EQUITIES & FREEHOLDS

ANNUAL REPORT

FOR THE YEAR ENDED

30TH JUNE 2010

DIRECTORY

EQUITIES AND FREEHOLDS LIMITED
ABN 48 111 695 357

Directors

Lee Darion Peter IaFrate	Non-Executive Chairman
Campbell Gordon McComb	Executive Director
Jonathan Westaby Sweeney	Independent Director

Company Secretary
Ho Lam

Registered Office
Level 16
90 Collins Street
MELBOURNE
VIC 3000

Communications
telephone: (03) 9661 0444
facsimile: (03) 9639 0311
mail: Level 16, 90 Collins Street, MELBOURNE VIC 3000
email: info@eandf.com.au

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

On behalf of the Board of Directors of Equities and Freeholds Limited ("EQF" or "the Company"), I am pleased to report to shareholders the events of the financial year ended 30 June 2010.

During the financial year, EQF experienced a number of changes including the Company being re-capitalised, new directors and new auditors being appointed and a clearer focus on growing shareholder wealth.

Leading up to the end of the first half, the Company completed the realisation of several market investments resulting in shareholders receiving a return of capital.

Upon the conclusion of this capital management program, the former board set about seeking ways to recapitalise the Company so as to provide an asset base to grow the Company.

A fully underwritten non-renounceable rights issue was conducted in December 2009 with the intention of raising approximately $5.8 million. This objective was successful and EQF raised approximately $5.58 million after fees.

During the year, the Company also made an investment (25% shareholding) in an unlisted company, called Incito Group Limited ("Incito"). Incito is a wealth management company covering all areas of the wealth management industry.

The Company's view was to broaden EQF's investment universe into the unlisted space, as opportunities arise. It is the Company's view that with the numerous changes and consolidations coming through the financial services universe, EQF will be well positioned to invest and benefit from this industry realignment.

In order to be an active participant, EQF sought shareholder's approval in March 2010 to provide a portion of its capital to assist Incito fund acquisitions.

As a result of this process, Incito as per the recent market announcement on 30 July 2010, has entered into Heads of Agreements to acquire two more established and successful businesses. Subject to the approval of shareholders, the Company will have four business units within Incito, with combined Funds Under Advice (FUA) of approximately $235 million and revenue greater than $2.3 million.

During the year, Incito also increased its holding in Altitude Private Wealth ("Altitude") from 20% to 50.1%, this coincided with Altitude acquiring Snydale Financial Services, a business specializing in risk advice.

Incito was delighted to appoint to its board Mr Tony Hodges as Chairman and Mr Vincent Vozzo as Deputy Chairman.

Both Tony and Vincent bring significant financial services industry experience to bear on the decision making and investment process at Incito.

During the June quarter 2010, the All Ordinaries fell over 12%, which impacted on the Company's investment portfolio. On a "marked to market" basis the Company had to take through its Comprehensive Income Statement an unrealized diminished value of $664 thousand. This is a "non cash item".

The Company's profit result to June 2010 was a profit of $604 thousand. Going forward the Company is aiming to generate a more consistent revenue and profit outcome via its broader investment base.

CHAIRMAN'S STATEMENT (continued)

Outlook

The board is pleased with the effort to date, in establishing the wealth management division, as it is intended to supplement the Company's core activity of being an active equity market investor.

Whilst it is very difficult to predict share market movements, we sense that less volatile markets lie ahead.

The outlook for Incito, our wealth management division, is very encouraging. The recent clutch of acquisitions places the business on a sound EBIT path, providing a complementary income stream to the returns from EQF's active market investments. This establishes for EQF shareholders an EBIT position and is anticipated to act as a buffer against the Company's other form of activity being an active market investor.

The evolution of the financial advice industry is providing many quality opportunities, which we are currently reviewing.

Finally, our Company is in a sound financial position and we are well resourced to continue the building of shareholder wealth.

Lee D.P. IaFrate
Chairman

DIRECTORS' REPORT

The directors present their report on the Company for the financial year ended 30 June 2010.

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
(Chairman – appointed 12 October 2009)

Lee has more than 27 years experience in the securities industry, specialising in corporate advising, institutional broking, mergers and acquisitions and capital raising activities. Lee was the founder and former Chairman of Treasury Group Limited.

During the past three years, Lee has served as a director of another listed company, Prime Financial Group Limited (appointed 31/12/02; resigned 27/8/08).

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 14 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 2010.

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

Jonathan is an executive director of Equity Real Estate Partners, a recently established real estate investment management business. Jonathan has more than 20 years experience within the financial services industry. Jonathan's expertise spans retail and wholesale funds management, both overseas and within Australia, superannuation trusteeship, corporate governance, mergers and acquisitions, capital raisings and investment advice.

During the past three years, Jonathan has served as a director of another listed company, The Trust Company Limited (appointed October 2000; resigned 31/12/08).

DIRECTORS' REPORT (continued)

Andrew J. Brown
(Executive Chairman & Joint Company Secretary – resigned 16 March 2010)

Andrew Brown has 30 years experience in the Australian equity market as a stockbroker, corporate investor and funds manager. Andrew has an honours degree majoring in economics and econometrics from the University of Manchester, England.

During the past three years, Andrew has served as a director of the following other listed companies:

- Adelaide Resources Limited (non-executive director – ongoing)
- Aequs Capital Limited (appointed 14/4/05; resigned 18/12/08)
- Cheviot Bridge Limited (non-executive director – ongoing)
- Cheviot Kirribilly Vineyard Property Group (executive director – ongoing)
- Enerji Limited (appointed 20/8/2007; resigned 8/7/2008)
- Fat Prophets Australia Fund Limited (Chairman – ongoing)
- Snowball Group Limited (appointed 25/6/2003; resigned 9/10/2007)
- Tidewater Investments Limited (Managing director – ongoing).

