive of Challenger Infrastructure, part of the Challenger Financial Services Group.

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

Marea Laszok

Term of office:	Non-Executive Director since 21 May 2009
Independent:	Yes
External Directorships:	Marea is a director of Advanced Management Planning Limited and Independent Community Living Association Inc.

Skill, expertise and expertise: Marea served as an independent director on the board of Everest Capital Investment Management Limited from December 2006 until February 2009. She was formerly the Chief Executive Officer of Midland Bank Australia and Managing Director of Hongkong Bank of Australia Limited where she spent 11 years as a senior executive. Ms Laszok has previously served on other company Boards including Australian Treasury Services Limited and Pacific Knowledge Networks Limited.

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

Michael Sutherland

Term of office:	Appointed 25 November 2010
Independent:	No
External Directorships:	nil

Skill, experience and expertise: Michael joined Everest Financial Group Limited in December 2009 and is responsible for all legal, compliance and company secretarial matters relating to the Everest group of companies and funds. Michael has over 17 years direct experience in the financial services industry and was appointed to the board on 25 November 2010. Michael has not served as a director of any listed companies for the past 3 years.

Board committee membership: Member of the Related Party Transactions Committee

Directors' Report (continued)

Jeremy Reid

Term of office: Appointed 4 February 2005
Resigned 27 August 2010

Independent: No

External Directorships: nil

Skill, experience and expertise: Jeremy was the founder and former CEO of the Company. Under his strategic guidance and management, the Company launched a range of absolute return funds and direct investments. Jeremy has been an active investor and participant in global financial markets and managed funds for the past 10 years. Jeremy resigned from the board on 27 August 2010

Brett Howard

Term of office: Appointed 27 August 2010
Resigned 25 November 2010

Independent: Yes

External Directorships: nil

Former Directorship: HFA Holdings Limited

Skill, experience and expertise: Brett has extensive experience in finance, property and funds management. He founded the Howard Mortgage Trust which became the largest mortgage fund in Australia as well as establishing the Howard Group which later merged with Challenger. Brett has served on the board of Challenger Funds Management Ltd as well as being a past Chairman of HFA Holdings Ltd. Brett resigned from the board on 25 November 2010.

Company Secretary

Gary Kalmin resigned as company secretary of the Company and was replaced by Michael Sutherland on 30 June 2010.

Directors' Report (continued)

Remuneration report (audited)

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

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

Greg Martin	Independent Chairman
Marea Laszok	Independent Director
Jeremy Reid	Chief Executive Officer (resigned 27 August 2010)
Brett Howard	Independent Director (appointed 27 August 2010, resigned 25 November 2010)
Michael Sutherland	General Counsel and Director (appointed 25 November 2010)

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

Executives

Jeremy Reid	Chief Executive Officer (resigned 27 August 2010) Executive Director – Everest Capital Limited
Gary Kalmin	Executive Director – CFO/COO and Company Secretary (resigned 30 June 2010)
Tim Ivers	Executive Director – Investments (resigned 31 July 2010)
Michael Sutherland	General Counsel and Company Secretary (appointed 30 June 2010)
Wilson Leung	Chief Financial Officer (appointed 30 June 2010)

Executives – remuneration policy (including executive Directors)

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

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

Directors' Report (continued)

The remuneration framework for Executives involves three components:

1. total employment cost / total fixed remuneration (TEC)
2. short term incentives (STI)
3. long term incentives (LTI)

Total Employment Cost

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

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

Short Term Incentives

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

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

Long Term Incentives

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

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

However given that the Company is undergoing a business wind-down, the Board has agreed that no future LTI will be issued.

Deferred Remuneration

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

The Deferred Remuneration figures quoted in the table on page 11 relates to the cost incurred by the Company in 2010 for prior years' deferrals. This deferred remuneration may be invested by the Company in Everest Financial Group Limited managed funds or shares in the Company (for the benefit of employees). In line with the changed policy there was no deferral in 2010.

Directors' Report (continued)

Consequence of performance on shareholder wealth

The table below shows the performance of the Group since 2006.

Financial performance indicator	Year 2010 Statutory	Year 2009 Statutory	Year 2008 Statutory	Year 2007 Statutory	Year 2006 Normalised ²	Year 2006 Statutory
Closing share price (\$)	0.04	0.06	0.07	1.55	2.00	2.00
Dividends paid (cent per share)	-	-	-	6.00	6.30	6.30
Net profit/(loss) before tax (\$'000)	(8,347)	900	(310,829)	25,856	20,345	13,521
Net profit/(loss) after tax (\$'000)	(5,601)	3,116	(305,585)	16,038	12,422	9,401
Cash earnings after tax (\$'000) ³	(3,838)	2,853	12,414	21,470	17,861	11,695
Basic earnings per share (cents)	(2.28)	1.26	(122.40)	6.60	5.50	7.30
Diluted earnings per share (cents)	(2.28)	1.26	(122.40)	6.30	5.20	6.90
Cash EPS (cents) ³	(1.56)	1.15	5.00	8.90	8.00	9.00

Notes:

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

Directors' Report (continued)

The following table shows the remuneration of KMP (including the five highest paid executives) of the consolidated entity for the year ended 31 December 2010:

	Short Term Benefits			Post Employment Benefits	LTI		Other		Total	% Performance Based
	Salary & Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Deferred Remuneration ⁽¹⁾	Options	Statutory Annual Leave	Termination Benefits		
Executive Directors										
Jeremy Reid	560,000	-	9,000	18,630	142,384	-	182,356	452,308	1,364,678	10%
Michael Sutherland	179,019	-	-	14,824	-	8,025	-	-	201,868	4%
Non-Executive Directors										
Greg Martin	119,117	-	-	10,883	-	-	-	-	130,000	0%
Marea Laszok	98,200	-	-	9,000	-	-	-	-	107,200	0%
Brett Howard	19,726	-	-	1,775	-	-	-	-	21,501	0%
Executives										
Gary Kalmin	158,128	-	4,500	7,231	456,017	(8,619)	30,721	82,680	730,658	61%
Tim Ivers	184,482	-	4,550	9,603	155,791	(8,619)	3,306	82,680	431,793	34%
Wilson Leung	125,051	-	-	11,255	-	-	-	-	136,306	0%
Total	1,443,723	-	18,050	83,201	754,192	(9,213)	216,383	617,669	3,124,004	24%

- (1) Deferred remuneration amounts include the current year expense of deferred payments granted in prior years and expensed over the vesting period – typically 3 years. This includes amounts invested into EFG Limited shares. It is the cost of these shares, rather than the current market value, that is expensed over the period. This has resulted in the expense shown being greater than the economic value provided to the recipient. Where a staff member was not employed for the full period, the pro-rata amount of the expense is included in the figures above.

