EASTON INVESTMENTS LIMITED

(FORMERLY EQUITIES & FREEHOLDS LIMITED)

ANNUAL REPORT

FOR THE YEAR ENDED

30TH JUNE 2012

DIRECTORY

EASTON INVESTMENTS LIMITED

Directors

Lee IaFrate	Non-Executive Chairman
Campbell McComb	Executive Director
Jonathan Sweeney	Independent Non-Executive Director
Tony Hodges	Independent Non-Executive Director
Rodney Green	Independent Non-Executive Director

Company Secretary
Mark Licciardo
Mertons Corporate Services Pty Ltd
Level 16, 360 Collins Street
MELBOURNE VIC 3000

Registered Office
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VIC 3000

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Share Registry
Computershare Investor Services Pty Limited
GPO Box 2975
MELBOURNE
VIC 3001

Shareholder Enquiries: 1 300 850 505
Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Computershare Investor Services Pty. Limited directly. A variety of requisite forms may be downloaded from www.computershare.com.au.

Bankers
Westpac Banking Corporation
90 Collins Street
MELBOURNE VIC 3000

Auditors
Pitcher Partners
Level 19, 15 William Street
MELBOURNE VIC 3000

Legal Advisers
Norton Gledhill
Level 23, 459 Collins Street
MELBOURNE VIC 3000

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CHAIRMAN'S STATEMENT

Financial Year to 30 June 2012

Easton Investments Limited ("EAS") full year results for the financial year 30 June 2012 was an overall Group net loss after tax of $1,547,574 (2011: $540,178 loss). The result includes a number of non-cash items including amortisation charges of $335,012.

As is the case with most companies in the establishment phase, expenditure exceeds revenue in the first few years, with profitability and positive cash flow expected to occur once operations are established. The Company believes it is nearing the end of its establishment phase.

EAS has established three main divisions or business units:

(A) Australian Wealth
(B) Funds Management
(C) Asian Wealth

Each of these divisions are in different stages of evolution with the Australian Wealth division the most established and the Funds Management division the least established. Once the various acquisitions outlined below have been settled the Asian Wealth division will be ready for growth.

(A) Australian Wealth

The 2012 financial year was a difficult year for wealth management businesses. Capital market volatility continued and this was exacerbated by continuing economic uncertainty in the economies of Australia's major international trading partners.

In spite of this background EAS's Australian wealth businesses are expected to improve performance into the 2013 financial year.

Subsequent to the end of the year, the Group sold its 75% stake in Cochrane Shaw Capital Management and acquired the underlying client book. On the back of this the Company intends to establish a 100% wholly owned subsidiary which will specialize in the delivery of risk/insurance services.

This restructure brings together the insurance/risk businesses within Altitude Private Wealth and the old Cochrane Shaw Capital Management into a standalone company, which improves our focus and better ascribes value to this important business stream within our Company.

(B) Funds Management

During the year the Company announced the proposed investment in Asia Pacific Investments ("API"). API intends to establish or purchase several funds management businesses in the near future covering a variety of asset classes.

API is currently examining a number of opportunities and anticipates the business establishing its operations by the end of the calendar year.

(C) Asian Wealth

The proposed acquisition of Armytage Asset Management Ltd ("AAML") will be the Company's largest acquisition to date and is the Company's foundation regarding our growth strategy in the Asian region.

CHAIRMAN'S STATEMENT

This transaction is in keeping with our objectives of establishing an Asian focused financial services business. We believe that active participation in the world's fastest growth markets is essential for the overall prospects of our Company.

AAML is a well-established funds and asset management business and has strong support in various Asian markets. AAML is budgeted to be a sound contributor to the Company's overall financial performance for the 2013 financial year.

We are still awaiting regulatory approval from the Securities and Futures Commission in Hong Kong in relation to our potential investment in Financial Partners ("FP"). FP is a wealth management / advisory business based in Hong Kong, servicing the rapidly growing "ex-pat" market.

The successful completion of this investment along with the acquisition of AAML will establish a strong presence in these markets for EAS.

In keeping with our strategy, we continue to evaluate other investment opportunities in the wider Asian region.

OUTLOOK

The 2012 financial year proved to be a very difficult period for financial services companies.

Our Board continued with our strategy to establish a growth platform in the wealth management and advice sectors both here and in Asia. We undertook an active growth program via acquisition and restructuring to establish a business across three clear but intertwined operating segments: Australian Wealth, Funds Management and Asian Wealth.

In addition to the announced transactions, which are now at different stages of execution, the evaluation of prospective investments remains an on-going process.

The majority of the Company's current operating businesses are generating worthwhile EBIT contributions heading into the 2013 financial year. As such, they are now well placed for growth and we look forward to reporting their positive contributions.

Once the announced transactions are completed we expect the Group to be close to breakeven over the 2013 financial year. We are confident that we have built the foundations for a prosperous company which will generate worthwhile returns for all shareholders.

During the year Campbell McComb was appointed Managing Director and Tony Hodges and Rodney Green joined the Board. These appointments bring new skills and abilities to and further strengthen our business. I look forward to working with the expanded team in the year ahead.

I would like to thank my fellow directors and all our staff for their hard work and dedication during the year.

Lee D.P. IaFrate
Chairman
Easton Investments Limited

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity ("the Group"), consisting of Easton Investments Limited ("the Company") and the entities it controlled, for the year ended 30 June 2012 and the audit report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Lee D.P. IaFrate, B.Bus, GradDipAppFin, FCPA, SAFIN
(Non-executive Director and Chairman – appointed 12 October 2009)

Lee has been in the financial services industry for over 29 years, with experience ranging from stock broking through to funds management. Lee was the founder and Chairman of boutique funds management business Treasury Group (1998 – 2007), which grew from a minor base to managing over $15bn. Lee is the founder and Chairman of Armytage Private and was a founding Director of Prime Financial Group from 2005 to 2008.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Campbell G. McComb, B.Econ, GradDipAppFin, FFIN, GAICD
(Executive Director – appointed 12 October 2009)

Campbell has developed his extensive investment management and research skills over the past 15 years, working both in Australia and United Kingdom. He started his career with a smaller companies focus at Providence Funds Management Ltd and was then an investment manager in the asset management division of Greig Middleton Ltd, now a subsidiary of Barclays Plc.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Jonathan W. Sweeney, B.Com, LLB, CFA, MAICD
(Independent Non-executive Director – appointed 12 October 2009)

Jonathan is the Chief Operating Officer of Folkestone Limited, a company listed on the Australian Securities Exchange ("ASX"). He joined Folkestone in April 2011 following the acquisition of Equity Real Estate Partners. Jonathan was a founding partner of Equity Real Estate Partners. Jonathan has over 26 years' experience in the financial services industry, firstly in London as a funds manager with Gartmore for five years and then in Australia with Armstrong Jones before joining The Trust Company in 1991. He occupied a variety of senior positions at Trust and was Managing Director from May 2000 to December 2008. Jonathan holds a Bachelor of Law and a Bachelor of Commerce from the University of New South Wales, is a Certified Financial Analyst and a member of the Institute of Company Directors. He is a past president of the Trustee Corporations Association and is a director of the Australian Davis Cup Tennis Foundation. He is also a member of the University of New South Wales, School of Business Advisory Council.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Anthony (Tony) P. Hodges, Dip FP, FAID, (Dip) Snr Fellow FINSIA
(Independent Non-executive Director – appointed 1 March 2012)

Tony has had over thirty-five years experience in the securities industry, including merchant banking and investment management. He held senior positions within AMP's money market companies before joining IOOF in 1985 as Head of Investments. As a founding director of IOOF Investment Management Limited / Perennial Investment Partners Limited, Tony helped to build a company which now manages some $20 billion of funds. Mr Hodges' broad base of knowledge in insurance, superannuation and funds management and his depth of relevant business experience will be crucial to the development of the EAS business model.

Tony was an executive director of IOOF Holdings Limited from 2004 to 2009.

Rodney Green, B.Com, ACA
(Independent Non-executive Director – appointed 26 April 2012)

Rodney brings with him over 30 years experience in the financial services industry. Prior roles include; Managing Director and then Non-executive director of Treasury Group Limited for seven years until 2008 and 6 years as the Chief Investment Officer and then Head of the investment division of Perpetual Ltd, which grew total funds under management to $15 billion during that time. Mr Green was also Chairman and Non Executive Director of Premium Investors Limited (a listed investment company) from 2003 until 2006.

No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.

Interests in the shares and options of the Company and related bodies corporate

The relevant interests of each director in the shares and options of the Company shown in the Register of Directors' Shareholding as at the date of this report are:

	Number of Ordinary Shares	***Number of Share Options***
Lee D. P. IaFrate	5,863,953	1,250,000
Campbell G. McComb	2,912,000	1,250,000
Rodney Green	1,200,000	Nil
Tony Hodges	544,607	Nil
Jonathan W. Sweeney	400,000	750,000

Interests in contracts or proposed contracts with the Company

Nil

COMPANY SECRETARY

Ho Lam, B.Com, MAppFin, CPA, SAFIN, MAICD
(appointed 17 February 2010 – resigned 29 August 2011)

Ho has over 15 years commercial and professional experience working both in Australia and Hong Kong. After gaining his professional years at Deloitte Touche Tohmatsu and Ernst & Young, he then moved to commercial field as the Group Financial Controller of Treasury Group Limited and Company Secretary of its subsidiaries and associated companies. Ho was also the Chief Financial Officer and Company Secretary of Premium Investors Limited.

DIRECTORS' REPORT

Campbell G. McComb, B.Econ, GradDipAppFin, FFIN, GAICD
(appointed - 29 August 2011 – resigned 6 December 2011)

Mark Licciardo, B.Bus (Acc), GradDip CSP, FCSA, FCIS, MAICD
(appointed 6 December 2011)

Mark is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies. Prior to establishing Mertons, Mr Licciardo was Company Secretary of the Transurban Group (2004-07) and Australian Foundation Investment Company Limited, Djerriwarrh Investments Limited, AMCIL Limited and Mirrabooka Investments Limited (1997-04). Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Chartered Secretaries Australia (CSA) in Victoria, a fellow of CSA, a member of the Australian Institute of Company Directors (AICD) and a director of several public and private companies.

RESULTS AND DIVIDENDS

The net loss after tax of the Group for the year ended 30 June 2012 was $1,571,031 (2011: a loss of $598,463).

No dividends were paid, declared or recommended since the start of the financial year.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the provision of wealth management services.

There has been no significant change in the nature of these activities during the financial year.

REVIEW OF OPERATIONS

A full review of operations is given on pages 1 to 2 within the Chairman's Statement.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the Group other than those noted in the Chairman's Statement.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Cochrane Shaw Capital Management
Subsequent to 30 June 2012 the Group has sold its 75% ownership in Cochrane Shaw Capital Management (CSCM) for $1.5m and acquired its business (client book) for the amount of $1.8m. The Group has booked an accounting loss on the sale of $37,758.

Easton Asset Management
Easton Asset Management ("EAM" – formerly Armytage Asset Management Ltd), an investment management and distribution business was acquired on 30 August 2012 after the approval was obtained at the EGM on 28 August 2012. The purchase price for EAM is $6.1m, with 90% of the consideration in the form of fully paid ordinary shares in EAS (issued at $0.25 per share) and 10% in cash.

Capital Raising
A share placement of 4,090,908 shares at $0.22 each occurred on 3 September 2012. The Company raised $900,000 from this share issue.