Stephen M. Roberts
(Non-Executive Director – resigned 12 October 2009)

Stephen Roberts is a co-founder, and former director and General Manager of Link Recruitment Pty. Limited, a specialist recruitment business established in 1986. A majority of shares in the Link business were sold to Select Appointments plc in 1999, subsequently acquired by the Dutch based Vedior. Stephen has significant experience in business development, strategic planning and the management expertise gleaned from organically growing an enterprise from scratch to over 250 employees. Stephen retired from Link in March 2007.

During the past three years, Stephen has served as a director of the following other listed companies:

- Tidewater Investments Limited (non-executive director – ongoing)
- Hamilton James and Bruce Group (appointed 9/7/2009; resigned 24/9/2009).

Richard C. Ochojski
(Non-Executive Director – resigned 12 October 2009)

Richard is an independent consultant and experienced finance executive having been employed in the banking and finance industry for over thirty years. For almost twenty years, until late 2005, Richard was employed by Macquarie Bank as a director of the Banking Division within the Banking and Property group. Richard has specific industry knowledge of the real estate and related industries and was formerly a non-executive director of Realestate.com.au Limited between February 2000 and August 2002.

During the past three years, Richard has served as a non-executive director of another listed company, Vesture Limited (Chairman - ongoing).

DIRECTORS' REPORT (continued)

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	4,125,000	1,250,000
Campbell G. McComb	2,160,000	1,250,000
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
(Appointed 17 February 2010)

Ho has over 14 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.

RESULTS AND DIVIDENDS

The net profit after income tax for the year to 30 June 2010 was $604,170 (2009: loss of $769,614).

	Cents	$
Final dividends recommended:		
• *on ordinary shares*	-	-
Dividends paid in the year:		
Interim for the year		
• *on ordinary shares*	27.6	803,308
Final for 2009 shown as recommended in the 2009 financial statements		
• *on ordinary shares*	-	-

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was investment, both directly and indirectly, in companies listed on Australian Securities Exchange ("ASX").

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

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

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

A full review of significant events after the balance date is given on pages 1 to 2 within the Chairman's Statement.

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 Company and the expected results of those operations other than matters referred in the Chairman's Statement would unreasonably prejudice the Company's interest. Accordingly no further information is included in this report.

ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT (continued)

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. The total amount of insurance contract premiums paid was $13,902.

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' 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 Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Lee D. P. IaFrate	6	6	-	-
Campbell G. McComb	6	6	-	-
Jonathan W. Sweeney	6	6	-	-
Andrew J. Brown	6	6	2	2
Stephen M. Roberts	4	4	1	1
Richard C. Ochojski	4	4	1	1

COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit Committee. Members acting on the Audit Committee during the year were:

Jonathan W. Sweeney (Chairman – appointed on 17/02/10)
Campbell G. McComb (Appointed on 17/02/10)
Andrew J. Brown (Resigned on 16/03/10)
Stephen M. Roberts (Resigned on 12/10/09)
Richard C. Ochojski (Resigned on 12/10/09)

REMUNERATION REPORT (audited)

This remuneration report for the year ended 30 June 2010 outlines the remuneration arrangements of the Company 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, directly or indirectly.

The remuneration report is presented under the following sections:

(A) Individual key management personnel disclosures
(B) Remuneration policy
(C) Remuneration of key management personnel
(D) Equity instruments disclosures
(E) Executive contractual arrangements

(A) Individual key management personnel disclosures

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

(i) Directors

Lee D. P. IaFrate	Chairman (Non-executive) – appointed 12 October 2010
Campbell G. McComb	Director (Executive) – appointed 12 October 2010
Jonathan W. Sweeney	Director (Non-executive) – appointed 12 October 2010
Andrew J. Brown	Executive Chairman – resigned 16 March 2010
Stephen M. Roberts	Director (Non-executive) – resigned 12 October 2010
Richard C. Ochojski	Director (Non-executive) – resigned 12 October 2010

(ii) Executive

Ho Lam	Chief Financial Officer and Company Secretary – appointed 17 February 2010

There were no other changes to KMP after reporting date and before the date of the financial statements was authorised for issue.

(B) Remuneration policy

The board policy for determining the nature and amount of remuneration of key management personnel 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 Company performance through their contributions and leadership.

For key management personnel, the Company provides a remuneration package that incorporates both cash-based remuneration and, if appropriate, share-based remuneration. The contracts for service between the Company 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 Company 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 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 $35,000 per annum plus superannuation contributions.

The Constitution 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.

DIRECTORS' REPORT (continued)

(C) Remuneration of key management personnel

There was no key management personnel appointed during the financial year who received a payment as part of his or her consideration for agreeing to hold the position.

Table 1: Remuneration for the year ended 30 June 2010

	Short-term benefits			Post employment		Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Non Monetary Benefits	Super-annuation	Retirement Benefits	Options		
	$	$	$	$	$	$	$	%
Directors								
Lee D. P. IaFrate	17,000	-	-	1,530	-	28,846	47,376	-
Campbell G. McComb	11,750	-	-	1,058	-	28,846	41,654	-
Jonathan W. Sweeney	11,750	-	-	1,058	-	17,308	30,116	-
Andrew J. Brown	2,750	-	-	-	-	-	2,750	-
Stephen M. Roberts	-	-	-	9,879	-	-	9,879	-
Richard C. Ochojski	10,867	-	-	-	-	-	10,867	-
Total	54,117	-	-	13,525	-	75,000	142,642	
Other key management personnel								
Ho Lam	59,393	-	-	-	-	-	59,393	-