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

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

	Short Term Benefits			Post Employment Benefits	LTI		Other		Total	% Performance Based
	Salary & Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Deferred Remuneration ⁽¹⁾	Options	Statutory Annual Leave	Termination Benefits		
Executive Directors										
Jeremy Reid	500,000	-	10,475	14,103	142,384	12,928	-	-	679,890	23%
Non-Executive Directors										
Greg Martin	38,892	-	-	3,500	-	-	-	-	42,392	0%
Marea Laszok	48,858	-	-	4,397	-	-	-	-	53,255	0%
Trevor Gerber	62,463	-	-	5,762	-	-	-	-	68,225	0%
Kerry Roxburgh	32,273	-	-	2,737	-	-	-	-	35,010	0%
Michael Katz	32,273	-	-	2,737	-	-	-	-	35,010	0%
Farrel Melzer	10,952	-	-	-	-	-	-	-	10,952	0%
David Kent	14,453	-	-	3,881	77,781	-	-	-	96,115	81%
Executives										
Gary Kalmin	286,255	-	10,475	14,103	156,631	8,619	-	-	476,083	35%
Steve McKenna	113,782	-	-	6,872	327,659	-	5,113	-	453,426	72%
Aaron Budai	120,315	-	5,192	11,856	154,460	-	17,717	85,768	395,308	39%
Tim Ivers	172,487	-	6,358	9,873	28,698	8,619	-	-	226,035	17%
John Peterson	46,167	-	-	3,436	9,382	-	7,821	-	66,806	14%
Will Peterson	62,500	-	-	6,872	58,072	(210,083)	19,172	57,051	(6,416)	n/a
Total	1,541,670	-	32,500	90,129	955,067	(179,917)	49,823	142,819	2,632,091	29%

Directors' Report (continued)

Executive employment contracts

Jeremy Reid, former Chief Executive Officer/Managing Director

- Length of contract: open-ended
- Frequency of base remuneration review: annually
- Criteria used to determine the amount of bonus:
 - Individual performance indicators;
 - Attainment of business objectives; and
 - As determined by the Board of the Company in its discretion.
- Termination of employment:
 - By either party on giving 12 months notice;
 - 2 weeks salary for every year of completed service
 - At any time by Everest Capital on payment in lieu of 12 months notice; and
 - At any time by Everest Capital if any of the conditions for summary termination are met including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation

On 31 July 2010, the Managing Director and Chief Executive Officer, Jeremy Reid was given notice of his termination and commenced serving out his 12 month notice period. Under the termination agreement, Mr Reid's employment with the Group will cease on 28 February 2011. Mr Reid resigned from the Board of the Company on 27 August 2010 but remains as Executive Director of Everest Capital Limited, a wholly owned subsidiary of the Company. The Company has entered into a short term consultancy agreement with Mr Reid to continue to oversee the wind-down process of the Company.

Other KMP

Standard Terms:

- Length of contract: open-ended
- Frequency of base remuneration review: annually
- Termination of employment:
 - By either party on giving required notice (see summary below)
 - Immediately by Everest Capital on payment in lieu of notice if any of the conditions for summary termination are met including serious misconduct, gross negligence, breach of contract, bankruptcy, crime or repeated absence without explanation.

Non-Standard Terms:

KMP	Required notice period
Gary Kalmin - Executive Director – CFO/COO	2 months
Tim Ivers – Executive Director - Investments	3 months
Michael Sutherland – General Counsel and Company Secretary	2 months
Wilson Leung – Chief Financial Officer	2 months

Remuneration options

Options granted to KMP during the year

There were no remuneration options granted to KMP during the 2010 financial year.

Directors' Report (continued)

Remuneration options

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

The table below highlights remuneration options which had been granted to KMP which were cancelled during the 2010 financial year.

Name	Granted number	Grant date	Value per option at grant date \$	Exercise price per option \$	Cancellation Date
Executives					
Gary Kalmin	4,000,000	24/09/2009	0.0225	0.07	30/06/2010
Tim Ivers	4,000,000	24/09/2009	0.0225	0.07	31/07/2010

Options granted to KMP during prior year

The table below highlights remuneration options granted to KMP during the 2009 financial year.

Name	Granted number	Grant date	Value per option at grant date \$	Exercise price per option \$	Vesting & first exercise date	Last exercise date	% Remuneration consisting of options for the year
Executives							
Gary Kalmin	4,000,000	24/09/2009	0.0225	0.07	24/09/2011	24/09/2015	2%
Tim Ivers	4,000,000	24/09/2009	0.0225	0.07	24/09/2011	24/09/2015	4%
Michael Sutherland ¹	1,000,000	24/09/2009	0.0225	0.07	24/09/2011	24/09/2015	NA

Note 1 - Michael Sutherland was not considered a KMP during the 2009 financial year, however upon joining the Company on 1 December 2009, he was granted 1 million options.

Options previously granted to KMP that have been cancelled during prior year

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

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

Directors' Report (continued)

Option holdings of KMP

2010

Name	Balance at beginning of period (1 Jan 2010)	Cancelled number	Granted number	Balance at end of period (31 Dec 2010)	Exercise price per option \$	Total vested and exercisable at 31 Dec 2010
Executive Directors						
Jeremy Reid	-	-	-	-	-	-
Michael Sutherland	1,000,000	-	-	1,000,000	0.07	-
Non-Executive Directors						
Greg Martin	-	-	-	-	-	-
Marea Laszok	-	-	-	-	-	-
Brett Howard	-	-	-	-	-	-
Executives						
Gary Kalmin	4,000,000	(4,000,000)	-	-	0.07	-
Tim Ivers	4,000,000	(4,000,000)	-	-	0.07	-
Wilson Leung	-	-	-	-	-	-

Note: Michael Sutherland was not considered a KMP for the financial year ended 31 December 2009. On 1 December 2009, Mr Sutherland was granted 1,000,000 share options in the Company.

2009

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

Directors' Report (continued)

Unissued shares

As at the date of this Report, there were 1,100,000 (2009: 16,605,678) unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. Further information on unissued shares is shown in note 24 to the financial statements.

Indemnification of officers

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

End of Remuneration report (audited)

Events subsequent to reporting date

At the 24 February 2011 meeting, the shareholders approved the Company undertaking an equal reduction of capital by means of a distribution to shareholders in the Company of \$0.04 per share. The payment to registered shareholders on record date of 4 March 2011 will be made no later than 14 March 2011.

The shareholders also approved the consolidation of the number of shares on issue in the Company in the ratio of 10 to 1. The new consolidated shares will commence trading on 24 March 2011.

Rounding

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

Non-audit services

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

Ernst & Young received \$36,000 (2009: \$nil) for the provision of non-audit services for financial analysis and decision support

Directors' Report (continued)

Auditor's Independence Declaration

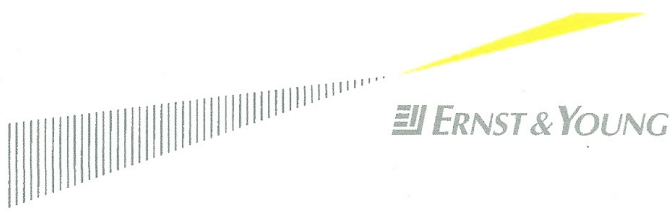
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

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



On behalf of the Board
Greg Martin
Chairman
Sydney, 28 February 2011

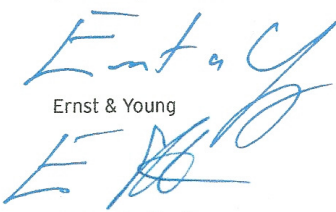
Auditor's Independence Declaration




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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Everest Financial Group Limited

In relation to our audit of the financial report of Everest Financial Group Limited for the financial year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Elliott Shadforth
Partner
28 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

The Directors of the Company (Board) are responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they were elected and to whom they are accountable.

As previously announced the Company is in the process of winding down its operations and hence has made some changes to its corporate governance to reflect this change of business focus. The material changes are outlined below.

During the period, the Company engaged an external consultant to conduct a review of the current policy and procedure framework (Framework) to consider whether the company had appropriate policies and procedures in place in relation to its corporate governance (Review). The Review did recommend some changes to the Framework, however, in light of the subsequent decision by the Company to wind-down operations and transition the business, it has not been appropriate to implement the majority of these recommendations due to the changed circumstances.

The principles below provide an overview of the Company's main corporate governance practices and follow the format of the ASX Corporate Governance Council's (Council's) Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines).