DIRECTORS' REPORT

Name Change
Equities and Freeholds Ltd changed its name to Easton Investments Ltd and its subsidiaries are in the process of having their names changed after the approval was obtained at the recent EGM. Armytage Asset Management has also changed its name after the acquisition by the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, financial performance is partly reliant on gains from the sale of investment securities, which inherently cannot be forecast. In addition, disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations other than matters referred in the Chairman's Statement would unreasonably prejudice the Group's interest. Accordingly no further information is included in this report.

ENVIRONMENTAL REGULATION

The Group's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

SHARE OPTIONS

Unissued shares
As at the date of this report, there were 3,250,000 unissued ordinary shares under options (3,250,000 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

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.

Shares issued as a result of the exercise of options
There were no options exercised during the financial year and as at the date of this report. Accordingly, there are no amounts unpaid on shares issued on exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the directors, the company secretary and all executive officers of the Company against a liability and legal costs incurred in defending proceedings as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. Further disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings		Audit & Risk Committee Meetings	
	Meetings eligible to attend	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**
Lee D. P. IaFrate	13	12	-	-
Campbell G. McComb*	13	13	3	3
Jonathan W. Sweeney	13	13	3	3
Tony Hodges	3	3	-	-
Rodney Green	1	1	-	-

*Mr McComb is not a member of the Audit & Risk Committee but attends by invitation.

COMMITTEE MEMBERSHIP

During the year, the Company's Audit & Risk Committee was comprised of Jonathan Sweeney and Campbell McComb. However following changes to the Board composition, as at the date of this report, the Company's Audit & Risk Committee Members are:

Jonathan Sweeney (Chairman – appointed on 17/02/10)
Tony Hodges (appointed on 05/07/12)
Rodney Green (appointed on 05/07/12)

Also as at the date of this report, the Company's Remuneration Committee Members are:

Rodney Green (Chairman – appointed on 05/07/12)
Lee IaFrate (appointed on 05/07/12)
Tony Hodges (appointed on 05/07/12)

The Remuneration Committee was established on 5 July 2012. As such there were no Remuneration Committee meetings during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (audited)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having 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 remuneration report is presented under the following sections:
(A) Key management personnel and executive officers disclosures
(B) Remuneration policy
(C) Remuneration of key management personnel and executive officers
(D) Executive contractual arrangements

(A) Key management personnel and executive officers disclosures

The following persons acted as key management personnel and executive officers of the Company and the Group during or since the end of the financial year:

(i) Directors

Lee D. P. IaFrate	Chairman (Non-executive) – appointed 12 October 2009
Campbell G. McComb	Director (Executive) – appointed 12 October 2009
Jonathan W. Sweeney	Director (Non-executive) – appointed 12 October 2009
Anthony P. Hodges	Director (Non-executive) – appointed 1 March 2012
Rodney Green	Director (Non-executive) – appointed 26 April 2012

(ii) Executives

Ho Lam	Chief Financial Officer and Company Secretary – appointed 17 February 2010 – resigned 29 August 2011
Mark Licciardo	Company Secretary – appointed 6 December 2011
Thomas P. Almond	Chief Operating Officer – appointed 15 November 2010
Vincent F. Vozzo[1]	Director of Incito Group Ltd (Non-executive)
Shane A. Bransby[1]	Managing Director of Chesterfields Financial Services Pty Ltd
Andrew J. Cochrane[1 & 2]	Managing Director of Cochrane Shaw Capital Management Pty Ltd

[1] Became the Group executives subsequent to the Company's acquisition of Incito Group Ltd and its subsidiaries on 24 December 2010.

[2] Subsequent to year end the Group has sold its 75% ownership in Cochrane Shaw Capital Management and acquired its business (client book). Accordingly, Andrew J. Cochrane is no longer a key executive of the Group.

(B) Remuneration policy

The board policy for determining the nature and amount of remuneration of key management personnel and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance the performance of the Company and the Group through their contributions and leadership.

For key management personnel, the Group provides a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Group and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The remuneration policy is not directly related to Group performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Company for shareholders.

The remuneration of directors of the Company was maintained at the same level as the prior year with the exception of Mr. McComb due to his role change from director to Managing Director of the Company. The Chairman is entitled to be paid a fixed remuneration of $50,000 per annum plus superannuation contributions. Other directors are each entitled to be paid a fixed remuneration of up to a maximum of $35,000 per annum plus superannuation contributions.

The Constitution of the Company provides that non-executive directors as a whole may be paid or provided remuneration of an aggregate total of up to $200,000 per annum or other such maximum as determined by the Company in general meeting. A non-executive director may be paid fees or other amounts as the directors determine where a director performs services outside the scope of the ordinary duties of a director, provided it does not exceed the maximum of $200,000. A non-executive director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties. The Company may also reimburse non-executive directors for their expenses properly incurred as a director or in the course of office.

(C) Remuneration of key management personnel and executive officers

There were no key management personnel and executives appointed during the financial year who received payments as part of their consideration for agreeing to hold their positions.

Table 1: Remuneration for the year ended 30 June 2012

	Short-term benefits		Post employment	Total	Performance related
	Salaries & fees	Other	Superannuation		
Directors	**$**	**$**	**$**	**$**	**%**
Lee D. P. IaFrate	50,000	-	4,500	54,500	-
Campbell G. McComb	99,785	-	8,980	108,765	-
Jonathan W. Sweeney	35,000	4,234	3,531	42,765	-
Anthony P. Hodges[1]	30,000	-	-	30,000	-
Rodney Green	6,319	-	568	6,887	-
Total directors	**221,104**	**4,234**	**17,579**	**242,917**	
Other key management personnel					
Ho Lam[2]	49,779	-	-	49,779	-
Mark Licciardo[3]	37,441	-	-	37,441	
Thomas P. Almond	100,000	-	9,000	109,000	-
Vincent F. Vozzo	30,000	-	-	30,000	-
Shane A. Bransby	310,000	15,000	27,900	352,900	-
Andrew J. Cochrane	134,255	15,000	10,501	159,756	-
Total other KMP	**661,475**	**30,000**	**47,401**	**738,876**	
Totals	**882,579**	**34,234**	**64,980**	**981,793**	

1 Anthony Hodges was a director of Incito Group Ltd until 28 February 2012. He became an independent director of Easton Investments Ltd on 1 March 2012.

2 A company of which Mr. H. Lam is a director, received fees from the Group for management and consulting services on commercial terms. The amount is inclusive of non-recoverable Goods and Services Tax. Ho Lam resigned as CFO and company secretary of EAS on 29 August 2011.

3 A company of which Mr. M. Licciardo, received fees from the Group for company secretarial and corporate governance consulting services. The amount is inclusive of non-recoverable Goods and Services Tax.

(C) Remuneration of key management personnel and executive officers

There were no key management personnel and executives appointed during the financial year who received payments as part of their consideration for agreeing to hold their positions.

Table 1: Remuneration for the year ended 30 June 2011

	Short-term benefits		Post employment	Total	Performance related
	Salaries & fees	Other	Superannuation		%
Directors	**$**	**$**	**$**	**$**	
Lee D. P. IaFrate	50,000	-	4,500	54,500	-
Campbell G. McComb	35,000	-	3,150	38,150	-
Jonathan W. Sweeney	35,000	-	3,150	38,150	-
Total directors	**120,000**	**-**	**10,800**	**130,800**	
Other key management personnel					
Ho Lam[4]	285,285	-	-	285,285	-
Thomas P. Almond[5]	62,500	-	5,625	68,125	-
Anthony P. Hodges[6]	30,000	-	-	30,000	-
Vincent F. Vozzo[6]	29,587	-	413	30,000	-
Shane A. Bransby[6]	155,208	15,000	8,068	178,276	-
Andrew J. Cochrane[6]	88,400	9,645	7,600	105,645	-
Total other KMP	**650,980**	**24,645**	**21,706**	**697,331**	
Totals	**770,980**	**24,645**	**32,506**	**828,131**	

[4] A company of which Mr. H. Lam is a director, received fees from the Group for management and consulting services on commercial terms. The amount is inclusive of non-recoverable Goods and Services Tax.

[5] The amounts shown above include all Mr. T. Almond's remuneration for the period from 15 November 2010 to 30 June 2011.

[6] The amounts shown above represent each KMP's remuneration for the period from 24 December 2010 to 30 June 2011

DIRECTORS' REPORT

(D) Executive contractual arrangements

The Company Secretary, Mr Licciardo, currently provides the services under a service arrangement between the Company and his company, Merton Corporate Services. The current arrangement has no predetermined termination date. Under the terms of the arrangement, both parties may terminate the arrangement by giving ninety days notice.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

NON-AUDIT SERVICES

The following non-audit services were provided by the auditor of the Company, Pitcher Partners. 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.

Pitcher Partners received or are due to receive the following amounts for the provision of non-audit services for the Group:

	$
Tax compliance services	15,357
Other services	7,356
	22,731

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Signed in accordance with a resolution of the directors.

Lee D. P. IaFrate
Chairman
Melbourne, 13 September 2012

EASTON INVESTMENTS LIMITED (FORMERLY EQUITIES AND FREEHOLDS LIMITED)
ABN 48 111 695 357
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Easton Investments Limited.

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

N R BULL

Partner

13th September 2012

PITCHER PARTNERS

Melbourne

CORPORATE GOVERNANCE

Introduction

The Board of Directors of Easton Investments Ltd ('**EAS** or '**the Company**') is responsible for establishing the corporate governance framework of the Company and establishing appropriate Corporate Governance policies and procedures having regard to the ASX Corporate Governance Council (CGC) published guidelines as set out in its "Corporate Governance Principles and Recommendations" (Revised 2010, 2nd Edition). The Board of Directors continue to review the framework and practices to ensure they meet the interests of shareholders.

This Corporate Governance Statement is structured with reference to the CGC's published guidelines containing eight key principles. The charters and policies described in this Corporate Governance Statement represent a concise version of those charters and policies that have been adopted by the Board of Directors in line with the CGC's recommendations having regard to the size of the company's operations.

Principle 1: Lay solid foundations for management and oversight

Role of the Board and company management

The Board of Directors together with management are collectively experienced in the management of listed companies and the funds and wealth management business.

The Board is responsible for providing strategic guidance and for contributing to the development of the corporate strategy and performance objectives, including the implementation of a business strategy, the annual budget, monitoring the Company's financial performance, meeting its regulatory reporting obligations and ensuring that appropriate management is in place to achieve these objectives. The Board appoints the Chairman, Chief Executive Officer and Company Secretary.

The Board approves and monitors management's corporate strategy and performance objectives for EAS. Under the oversight of the Board's Audit & Risk Committee, the Board monitors risk, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of existing investments, capital management and acquisitions and disposals of investment assets.

The Board may delegate to a sub-committee, an officer of the company, or any other person in authority to perform any of its functions and exercise any of its powers, in the ordinary course of business. This includes the day to day administration of its investment assets, including ensuring that physical assets are adequately insured where necessary; that detailed market investigations and effective due diligence is carried out on proposed investments or acquisitions; that capital required to provide a platform for further investment and enhancement of the company's existing businesses, as well as general working capital requirements is adequate; and that subject to the responsibility of the Board's Audit & Risk Committee there is effective risk management, financial management and compliance management of the Company's assets.

The Board and its Committees are governed by their respective Charters.

Principle 2: Structure the board to add value

Board Structure

The qualifications, skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report and their attendance at Board and Committee meetings is included in the Director's Report.

The Board is comprised of five Directors and complies with the CGC's recommendation that Board's contain a majority of Independent Non-executive directors.