Table 2: Remuneration for the year ended 30 June 2009

	Short-term benefits			Post employment		Share-based payments	Total	Performance related
	Salaries & fees	Cash bonus	Non Monetary Benefits	Super-annuation	Retirement Benefits	Options		
	$	$	$	$	$	$	$	%
Directors								
Andrew J. Brown	26,250	-	-	2,362	-	-	28,612	-
Stephen M. Roberts	-	-	-	35,000	-	-	35,000	-
Richard C. Ochojski	29,167	-	-	2,625	-	-	31,792	-
Claire T. Porta	8,750	-	-	787	-	-	9,537	-
Total	64,167	-	-	40,774	-	-	104,941	

(D) Equity instruments disclosures

Table 3: Options awarded and vested during the year

		Terms and Conditions for each Grant						Vested	
30 June 2010	**Awarded No.**	**Award date**	**Fair value per option at award date (cents) (note 28)**	**Exercise price (cents) (note 28)**	**Expiry date**	**First exercise date**	**Last exercise date**	**No.**	**%**
Directors									
Lee D. P. IaFrate	1,250,000	16/12/09	2.31	35	31/12/12	16/12/09	31/12/12	1,250,000	100.0
Campbell G. McComb	1,250,000	16/12/09	2.31	35	31/12/12	16/12/09	31/12/12	1,250,000	100.0
Jonathan W. Sweeney	750,000	16/12/09	2.31	35	31/12/12	16/12/09	31/12/12	750,000	100.0
Totals	**3,250,000**							**3,250,000**	

Table 4: Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Directors				
Lee D. P. IaFrate	28,846	-	-	60.9
Campbell G. McComb	28,846	-	-	69.3
Jonathan W. Sweeney	17,308	-	-	57.5

For the details on the valuation of the options, including models an assumptions used, please refer to note 28. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

(E) Executive contractual arrangements

The Chief Financial Officer and Company Secretary, Mr Lam, currently provides the services under a service arrangement between the Company and his company, Peregrine Consulting Group. The current arrangement has no predetermined termination date. Under the terms of the arrangement, both parties may terminate the arrangement by giving one month written 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

During the year there were no non-audit services provided by the auditors of the Company.

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, 9 September 2010

EQUITIES AND FREEHOLDS LIMITED
ABN 48111695357

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EQUITIES AND FREEHOLDS LIMITED

In relation to the independent audit for the year ended 30 June 2010, 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.

B J BRITTEN

Partner

Date 10 September 2010

PITCHER PARTNERS

Melbourne

CORPORATE GOVERNANCE

In March 2003, the ASX Corporate Governance Council ("**ASXCGC**") issued the Principles of Good Corporate Governance and Best Practice Recommendations ("**ASX Recommendations**") as a guide to the top 500 ASX listed companies. The guidelines were reviewed as at 31 March 2004 by the Implementation Review Group and some relaxations agreed particularly in respect to non top 300 ASX listed companies. The ASX recommendations were extensively revised in August 2007 as a "Second Edition" in respect of which Equities and Freeholds Limited ("**EQF**" or "**the Company**") is required to report.

Corporate Governance is the framework by which the Company is effectively managed, in respect of its ethics and honest approach to doing business, the accountability of the board of directors to shareholders of the Company for financial performance and growth, and the management of the inevitable risks which are encountered in running a company reliant upon the performance of financial assets and investments.

The Company is a very small company with a strong commitment to containing costs. This commitment, when related to the small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of the Company, and as a consequence, the corporate governance framework has been adapted to the operation of a smaller entity.

All of the board and staff are very experienced company officers and are well aware of their responsibilities to the Company, to the security holders and to all other stakeholders, and fulfil similar roles in other corporations. As a consequence, the Company looks to attract directors who exhibit the requisite innate characteristics of honesty and integrity.

The EQF board largely supports and is largely, though not totally, in compliance with the ASX Recommendations published by the ASXCGC. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of the Company and the view of the board in optimizing shareholder returns.

EQF's Constitution and various charters and statements in relation of corporate governance discussed in this section are available from the Company upon request in writing.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A. THE ROLE OF THE BOARD AND MANAGEMENT

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The responsibility for the operation and administration of the Company is delegated, by the board, to the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive management team.

CORPORATE GOVERNANCE (Continued)

Whilst at all times the board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established an Audit Committee.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- Setting the goals of the Company including short, medium and longer term objectives;
- Providing the overall strategic direction of the Company;
- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the board include:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- Acting as an interface between the Company and its shareholders and reporting to shareholders.

B. LETTERS OF APPOINTMENT

Letters of appointment are prepared for directors covering duties, time commitments, induction and company polices and corporate governance. Given the small number of these individuals, their remuneration structure and main elements of terms of employment are reproduced in the Remuneration Report section of this Annual Report.

C. PERFORMANCE EVALUATION OF SENIOR EXECUTIVES

Due to the small size and simple business nature of the Company, its executive management team is only comprised of an executive director and an executive.

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed and aligned with the financial and non-financial objectives of the Company.

CORPORATE GOVERNANCE (Continued)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A. SIZE AND COMPOSITION OF THE BOARD

The composition of the board is determined in accordance with the following principles and guidelines:

- The board shall comprise not less than three directors nor more than such number as the directors may determine at any time.
- The Chairman should preferably be an independent or non-executive director.
- The board shall comprise directors with a diverse and appropriate range of qualifications and expertise and in the event of retirement of a director with particular expertise, the board will appoint a director with skills and experience to balance the needs of the board in the operations of the Company.
- The board shall meet monthly and follow meeting guidelines established to ensure that all directors are made aware of, and have available all necessary information in a timely manner, to participate in an informed discussion of all agenda items.

At the date of this report, the board of the Company comprises a non-executive chairman, an executive director and an independent non-executive director. The Directors' Report provides the details of the directors in office during the year together with their experience, expertise and qualifications.