Principle 1: Lay solid foundations for management and oversight **Establish and disclose the respective roles and responsibilities of board and management.**

The role of the Board is to set goals and policies for the operation of the Company; to oversee its management; to regularly review performance; and to generally monitor the Company's affairs in the best interest of shareholders. This information is set out on the Company's website at www.everest.com.au. For these responsibilities the Board is accountable to shareholders.

As previously announced, Mr Jeremy Reid was terminated as Chief Executive Officer of the Company in July 2010 and resigned from the Board of the Company on 28 August 2010. Mr Reid remains as Executive Director of Everest Capital Limited, a wholly owned subsidiary of the Company. Mr Reid is employed as a consultant (Executive Director) to the Company primarily to oversee the wind-down process of the Company. The Executive Director is responsible and accountable to the Board for the management of the Company.

In light of the company's decision to wind-down and transition the business, the Board has been focussed on working closely with management to ensure the process occurs as efficiently as possible. Individual staff members have been tasked with specific objectives in relation to facilitating the wind-down and transition and their performances have been measured against these objectives during the reporting period.

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

Principle 2: Structure the board to add value **Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.**

The board consists of three Directors, with a majority of independent non-executive directors and a non-executive Chairman. Mr Martin and Ms Laszok both satisfy the independence criteria set out in this Recommendation. Mr Reid resigned from the board 28 August 2010. The Directors bring a broad range of skills, expertise and experience from a diverse range of backgrounds. The details of each Director's skill, experience and expertise are set out in the Directors' Report.

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

Name	Term in office
Greg Martin	18 months
Marea Laszok	21 months
Michael Sutherland	3 months

Corporate Governance Statement (continued)

The Board has a Nomination & Governance Committee, which is comprised of the two independent non-executive directors. A summary of its Charter is available on the Company's website. The Nomination & Governance Committee recommends suitable Directors for approval by the Board and by the shareholders. The Committee advises the Board on appropriate corporate governance standards and policies. In making recommendations to the Board regarding appointment of Directors, the Committee assesses the appropriate mix of skills, experience and expertise required on the Board and assesses the extent to which the required skill and experience are represented at the Board. The Committee may obtain information from, and consult with, management and external advisors, if it considers appropriate. The Committee is also required to critically review the performance and effectiveness of the Board and its individual members. The Committee reviews each Director's performance against measurable and qualitative indicators.

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

The Board believes that the Company is in compliance with Principle 2, with the exception that the Nomination & Governance Committee is comprised of only 2 members, being the 2 independent non-executive directors.

Principle 3: Promote ethical and responsible decision-making **Actively promote ethical and responsible decision-making.**

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

The Company has adopted a Continuous Disclosure Policy (last reviewed and approved by the Board on 18 February 2011), a Share Trading Policy and a Code of Conduct. The Share Trading Policy covers dealing in the Company securities by its officers and employees. The Code of Conduct includes the code of conduct for Directors and all employees, contractors and advisers of the Company. The documents are also summarised on the Company's website. In order to comply with recently amended ASX listing rules, the Company also issued a new Share Trading Policy on 31 January 2011.

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

Principle 4: Safeguard integrity in financial reporting **Have a structure to independently verify and safeguard the integrity of the Company's financial reporting.**

The Board has established the Audit & Risk Management Committee which reports to the Board to oversee the integrity of the financial reporting process. The Chairperson of the Committee is not the Chairperson of the Company. The Committee has a formal Charter which is summarised on the Company's website. The Charter sets out the role and responsibilities, composition and structure of the Committee. Qualifications of the Committee members, number of meetings and attendance are disclosed in the Directors' Report. The Charter of the Audit & Risk Management Committee sets out procedures for appointment of auditors and establishing their independence. The Committee is required to confirm the quality and reliability of the financial information prepared, working on behalf of the Board with the external auditor. The Committee reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence. The Committee provides oversight on the status of the business risks of the Company via its risk management processes, aimed at ensuring risks are identified, assessed and properly managed.

As staff numbers have been reduced as a result of the announced wind-down and transition of the Company's operations, a focus of the Audit & Risk Committee has been to ensure sufficient resources are retained to safeguard the integrity of the financial reporting process.

Corporate Governance Statement (continued)

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

The Board believes that the Company is in compliance with Principle 4, with the exception that the Audit & Risk Committee is comprised of only 2 members, being the 2 independent non-executive directors.

Principle 5: Timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

In light of the company's stated intention to wind down operations, transition the business and return capital to shareholders, the Board is working with management to ensure the transition of the funds management business proceeds efficiently and that costs are reduced appropriately to maximise the value for shareholders.

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

Corporate Governance Statement (continued)

Principle 7: Recognise and manage risk

There is an established system of risk oversight and management and internal control.

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

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

The Company's directors and management are primarily responsible for recognising and managing all other risk issues such as operational risk, disaster recovery, credit and counter-party risk. This aspect of management's role is overseen by the Company's management and the Audit & Risk Management Committee. The Board receives regular reporting from management in relation to the effectiveness of the Company's management of its material business risks.

The Board has obtained from the Executive Director and the Chief Financial Officer assurance that, to the best of their knowledge and belief, the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company has additionally established an Independent Review Committee comprising the current independent directors of the Company in their personal capacity. The purpose of this Committee is to provide independent oversight and input into matters including but not limited to dealings with regulatory bodies, litigation and fiduciary responsibilities.

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

Principle 8: Remunerate fairly and responsibly

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

The Board has a Remuneration Committee which is comprised of the two independent non-executive directors. It has the aim of helping the Board ensure the Company has coherent remuneration policies and practices that are consistent with, and complementary to, the strategic direction and objectives of the Company; to observe the remuneration policies and practices and to fairly and responsibly reward the Executive Director, Directors and other senior management having regard to the performance of the Company, the performance of the executives and the general pay environment.

Given the change in the Company's strategic direction to be winding-down the business, changes have been made in the remuneration structure for the executives, including the decision by the Board that no future long-term incentives will be issued.

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

The Board believes that the Company is in compliance with Principle 8, with the exception that the Remuneration Committee is comprised of only 2 members, being the 2 independent non-executive directors.

Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010	2009
		\$000	\$000
Revenue	2	4,333	10,816
Share of net profits of joint venture accounted for using the equity method		6	24
Profit/(loss) on the sale of investments	2	(652)	(37)
Fund (expenses)/recoveries	2	(133)	(1,638)
Employee benefits expense	2	(3,309)	(3,965)
Other expenses	2	(6,459)	(4,125)
Non-controlling interests – trusts		(28)	167
Depreciation and amortisation expenses	2	(876)	(342)
Impairment of financial assets		(229)	-
Legal settlements		(1,000)	-
Profit/(loss) before income tax expense		(8,347)	900
Income tax benefit	3	2,746	2,216
Net profit/(loss) for the period attributable to owners of the parent		(5,601)	3,116
Other comprehensive income			
Changes in fair value of available for sale financial assets (after tax)		-	115
Exchange differences on translation of foreign operations		6	6
Total other comprehensive income		6	121
Total comprehensive income for the period attributable to owners of the parent		(5,595)	3,237
		Cents	Cents
Earnings / (loss) per share for profit/(loss) attributable to the ordinary equity holders of the company			
Basic earnings/(loss) per share	18	(2.3)	1.3
Diluted earnings/(loss) per share	18	(2.3)	1.3