CORPORATE GOVERNANCE

Lee laFrate, (Chairman, Non-executive Director)
Campbell McComb, (Managing Director/CEO)
Jonathan Sweeney, (Independent Non-executive Director)
Tony Hodges, (Independent Non-executive Director)
Rodney Green, (Independent Non-executive Director)

In accordance with the CGC's "Corporate Governance Principles and Recommendations", the recommendation that no independent Director holds more than 5% of the total shares on issue or that there is no material interest in the company that would impair independence has been met by all Directors except for the Chairman, Lee laFrate who via a controlled entity, at the date of this report holds 15.61% of the Company.

The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience, details of which are recorded in the Directors' Report accompanying this Corporate Governance Statement. Each Director is required to seek re-election by shareholders as a Director at the end of their term in accordance with the Company's constitution and the ASX Listing Rules.

Director induction and education

The Company has, due to the Board's size, an informal induction process. New Directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors. Directors receive a formal letter of appointment setting out the key terms and conditions and corporate expectations relevant to that appointment. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Pursuant to ASX CGC Principles, each Director has been issued with a Deed of Access, Indemnity and Insurance Agreement that will protect directors for up to 7 years after their resignation in the event of a legal matter that the company may face in the future whilst they were a Director of the Company.

Each Director is required to disclose any interest which might create a potential conflict with their duties, as a Director of EAS, or which would affect their independence.

In order for Directors to bring independent judgement to bear in decision making, Directors have the right to obtain independent professional advice, if necessary, at the Company's expense.

Principle 3: Promote ethical and responsible decision making

Code of Conduct and Conflicts of Interest

The Board of EAS is committed to a Code of Conduct. This is communicated to management and requires staff to adhere to the core values, together with a number of other key attributes that have been identified as being imperative to the success of the Company.

Employees must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdictions in which they operate. Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

Management is responsible to the Board for the Company's performance under this Code, and has operational responsibility for ensuring compliance with the Code.

The Code of Conduct aims to promote ethical and responsible decision making. The Code of Conduct requires all employees to exhibit openness, honesty, fairness and integrity in their dealings, both internally and externally. The Company aims for good corporate governance and generally requires employees to:

- avoid situations which may give rise to a conflict of interest;
- avoid situations where they may profit from their position with the Company and gain any benefit which competes with the Company's business;
- comply with all laws and regulations and Company policies and procedures;
- not undertake activities inconsistent with their employment with the Company;
- properly use the Company's assets for legitimate business purposes; and
- maintain privacy and confidentiality in both the Company's business and the information of its stakeholders.

Diversity

EAS recognises the value of attracting and retaining staff with different backgrounds, perspectives and experiences, including assisting it to attract and retain talented people and to foster business performance improvements.

The Company is committed to providing an inclusive workplace that embraces and promotes diversity at all levels of the Company.

Diversity includes, but is not limited to, gender, age, ethnicity, cultural background, disability and sexual orientation.

EAS strives to create and maintain a diverse and supportive working environment, where:

- There is tolerance of difference;
- The ability to access opportunities within the Company is based on merit;
- Structures and policies are in place to assist employees to balance their work and family commitments; and
- Employee engagement and morale are maintained at the highest possible levels.

Measurable Objectives

Due to the Company's size and relatively new Board structure, EAS does not propose the implementation of measurable objectives at this stage of the Company's development.

Conflicts of Interest

The Board is committed to good corporate governance and aims for continuous improvement in these practices. The Company embraces high ethical standards and requires its employees to demonstrate both personal and corporate responsibility.

There must be no conflict, or perception of a conflict, between the interests of any EAS Director, officer or employee and the responsibility of that person to the Company and to the Company's stakeholders. All Directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or any other person ("associates").

As a general rule, a conflict of interest, or the perception of a conflict, may arise if their duties involve any actual or potential business with a person, entity or organisation in which they or their associates have a substantial personal or financial interest. Accordingly, the following rules apply:

- Without prior Board approval, Directors, officers and employees may not act on behalf of the Company in connection with any business or potential business involving any person, entity or organisation in which they or their associates have direct or indirect managerial influence (such as serving as an Executive Officer, Director, general partner or similar position or holding a substantial ownership or beneficial interest);
- Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking

place; and be declared at the next meeting of Directors; and

- Each Director is required to complete and maintain a Register of Interests for this purpose.

Principle 4: Safeguard integrity in financial reporting

Audit & Risk Committee

At the date of this report, the Company has established an Audit & Risk Committee which currently comprises three independent non-executive directors.

Purpose

The Audit & Risk Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, developing internal control systems, reporting practices and risk management, and ensuring the independence of the Company Auditor. The Charter for this Committee incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the Auditors of the Company. Pitcher Partners, is the currently appointed Auditor of EAS. Their appointment will be reviewed periodically. The Company believes in the ongoing assessment of its audit arrangements and complies with any regulatory requirements to rotate its external audit partner.

The Audit & Risk Committee includes in its Charter a review of the effectiveness of administrative, operating and accounting controls.

Meetings of the Committee are held a minimum of twice per annum, represented by one meeting for each of the full-year and half-year financial accounts review, approval and recommendation to the Board. Further meetings may be held for discussion on policies and procedures and risk management matters. The auditors of the Company are also invited to make recommendations to the Committee on policies and procedures for discussion.

Following a recommendation by the Committee to the Board of Directors to approve the annual and half year financial accounts, the Managing Director and Corporate Accountant state in writing to the Board that the Company's 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; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Composition

At the date of this report, the Audit & Risk Committee follows each of the CGC principles listed below:

- Consists only of non-executive Directors with a majority of the Committee members being independent Directors;
- An independent Chairperson, who is not Chairperson of the Board and is a qualified accountant or has significant experience in the financial industry;
- Has at least three members.

Members of the Committee are:

Jonathan Sweeney	(Chairman, Independent Non-executive Director)
Tony Hodges	(Independent Non-executive Director)
Rodney Green	(Independent Non-executive Director)

Due to the size and composition of the Board during the year, until 5 July 2012 there were only 2 committee members, being Jonathan Sweeney and Campbell McComb.

There were three meetings held during the reporting period.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure policy

EAS's Continuous Disclosure Policy is designed to promote transparency and investor confidence and ensure that all interested parties have an equal opportunity to obtain information which is issued by EAS. The Company is committed to complying with the continuous disclosure obligations contained in the listing rules of the Australian Securities Exchange (ASX) and under the Corporations Act, and ensuring that all shareholders and the market have an equal opportunity to obtain and review full and timely information about EAS's securities.

The Managing Director controls all Company communications with assistance from the Company Secretary in carrying out this responsibility. The Chairman and the Managing Director are the only officers permitted to authorise the release of material information to the market. The Company Secretary is responsible for administering this policy and is responsible for dealing with the ASX in relation to all listing rule issues. The procedures which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Chairman, Managing Director and/or the Company Secretary.

Disclosure of such price-sensitive information to the ASX must not be delayed and is disclosed, in the first instance, to the ASX and only after receiving confirmation that a release of this disclosure has been made to the market will it then be placed on the Company's website, www.equitiesandfreeholds.com.au. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to the ASX, and all media releases must be referred to the Chairman or Managing Director for approval prior to any release.

Trading in Company Securities

The Company has in place a securities trading policy and procedures strictly prohibiting the Company's employees and associates from purchasing or selling shares in the following periods:

1. From 31 December (each year) until the next business day after announcement of the half-yearly financial results of the Company to the Australian Securities Exchange ("ASX");
2. From 30 June (each year) until the next business day after announcement of the annual financial results of the Company to the ASX;
3. From 2 (two) weeks (each year) before, until the next business day after the holding of any general meeting of shareholders and
4. Any other "black-out period" notified by the Company Secretary.

Trading at other times is permitted unless there is price sensitive information known to directors and staff. Furthermore, no trading is permitted until first notified to and considered by the Chairman or in his absence another non-executive director, to ensure that such trading will not give rise to allegations of insider trading.

CORPORATE GOVERNANCE

Principle 6: Respect the rights of shareholders

Shareholder Communications

EAS's communication strategy is designed to promote effective communication with shareholders.

The Company is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way;
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and
- communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

This is carried out via:

- the release of information to the market via the ASX;
- the distribution of the Annual Report and Notices of the Annual General Meeting and other shareholder meetings;
- letters and other forms of communications directly to shareholders;
- posting relevant information on the Company's website; and
- providing shareholders with a choice of information delivery i.e. paper or electronic means

The Company's website, www.equitiesandfreeholds.com.au, has dedicated Investors and News sections and endeavours to publish on the website all important company information and relevant announcements made to the market.

The external auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions about the conduct of the audit and preparation of the Auditor's Report.

Principle 7: Recognise and manage risk

Risk Management System Statement

The Board of the Company takes a proactive approach to the Company's risk management and internal compliance and control system. This function is monitored by the Audit & Risk Committee.

The Audit & Risk Committee is responsible for ensuring that risks and mitigation of these risks are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Committee and the Board of Directors.

The Company is developing a policy on risk oversight and management designed to promote a culture of risk control throughout the Company.

Principle 8: Remunerate fairly and responsibly

Board Remuneration and Nomination Policies

At the date of this report, the Company has a Remuneration Committee which is responsible for determining and reviewing compensation arrangements for the Board, Managing Director and employees.

Composition

CORPORATE GOVERNANCE

The Remuneration Committee follows each of the CGC principles listed below:

- Consists of a majority of independent Directors;
- Has an independent Chairperson; and
- Has at least three members.

Members of the Committee are:

Rodney Green	(Chairman, Independent Non-executive Director)
Lee laFrate	(Non-executive Director)
Tony Hodges	(Independent Non-executive Director)

The details of the remuneration paid to Directors and Officers is included in the Remuneration Report of this Annual Report.

The Company does not have any schemes for retirement benefits for Directors other than standard superannuation arrangements.

Due to the size and composition of the Board during the year, the Committee was not formed until 5 July 2012. No meetings were held during the reporting period.

Specifically, the Committee will monitor and review:

- the remuneration arrangements for the Chairman and sets parameters within which the Chairman will review arrangements for other directors and the Managing Director;
- the remuneration policies, personnel practices and strategies of the Company generally;
- any employee incentive schemes;
- the remuneration arrangements for non-executive Directors;
- the size and composition of the Board, and criteria for Board membership; and
- the membership of the Board and candidates for consideration by the Board.

The Board is responsible for Performance Evaluation of the members of the Board and key executives against both measurable and qualitative indicators.

Under the Policy, the Chairman will undertake an annual assessment of the performance of individual Directors and meet privately with each Director to discuss this assessment. The form of this assessment may vary from year to year, from an internally conducted questionnaire based review, to an externally facilitated review.

Given the recent changes to the composition of the Board, a review was not undertaken during the reporting period to which this Annual Report relates.