The directors in office at the date of this Statement are:

Non-executive Chairman:	Lee IaFrate
Executive Director:	Campbell McComb
Independent non-executive director:	Jonathan Sweeney

B. DIRECTORS' INDEPENDENCE

Non Executive directors are independent of management, have a substantial shareholding (i.e. over 5%) via relevant interest and have other relationships with management and the Company which result in them being required to stand aside from certain deliberations as a result of a conflict of interest.

Independent directors are independent of management, do not have a substantial shareholding (i.e. less than 5%) and are free from any business or other relationship which could materially interfere with the exercise of their judgement.

The Company presently has only one independent director. The board recognises the Corporate Governance Council's recommendation that a majority of the board should consist of independent directors.

The board, however, believes that each executive director is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of that executive director and that the Company as a whole benefits from the long-standing industry experience and expertise of that director.

In addition, the board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The board further recognises that Mr IaFrate is the Chairman and a major shareholder of the Company, it can be argued that he does not meet the definition of independence.

The board, however, believes that Mr IaFrate is the most appropriate person to lead the board as the Chairman and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefits from his long standing industry experience and expertise.

CORPORATE GOVERNANCE (Continued)

In light of the size and activities of the Company, the directors do not see any advantage in appointing additional directors or re-structuring the board at this time.

C. CONFLICT OF INTEREST

The board has in place a process to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the director concerned does not receive the relevant board papers and leaves the board meeting while the matter is considered. Directors must advise the board immediately of any interests that could potentially conflict with those of the Company.

D. ELECTION OF DIRECTORS

The directors of the Company are elected or re-elected (on a rotational basis) at the Company's Annual General Meeting. Details of the members of the board, their experience, expertise and qualifications are set out in the Director's Report. It is the board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

E. BOARD COMMITTEES

Establishment of board committees is commensurate with the size of the Company. Having regard to the small size of the Company, the duties of Remuneration Committee and Nomination Committee are handled by the full board.

F. DIRECTOR'S ACCESS TO INFORMATION AND ADVICE

Directors receive a monthly report from the executive management team and have unrestricted access to company records and information.

Directors may obtain independent professional advice at the Company's expense on matters arising in the course of their board and committee duties, after obtaining the Chairman's approval. The Board Charter requires that all directors be provided with a copy of such advice and be notified if the Chairman's approval is withheld.

It is the board's policy that any committees established by the board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with terms of reference established by the board.

The board appoints and removes the Company Secretary. All directors have direct access to the Company Secretary and, through the Chairman, to the board on all governance matters.

CORPORATE GOVERNANCE (Continued)

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

A. BUSINESS CONDUCT AND ETHICS

Embedded within the Board Charter is a directors' Code of Conduct ("**Code**") of which the following is a summary:

- Directors must act honestly, in good faith and in the best interests of the Company as a whole at all times.
- Directors have a duty to use due care and diligence in fulfilling the functions of the office and exercising the powers attached to that office.
- Directors must always use the powers of the office for a proper purpose.
- Directors must recognise that their primary responsibility is to the Company's security holders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- Directors must not make improper use of information acquired as a director.
- Directors must not allow personal interests, or the interests of any Associated Person, to conflict with the interests of the Company.
- Directors have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board.
- Confidential information received by a director in the course of the exercise of director's duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or required by law.
- Directors should not engage in conduct likely to bring discredit upon the Company.
- Directors have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.
- Directors have an obligation to ensure that the continuous and periodic disclosure requirements as set out in the ASX Listing Rules are adhered to at all times.

The policy also includes detailed guidelines for interpretation of the principles of the Code.

All senior employees are governed by terms of employment, into which the relevant principles detailed above are embedded.

CORPORATE GOVERNANCE (Continued)

B. TRADING IN COMPANY SECURITIES

The Company has put 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 the last day of each month until the next business day after announcement of the Net Tangible Asset ("NTA") results of the Company to the ASX; 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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

A. AUDIT COMMITTEE FUNCTION

Detailed terms of reference for the Audit Committee have been adopted. At present, the Audit Committee does not meet the requirements of the ASX Recommendations because it contains an executive director. The board believes that due to the extremely small scale of the Company and clear transparency and simplicity of accounts that the Audit Committee can function adequately in its current composition. In the event that the Company increased in scale to a significant degree, the composition of the Audit Committee would be addressed.

The Audit Committee responsibilities are:

- to review the adequacy of systems and standards of internal control with emphasis on risk management, financial reporting procedures and compliance;
- to review proposed announcements of financial results, financial statements, management questionnaires and external audit reports in advance of the board;
- to receive any information it requires from management;
- to report its findings and recommendations directly to the board; and
- to provide a direct link from the board to the external auditor; the nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year audit review.

The Audit Committee meets separately with the auditors as required from time to time to discuss the audit reviews and reports, to ensure that there are no outstanding issues and to assess the auditor's continuing independence.

At the date of this statement, the members of the Audit Committee are Jonathan Sweeney (Chairman of the Audit Committee) and Campbell McComb.

Full compliance with the ASX Recommendations (requires three members including an independent Chairman) will not be achieved unless the board resolves to appoint an independent director/Chairman. The directors do not believe there is any advantage in appointing additional directors at this time.

CORPORATE GOVERNANCE (Continued)

The Audit Committee seeks to ensure the independence of the external auditor. The policy on auditor independence applies to services supplied by the external auditor and their related firms to EQF. Under the policy on auditor independence, the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the group, or audits its own professional expertise. EQF has a very limited number and scope of permissible non-audit assignments. In addition, the external audit engagement partner and review partner must be rotated every five years.

The external auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

B. FINANCIAL STATEMENTS ACCOUNTABILITY

EQF's executive management team is required to state to the board, in writing, that the Company's financial statements 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.