The accompanying notes form part of these financial statements

Financial Report (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

		2010	2009
		\$'000	\$'000
ASSETS			
Cash and cash equivalents	21	21,458	15,013
Fees and other receivables	6	468	2,366
Prepayments	7	136	108
Current tax assets		-	3,578
Deferred income tax assets		-	1,262
Financial assets	8	285	7,309
Investments accounted for using the equity method	11	54	48
Property, plant and equipment	9	-	847
Deferred bonus		-	268
TOTAL ASSETS		22,401	30,799
LIABILITIES			
Trade and other payables	12	510	1,964
Other liabilities		237	372
Derivative financial instruments		-	103
Provisions	13	1,085	584
Non-controlling interests - trusts		-	2,685
TOTAL LIABILITIES		1,832	5,708
NET ASSETS		20,569	25,091
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	14	322,031	320,346
Reserves	15	7,695	8,301
Retained profits/(accumulated losses)	16	(309,157)	(303,556)
TOTAL EQUITY		20,569	25,091

The accompanying notes form part of these financial statements

Financial Report (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Issued shares \$000	Asset revaluation reserve \$000	Foreign currency translation reserve \$000	Share based payments reserve \$000	Available for sale investments valuation reserve \$000	Retained earnings / accumulated losses \$000	Total \$000
Balance at 1 January 2010	320,346	3,179	92	5,259	(229)	(303,556)	25,091
Net profit/loss for the year	-	-	-	-	229	(5,601)	(5,372)
Other comprehensive income	-	-	6	-	-	-	6
Total comprehensive income	-	-	6	-	229	(5,601)	(5,366)
Employee share options	-	-	-	(23)	-	-	(23)
Share based payments reserve	-	-	-	(818)	-	-	(818)
Treasury shares	1,685	-	-	-	-	-	1,685
Balance at 31 December 2010	322,031	3,179	98	4,418	-	(309,157)	20,569
Balance at 1 January 2009	319,692	3,179	86	5,199	(344)	(306,672)	21,140
Net profit/loss for the year	-	-	-	-	-	3,116	3,116
Other comprehensive income	-	-	6	-	115	-	121
Total comprehensive income	-	-	6	-	115	3,116	3,237
Employee share options	-	-	-	(209)	-	-	(209)
Share based payments reserve	-	-	-	269	-	-	269
Treasury shares	654	-	-	-	-	-	654
Balance at 31 December 2009	320,346	3,179	92	5,259	(229)	(303,556)	25,091

The accompanying notes form part of these financial statements

Financial Report (continued)

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010	2009
		\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		5,436	16,167
Payments to suppliers and employees		(11,022)	(11,833)
Interest received		741	555
Tax refund/(paid)		7,586	(2,173)
Net cash inflow from operating activities	21(b)	2,741	2,716
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for treasury shares		(183)	(178)
Payment for property, plant and equipment		(42)	(27)
Proceeds from sale of financial assets		3,929	-
Payment for financial assets		-	(3,276)
Net cash inflow/(outflow) from investing activities		3,704	(3,481)
Net increase/(decrease) in cash and cash equivalents held		6,445	(765)
Cash and cash equivalents at beginning of financial year		15,013	15,778
Cash and cash equivalents at end of financial year	21(a)	21,458	15,013

The accompanying notes form part of these financial statements

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial report for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of Directors dated 28 February 2011.

The financial statements have been prepared on a liquidation basis as the Board has announced its intention to undertake an orderly wind-down of operations of the Company with a view to returning capital to shareholders.

The Group has undertaken a review of all its assets and assessed whether their carrying values reflect their recoverable amount being the higher of its fair value less costs to sell and its value in use. As a result of this review, the Group has written off all the property, plant and equipment to zero.

Both the functional and presentation currency of the Company is presented in Australian Dollars.

Significant accounting policies

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

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of all subsidiaries appears in Note 10 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Investments in subsidiaries

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

(d) Interest in a jointly controlled entity

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

(e) Impairment of assets

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

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

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

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

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) **Property, plant and equipment**

Plant and equipment

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

Depreciation

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. However given that the Company is undertaking an orderly wind-down of operations, all property, plant and equipment has been written off to nil value in accordance with AASB136 *Impairment of Assets*.

(g) **Financial assets**

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

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

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

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

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

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) *Available-for-sale investments*

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

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

(h) **Payables**

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

(i) **Receivables**

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

(j) **Employee benefits**

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

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

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

Contributions to employee superannuation funds are expensed when incurred.

(k) **Foreign currency**

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

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

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(l) Goods and Services Tax (GST)

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

- i. where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

(m) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

(n) Operating leases

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

Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and spread over the lease term. During the financial year, the Company has entered into arrangements with One Investment Group (OIG) and a third party company to sub-lease the entire premises for the remaining lease term. The difference between the rental expenses and the sub-lease income for the remaining lease term had been recognised as at 31 December 2010.

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue

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

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

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

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

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

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

(p) Fund expenses

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

(q) Share based payments

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

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

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

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

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(r) Earnings per share

a. Basic earnings per share

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

b. Diluted earnings per share

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

(s) Significant accounting judgments

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financials are outlined below:

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are not recognised for deductible temporary differences as management considers that it is improbable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, with the assumptions detailed in note 28. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of assets

The Group has undertaken a review of all its assets and assessed whether their carrying values reflect their recoverable amount being the higher of its fair value less costs to sell and its value in use. As a result of this review, the Group has written off all the property, plant and equipment to zero.

Financial Report (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New accounting standards and Australian Accounting interpretations

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 31 December 2010. When applied in future periods, other than the impact of AASB 9 *Financial Instruments* discussed below, these recently issued or amended standards are not expected to have a material impact on the Group's financial results of reporting position; however they may impact Financial Report disclosures.

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

Changes in Accounting Standards

Since 1 January 2010, the Group has adopted a number of Australian Accounting Standards and Interpretations which were mandatory for annual reporting periods beginning on or after 1 January 2010. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Group, however has resulted in changes to presentation and disclosure.

Financial Report (continued)

NOTE 2: PROFIT / (LOSS) FROM OPERATIONS

	2010 \$000	2009 \$000
Revenue		
Management fees	3,476	9,741
Interest	741	599
Commission income	-	632
Foreign exchange gains/(losses)	20	(577)
Gains/(losses) on fund investments	-	374
Other income	96	47
	<u>4,333</u>	<u>10,816</u>
Other Income		
Profit/(loss) on the sale of investments	(652)	(37)
	<u>133</u>	<u>1,638</u>
Fund expenses/(recoveries)		
Management fee rebates	458	275
Bad debt expense/(write-back)	(325)	1,363
	<u>133</u>	<u>1,638</u>
Expenses		
Employee benefits expense	3,309	3,965
Other expenses		
Equity settled share based expenses – employee option plan	(23)	(203)
Equity settled share based expenses – employee shares	681	1,093
Occupancy expense	1,348	759
Loss/(gain) on disposal of fixed assets	-	95
Independent Directors' remuneration	259	262
Administration expenses	896	1,516
Professional fee expenses	3,298	603
	<u>6,459</u>	<u>4,125</u>
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	216	342
Impairment charges of property, plant and equipment	660	-
	<u>876</u>	<u>342</u>
Total expenses	<u>10,644</u>	<u>8,432</u>

Financial Report (continued)

NOTE 3: INCOME TAX

	2010 \$000	2009 \$000
(a) Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax charge	(3,068)	(4,849)
Tax losses/timing differences not recognised	(526)	2,693
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	848	(60)
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	<u>(2,746)</u>	<u>(2,216)</u>

The prima facie income tax expense on pre-tax accounting profit reconciles to income tax expense as follows:

Profit/(loss) before income tax expense	(8,347)	900
Income tax expense calculated at 30% (2009: 30%)	(2,504)	270
Add:		
Tax effect of:		
– non-deductible expenses	609	882
– equity settled share based expenses	(118)	(122)
– depreciation and amortisation	125	35
Less:		
Tax effect of:		
– other deductible expenses ⁽¹⁾	(1,180)	(5,914)
Current Income tax expense/(benefit)	<u>(3,068)</u>	<u>(4,849)</u>

(1) In 2009, other deductible expenses include a deduction of \$18 million which relates to the termination of the management rights for EBI.