Easton Investments Limited (formerly Equities and Freeholds Limited)
2012 Financial Report
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 $	2011 $
Continuing operations			
Revenue	4	**2,753,026**	1,822,581
Net gain/(loss) on investments held for trading		**(210,947)**	258,995
Gain on derecognition on investment		**-**	163,000
Salaries and employee benefits expenses	5	**(2,036,951)**	(1,200,553)
Finance costs	6	**(117,800)**	(68,455)
Depreciation and amortisation	7	**(350,154)**	(184,080)
Share of loss of an associate		**-**	(50,000)
Premises and equipment		**(311,731)**	(223,985)
Legal and business services		**(634,751)**	(484,153)
Auditor's remuneration		**(117,443)**	(109,828)
Other expenses	8	**(493,519)**	(283,152)
Loss before tax		**(1,520,270)**	(359,630)
Income tax expense	9	**(50,761)**	(238,833)
Loss from continuing operations after income tax		**(1,571,031)**	(598,463)
Loss for the year		**(1,571,031)**	(598,463)
Other comprehensive income			
Net fair value gain on available-for-sale financial assets		**33,511**	83,264
Income tax benefit on items of other comprehensive income		**(10,054)**	(24,979)
Other comprehensive income for the year, net of tax		**23,457**	58,285
Total comprehensive loss for the year		**(1,547,574)**	(540,178)
Profit/(losses) for the year is attributable to:			
Non-controlling interests		**89,266**	78,861
Owners of the Company		**(1,660,297)**	(677,324)
		(1,571,031)	(598,463)
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		**89,266**	78,861
Owners of the Company		**(1,636,840)**	(619,039)
		(1,547,574)	(540,178)
Basic earnings per share (cents)	10	**(4.54)**	(2.11)
Diluted earnings per share (cents)	10	**(4.54)**	(2.11)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**663,546**	1,141,812
Receivables	12	**290,325**	422,645
Other financial assets	13	**-**	26,759
Total current assets		**953,871**	1,591,216
Non-current assets			
Other financial assets	13	**924,479**	2,178,866
Plant and equipment	14	**132,639**	39,630
Deferred tax assets	9	**424,914**	368,126
Intangible assets and goodwill	15	**5,994,295**	6,319,840
Total non-current assets		**7,476,327**	8,906,462
TOTAL ASSETS		**8,430,198**	10,497,678
LIABILITIES			
Current liabilities			
Trade and other payables	16	**515,503**	1,024,637
Income tax payable	9	**72,431**	132,254
Provisions and employee benefits	17	**66,554**	71,736
Borrowings	18	**1,036,247**	1,196,016
Total current liabilities		**1,690,735**	2,424,643
Non-current liabilities			
Provisions and employee benefits	17	**6,963**	5,945
Total non-current liabilities		**6,963**	5,945
TOTAL LIABILITIES		**1,697,698**	2,430,588
NET ASSETS		**6,732,500**	8,067,090
EQUITY			
Equity attributable to owners of the Company			
Contributed equity	19	**8,887,884**	8,587,884
Reserves	20	**(83,173)**	(106,630)
Accumulated losses	21	**(2,536,759)**	(876,462)
Owners interests		**6,267,952**	7,604,792
Non-controlling interests	22	**464,548**	462,298
TOTAL EQUITY		**6,732,500**	8,067,090

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Ordinary shares	Accumulated losses	Employee equity benefits reserve	Net unrealised gains / (losses) reserve	Owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$
At 1 July 2011	8,587,884	(876,462)	75,000	(181,630)	7,604,792	462,298	8,067,090
(Profit)/Loss for the year	-	(1,660,297)	-	-	(1,660,297)	89,266	(1,571,031)
Other comprehensive income	-	-	-	23,457	23,457	-	23,457
Total comprehensive (profit)/loss for the year	-	(1,660,297)	-	23,457	(1,636,840)	89,266	(1,547,574)
Transactions with owners in their capacity as owners:							
Issue of new equity	300,000	-	-	-	300,000	-	300,000
Dividend Paid	-	-	-	-	-	(24,516)	(24,516)
Return of Capital	-	-	-	-	-	(62,500)	(62,500)
At 30 June 2012	**8,887,884**	**(2,536,759)**	**75,000**	**(158,173)**	**6,267,952**	**464,548**	**6,732,500**

	Ordinary shares	Accumulated losses	Employee equity benefits reserve	Net unrealised gains / (losses) reserve	Owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$
At 1 July 2010	6,044,099	(199,138)	75,000	(239,915)	5,680,046	-	5,680,046
(Profit)/Loss for the year	-	(677,324)	-	-	(677,324)	78,861	(598,463)
Other comprehensive income	-	-	-	58,285	58,285	-	58,285
Total comprehensive (profit)/loss for the year	-	(677,324)	-	58,285	(619,039)	78,861	(540,178)
Transactions with owners in their capacity as owners:							
Issue of new equity	2,543,785	-	-	-	2,543,785	-	2,543,785
Distributions paid	-	-	-	-	-	(9,084)	(9,084)
Acquisition of non-controlling interests	--	-	-	-	-	392,521	392,521
At 30 June 2011	**8,587,884**	**(876,462)**	**75,000**	**(181,630)**	**7,604,792**	**462,298**	**8,067,090**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(4,002,745)**	(2,473,487)
Proceeds from sale of financial investments held for trading		**6,227,511**	8,483,714
Payments for purchase of financial investments and settlement of financial liabilities held for trading		**(6,199,336)**	(7,664,597)
Fees and commissions received		**3,008,797**	1,775,704
Dividends and distributions received/(paid)		**181,201**	124,249
Interest received		**17,764**	96,751
Finance costs paid		**(117,800)**	(62,726)
Income tax paid		**(177,426)**	(69,870)
Net cash flows from/(used in) operating activities	23	**(1,062,034)**	209,738
Cash flows from investing activities			
Purchase of plant and equipment		**(108,498)**	(3,863)
Proceeds from sale of plant and equipment		**347**	1,065
Purchase of other intangible assets		**(9,467)**	(927)
Deferred payment for subsidiary[1]		**(587,133)**	-
Acquisition of a subsidiary		**-**	444,784
Proceeds from loan repayments		**-**	95,084
Loan to an associate		**-**	(2,190,802)
Loan to third party		**-**	(820)
Proceeds from sale of 'available-for-sale' financial assets		**1,100,000**	-
Purchase of 'held-to-maturity' financial assets		**-**	(50,000)
Purchase of 'available-for-sale' financial assets		**-**	(300,000)
Payments for other investments		**(24,465)**	-
Net cash flows from/(used in) investing activities		**370,784**	(2,005,479)
Cash flows from financing activities			
Proceeds from issue of shares		**300,000**	700,000
Payments for return of capital		**(62,500)**	-
Distributions paid		**(24,516)**	(9,084)
Repayment of borrowings		**-**	(81,895)
Net cash flows from financing activities		**212,984**	609,021
Net decrease in cash held		**(478,266)**	(1,186,720)
Cash at the beginning of the financial year		**1,141,812**	2,328,532
Cash at the end of the financial year	11	**663,546**	1,141,812

1. Relates to the acquisition of Snydale Financial Services by Altitude Private Wealth in May 2010.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2012

1. CORPORATE INFORMATION

The consolidated financial report of Easton Investments Limited ("the Company") and its controlled entities for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 August 2012.

Easton Investments Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The nature of operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
(b) Compliance with IFRS
(c) New Accounting Standards and Interpretations
(d) Basis of consolidation
(e) Business combinations
(f) Revenue recognition
(g) Income tax and other taxes
(h) Cash and cash equivalents
(i) Investments and other financial assets
(j) Plant and equipment
(k) Goodwill and intangibles
(l) Leases
(m) Impairment of non-financial assets other than goodwill and indefinite life intangibles
(n) Trade and other payables
(o) Interest-bearing loans and borrowings
(p) Provisions and employee benefits
(q) Share-based payment transactions
(r) Contributed equity
(s) Earnings per share
(t) Comparatives
(u) Liquidity

(a) Basis of preparation

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

Historical cost convention

These financial statements have been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

These financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year. There were no new and revised Standards and Interpretations issued and effective during the current year that were applicable to the Group.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2012, outlined in the table below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 *and* AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010)*	1 January 2013	30 June 2014

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 July 2013.

When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit of loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interest in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*.	1 January 2013	30 June 2014

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the accounting for consolidation.

AASB 11 does not focus on the legal structure of joint arrangements, but rather on how and what rights and obligations are shared between parties. If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted. If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

At present, the consolidated entity does not expect AASB 10 and AASB 11 to have a significant impact on its composition.

AASB 12 sets new minimum disclosures requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will affect the type of information disclosed in relation to the consolidated entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest if an investment a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The consolidated entity is still assessing the impact of these amendments.

AASB 13 *Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*.	1 January 2013	30 June 2014

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") as at and for the period ended 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intragroup balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs, other than the costs to issue debt or equity securities, are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from the provision of services to customers is recognised upon delivery of the services to the customers.

(ii) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends and distributions

Dividends and distributions are recognised when the Group's right to receive the payment is established.

(iv) Net trading income

Net trading income comprises gains and losses related to trading assets and liabilities and include all realised and unrealised fair value changes.

(g) Income tax and other taxes

(i) Income tax

Current tax assets and liabilities for the current period 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 reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting 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.
- 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.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests 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 reporting 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 reporting 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 reporting date.

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.

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding amount from a margin lending facility.

(i) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", or "available-for-sale financial assets". The classification depends on the nature and purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Classification

Investments held for trading comprises securities held for short term trading purposes. It is classified as "financial assets at fair value through profit or loss". Meanwhile, investment in a managed investment scheme is held for long term capital growth and dividend income purposes. It is classified as "available-for-sale financial assets".

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase 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. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the Group transfers substantially all the risks and rewards of the financial assets. If the Group neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Financial assets held for trading are revalued to market values continuously. Gains or losses on such financial assets are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gain and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loans to an associate are non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for sale financial assets 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 values 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 reporting 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 judgemental inputs to a minimum.

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Currently, depreciation is calculated on a diminishing cost basis over the estimated useful life of over 2-5 years. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8, and includes wealth management cash generating unit.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 2(n) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

The carrying amount of goodwill allocated to the Cash Generating Units (CGU) are as follows:

Incito Group Ltd	1,019,935
Chesterfields	208,234
Altitude Private Wealth/Cochrane Shaw Capital Management	334,872
	$1,563,041

There are no other intangible assets except for the goodwill above that has an indefinite useful life.

The CGUs recoverable amount is based on value in use and the assumptions used in the discounted cash flow (DCF) calculations are determined from management's past experience. The key inputs are:

- Discount rate: 10.8%
- Growth rate: 5% (years 2 and 3)
- Growth rate: 3% (years 4+)
- Budgeted revenue for the coming 4 years (from budgets as approved by the Board)

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating leases

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received as subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(m) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(n) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially measured at fair value, net of transaction cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group derecognise borrowings when, and only when, the Group's obligations are discharged, cancelled or they expire.

Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(p) Provisions and employee benefits

Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Share-based payment transactions

The Company has in place a Directors Share Option Plan which provides benefits to its directors in the form of share-based payments, whereby directors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of the equity-settled employee share option plan is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions 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 (the vesting date).

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

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Comparatives

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

(u) Liquidity

As at 30 June 2012, current liabilities exceeded the current assets by $736,864. Notwithstanding this fact, the Group has sufficient liquid capital and liquid investments to meet its payment requirements.

As at the date of this report, certain subsidiaries of Incito Group Limited are in technical breach of bank loan agreements. The Group has obtained a written waiver for these breaches which is conditional upon a restructure occurring in the Australian Wealth division as referred to in the Chairman's Address. Upon successful completion of this restructure, the Group will have mitigated the risk of further technical breaches of its bank loan agreements to ensure their ongoing availability.

3. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Available-for-sale investment & held-to-maturity investment

The Group has reviewed its available-for-sale investment and held-to-maturity investment in the light of its capital maintenance and liquidity requirements and have confirmed its positive intention and ability to hold those assets for long term or to maturity.

Impairment of available-for-sale investments

In determining the amount of impairment of available-for-sale investments, the Group has made judgements in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price.