In the 2010 financial year, the executive management team has provided a statement to the board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The board has always been very conscious of its disclosure obligations and has adopted a detailed continuous and periodic disclosure policy. Disclosure obligations are also contained in the Charter for the Board of Directors.

All directors and the Company Secretary are responsible to ensure that disclosure policy is adhered to. The executive management team works with the Chairman in dealing with media contact and any external communications.

Current and archived news items announced by the Company are available free of charge at www.asx.com.au.

EQF provides a review of operations and financial performance in the 2010 Annual Report which includes the company's financial statements. Results announcements to the ASX, analyst presentations and the full text of the Chairman's address at the Company's Annual General Meeting are lodged with ASX and available at www.asx.com.au.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The board is committed to ensuring that the security holders are at all times provided with information sufficient to allow effective monitoring of the Company's performance by means of:

- the Annual Report which is distributed to security holders (at their election);
- the Half Yearly Report;
- periodic reports and special reports when matters of material interest arise;
- the Annual General Meeting and other meetings called to obtain approval of any board action as required; and
- Continuous disclosure.

The directors' Code of Conduct and the Charter for the Board of Directors both support this principle.

CORPORATE GOVERNANCE (Continued)

The Company's auditor is required to attend the Annual General Meeting and be available to answer any questions the security holders may care to ask in respect to the audit of the financial statements of the Company.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A. OVERSIGHT OF RISK

The Board of Directors is the ultimate sponsor of risk oversight within the Company, but does so in a manner which reflects the transparent nature of EQF's systems. The Company pays significant attention to risk as a consequence of its activities which involve dealing in financial assets. As a consequence of the core activities of the Company, EQF deliberately assumes a level of risk of capital loss, the quantum of which is regularly discussed and debated by the board. Through the reporting of the executive management team, the board is able to monitor the level of interest rate, asset concentration, capital, reputational, credit and overall financial market risk being assumed by the Company.

The Audit Committee Terms of Reference include a requirement for the Committee to review and monitor the risk management practices and activities of the Company. Also, the risk management responsibilities of the board and management are dealt with in detail in the Charter for the Board of Directors.

B. IMPLEMENTATION OF RISK MANAGEMENT SYSTEMS

The Company has developed a series of internal and external controls which govern the Company's material business risks. These controls include, but are not restricted to a compliance officer who provides training in respect of certain risk assessment procedures on a quarterly basis to all employees and regular reporting to the Board of Directors.

The Company has not appointed a specific internal auditor. The Company does not have a Risk Management Committee due to its small size and scale of activities, but the Audit Committee has a mandate to review and monitor the risk management practices and activities of the Company.

C. ACCOUNTABILITY

In the 2010 financial year, the executive management team has provided a statement to the board in writing in respect to the integrity of the financial statements and the efficient and effective operation of the risk management and internal compliance and control systems.

As part of the process of approving the financial statements, at each reporting date the executive management team provides a statement in writing to the board on the quality and effectiveness of the Company's risk management and internal compliance and control systems.

The board has also received statements from the executive management team certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the financial statements are founded on a sound system of risk management and internal compliance and control;
- the system of risk management in operation at 30 June 2010 implements the policies adopted and delegated by the board and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

CORPORATE GOVERNANCE (Continued)

Further, the board received the relevant declarations required under section 295A of the Corporations Act 2001 and the relevant assurances required under recommendation 7.3 of the Second Edition of the ASX Recommendations.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The duties and responsibilities of a Remuneration Committee are detailed in the Charter for the Board of Directors. The full board handles those duties and responsibilities at this time and ensures that the remuneration practices of the Company are fair and reasonable and structured to encourage enhanced performance. Full details of the remuneration quantum and structure for key personnel is contained in the Remuneration Report within this Annual Report.

Directors Remuneration
Suitable remuneration for executive director will be approved by the board.

The maximum aggregate amount of non executive director's fees must be approved by the company in a General Meeting. Non executive directors do not receive bonus payments nor retirement entitlements other than superannuation.

Equities and Freeholds Limited
2010 Financial Report
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Note	2010 $	2009 $
Continuing operations			
Revenue	4	**168,391**	74,051
Net gain/(loss) on investments held for trading		**739,764**	(623,829)
Salaries and employee benefits expenses	6	**(184,113)**	(104,942)
Finance costs	7	**(57)**	(35,426)
Depreciation and amortisation	8	**(1,743)**	-
Other expenses	9	**(279,692)**	(79,468)
Profit/(Loss) before tax		**442,550**	(769,614)
Income tax benefit	10	**161,620**	-
Profit/(loss) from continuing operations after income tax		**604,170**	(769,614)
Net profit/(loss) for the year		**604,170**	(769,614)
Other comprehensive income			
Net fair value losses on available-for-sale financial assets		**(342,735)**	-
Income tax on items of other comprehensive income		**102,820**	-
Other comprehensive income for the year, net of tax		**(239,915)**	-
Total comprehensive income for the year		**364,255**	(769,614)
Profit/(losses) for the year is attributable to:			
Owners of the Company		**604,170**	(769,614)
Total comprehensive income for the year is attributable to:			
Owners of the Company		**364,255**	(769,614)
Basic earnings/(loss) (cents per share)	11	**3.94**	(26.4)
Diluted earnings/(loss) (cents per share)	11	**3.94**	(26.4)