(b) Amounts charged or credited to equity

	2010 \$000	2009 \$000
Deferred income tax related to items charged or credited directly to equity		
Unrealised gain/(loss) on investments available for sale	-	-
Transaction costs	-	-
Income tax benefit reported in equity	<u>-</u>	<u>-</u>

Financial Report (continued)

NOTE 3: INCOME TAX (CONTINUED)

	Statement of Financial Position		Statement of Comprehensive Income	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
(c) Recognised deferred tax assets and liabilities				
Deferred income tax at 31 December relates to the following:				
CONSOLIDATED				
<i>(i) Deferred tax liabilities</i>				
Management rights	-	-	-	-
Amortisation of intangibles	-	-	-	-
Unrealised gain on investments available for sale	-	-	-	-
Deferred employee benefits expense	-	-	-	-
Fixed assets	-	-	-	-
Deferred tax liabilities	-	-	-	-
<i>(ii) Deferred tax assets</i>				
Transaction costs	281	516	235	279
Provision for employee benefits	59	132	73	41
Deferred employee benefits expense	18	137	119	35
Accruals	56	27	(29)	2
Provision for doubtful debts	-	441	441	(441)
Fixed assets	-	9	9	24
Deferred tax expense/(benefit)	414	1,262	848	(60)

(d) Tax losses

The Group has tax losses of \$19,226,000 (2009: \$8,976,000) which are not recognised in the accounts (tax impact of \$5,767,800 at 30% tax rate). This is due to a lack of certainty of recovery of these losses. These are income losses. The Group does not have any capital losses (2009: nil).

(e) Deferred tax assets (including timing differences)

The Group has \$1,676,715 (tax impact of \$503,015 at 30% tax rate) in deferred tax assets as at 31 December 2010 which are not recognised in the accounts as the Group is undergoing a business wind-down and it is improbable that the Group will be able to utilise the deferred tax assets in the future. Similarly, any tax assets arising from timing differences are not recognised in the accounts as their expiry dates are expected to be post wind-down of the Company.

(f) Unrecognised temporary differences

At 31 December 2010, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2009: nil).

Financial Report (continued)

NOTE 3: INCOME TAX (CONTINUED)

(g) Tax consolidation

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

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

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

Measurement method adopted under Interpretation 1052 Tax Consolidation Accounting

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

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

Nature of the tax funding agreement

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

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

The consolidated entity has entered into this Agreement to cause payments to be made from/to the Company to/from the funding members in respect of current tax liability and deferred tax assets assumed. Any difference between such payments and the amounts derecognised and assumed by the Company is required by Interpretation 1052 to be accounted for as an equity transaction between the Company and the relevant funding member.

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

NOTE 4: SEGMENT INFORMATION

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

Financial Report (continued)

NOTE 5: DIVIDENDS

During the 2010 year the Company did not pay any dividends to shareholders (2009: nil).

Total dividends paid during the financial year ended 31 December 2010 amounted to \$nil (2009: \$nil). At 31 December 2010 the adjusted franking account balance is \$2,192,484 (2008: \$6,251,000).

NOTE 6: FEES AND OTHER RECEIVABLES

	2010 \$000	2009 \$000
Management fees receivable	464	3,364
Allowance for impairment	(92)	(1,471)
	<u>372</u>	<u>1,893</u>
Fund expenses	28	349
Other debtors	68	124
	<u>468</u>	<u>2,366</u>

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

On 20 December 2010, ECL sold fee receivables in relation to Everest Masters Fund II and Everest Special Opportunities Fund II to Axle Holdco Pty Limited, an entity associated with Mr Tim Ivers for \$700,000 which represents an excess over the carrying value of the receivables.

(a) Allowance for impairment

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

(b) Fair value

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

NOTE 7: PREPAYMENTS

	2010 \$000	2009 \$000
Other prepayments	59	41
Prepaid insurance	462	227
Less amounts amortised	(385)	(160)
	<u>136</u>	<u>108</u>

Financial Report (continued)

NOTE 8: FINANCIAL ASSETS

	2010 \$000	2009 \$000
Investments held in EFG's managed funds – available for sale	285	413
Investments held in controlled EFG managed funds – designated as at fair value through profit and loss		
Hedge Fund Investments	-	6,072
Listed Investments	-	824
	285	7,309

ECL's investments held in Everest Credit Opportunity Fund and Everest Principal Investment Fund were sold during the financial year. Further details are provided in Note 10.

(a) Impairment and risk disclosure

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2010 \$000	2009 \$000
PLANT AND EQUIPMENT		
Leasehold Improvements		
At cost	1,000	1,000
Less accumulated depreciation	(587)	(477)
Less impairment charges	(413)	-
	-	523
Computer equipment		
At cost	298	298
Less accumulated depreciation	(294)	(285)
Less impairment charges	(4)	-
	-	13
Office equipment		
At cost	632	590
Less accumulated depreciation	(475)	(388)
Less impairment charges	(157)	-
	-	202
Furniture, fixtures and fittings		
At cost	127	140
Less accumulated depreciation	(41)	(31)
Less impairment charges	(86)	-
	-	109
Total plant and equipment	-	847

Financial Report (continued)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Movements in carrying amounts

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

Year ended 31 December 2010

	Leasehold Improvements \$000	Computer software \$000
2010		
Balance at the beginning of the year	523	13
Additions	-	-
Disposals	-	-
Depreciation expense	(110)	(9)
Impairment charges	(413)	(4)
Carrying amount at the end of the year	-	-
	Office equipment \$000	Furniture, fixtures & fittings \$000
2010		
Balance at the beginning of the year	202	109
Additions	42	-
Disposals	-	(13)
Depreciation expense	(87)	(10)
Impairment charges	(157)	(86)
Carrying amount at the end of the year	-	-
		Total \$000
2010		
Balance at the beginning of the year		847
Additions		42
Disposals		(13)
Depreciation expense		(216)
Impairment charges		(660)
Carrying amount at the end of the year		-

As the Company is undertaking an orderly wind-down of operations, all property, plant and equipment has been written off to nil value in accordance with AASB136 *Impairment of Assets*.

Financial Report (continued)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2009

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

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

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

Financial Report (continued)

NOTE 10: INVESTMENT IN SUBSIDIARY

List of Significant Subsidiaries

Subsidiary:	Everest Capital Limited
Country of incorporation:	Australia
Date acquired	1 August 2006
Percentage owned:	100%
Subsidiary:	Everest Capital Investment Management Limited
Date acquired	1 August 2006
Country of incorporation:	Australia
Percentage owned:	100%
Subsidiary:	Everest Capital Management Limited
Date acquired	1 August 2006
Country of incorporation:	British Virgin Islands
Percentage owned:	100%
Subsidiary:	Everest Finance Group Pty Limited
Date acquired	1 August 2006
Country of incorporation:	Australia
Percentage owned:	100%
Subsidiary:	Everest Financial Group Limited Employee Share Trust
Date acquired	25 January 2008
Country of incorporation:	Australia
Percentage owned:	100%
Subsidiary:	Everest Credit Opportunities Fund
Date acquired	28 August 2009
Date disposed	1 July 2010
Country of incorporation:	Australia
Percentage owned:	59%
Subsidiary:	Everest Principal Investment Fund
Date acquired	22 October 2009
Date terminated	1 September 2010
Country of incorporation:	Australia
Percentage owned:	100%

Financial Report (continued)

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Jointly Controlled Entity

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

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

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

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

	2010 \$000	2009 \$000
Carrying amount of investment in joint venture	54	48

The joint venture had no contingent liabilities or commitments at 31 December 2010 (2009: nil).