The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

Impairment of other financial assets
(other than investments held for trading and available for sale investments)

The Group assesses impairment of all other financial assets at each reporting date by evaluating conditions specific to the Group and to the particular financial asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

There are a number of assumptions made in relation to the DCF calculation on the impairment testing of goodwill. The key inputs in the DCF model used are:

- Discount rate: 10.8%
- Growth rate: 3%
- Budgeted revenue for the coming 4 years
- The CGUs are:
  - Chesterfields Financial Services Pty Ltd
  - Incito Wealth Pty Ltd
  - Altitude Private Wealth Pty Ltd/Cochrane Shaw Capital Management Pty Ltd (merged as one due to the sale of Cochrane Shaw client book – refer to significant events after balance date in the Directors' Report)
- Corporate assets are deemed Easton Investments Ltd and Incito Group Ltd as they produce minimal external revenue and provide management services to the Group.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors by reference to the fair value of the equity instruments at the date at which they are granted.

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.

4. REVENUE

	2012	2011
	$	$
Revenue is comprised as follows:		
Fees and commissions income	**2,469,883**	1,499,399
Dividend and distributions income	**93,962**	179,543
Interest income	**17,764**	96,758
Other income	**171,417**	46,881
Total revenue	**2,753,026**	1,822,581

5. SALARIES AND EMPLOYEE BENEFITS EXPENSES

	2012	2011
	$	$
Salaries and wages	**1,771,604**	1,047,269
Defined contribution superannuation expense	**148,618**	69,691
Other employment costs	**116,729**	83,593
Total salaries and employee benefits expenses	**2,036,951**	1,200,553

6. FINANCE COSTS

	2012	2011
	$	$
Bank loans	**117,800**	68,455
Total finance costs	**117,800**	68,455

7. DEPRECIATION AND AMORTISATION

	2012	2011
	$	$
Depreciation of plant and equipment (note 14)	**15,142**	13,100
Amortisation of intangible assets (note 15)	**335,012**	170,980
Total depreciation and amortisation	**350,154**	184,080

8. OTHER EXPENSES

	2012	2011
	$	$
Other expenses are comprised as follows:		
Communication costs	**41,091**	23,964
Subscriptions and memberships	**129,722**	53,663
Travel and accommodation	**115,373**	38,845
Training and staff development	**10,454**	15,106
Marketing and promotion	**13,544**	14,536
General and administration expenses	**183,335**	137,038
Total other expenses	**493,519**	283,152

9. INCOME TAXES

	2012 $	2011 $
(i) Income tax expense		
The major components of income tax expense are:		
Current income tax	**117,603**	90,029
Deferred income tax	**(66,842)**	148,804
Total	**50,761**	238,833
Deferred income tax benefit included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	**(65,985)**	101,580
(Decrease)/Increase in deferred tax liabilities	**(857)**	47,224
Total	**(66,842)**	148,804
(ii) Amounts charged or credited to other comprehensive income		
Deferred income tax related to items charged (credited) directly to other comprehensive income:		
Unrealised gain/(loss) on available-for-sale investments	**10,054**	24,979
Total income tax expense reported in other comprehensive income	**10,054**	24,979
(iii) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expenses as follows:		
Loss before tax	**(1,520,270)**	(359,630)
Prima facie income tax on the profit/(loss) before income tax at 30% (2011: 30%)	**(456,081)**	(107,889)
Tax effect of:		
Adjustments in respect of current income tax of previous years	**-**	2,275
Entertainment	**9,349**	7,192
Other non-deductible expenses	**117,333**	51,080
Non-assessable income on distribution from trusts	**(15,950)**	(16,369)
Tax benefit arising from franked dividend rebate	**(25,895)**	(38,621)
Under/(over) provided in previous years	**-**	(5,309)
Recognition of previously unrecognised tax losses	**-**	(39,864)
Deferred tax asset not brought to account	**422,005**	386,338
Total income tax expense	**50,761**	238,833

(iv) Recognised deferred tax assets and liabilities

	2012		2011	
	Current income tax	**Deferred income tax**	Current income tax	Deferred income tax
	$	**$**	$	$
Opening balance	**(132,254)**	**368,126**	-	335,561
Charged to income	**(117,603)**	**66,842**	(90,029)	(148,804)
Charged to other comprehensive income	**-**	**(10,054)**	-	(24,979)
Charged to equity	**-**	**-**	-	-
Other payments	**177,426**	**-**	69,870	-
Acquisitions	**-**	**-**	(112,095)	206,348
Closing balance	**(72,431)**	**424,914**	(132,254)	368,126
Amounts recognised the consolidated statement of financial position:				
Deferred tax asset		**474,777**		418,846
Deferred tax liability		**(49,863)**		(50,720)
		424,914		368,126

Deferred income tax at 30 June relates to the following:

	2012	2011
	$	$
Deferred tax assets:		
Available-for-sale financial assets	**67,788**	77,842
Capital raising costs	**28,448**	42,673
Legal costs	**79,548**	33,277
Accruals and provisions	**45,289**	52,416
Investment	**35,133**	35,133
Tax loss adjustments	**218,571**	177,505
	474,777	418,846
Deferred tax liabilities:		
Prepayments	**(963)**	(1,820)
Investment	**(48,900)**	(48,900)
	(49,863)	(50,720)
Net deferred tax assets	**424,914**	368,126

(v) Deferred tax assets not brought to account

Tax Losses

As at 30 June 2012, the Group had estimated unrecouped operating income tax losses of $1,709,798 (2011: $1,287,793). The benefit of these losses of $512,939 (2011: $386,338) was not brought to account as realisation was not probable.

The Group has only brought to account the tax losses incurred in those entities for which, the directors believe that it is probable that future taxable profit will be available, against which the unused tax losses can be utilised. The benefit will only be obtained if:

(i) the Group derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Unrecognised temporary differences

As 30 June 2012, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2011: Nil).

(vii) Franking credit balance

	Parent	
	2012	**2011**
	$	**$**
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2011: 30%)	**90,803**	33,520
Franking credits that will arise from the receipt of distributions recognised as receivables at the reporting date	**25,617**	37,354
	116,420	70,874

10. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

	2012	2011
	$	$
(a) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**(1,660,297)**	(677,324)
For diluted earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**(1,660,297)**	(677,324)

(b) Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share	**36,582,837**	32,056,847
Effect of dilution:		
Share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**36,582,837**	32,056,847

Subsequent to 30 June 2012, there were transactions involving ordinary shares. On 30 August 2012, 17,080,000 shares were issued as a result of the Easton Asset Management Pty Ltd acquisition and on 3 September 2012, 4,090,908 were issued for the capital raising of $900,000. At the date of the report, there are a total of 58,740,630 fully paid ordinary shares on issue.

(c) Information on the classification of securities

Options granted to directors as described in note 24 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

11. CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Cash on hand and at bank	**663,546**	1,141,812

12. RECEIVABLES

	2012 $	2011 $
Current		
Distribution receivable from available-for-sale investment	**36,314**	123,553
Prepayments	**97,734**	39,448
Other debtors and receivables	**156,277**	259,644
	290,325	422,645

Current receivables are non-interest bearing. A provision for impairment is recognised when there is objective evidence that an individual trade is impaired. No provisions for impairment are required to be recognised since no receivables are past their due date (2011: Nil).

13. OTHER FINANCIAL ASSETS

	2012	2011
	$	$
Current		
Held-to-maturity investments carried at amortised cost		
Term deposit[1]	**-**	26,759
	-	26,759
Non-current		
Held-to-maturity investments carried at amortised cost		
Term deposit[1]	**134,739**	86,106
Convertible notes	**53,871**	51,370
	188,610	137,476
Available-for-sale investments carried at fair value		
Units in unlisted managed investment scheme[2]	**734,917**	2,040,528
Loan receivables – unsecured		
Loan to related parties:	**952**	862
	952	862
	924,479	2,178,866

1 The term deposits are pledged as security for bank undertakings in favour of the lessors of the Group's current offices for the lease terms of between four and five years as disclosed in note 27.

2 Armytage Strategic Opportunities Fund ("Fund"). The objective of the Fund is to provide investors with a consistent, tax efficient and growing cash dividend yield, and long-term capital growth while minimising the investment risk by targeting below market volatility. Units in the Fund are readily redeemable with no fixed term.

The fair value of the investments has been determined directly by reference to published price quotations in an active market, being Australian Securities Exchange. The market financial risk is disclosed in note 31.

14. PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount at the beginning and end of the year

Year ended 30 June 2012	Office equipment $	Furniture, fixtures & fittings $	Leasehold improvements $	Total $
Net carrying amount as at 1 July 2011	16,810	19,614	3,206	39,630
Additions	102,608	5,890	-	108,498
Disposals	-	(347)	-	(347)
Depreciation charge for the year	(10,386)	(4,595)	(161)	(15,142)
Net carrying amount as at 30 June 2012	**109,032**	**20,562**	**3,045**	**132,639**
At 30 June 2012				
Cost	123,824	40,040	3,359	167,223
Less accumulated depreciation and impairment	(14,792)	(19,478)	(314)	(34,584)
Net carrying amount	**109,032**	**20,562**	**3,045**	**132,639**

Year ended 30 June 2011	Office equipment $	Furniture, fixtures & fittings $	Leasehold improvements $	Total $
Net carrying amount as at 1 July 2010	6,129	-	-	6,129
Acquisition of a subsidiary (note 33)	10,972	36,046	3,359	50,377
Additions	3,343	520	-	3,863
Disposals	-	(1,571)	-	(1,571)
Write offs	-	(233)	-	(233)
Depreciation charge for the year	(3,634)	(9,313)	(153)	(13,100)
Impairment	-	(5,835)	-	(5,835)
Net carrying amount as at 30 June 2011	**16,810**	**19,614**	**3,206**	**39,630**
At 30 June 2011				
Cost	21,216	34,497	3,359	59,072
Less accumulated depreciation and impairment	(4,406)	(14,883)	(153)	(19,442)
Net carrying amount	**16,810**	**19,614**	**3,206**	**39,630**

15. INTANGIBLE ASSETS AND GOODWILL

(a) Reconciliation of carrying amount at the beginning and end of the year

Year ended 30 June 2012	Website	Trademarks $	Client Book[1] $	Goodwill[1] $	Total $
Net carrying amount as at 1 July 2011	27,830	3,133	4,725,022	1,563,855	6,319,840
Additions	520	8,947			9,467
Amortisation charge for the year	(8,800)	(349)	(325,864)		(335,012)
Net carrying amount as at 30 June 2012	**19,550**	**11,731**	**4,399,159**	**1,563,855**	**5,994,295**
At 30 June 2012					
Cost or fair value	37,200	12,248	4,887,955	1,563,855	6,501,258
Less accumulated amortisation	(17,650)	(517)	(488,796)	-	(506,963)
Net carrying amount	**19,550**	**11,731**	**4,399,159**	**1,563,855**	**5,994,295**

Year ended 30 June 2011	Website	Trademarks $	Client Book[1] $	Goodwill[1] $	Total $
Net carrying amount as at 1 July 2010	16,502				16,502
Additions (note 33)	19,207	3,301	4,887,955	1,563,855	6,474,318
Amortisation charge for the year	(7,879)	(168)	(162,933)		(170,980)
Net carrying amount as at 30 June 2011	**27,830**	**3,133**	**4,725,022**	**1,563,855**	**6,319,840**
At 30 June 2011					
Cost or fair value	36,680	3,301	4,887,955	1,563,855	6,491,791
Less accumulated amortisation	(8,850)	(168)	(162,933)		(171,951)
Net carrying amount	**27,830**	**3,133**	**4,725,022**	**1,563,855**	**6,319,840**

[1] Business combination was accounted for under the provisional accounting rules of AASB 3 in 2011. During the year, the Group allocated $4,887,955 from goodwill to client book upon finalisation of the business combination accounting. This has resulted in an amortisation expense of $162,933 in the 2011 financial year. The 2011 net loss is restated to $677,324 and the net assets is restated to $8,067,090. Current year amortisation expense is $325,864.

16. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade payables	**185,987**	145,755
Other payables and accruals	**329,101**	878,257
	515,088	1,024,012
Related party payables	**415**	625
Carrying amount of trade and other payables	**515,503**	1,024,637

Trade and other payables are normally settled on 30 day terms. Interest rates are disclosed in note 31(b).

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

17. PROVISIONS AND EMPLOYEE BENEFITS

	2012 $	2011 $
Current		
Provision for annual leave	**66,554**	71,736
Non-current		
Provision for long service leave	**6,963**	5,945

18. BORROWINGS

	2012 $	2011 $
Current		
Bank loans (secured)	**1,036,247**	**1,196,016**

The loans are secured by floating charges against the assets and undertakings of subsidiaries that have received those loans. As at the reporting date, the total net asset value of the subsidiaries that these charges are against is $3,239,382 (2011: $3,097,169).

As at the date of this report, certain subsidiaries of Incito Group Limited are in technical breach of bank loan agreements. The Group has obtained a written waiver for these breaches which is conditional upon a restructure occurring in the Australian Wealth division as referred to in the Chairman's Address. Upon successful completion of this restructure, the Group will have mitigated the risk of further technical breaches of its bank loan agreements to ensure their ongoing availability.

The total amount of the bank loan in technical breach as detailed above is $857,594.

19. CONTRIBUTED EQUITY

	2012	2011
	$	$
37,569,722 issued and fully paid ordinary shares (2011: 36,369,722)	**8,887,884**	**8,587,884**

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held. Ordinary shares have no par value.

	No. Shares	**$**
Movement in ordinary shares on issue		
Year ended 30 June 2012		
At 1 July 2011	36,369,722	8,587,884
Share issue *(iv)*	1,200,000	300,000
At 30 June 2012	37,569,722	8,887,884
Year ended 30 June 2011		
At 1 July 2010	26,194,584	6,044,099
Share issue *(i)*	2,800,000	700,000
Share issue *(ii)*	100,000	25,000
Share issue *(iii)*	7,275,138	1,818,785
At 30 June 2011	36,369,722	8,587,884

(i) On 4 October 2010, 2,800,000 shares of $0.25 each were issued for cash.

(ii) On 24 December 2010, 100,000 shares were issued for valuation services acquired in relation to the business combination occurring on that date.

(iii) The following shares were issued on 24 December 2010 in relation to the acquisition of Incito Group Ltd ("Incito"):

- 1,956,000 shares of $0.25 each were issued for the acquisition of 75% interest in Incito. Total consideration is $489,000 (note 33);
- 4,461,290 and 857,848 shares were issued to settle Incito's acquisition of Chesterfields Financial Services Pty Ltd and Cochrane Shaw Capital Management Pty Ltd for a total of $1,115,323 and $214,462 respectively (note 33).

(iv) On 26 April 2012, 1,200,000 shares of $0.25 each were acquired by Mr Rodney Green, who was subsequently appointed to the Company's Board of Directors. It is a requirement of directors to own shares in the Company before being appointed.

20. RESERVES

	Net unrealised gains/(losses) reserve $	Employee equity benefits reserve $	Total $
Year ended 30 June 2012			
At 1 July 2011	(181,630)	75,000	(106,630)
Net gain on available-for-sale investments	23,457	-	23,457
At 30 June 2012	(158,173)	75,000	(83,173)
Year ended 30 June 2011			
At 1 July 2010	(239,915)	75,000	(164,915)
Net loss on available-for-sale investments	58,285	-	58,285
At 30 June 2011	(181,630)	75,000	(106,630)

Employee equity benefits reserve
The employee equity benefits reserve relates to share options granted to the key management personnel under the employee share option plan. Further information about share-based payments to key management personnel is set out in note 26.

Net unrealised gains/(losses) reserve
This reserve records movement in the fair value of available-for-sale financial assets.

21. ACCUMULATED LOSSES

	2012	2011 $
Balance 1 July	**(876,462)**	(199,138)
Loss attributable to owners of the Company	**(1,660,297)**	(677,324)
Balance 30 June	**(2,536,759)**	(876,462)

22. NON-CONTROLLING INTERESTS

	2012 $	2011 $
Contributed equity	**375,282**	456,923
Retained profits	**89,266**	5,375
	464,548	462,298

23. CASH FLOW STATEMENT RECONCILIATION

	2012	2011
	$	$
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net loss after income tax	**(1,571,031)**	(598,463)
Adjustments for:		
Gain on derecognition on investment	-	(163,000)
Gain on release of lease incentive liability	-	(18,135)
Depreciation	**15,142**	13,100
Amortisation	**335,012**	170,980
Fixed asset impairment and written off	-	6,068
Loss of disposal of fixed assets	-	507
Payment of dividend	-	
Corporate advisory fee	-	25,000
Transfers from reserve on realisation of 'available for sale' financial instruments	**239,122**	-
Share of associates' net losses	-	50,000
Changes in assets and liabilities		
(Increase)/decrease in trade & other receivables	**132,320**	(284,424)
(Increase)/decrease in held-for-trading investments	-	676,167
(Increase)/decrease in deferred tax assets	**(66,843)**	148,804
(Increase) in loan capitalised interests	-	(25,243)
Increase in trade and other payables	**(81,770)**	147,142
Increase/(decrease) in provisions and employee benefits	**(4,163)**	41,076
Increase/(decrease) in provision for income tax	**(59,823)**	20,159
Net cash from/(used in) operating activities	**(1,062,034)**	209,738

(b) Non-cash financing and investing activities

Settlement of subsidiary acquisition with shares (note 33)	-	489,000
Loan to an associate via issuance of shares (note 33)	-	1,329,785
Settlement of corporate advisory service purchase with shares (note 33)	-	25,000

The Company has put in place a margin loan facility from a subsidiary of a major bank which was repayable under certain circumstances of default. The loan attracted interest at a current variable rate of 8.83%, payable monthly in arrears on average draw balances. The facility has a credit limit of $600,000.

During the financial year, the Company has not drawn any funds from the facility.

24. KEY MANAGEMENT PERSONNEL

(a) Key management personnel (KMP)

The directors of the Company and other members of key management personnel of the Group during the year were:

- L.D.P. IaFrate (Non-executive director and chairman), appointed 12 October 2009.
- C.G. McComb (Executive director), appointed 12 October 2009.
- J.W. Sweeney (Independent non-executive director), appointed 12 October 2009.
- H. Lam (Chief financial officer), appointed 17 February 2010. Resigned 29 August 2011
- M. Licciardo (Company Secretary), appointed 6 December 2011.
- A.P. Hodges (Independent non-executive director), appointed 1 March 2012
- T.P. Almond (Chief operating officer), appointed 15 November 2010.
- R.Green (Independent non-executive director), appointed 26 April 2012

- V.F. Vozzo (Director of Incito Group Ltd), appointed 20 July 2010
- S.A. Bransby (Director of Chesterfields Financial Services Pty Ltd and EQF Asia Pty Ltd), appointed 5 September 2002
- A.J. Cochrane (Director of Cochrane Shaw Capital Management Pty Ltd), appointed 12 February 1991. Subsequent to year end the Group has sold its 75% ownership in Cochrane Shaw Capital Management and acquired its business (client book). Accordingly, Andrew J. Cochrane is no longer a key executive of the Group.

(b) Compensation for key management personnel

	2012	2011
	$	$
Short-term employee benefits #	**916,813**	795,625
Post employment benefits	**64,980**	32,506
Share-based payments	**-**	-
Total remuneration	**981,793**	828,131

\# Including payments to two separate companies of which Mr. H. Lam and Mr. M. Licciardo are directors for the services provided.

(c) Option holdings of key management personnel

30 June 2012	Balance at beginning of year 1 July 11	Granted as remuneration	Options exercised	Balance at end of year 30 June 12	Vested at 30 June 2012 Exercisable	Not exercisable
Directors						
L.D.P. IaFrate	1,250,000	-	-	1,250,000	1,250,000	-
C.G. McComb	1,250,000	-	-	1,250,000	1,250,000	-
J.W. Sweeney	750,000	-	-	750,000	750,000	-
A.P. Hodges	-	-	-	-	-	-
R. Green	-	-	-	-	-	-
Executives						
H. Lam #	-	-	-	-	-	-
T.P. Almond	-	-	-	-	-	-
V.F. Vozzo	-	-	-	-	-	-
S.A. Bransby	-	-	-	-	-	-
A.J. Cochrane	-	-	-	-	-	-
Total	3,250,000	-	-	3,250,000	3,250,000	-

30 June 2011	Balance at beginning of year 1 July 10	Granted as remuneration	Options exercised	Balance at end of year 30 June 11	Vested at 30 June 2011 Exercisable	Not exercisable
Directors						
L.D.P. IaFrate	1,250,000	-	-	1,250,000	1,250,000	-
C.G. McComb	1,250,000	-	-	1,250,000	1,250,000	-
J.W. Sweeney	750,000	-	-	750,000	750,000	-
A.P. Hodges	-	-	-	-	-	-
R. Green	-	-	-	-	-	-
Executives						
H. Lam	-	-	-	-	-	-
T.P. Almond	-	-	-	-	-	-
V.F. Vozzo	-	-	-	-	-	-
S.A. Bransby	-	-	-	-	-	-
A.J. Cochrane	-	-	-	-	-	-
Total	3,250,000	-	-	3,250,000	3,250,000	-

Resigned during the year.

(d) Shareholdings of key management personnel

Ordinary shares held in Easton Investments Limited (numbers)

30 June 2012	Balance at beginning of year 1 July 11	Business acquisition[1]	Net change – other[2]	Balance at end of year 30 June 12
Directors				
L.D.P. IaFrate	5,222,253	-	641,700	5,863,953
C.G. McComb	2,912,000	-	-	2,912,000
J.W. Sweeney	400,000	-	-	400,000
A.P. Hodges	544,607	-	-	544,607
R. Green	-	-	1,200,000	1,200,000
Executives				
H. Lam [3]	-	-	-	-
T.P. Almond	-	-	-	-
V.F. Vozzo	850,000	-	-	850,000
S.A. Bransby	3,303,107	-	-	3,303,107
A.J. Cochrane	857,848	-	-	857,848
Total	14,089,815	-	1,841,700	15,931,515

30 June 2011	Balance at beginning of year 1 July 10	Business acquisition[1]	Net change – other[2]	Balance at end of year 30 June 11
Directors				
L.D.P. IaFrate	4,000,000	652,000	570,253	5,222,253
C.G. McComb	2,160,000	652,000	100,000	2,912,000
J.W. Sweeney	400,000	-	-	400,000
A.P. Hodges[4]	244,607	-	300,000	544,607
Executives				
H. Lam	-	-	-	-
T.P. Almond	-	-	-	-
V.F. Vozzo[4]	850,000	-	-	850,000
S.A. Bransby[4]	3,303,107	-	-	3,303,107
A.J. Cochrane[4]	-	-	857,848	857,848
Total	10,957,714	1,304,000	1,828,101	14,089,815

All equity transactions have been entered into under terms and conditions no more favourable that those the Company would have adopted if dealings at arm's length.