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	13	**2,328,532**	7,122
Receivables	14	**78,083**	49,397
Other financial assets	15	**676,167**	1,082,674
Total current assets		**3,082,782**	1,139,193
Non-current assets			
Investment in an associate	16	**50,000**	-
Other financial assets	15	**2,251,049**	-
Plant and equipment	17	**6,129**	-
Deferred tax assets	10	**335,561**	-
Other intangible assets	18	**16,502**	-
Total non-current assets		**2,659,241**	-
TOTAL ASSETS		**5,742,023**	1,139,193
LIABILITIES			
Current liabilities			
Trade and other payables	19	**58,914**	40,969
Provisions and employee benefits	20	**3,063**	-
Borrowings	21	-	10,669
Total current liabilities		**61,977**	51,638
TOTAL LIABILITIES		**61,977**	51,638
NET ASSETS		**5,680,046**	1,087,555
EQUITY			
Equity attributable to owners of the Company			
Contributed equity	22	**6,044,099**	26,714,142
Reserves	23	**(164,915)**	-
Accumulated losses	24	**(199,138)**	(25,626,587)
TOTAL EQUITY		**5,680,046**	1,087,555

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

	Ordinary shares	Accumulated losses	Employee equity benefits reserve	Net unrealised gains/(losses) reserve	Total
	$	$	$	$	$
At 1 July 2009	26,714,142	(25,626,587)	-	-	1,087,555
Profit for the year	-	604,170	-	-	604,170
Other comprehensive income	-	-	-	(239,915)	(239,915)
Total comprehensive income for the year	-	604,170	-	(239,915)	364,255
Transactions with owners in their capacity as owners:					
Dividends paid	-	(803,308)	-	-	(803,308)
Return of capital	(698,522)	-	-	-	(698,522)
Share option payments expense	-	-	75,000	-	75,000
Issue of new equity	5,821,014	-	-	-	5,821,014
Cost of equity issuance	(237,070)	-	-	-	(237,070)
Tax effect on equity issuance costs	71,122	-	-	-	71,122
Lost capital (s258F reduction)	(25,626,587)	25,626,587	-	-	-
At 30 June 2010	**6,044,099**	**(199,138)**	**75,000**	**(239,915)**	**5,680,046**

	Ordinary shares	Accumulated losses	Employee equity benefits reserve	Net unrealised gains/(losses) reserve	Total
	$	$	$	$	$
At 1 July 2008	26,743,991	(24,856,973)	-	-	1,887,018
Loss for the year	-	(769,614)	-	-	(769,614)
Total comprehensive income for the year	-	(769,614)	-	-	(769,614)
Transactions with owners in their capacity as owners:					
Share buy-back	(29,849)	-	-	-	(29,849)
At 30 June 2009	**26,714,142**	**(25,626,587)**	-	-	**1,087,555**

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

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Payments to suppliers and employees		**(340,072)**	(185,227)
Proceeds from sale of financial investments held for trading		**4,561,461**	1,550,315
Payments for purchase of financial investments and settlement of financial liabilities held for trading		**(4,904,891)**	(1,188,054)
Dividends and distributions received		**13,620**	90,587
Interest received		**78,554**	13,296
Finance costs paid		**(57)**	(34,738)
Net cash flows from/(used in) operating activities	25	**(591,385)**	246,179
Cash flows from investing activities			
Purchase of plant and equipment		**(6,901)**	-
Purchase of other intangible assets		**(17,473)**	-
Acquisition of an associate		**(50,000)**	-
Loan to an associate		**(500,000)**	-
Purchase of 'held-to-maturity' financial assets		**(86,106)**	-
Purchase of 'available-for-sale' financial assets		**(2,000,000)**	-
Net cash flows from/(used in) investing activities		**(2,660,480)**	-
Cash flows from financing activities			
Proceeds from borrowings from related parties		**-**	302,529
Repayment of borrowings from related parties		**-**	(302,529)
Proceeds from issue of shares		**5,821,014**	-
Transaction costs on issue of shares		**(237,070)**	-
Payment for return of capital		**-**	(1,977,230)
Payment for share buy back		**-**	(29,849)
Net cash flows from/(used in) financing activities		**5,583,944**	(2,007,079)
Net decrease in cash held		**2,332,079**	(1,760,900)
Cash at the beginning of the financial year		**(3,547)**	1,757,353
Cash at the end of the financial year	13	**2,328,532**	(3,547)

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

1. CORPORATE INFORMATION

The financial report of Equities and Freeholds Limited ("the Company") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 9 September 2010.

Equities and Freeholds 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 Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table of Contents

(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

Compliance with Australian Accounting Standards ensures that the financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, the financial report has also been prepared in accordance with and comply with IFRS as issued by the IASB.

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The Company has adopted the following new and revised Standards and Interpretations in the current year.

- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 July 2009
  AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
  AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*

  The Standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements that separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

- AASB 7 *Financial Instruments: Disclosures*
  AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

  The amended Standard requires additional disclosures about fair value measurements and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.

  The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 33. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 33.

- AASB 8 Operating Segments

  AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Company concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 5, including the related revised comparative information.

- Interpretation 17 *Distribution of Non-Cash Assets to Owners*
  AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distribution of Non-Cash Assets to Owners*

  The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The adoption of this Standard and Interpretation did not have any impact on the financial position or the performance of the Company.

(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 Company for the annual reporting period ending 30 June 2010, 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 124 *Related Party Disclosures* AASB 2009-12 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
• AASB 9 *Financial Instruments* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*	1 January 2013	30 June 2014

AASB *Financial Instruments* and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139. Broadly, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. The directors have not yet had an opportunity to consider how AASB 9 impacts the Company's financial assets.

(d) 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 Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) 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.

(ii) Dividends and distributions

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

(iii) 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.

(e) Income tax and other taxes

(i) Income tax

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

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 statement of financial position.

Cash flows are included in the 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.

(f) Cash and cash equivalents

Cash and cash equivalents in the 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 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.

(g) 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 Company 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 Company transfers substantially all the risks and rewards of the financial assets. If the Company 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 Company 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.

(iii) Loans and receivables

Loan receivable including a loan to an associate is a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. The asset is carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loan receivable is derecognised or impaired. It is included in non-current assets because the maturity is greater than 12 months after balance date.