NOTE 12: TRADE AND OTHER PAYABLES

	2010 \$000	2009 \$000
Trade creditors	198	553
Sundry creditors and accruals	252	687
Deferred bonus payable	60	724
	<u>510</u>	<u>1,964</u>

Payables are recognised when incurred and are non-interest bearing. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair values.

Financial Report (continued)

NOTE 13: PROVISIONS

	2010 \$000	2009 \$000
Employee benefits	198	438
Provision for sub-lease	887	146
	<u>1,085</u>	<u>584</u>

The provision for sub-lease arises due to a shortfall in income to be received for premises which have been sub-leased when compared to the lease obligation on that space. As the Company is undertaking an orderly wind-down, the sub-leasing shortfall has been recognised upfront for the remaining term of the lease.

NOTE 14: CONTRIBUTED EQUITY

(a) Share Capital

	2010 \$000	2009 \$000
251,442,316 (2009: 251,442,316) fully paid ordinary shares	322,031	320,346
Total	<u>322,031</u>	<u>320,346</u>

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

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

	2010		2009	
	No 000s	\$000	No 000s	\$000
Balance at the beginning of the financial year	246,477	320,346	248,664	319,692
Treasury shares – net movement	(i) 1,016	1,685	(2,187)	654
Balance at the end of the financial year	<u>247,493</u>	<u>322,031</u>	<u>246,477</u>	<u>320,346</u>

(i) Relates to shares purchased as part of the Employee Share Trust (See Note 20(a))

Financial Report (continued)

NOTE 14: CONTRIBUTED EQUITY (CONTINUED)

(c) Capital management

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

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

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

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

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

The Group has developed controls to monitor compliance arrangements including conditions imposed by each AFSL. External compliance committee meetings for each scheme were held quarterly.

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

Financial Report (continued)

NOTE 15: RESERVES

	Note	2010 \$000	2009 \$000
Asset revaluation reserve	(a)	3,179	3,179
Foreign currency translation reserve	(b)	98	92
Share based payment reserve	(c)	4,418	5,259
Available for sale investments revaluation reserve (after tax effect)	(d)	-	(229)
		<u>7,695</u>	<u>8,301</u>

(a) Asset revaluation reserve

Movements during the financial year:

Balance at the beginning of the financial year	3,179	3,179
Reversal of asset revaluation reserve	-	-
Balance at the end of the financial year	<u>3,179</u>	<u>3,179</u>

(b) Foreign currency translation reserve

Movements during the financial year:

Balance at the beginning of the financial year	92	86
Translation of foreign operations	6	6
Balance at the end of the financial year	<u>98</u>	<u>92</u>

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

(c) Share based payment reserve

Movements during the financial year:

Balance at the beginning of the financial year	5,259	5,199
Employee share options	(23)	(209)
Employee shares	(818)	269
Balance at the end of the financial year	<u>4,418</u>	<u>5,259</u>

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

(d) Available-for-sale investments revaluation reserve

Movements during the financial year:

Balance at the beginning of the financial year	(229)	(344)
Revaluation (after tax effect)	229	115
Balance at the end of the financial year	<u>-</u>	<u>(229)</u>

Financial Report (continued)

NOTE 16: RETAINED PROFITS / (ACCUMULATED LOSSES)

	Note	2010 \$000	2009 \$000
Retained profits/(accumulated losses) at the beginning of the financial year		(303,556)	(306,672)
Net profit/(loss) attributable to owners of the parent		(5,601)	3,116
Retained profits/(accumulated losses) at the end of the financial year		(309,157)	(303,556)

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	Note	2010 \$000	2009 \$000
Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements:			
Payable			
-	not later than one year	899	932
-	later than one year and not later than five years	690	1,718
		1,589	2,650

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

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

As part of the business wind-down, ECL had entered into agreements with OIG and a third party company to sub-lease the entire premises for the remaining lease term.

Financial Report (continued)

NOTE 18: EARNINGS / (LOSS) PER SHARE

	2010 \$000	2009 \$000
Earnings/loss used in calculating earnings per share For basic and diluted earnings per share: Net profit/(loss) for the year attributable to ordinary equity holders of the parent	(5,601)	3,116

	2010	2009
(a) Basic (loss)/earnings per share	(2.3 cents)	1.3 cents
(b) Diluted (loss)/earnings per share	(2.3 cents)	1.3 cents
(c) Weighted average number of shares used as the denominator		

	Consolidated 2010 Number	Consolidated 2009 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	246,015,738	248,241,678
<i>Adjustments for calculation of diluted earnings per share:</i>		
<i>Options</i>	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	246,015,738	248,241,678

(d) Information concerning the classification of securities

Options

Options granted to employees under the ESOP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. All 1,100,000 (2009: 16,605,678) options have been excluded from this calculation as they are not dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 24.

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

At the 24 February 2011 meeting, the shareholders approved the Company undertaking an equal reduction of capital by means of a distribution to shareholders in the Company of \$0.04 per share. The payment to registered shareholders on record date of 4 March 2011 will be made no later than 14 March 2011.

The shareholders also approved consolidating the number of shares on issue in the Company in the ratio of 10 to 1. The new consolidated shares will commence trading on 24 March 2011.

Financial Report (continued)

NOTE 20: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel

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

	2010 \$000	2009 \$000
Short-term employee benefits	1,462	1,574
Post-employment benefits	83	90
Long-term employment benefits	754	955
Share based payment compensation	(9)	(180)
Termination Benefits	834	193
	3,124	2,624

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

Security holdings

As at 31 December 2010, the relevant interests of the Directors of the Company are set out in the table below.

	Balance 01/01/10	Shares held when took office	Shares purchased*	Shares sold	Shares held when left office	Balance 31/12/2010
Executive Directors						
Jeremy Reid	44,984,215	-	-	-	-	44,984,215
Michael Sutherland	n/a	-	-	-	-	-
Non-Executive Directors						
Greg Martin	3,002,778	3,002,778	-	-	-	3,002,778
Marea Laszok	2,223	2,223	-	-	-	2,223
Brett Howard	n/a	7,024,000	-	-	7,024,000	n/a

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

	Balance 01/01/09	Shares held when took office	Shares purchased*	Shares sold	Shares held when left office	Balance 31/12/2009
Executive Directors						
Jeremy Reid	44,984,215	-	-	-	-	44,984,215
Non-Executive Directors						
Greg Martin	n/a	3,002,778	-	-	-	3,002,778
Marea Laszok	n/a	2,223	-	-	-	2,223
Trevor Gerber	91,668	-	-	-	91,668	n/a
Kerry Roxburgh	25,000	-	-	-	25,000	n/a
Michael Katz	25,000	-	-	-	25,000	n/a
Farrel Melzer	n/a	-	-	-	-	n/a
David Kent	69,548	-	95,095	-	164,643	n/a

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

Financial Report (continued)

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

Employee Share Trust

On 18 December 2007 the Board established the Deferred Share Plan (DSP) which provides certain Company personnel with one off retention bonuses in the form of Everest Financial Group Limited shares as well as to provide for both the mandatory and voluntary deferral of annual cash bonuses in return for providing employees with shares in the Company. The Board further established an Employee Share Trust (EST) whereby shares in the Company can be provided in lieu of cash bonuses. The EST is structured so as to enable it to also be used for the employee option plan and DSP both existing and in future. On 30 January 2008 the Board through its Committee approved the purchase of shares under the DSP. As at 31 December 2010 EST held 3,949,544 shares in the Company (2009: 4,965,308).