Notes:

[1] Business acquisition refers to ordinary shares acquired on 24 December 2010 as the consideration for the sale of all of their shares in Incito Group Ltd to the Company (note 33).

[2] Net change – other refers to shares purchased or sold during the year.

[3] Resigned during the year.

[4] Not disclosed in 30 June 2011 consolidated financial statements.

(e) Other transactions and balances with key management personnel and their related parties

Investments

During the year the Company has redeemed $1,100,000 (2011: Invested $300,000) in Armytage Strategic Opportunities Funds ("ASOF"), an unlisted managed investment scheme managed by Armytage Private Limited ("Armytage"). Mr. IaFrate is a director and shareholder of Armytage. Mr. McComb resigned his post as the director of Armytage and became managing director of the Group on 1 March 2012.

Management fee charged and paid to Armytage was $48,142 (2011: $26,758) in relation to management services provided by Mr. McComb whilst he was the director of Armytage. Dealings were made at arm's length on normal commercial terms and conditions. Details of the investment are included in note 13.

Sub-let of operating lease

A property under operating lease has been sub-let to Armytage, its subsidiaries and associates during the year. Dealings are in commercial terms and conditions. Details of the sub-let transactions are disclosed in note 28.

Total sub-lease proceeds during the year were $62,874 (2011: $65,570). Receivable at year end, amounting to $NIL (2011: $3,278) are disclosed in note 12.

Expenses reimbursement

As at the reporting date, the Company owed Armytage $415 for expenses paid on its behalf. The amount is disclosed in note 16.

During the year, the Company paid:

- $12,233 to Folkstone Ltd, a related party of Mr. J. Sweeney.
- $5,509 to Equity Real Estate Partners, a related party of Mr. J. Sweeney.
- $26,829 to Armytage Private Ltd, a related party of Mr. L. IaFrate.

These represented the reimbursement of travel costs and office amenities incurred by the directors of the Group and are reimbursed at cost.

In addition to the above, the Group also paid:

- $49,779 to Peregrine Consulting Group, a related party of Mr. H. Lam for management and consulting services.
- $37,441 to Mertons Corporate Services Pty Ltd, a related party of Mr. M. Licciardo for company secretarial and corporate governance consulting services.

25. RELATED PARTY DISCLOSURES

(a) Subsidiary

The consolidated financial statements include the financial statements of Easton Investments Limited and its subsidiaries, both directly and indirectly owned, listed in the following table.

Name	Country of incorporation	Proportion of ownership interest and voting power held (%)	
		2012	2011
Incito Group Ltd	Australia	100.0	100.0
Incito Wealth Pty Ltd*	Australia	75.0	75.0
Altitude Private Wealth Pty Ltd*	Australia	60.1	60.1
Chesterfields Financial Services Pty Ltd*	Australia	58.0	58.0
Cochrane Shaw Capital Management Pty Ltd*	Australia	75.0	75.0
EQF Asia Pty Ltd	Australia	100.0	-

* Easton Investments Limited owns indirectly through Incito Group Ltd.

Incito Group Ltd ("Incito") is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its principal activity is provision of wealth management services (Australian Financial Services Licence number: 264125).

EQF Asia is established during the year to pursue the Group's interests in the Asian region. It acts as the holding company responsible for making investments and managing businesses in Asia, one of the world's fastest growing wealth management regions.

26. SHARE-BASED PAYMENT PLANS

(a) Employee share option plan

Subject to shareholders approval, the Company has put in place an Employee Share Option Plan (ESOP) that entitles directors, executives and senior employees to purchase shares in the Company. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set on the date of grant.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Company or death.

The contractual life of each option granted is three years. There are no cash settlement alternatives.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

(b) Recognised share-based payment expenses

There was no share-based payment expense recognised for employee services received during the year (2011: Nil).

(c) Summaries of options granted under ESOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the 2011 financial year:

	2012 No.	**2012 WAEP**	2011 No.	2011 WAEP
Outstanding at 1 July	3,250,000	0.35	3,250,000	0.35
Outstanding at 30 June	3,250,000	0.35	3,250,000	0.35
Exercisable at the end of the year	3,250,000	0.35	3,250,000	0.35

The outstanding balance as at 30 June 2012 is represented by 3,250,000 options over ordinary shares with an exercise price of $0.35 each, exercisable until 31 December 2012.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 0.5 years (2011: 1.5 years).

27. COMMITMENTS

(a) Lease commitments – the Group as lessee

Operating leases relate to non-cancellable lease of offices and computers with lease terms of between 5 months and 5 years. All office leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The Group does not have an option to purchase the leased offices and computers at the expiry of the lease periods.

(i) Payments recognised as an expense

	2012	2011
	$	$
Minimum lease payments	**352,917**	240,332
Sub-lease payments received	**(148,078)**	(134,229)
	204,839	106,103

(ii) Non-cancellable operating lease commitments

	2012	2011
	$	$
Not later than 1 year	**387,104**	345,278
Later than 1 year and not later than 5 years	**731,850**	780,786
Later than 5 years	**-**	-
	1,118,954	1,126,064

The Group does not recognise any liabilities in respect of non-cancellable operating leases. One of the leased offices has been sub-let to third and related parties by the Group. The total of future minimum lease payments expected to be received from these entities at the reporting date is $493,776 (2011: $493,776).

(b) Capital commitments

The Group has no outstanding capital commitments as at 30 June 2012 (2011: Nil) other than those disclosed in the subsequent events after the balance date.

(c) Loan commitments

As at the reporting date, the Company has a loan commitment to advance up to $278,150 to Incito Group Ltd, a subsidiary of the Company (2011: $249,138). The Company does not recognise any liabilities in respect of loan commitments.

28. CONTINGENCIES

There were no contingent liabilities as at 30 June 2012 (2011: Nil).

29. EVENTS AFTER THE BALANCE SHEET DATE

Refer to significant events after the balance date in Directors' Report.

30. AUDITORS' REMUNERATION

The auditor of Easton Investments Limited is Pitcher Partners.

	2012	2011
	$	$
Amounts received or due and receivable by Pitcher Partners for:		
Audit and review of the financial report of the Company and any other entity in the consolidated group	**94,712**	94,675
Other services in relation to the Company and any other entity in the consolidated group		
Tax compliance	**15,375**	23,950
Other services	**7,356**	-
	117,443	118,625

31. FINANCIAL INSTRUMENTS

The Group undertakes transactions in a range of financial instruments including:

- listed shares and equity type securities in other corporations;
- units in other unit trusts;
- convertible notes;
- cash assets;
- receivables;
- loans;
- payables;
- deposits; and
- bills of exchange and commercial paper.

As a consequence, the Group is exposed to a number of financial risks. The directors believe that these risks fall into two categories:

- "largely controllable risks" including interest rate risk, credit risk, and liquidity and operational risks;
- "partly controllable risks" mainly arising from financial market risk.

We seek to sensibly mitigate the controllable risks but recognise that our financial performance is likely to be highly volatile as a result of "mark-to-market" accounting conventions, and the Group's portfolio of investments in trusts and corporations whose overall profit performance and net worth is dependent upon the overall direction or level of financial asset markets.

The board provides overall guidance in respect of risk management, mainly in the areas of approving individual security investments, and providing advice and guidance in respect of the Group's debt financing of its activities. The Group generally does not enter into derivative contracts as part of its day to day business, and has no major necessity to hedge specific exposures, given its relatively simple debt financing structures and lack of overseas assets and liabilities.

(a) Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximizing the return to its shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, as disclosed in note 18, and equity of the Group that predominantly comprises issued capital as disclosed in note 19.

As a smaller corporation, the Group has limited ability to manage its overall cost of capital, since equity capital may not always be accessible, and if so, only at significant theoretical cost. These costs may result in significant dilution to existing shareholders' percentage interest in the Group.

In addition, the supply of debt capital is also not always assured as a result of the Group's requirements to use major commercial banks and specialist margin lenders.

The Group's policy is to manage borrowings centrally to fund all Group acquisitions and provide funding for working capital while allowing subsidiaries to manage borrowings to fund their local capital expenditure requirements, within strict parameters imposed by the Company.

To manage overall capital risks, it may be necessary for the Board of Directors to adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares. Capital is monitored on an overall basis, but with an emphasis on maintaining access to the Group's debt facilities.

(b) Largely controllable risks – interest rate risk and exposures

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Group uses. Non derivative interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts.

The Group's exposure to market interest rates arises primarily from drawdowns of debt finance from margin lender and commercial banks which exposes the Group to variable interest rates, and therefore, cash flow risks.

In its current form, the Group seeks to match the type of securities which are used as collateral with an ability for such securities to provide an income stream to assist in the servicing of the debt. Whilst the Group hopes to achieve at least a cash flow neutral outcome from this asset-liability management, there is no guarantee such an outcome will be achieved due to the equity, and thus variable distribution and dividend nature of the securities from which income is derived.

Due to the simplistic nature of the Group's debt financing, policies and procedures in relation to risk management of the debt position are generally prescribed to the Group in the form of maximum available loan amounts and rate of interest charged.

The following tables summarise interest rate risk of the Group, together with effective interest rates at balance date.

30 June 2012	**Weighted average interest rate**	**Fixed interest rate**	**Floating interest rate**	**Non interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**
Financial assets:					
Cash and cash equivalents	1.76	-	335,662	327,884	663,546
Trade and other receivables	-	-		290,325	290,325
Held-for-trading investment	-	-		-	-
Available-for-sale investment	-	-		734,917	734,917
Held-to-maturity investment	4.98	134,739	53,871	-	188,610
Loan receivables	10.0	-	952	-	952
Financial liabilities:					
Trade and other payables	-	-	-	(515,503)	(515,503)
Borrowings	9.43	-	(1,036,247)		(1,036,247)
Net financial assets/(liabilities)		134,739	(645,762)	837,623	326,600

30 June 2011	**Weighted average interest rate**	**Fixed interest rate**	**Floating interest rate**	**Non interest bearing**	**Total**
	%	**$**	**$**	**$**	**$**
Financial assets:					
Cash and cash equivalents	2.83	-	680,543	461,269	1,141,812
Trade and other receivables	-	-	-	422,645	422,645
Held-for-trading investment	-	-	-	-	-
Available-for-sale investment	-	-	-	2,040,528	2,040,528
Held-to-maturity investment	4.94	112,865	51,370	-	164,235
Loan receivables	10.0	-	862	-	862
Financial liabilities:					
Trade and other payables	8.45	-	(597,243)	(427,394)	(1,024,637)
Borrowings	9.27	-	(1,196,016)	-	(1,196,016)
Net financial assets/(liabilities)		112,865	(1,060,484)	2,497,048	1,549,429

The directors estimate that *ceterus paribus* an upward move of 1% (100 basis points) in domestic interest rates would increase pre-tax loss by approximately $6,986 (2011: pre-tax loss - $10,000).

(c) Largely controllable risks – credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

At balance date the Group does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Group.

The Group's major exposure to debtors over the course of the year relates to Members of ASX Limited, who are covered by the National Guarantee Fund. The Group only deals with ASX Members of high standing. In addition, the Group ensures that its margin loans are of a "traditional" (i.e. mortgage type) nature and do not enable the margin lender's ultimate financier to take control of the collateral assets in the event of failure of the margin lending subsidiary. Under the direction of the Board of Directors, the Group uses only margin lenders which are controlled entities of major financial institutions.

The Group's cash investments are managed internally under board approved guidelines. Funds are invested for the short-term with the major Australian banks which have a Standard & Poor's short-term rating of A1+. Furthermore, the unlisted unit trust that the Group invests in is a managed investment scheme registered with Australian Securities & Investment Commissions since 2007. The issuer of the scheme is an Australian Financial Services Licensee listed on ASX.