(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.

(h) Investments in an associate

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

The Company generally deems they have significant influence if they have over 20% of the voting rights.

It is the Company's accounting policy that investment in its associates is accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets held for Sale and Discontinued Operations*.

Under the equity method, investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any impairment loss with respect to the Company's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

(i) 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 4 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.

(j) Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. 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.

(k) 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 Company 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.

(l) 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 Company prior to the end of the financial year that are unpaid and arise when the Company 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.

(m) Borrowing costs

Borrowings are initially measured at fair value, net of transaction cost. The Company derecognise borrowings when, and only when, the Company's obligations are discharged, cancelled or they expire.

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.

(n) Provisions and employee benefits

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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

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.

(o) Share-based payment transactions

The Company has an Employee Share Option Plan which provides benefits to its directors, executives and senior employees 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 fair value is determined by using a Black-Scholes model, further details of which are given in note 28.

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.

(p) 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.

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, 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 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.

(r) Comparatives

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

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 Company'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 Company 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 Company 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 Company assesses impairment of all other financial assets at each reporting date by evaluating conditions specific to the Company and to the particular financial asset that may lead to impairment. These include the investment in an associate and loans to the associate. If an impairment trigger exists, the recoverable amount of the asset is determined.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions
The Company 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 fair value is determined by using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in note 28(f).

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

	2010 $	2009 $
Revenue is comprised as follows:		
Dividend and distributions income	**81,879**	64,391
Interest income	**86,512**	4,072
Other income	**-**	5,588
Total revenue	**168,391**	74,051

5. SEGMENT INFORMATION

The Company's current activities comprise a single segment being investment in companies and trusts, all of which are currently domiciled in Australia.

6. SALARIES AND EMPLOYEE BENEFITS EXPENSES

	2010 $	2009 $
Salaries and employee benefits:	**109,113**	104,942
Share-based payments (note 28)		
Equity-settled share-based payments	**75,000**	-
Total salaries and employee benefits expenses	**184,113**	104,942

7. FINANCE COSTS

	2010 $	2009 $
Cost of finance attributable to loans from other entities	**57**	35,426

8. DEPRECIATION AND AMORTISATION

	Note	2010 $	2009 $
Depreciation of plant and equipment	17	**772**	-
Amortisation of intangible assets	18	**971**	-
Total depreciation and amortisation		**1,743**	-

9. OTHER EXPENSES

	2010 $	2009 $
Other expenses are comprised as follows:		
Legal expenses	**27,704**	-
Consulting fees	**59,393**	-
Share registry and stock exchange costs	**71,784**	29,529
Auditor's remuneration (note 32)	**57,558**	38,477
Office and occupancy expenses	**18,839**	-
Insurances	**9,878**	-
General and administration expenses	**34,536**	11,462
Total other expenses	**279,692**	79,468

10. INCOME TAXES

	2010 $	2009 $
(i) Income tax benefit		
The major components of income tax (benefit) are:		
Current income tax	**-**	-
Deferred income tax	**(161,620)**	-
Total	**(161,620)**	-
Deferred income tax benefit included in income tax (benefit) comprises:		
Decrease/(increase) in deferred tax assets	**(162,764)**	-
(Increase)/decrease in deferred tax liabilities	**1,144**	-
Total	**(161,620)**	-

(ii) Amounts charged or credited directly to equity

Deferred income tax related to items charged (credited) directly to equity:		
Tax effect of equity issuance costs	**(71,122)**	-
Total income tax (benefit) reported in equity	**(71,122)**	-

(iii) Amounts charged or credited to other comprehensive income

Deferred income tax related to items charged (credited) directly to other comprehensive income:		
Unrealised (loss) on available-for-sale investments	**(102,820)**	-
Total income tax (benefit) reported in other comprehensive income	**(102,820)**	-

	2010 $	2009 $
(iv) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expenses as follows:		
Profit/(loss) before tax	**442,550**	(769,614)
Prima facie income tax on the profit/(loss) before income tax at 30% (2009: 30%)	**132,765**	(230,884)
Tax effect of:		
Tax benefit arising from franked dividend rebate	**(24,204)**	(23,465)
Share-based payments (equity settled)	**22,500**	-
Recognition of previously unrecognised tax losses	**(292,681)**	-
Deferred tax asset not brought to account	**-**	254,349
Total income tax (benefit)	**(161,620)**	-

(v) Reconciliations of deferred tax assets

	2010 $	2009 $
Deferred tax assets:		
Available-for-sale financial assets	**102,820**	-
Held-for-trading financial assets	**99,169**	-
Capital raising costs	**56,897**	-
Accruals and provisions	**12,971**	-
Tax loss adjustments	**64,848**	-
	336,705	-
Deferred tax liabilities:		
Prepayments	**(1,144)**	-
Net deferred tax assets	**335,561**	-

(vi) Deferred tax assets not brought to account

As at 30 June 2009, the Company had estimated unrecouped operating income tax losses of $975,604. The benefit of these losses of $292,681 was not brought to account as realisation was not probable.

The benefit will only be obtained if:

(i) the company 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 company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

11. EARNINGS PER SHARE

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

	2010 $	2009 $
(a) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**604,170**	(769,614)
For diluted earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Company	**604,170**	(769,614)
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**15,349,945**	2,914,652
Effect of dilution:		
Share options	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**15,349,945**	2,914,652

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(c) Information on the classification of securities

Options granted to directors 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.

12. DIVIDENDS PAID AND PROPOSED

	2010 $	2009 $
(a) Recognised amounts		
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim dividend for 2010: 27.6 cents (2009: NIL)	**803,308**	-

The interim dividend paid during the financial year was 25.9 cents unfranked and 1.7 cents franked at the 30 per cent corporate tax rate. Interim dividend was paid out of shares in investments held-for-trading (note 25(b)).