The relevant interests of the Directors and Executives of the Company held through the Employee Share Trust are set out in the table below.

2010

Name	Vesting 31/12/2010	Vesting 31/12/2011	Vesting 31/12/2012	Total
Executive Directors				
Jeremy Reid ¹	211,350	2,357,066	-	2,568,416
Michael Sutherland	1,381,128	-	-	1,381,128
Executives				
Gary Kalmin	-	-	-	-
Tim Ivers	-	-	-	-
Wilson Leung	-	-	-	-

Note 1 – additional shares allocated to Mr Jeremy Reid related to the deferred bonus from prior years.

2009

Name	Vesting 31/12/2010	Vesting 31/12/2011	Vesting 31/12/2012	Total
Executive Directors				
Jeremy Reid	211,350	1,303,432	-	1,514,782
Executives				
Gary Kalmin	305,714	1,210,838	220,223	1,736,775
Steve McKenna	-	-	-	-
Aaron Budai	-	-	-	-
Tim Ivers	100,000	-	100,000	200,000
John Peterson	-	-	-	-
Will Peterson	-	-	-	-

(b) Equity interests in subsidiaries

Equity interests in subsidiaries are disclosed in Note 10 to the financial report.

Financial Report (continued)

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Parent transactions with wholly owned subsidiaries

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

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

(d) Other related parties

On 20 December 2010, ECL sold fee receivables in relation to Everest Masters Fund II and Everest Special Opportunities Fund II to Axle Holdco Pty Limited, an entity associated with Mr Tim Ivers for \$700,000 which represents an excess over the carrying value of the receivables.

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

	Consolidated 2010 \$	2009 \$
Revenue:		
Management fees	3,119,911	9,074,637
Fund Costs:		
Management fees	84,562	183,383

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

The Company paid costs of \$nil (2009: \$34,000) on behalf of the Executive Director/Chief Executive Officer in relation to legal proceedings.

The Company has entered into a short term consultancy agreement with Mr Jeremy Reid which will take effect from 1 March 2011 at a monthly rate of \$30,000 to continue to oversee the wind-down process of the Company.

(e) Loans from related parties

During the year loans totalling \$269,074 (2009: \$1,132,000) were made to Everest Financial Group Limited from Everest Capital, the wholly owned subsidiary of the Company. This facility is to assist in the payment of operating and other costs. This loan is non-interest bearing and has no specified repayment date nor is it subject to any contract. The amount outstanding as at 31 December 2010 is \$6,018,074 (2009: \$5,749,000).

(f) Loans to related parties

In October 2009 Everest Capital Limited made a short term loan of \$98,000 to EFG Capital Management Limited on arm's length terms. This amount, including interest, was fully repaid in December 2009. The Company has not made any loan to a related party during the year.

(g) Ultimate parent entity

The Company is the ultimate parent entity of the Group.

Financial Report (continued)

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Current tax benefit receivable/intercompany receivable

The Company is the head entity of the tax consolidated group. Current tax benefit receivable of the Company amounts to \$nil (2009: \$3,578,000).

NOTE 21: CASH FLOW INFORMATION

	2010 \$000	2009 \$000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the statement of cashflows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	1	1
Cash at bank	21,457	15,012
	<u>21,458</u>	<u>15,013</u>
(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities		
Profit/(loss) for the year	(5,601)	3,116
<i>Non-cash flows in profit/(loss)</i>		
Depreciation charges	216	342
Loss/(gain) on sale of investments	652	(503)
Loss on disposal of fixed assets	-	95
Share based payments	658	893
Impairment of assets	889	-
Share of profit from joint venture	(6)	(24)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	1,898	5,495
(Increase)/decrease in other assets	240	910
(Increase)/decrease in income tax assets	4,840	-
Increase/(decrease) in payables	(1,546)	(1,781)
Increase/(decrease) in income tax payable	-	(4,389)
Increase/(decrease) in provisions	501	(1,438)
Cash flows from operating activities	<u>2,741</u>	<u>2,716</u>

Financial Report (continued)

NOTE 21: CASH FLOW INFORMATION (CONTINUED)

(c) Credit stand-by arrangement and loan facilities

Banker's undertaking

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

(d) Non cash investing and financing activities

No additional shares were issued during the 2010 financial year (2009: nil).

NOTE 22: FINANCIAL INSTRUMENTS

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

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

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

(a) Interest rate risk

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

Consolidated	Floating Interest Rate		Non Interest Bearing		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial Assets:						
Cash and cash equivalents	21,458	15,013	-	-	21,458	15,013
Fees and other receivable	-	-	468	2,366	468	2,366
Total Financial Assets	21,458	15,013	468	2,366	22,435	17,379
Financial Liabilities:						
Trade and other payables	-	-	510	1,964	510	1,964
Derivative financial instrument	-	-	-	103	-	103
Total Financial Liabilities	-	-	510	2,067	510	2,067

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

Financial Report (continued)

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and fees and other receivables. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

The Group's receivables relate primarily to the funds which are currently managed or were previously managed by ECL. In the current year a provision for impairment has been raised relating to management fees receivable on an Everest fund where insufficient cash is available within the funds to pay outstanding management fees.

(c) Liquidity risk

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

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

	Note	2010 \$000	2009 \$000
Less than 3 months		510	1,310
3-6 months		-	33
6-12 months		-	253
Greater than 12 months		-	471
		<u>510</u>	<u>2,067</u>

(d) Price risk

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

(e) Fair values

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

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

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

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

Financial Report (continued)

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

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

	Year ended 31 December 2010			Total
	Quoted market price	Valuation technique – market observable inputs	Valuation technique – non market observable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	\$000	\$000	\$000	
Consolidated				
Financial Assets:				
Listed investments	-	-	-	-
Hedge funds	-	285	-	285
Total Financial Assets	-	285	-	285
Financial Liabilities:				
Derivative financial instrument	-	-	-	-
Total Financial Liabilities	-	-	-	-

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

Financial Report (continued)

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

At 31 December 2010, if market values had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
+10%	28	401	28	41
-10%	(28)	(401)	(28)	(41)

NOTE 23: REMUNERATION OF AUDITORS

	2010 \$	2009 \$
Audit and review of the financial report	115,000	90,000
Non-audit services for financial analysis and decision support	36,000	-
	151,000	90,000

Financial Report (continued)

NOTE 24: SHARE OPTION PLAN

(a) Employee Share Option Plan (ESOP)

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

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

(b) Recognised Share-based Payment Expenses

	2010 \$000	2009 \$000
Expenses arising from equity-settled share-based payment transactions – employee share option plan (note 2)	(23)	(203)
	<u>(23)</u>	<u>(203)</u>

(c) Summary of options under ESOP

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

	2010 No	2010 WAEP	2009 No	2009 WAEP
Outstanding options at beginning of year	16,605,678	0.10	15,012,494	1.01
Issued number	-	-	17,400,000	0.07
Cancelled number	(15,505,678)	0.11	(15,806,816)	0.93
Outstanding at the end of year	<u>1,100,000</u>	<u>0.07</u>	<u>16,605,678</u>	<u>0.10</u>

Financial Report (continued)

NOTE 24: SHARE OPTION PLAN (CONTINUED)

Options outstanding under the plan as at 31 December 2010 were as follows:

Option Series	Number	Grant Date	Exercise Price	Vest Date	Expiration Date	Fair Value of Options Granted \$
Series 6	1,100,000	24/09/2009	0.07	24/09/2011 to 24/09/2014	24/09/2015	24,750

There were no options issued under the plan during the period ended 31 December 2010.