The maximum exposure to credit risk at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to the financial statements.

(d) Largely controllable risks – operational and liquidity risk

Liquidity risk includes the risk that, as a result of the Group's operational liquidity requirements:

- the Group will not have sufficient funds to settle a transaction on the due date;
- the Group will be forced to sell financial assets at a value which is less than what they are worth; or
- the Group may be unable to settle or recover a financial asset at all.

To help mitigate these risks the Group attempts to ensure the entity has accessible liquidity in form of cash, readily saleable securities, and access to bank and margin financing. The Group holds a preponderance of liquid equity securities, particularly relative to the small size of the Group's investment portfolio. All financial liabilities have maturity of less than 12 months.

(e) Financial market and securities risk

Financial market risk represents the loss that would be recognised if the price of securities listed on financial markets were to decline. The entity manages this risk by partly diversifying its portfolio of shareholdings. In respect of individual securities, the Board of Directors monitors and approves significant exposures to individual securities. The portfolio of shareholdings does not track a specific stock market index, and contains significant specific security risk, although will generally fluctuate in line with the general direction of global equity markets.

'Held-for-trading'
Due to the short-term nature of the Group's held-for-trading securities, the Group is not exposed to financial market and securities risk.

'Available-for-sale' investment
A 10% upward/downward move in the value of the portfolio, *ceterus paribus,* would increase/decrease approximately $73,492 (2011: $142,837) to the net unrealised gains/(losses) reserve for the year ended 30 June 2012 respectively.

(f) Net fair values of financial assets and liabilities

Financial asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

The investment in Armytage Strategic Opportunities Wholesale Fund is a level 2 financial asset. The market value at 30 June 2012 is $734,917.

The net fair values of the investments are shown in notes 13 to the financial statements. For other assets and liabilities, the net fair value approximates their carrying value.

(g) Reconciliation of net financial assets to net assets

	2012	2011
	$	$
Net financial assets as above	**326,600**	1,549,429
Non financial assets and liabilities	**6,405,900**	6,517,661
Net assets per statement of financial position	**6,732,500**	8,067,090

32. INFORMATION RELATING TO EASTON INVESTMENTS LIMITED ("THE PARENT ENTITY")

As at, and throughout, the financial year ended 30 June 2012 the parent entity of the Group was Easton Investments Limited.

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2012 **$**	2011 $
Current assets	611,610	789,421
Total assets	7,524,322	8,031,655
Current liabilities	232,016	123,141
Total liabilities	232,016	123,141
Contributed Equity	8,887,883	8,587,883
Share option reserve	75,000	75,000
Asset revaluation reserve	(158,173)	(181,630)
Accumulated losses	(1,512,404)	(572,739)
	7,292,306	7,908,514
Loss of the parent entity	(939,665)	(373,601)
Total comprehensive loss of the parent entity	(916,208)	(315,316)

The parent has provided guarantee in relation to the debt of one of its subsidiaries. As at 30 June 2012, the loan value of the bank loan is $857,594.

The parent has neither contingent liabilities nor contractual commitments for acquisition of property, plant or equipment.

33. BUSINESS COMBINATION

Current year acquisitions

As mentioned in the significant events after the balance date note in the Directors' Report, the Company has acquired Easton Asset Management Ltd ("EAM" – formerly Armytage Asset Management Ltd), an investment management and distribution business, on 28 August 2012. The purchase price for EAM is $6.1m, with 90% of the consideration in the form of fully paid ordinary shares in EAS (issued at $0.25 per share) and 10% in cash.

The Company has 100% voting equity interest in EAM. It will act as the Group's foundation regarding its growth prospects in the Asian region.

As the acquisition is only recent, the initial accounting for the business combination is not yet completed at the date of this report.

Prior year acquisitions

On 24 December 2010, Easton Investments Limited further acquired the remaining 75% of the voting shares of Incito Group Ltd ("Incito"), an unlisted public company based in Australia providing wealth management services (Australian Financial Services Licence number: 264125), to broaden the Company's portfolio, diversify risk, achieve higher returns and hold longer-term investments.

The consideration transferred was $489,000 and comprised only an issue of equity instruments. The Company issued 1,956,000 shares to director related parties with a fair value of $0.25 each, based on independent valuation of the shares of the Company at the date of exchange. The value of the shares issued was also consistent with the issue price of capital raised during the financial year. There is no cash and contingent consideration.

The fair values of the identifiable assets and liabilities of Incito as of the date of acquisition were (please note there were no business combination during the current year):

	Consolidated Fair value at acquisition date $
Cash and cash equivalents	**444,784**
Trade and other receivables	**62,877**
Other financial assets	**121,843**
Plan and equipment	**50,377**
Identifiable intangible assets	**21,581**
Deferred tax asset	**206,348**
	907,810
Trade and other payables	**(839,456)**
Provisions and employee benefits	**(33,542)**
Borrowings	**(5,330,006)**
Income tax liability	**(112,095)**
	(6,315,099)
Provisional fair value of identifiable net assets	**(5,407,289)**
Add: Goodwill arising on acquisition *(i) (note15)*	**6,451,810**
Less: Non-controlling interests in identifiable acquired net assets *(ii)*	**(392,521)**
Less: Fair value of initial 25% interest	**(163,000)**
	489,000
Acquisition-date fair-value of total consideration transferred:	
Shares issued, at fair value	**489,000**

Notes:

(i) The goodwill amount has been calculated as a provisional figure at the time of acquisition. The amount includes goodwill arising on acquisitions by Incito of its subsidiaries. During the year, there was an allocation of client book from goodwill upon finalisation of the business combination accounting. Refer note 15 for detail.

(ii) In accordance with the accounting policy set out in note 2(e), non-controlling interests are measured and recognised at the proportionate share of the identifiable net assets of Incito's subsidiaries.

Direct costs relating to the acquisition[1]	**$**	**103,365**
The cash flow on acquisition is as follows:		
Net cash acquired with the subsidiary	**$**	**444,784**
Cash paid		**-**
Net consolidated cash inflow – Investing Activities	**$**	**444,784**

[1] Direct costs relating to the acquisition include legal fees, corporate advisory fees and other transaction related costs. These costs have been accounted for separately from the business combination and are included in the consolidated statement of comprehensive income.

	Voting Equity Interest %
Incito controls the following entities:	
Incito Wealth Pty Ltd	75.0
Altitude Private Wealth Pty Ltd	60.1
Chesterfields Financial Services Pty Ltd	58.0
Cochrane Shaw Capital Management Pty Ltd	75.0

Chesterfields Financial Services Pty Ltd and Cochrane Shaw Capital Management Pty Ltd were acquired on same day via funding and script issued from the Company immediately prior to the Company acquiring the remaining shares in Incito.

As at the Acquisition Date, the funds under advice of Incito and its subsidiaries was approximately $240 million.

The consolidated statement of comprehensive income includes sales revenue and net loss for the year ended 30 June 2011 of $1,554,072 and $102,145 respectively, as a result of the acquisition of Incito. Had the acquisition of Incito occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and net loss of $1,950,352 and $478,242 respectively.

Key factors contributing to the $6,451,810 of goodwill and intangibles are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining Incito with the Company. The goodwill balance represents goodwill and intangibles attributed to the Group. None of the goodwill is expected to be deductible for tax purposes.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 22 to 67 in accordance with the *Corporations Act 2001*:

a. Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

b. As stated in note 2, the consolidated financial statements also comply with International Financial Reporting Standards; and

c. Give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Easton Investments Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the executive director and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

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

On behalf of the board

Lee D. P. IaFrate
Chairman

Melbourne, 13 September 2012

EASTON INVESTMENTS LIMITED (FORMERLY EQUITIES & FREEHOLDS LIMITED)
ABN 48 111 695 357
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EASTON INVESTMENTS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Easton Investments Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

EASTON INVESTMENTS LIMITED (FORMERLY EQUITIES & FREEHOLDS LIMITED)
ABN 48 111 695 357
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EASTON INVESTMENTS LIMITED

Independence

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

Opinion

In our opinion:

(a) the financial report of Easton Investments Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2012. 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 Easton Investments Limited and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

N R BULL
Partner

13th September 2012

PITCHER PARTNERS
Melbourne

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2012.

(a) Distribution of equity securities

Ordinary share capital

As at 31 July 2012 there were 37,569,722 shares held by 342 shareholders, all of which were quoted on the ASX. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Range	Number Of Shares	Holders
1 - 1,000	68,959	148
1,001 - 5,000	145,563	59
5,001 - 10,000	83,444	10
10,001 - 100,000	3,757,059	71
100,001 - over	33,514,697	54
TOTAL	**37,569,722**	**342**

There were 191 holders of less than a marketable parcel of ordinary shares.

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Fully Paid	
	Number	**%**
Ordinary shareholders		
Top Pocket Pty Ltd	5,863,953	15.61
Sandhurst Trustees Ltd <LMA A/C>	3,730,000	9.93
Shane Anthony Bransby	3,303,107	8.79
Absolute investment Funds SPC <Macro Div Seg Portfolio A/C>	2,000,000	5.32
	14,897,060	39.65

ADDITIONAL AUSTRALIAN SECURITIES EXCHANGE INFORMATION

(c) Twenty largest holders of quoted equity securities

	Fully Paid Number of shares	Held %
Ordinary shareholders		
TOP POCKET PTY LTD	5,863,953	15.61
SANDHURST TRUSTEES LTD <LMA A/C>	3,730,000	9.93
SHANE ANTHONY BRANSBY	3,303,107	8.79
ABSOLUTE INVESTMENT FUNDS SPC <MACRO DIV SEG PORTFOLIO A/C>	2,000,000	5.32
MINI INVESTMENTS PTY LTD <MINI A/C>	1,200,000	3.19
SIXTH ERRA PTY LTD <STAFF SUPER FUND A/C>	1,200,000	3.19
ANGORA LANE PTY LTD <ANGORA LANE P/L S/FUND A/C>	1,140,000	3.03
WEBINVEST PTY LTD <OLSB UNIT A/C>	1,000,000	2.66
MR CAMERON KNOX	886,173	2.36
FOURTH WAVE CORPORATION PTY LTD	857,848	2.28
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	833,276	2.22
MR VICTOR JOHN PLUMMER	800,000	2.13
BRINCLIFF PYTY LTD <BRINCLIFF SUPER FUND A/C>	757,250	2.02
TURTLE CAPITAL PTY LTD	652,000	1.74
WESTGUN PTY LTD	539,099	1.43
MR MARK KERR + MRS LINDA KERR <LINDMARK STAFF S/F A/C>	500,000	1.33
TARTAN PINES PTY LTD <TARTAN PINES P/L S/FUND A/C>	480,000	1.28
NATIONAL NOMINEES LIMITED	476,438	1.27
LOCOPE PTY LTD	455,000	1.21
DAVID ANTHONY WELNOSKI PETTIT+ TENILLE LARA BENTLEY <WSS FAMILY A/C>	420,000	1.12
Top 20 Total	27,094,144	72.11

(d) Restricted securities

As at 31 July 2012, there were no restricted ordinary shares and ordinary shares subject to voluntary escrow.

Voting Rights
On a show of hands, every shareholder present in person or by proxy holding stapled securities in the Company shall have one vote and upon a poll each stapled security shall have one vote.

Audit & Risk Committee
As at the date of the Directors' Report, the economic entity had established an Audit & Risk Committee of the Board of Directors (refer Corporate Governance Statement).