Options cancelled under the plan during the period ended 31 December 2010 were as follows:

Option Series	Number	Exercise Price	Vest Date	Expiration Date
Series 2	705,678	0.85	1/08/2008	1/08/2010
Series 6	14,800,000	0.07	24/09/2011 to 24/09/2014	24/09/2015

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

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

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

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

Financial Report (continued)

NOTE 24: SHARE OPTION PLAN (CONTINUED)

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

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

Forfeiture and cancellation

Options issued that have not vested will automatically lapse if the employee is no longer with the company.

If the option has vested and an employee resigns, the employee has 30 days in which to exercise after which the options will lapse.

If the employee is no longer with the Company due to redundancy then the employee has 90 days in which to exercise after which the options will lapse.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 1.94 years (2009: 2.81 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.07 (2009: \$0.07 - \$0.85).

(f) Weighted average fair value

There were no options issued during the 2010 year (The weighted average fair value of options granted during the 2009 year was \$0.0225).

Financial Report (continued)

NOTE 24: SHARE OPTION PLAN (CONTINUED)

(g) Option pricing model

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

The following table lists the inputs to the model used for the year ended 31 December 2010:

Option pricing model Input	2010 Value (%)	2009 Value (%)
Risk free rate	n/a	4.2% - 5.2%
Dividend yield	n/a	3.5%
Volatility	n/a	40% - 50%

NOTE 25: PARENT ENTITY INFORMATION

	2010	2009
Information relating to Everest Financial Group Limited:	\$'000	\$'000
Current assets	18,167	3,684
Total assets	26,023	29,473
Current liabilities	6,080	5,779
Total liabilities	6,080	5,779
Contributed equity	322,257	322,257
Accumulated losses	(313,570)	(306,419)
Reserve	11,256	7,856
Total equity	19,943	23,694
Net profit attributable to owners of the parent entity	(7,151)	2,337
Total comprehensive income of the parent entity	(7,151)	2,337
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	-	-
Details of any contingent liabilities of the parent entity	-	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	-	-

Directors' Declaration

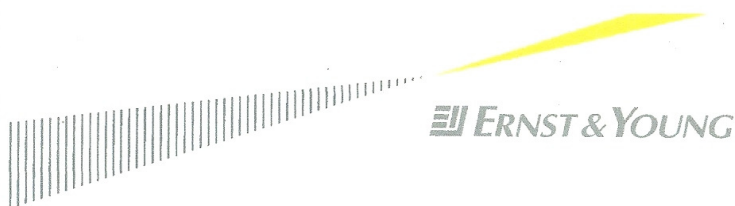
In accordance with a resolution of the Directors of Everest Financial Group Limited:

1. In the Directors' opinion:
 - (a) the financial statements and notes of the Everest Financial Group Limited are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2010.



On behalf of the Board
Greg Martin
Chairman
Sydney, 28 February 2011



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

Report on the financial report

We have audited the accompanying financial report of Everest Financial Group Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

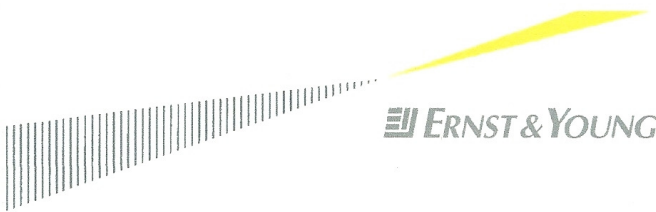
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.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

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

Independence

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

Liability limited by a scheme approved
under Professional Standards Legislation



Opinion

In our opinion:

- a. the financial report of Everest Financial Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 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.

Opinion

In our opinion, the Remuneration Report of Everest Financial Group Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'E. Shadforth', written over the printed name.

Ernst & Young

A second handwritten signature in blue ink, appearing to read 'E. Shadforth', written over the printed name.

Elliott Shadforth
Partner
Sydney
28 February 2011

Additional Information

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

This information is current at 14 April 2011.

As at 14 April 2011 a total of 25,143,824 shares of EFG were on issue.

Distribution of shares

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

Size of holding	Number of shareholders	Shares	% of Issued capital
1 to 1,000	1,231	324,106	1.29%
1,001 to 5,000	225	535,236	2.13%
5,001 to 10,000	34	246,027	0.98%
10,001, to 100,000	62	2,255,512	8.97%
100,001 and over	20	21,782,943	86.63%
Total	1,572	25,143,824	100.00%

The number of EFG shareholders holding less than a marketable parcel of securities is 1,397 and they hold 611,245 shares.

Twenty largest shareholders

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

Number	Investor	Current balance	% of Issued capital
1	CENTENNIAL EQUITIES PTY LTD	4,954,376	19.70%
2	BLANN INVESTMENTS PTY LIMITED	4,324,574	17.20%
3	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,402,746	13.53%
4	BELVEDERE CAPITAL PTY LTD	2,519,658	10.02%
5	REDLEAF GROUP PTY LTD	1,326,513	5.28%
6	HOWARD SECURITIES PTY LTD	700,000	2.78%
7	NATPAC FINANCIAL SERVICES PTY LTD	550,000	2.19%
8	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	507,078	2.02%
9	CITICORP NOMINEES PTY LIMITED	500,170	1.99%
10	BELVEDERE CAPITAL PTY LTD	430,672	1.71%
11	MR ANDREW RUDOLPH SYPKES + MRS ELIZABETH ANNE SYPKES	415,800	1.65%
12	REICKO SUPER PTY LTD	412,666	1.64%
13	HAZAKSON PTY LTD	354,090	1.41%
14	MR PAUL COZZI	282,061	1.12%
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	249,328	0.99%
16	PACIFIC CUSTODIANS PTY LIMITED	235,706	0.94%
17	BLANELG PTY LTD	184,347	0.73%
18	EGARTIBRA PTY LIMITED	155,048	0.62%
19	LUJETA PTY LTD	139,998	0.56%
20	MR MICHAEL JOHN SUTHERLAND	138,112	0.55%
Total		21,782,943	86.63%

Additional Information

Number of shares that are restricted or subject to voluntary escrow

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

Substantial shareholders

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

Holder	Number of Shares ⁽¹⁾	% of issued capital
Centennial Equities Pty Ltd	4,954,376	19.70%
Blann Investments Pty Ltd	4,873,836	19.38%
Jeremy Reid	4,755,261	18.91%
Wilson Asset Management Group	3,233,100	12.86%

(1) The number of shares disclosed in the notices has been adjusted to reflect the recent capital reconstruction.

Voting rights

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

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

Glossary

ATO	Australian Taxation Office
AUM	Assets under management
Board	The board of directors of the Company
Company	Everest Financial Group Limited ABN 42 112 480 145
Consolidated Entity	EFG and its controlled entities
Directors	Directors of the Company as disclosed in this report
EBI	Everest Babcock & Brown Alternative Investment Trust ARSN 112 129 218
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECIML	Everest Capital Investment Management Limited ACN 112 731 978 and AFSL 288360
ECML	Everest Capital Management Limited, a company incorporated in the British Virgin Islands
EFG	Everest Financial Group Limited ABN 42 112 480 145
EPS	Earnings per share
ESOP	Employee Share Option Plan
Everest Capital	Everest Capital Limited ABN 86 092 753 252 and AFSL 225102
Group	EFG and its controlled entities
GST	Goods and services tax
IFRS	International Financial Reporting Standards
KMP	Key management personnel
LTI	Long-term incentives
NPAT	Net profit after tax
Report	The Annual Report for EFG for the year ended 31 December 2010
Restructure	The unstapling of units in EBI from the shares in EBB, and for EBB to acquire all of the shares in Everest Capital Limited that it did not already own, via a scrip-for-scrip transaction implemented on 1 August 2006
STI	Short-term incentives
WAEP	Weighted average exercise price