(b) Franking credit balance

	2010 $	2009 $
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% (2009: 30%)	**3,671**	23,840
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	**12,823**	-
	16,494	23,840

13. CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash on hand and at bank as per statement of financial position	**2,328,532**	7,122
Margin loans and drawdowns (note 21)	**-**	(10,669)
Net cash and cash equivalents as per cash flow statement	**2,328,532**	(3,547)

14. RECEIVABLES

	2010 $	2009 $
Current		
GST receivables	**1,541**	841
Distribution receivable from available-for-sale investment	**68,259**	-
Interest receivable from held-to-maturity investment	**280**	-
Prepayments	**3,814**	-
Other debtors and receivables	**4,189**	48,556
Carrying amount of trade and other receivables	**78,083**	49,397

Current trade and other 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 (2009: Nil).

15. OTHER FINANCIAL ASSETS

	2010 $	2009 $
Current		
Fair value through profit and loss:		
Held for trading – listed Australian shares	**676,167**	1,082,674
Non-current		
Held-to-maturity investments carried at amortised cost		
Term deposit*	**86,106**	-
Available-for-sale investments carried at fair value		
Units in unlisted managed investment scheme	**1,657,265**	-
Loan receivables - unsecured		
Related party receivables:		
Loans to an associate** (note 27)	**507,678**	-
	2,251,049	-

* The term deposit is pledged as security for bank undertaking in favour of the lessor of the Company's current office for the lease terms of five years as disclosed in note 29(a).

** The non-current loan advanced to the associate, Incito Group Limited, is under a subordinated loan agreement. Refer to note 27(b) and note 29(c) for terms and conditions of the loan and the loan commitments.

16. INVESTMENT IN AN ASSOCIATE

(a) Interests in an associate

	2010 $	2009 $
Unlisted		
Incito Group Limited – ordinary shares	**50,000**	-

(b) Details of associate

As at the balance date, the Company has 25% interest in Incito Group Limited ("Incito"). Incito is a wealth management company covering all areas of the wealth management industry.

During the year the Company has agreed to provide a 'Subordinated Limited Recourse Convertible' loan facility with aggregate loan advancement up to $2,000,000. Refer to note 27(b) for terms and conditions on the loan.

17. PLANT AND EQUIPMENT

	2010 $	2009 $
Office equipment		
Cost	**6,901**	-
Less accumulated depreciation	**(772)**	-
Net carrying amount	**6,129**	-

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

	2010 $	2009 $
Office equipment		
Carrying amount at the beginning of the year	**-**	-
Additions	**6,901**	-
Depreciation charge for the year	**(772)**	-
Carrying amount at the end of the year	**6,129**	-

18. OTHER INTANGIBLE ASSETS

	2010 $	2009 $
Website		
Cost	**17,473**	-
Less accumulated amortisation	**(971)**	-
Net carrying amount	**16,502**	-

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

Website		
Carrying amount at the beginning of the year	**-**	-
Additions	**17,473**	-
Amortisation charge for the year	**(971)**	-
Carrying amount at the end of the year	**16,502**	-

19. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Current		
Trade payables	**5,108**	-
Other payables and accruals	**43,953**	40,969
	49,061	40,969
Related party payables (note 26)	**9,853**	-
Carrying amount of trade and other payables	**58,914**	40,969

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

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

20. PROVISIONS AND EMPLOYEE BENEFITS

	2010 $	2009 $
Current		
Employee benefits	**3,063**	-

The provision for employee benefits represents annual leave entitlements accrued.

21. BORROWINGS

	2010 $	2009 $
Current (Secured)		
Margin loans and drawdowns	-	10,669

Borrowings represented 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 rate of 7.99%, payable monthly in arrears on average drawn balances. The availability of the loan facility fluctuated with reference to the market value of the underlying securities lodged as collateral which were held in a sponsored CHESS account under mortgage.

As at 30 June 2010, the market value of the underlying securities pledged as collateral, prior to disposal costs, was nil (2009: $670,514).

22. CONTRIBUTED EQUITY

	2010 $	2009 $
26,194,584 issued and fully paid ordinary shares (2009: 2,910,506)	**6,044,099**	26,714,142

The Company reduced its accumulated losses and share capital by an equal amount via s258F Corporations Act 2001 - reductions because of lost capital. See note 24 for further details.

	No. Shares	$
Movement in ordinary shares on issue		
Year ended 30 June 2010		
At 1 July 2009	2,910,506	26,714,142
Share issue	23,284,078	5,821,014
Transaction costs	-	(165,948)
Return of capital	-	(698,522)
S258F reduction (note 24)	-	(25,626,587)
At 30 June 2010	26,194,584	6,044,099
Year ended 30 June 2009		
At 1 July 2008	2,958,159	26,743,992
On market share buy-back	(47,653)	(29,850)
At 30 June 2009	2,910,506	26,714,142

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.

23. RESERVES

	Net unrealised gains/(losses) reserve $	Employee equity benefits reserve $	Total $
Year ended 30 June 2010			
At 1 July 2009	-	-	-
Net loss on available-for-sale investments	(239,915)	-	(239,915)
Share-based payments	-	75,000	75,000
At 30 June 2010	(239,915)	75,000	(164,915)
Year ended 30 June 2009			
At 1 July 2008	-	-	-
Net loss on available-for-sale investments	-	-	-
Share-based payments	-	-	-
At 30 June 2009	-	-	-

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 28.

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

24. ACCUMULATED LOSSES

	2010 **$**	2009 $
Balance 1 July	**(25,626,587)**	(24,856,973)
Profit/(Loss) attributable to owners of the Company	**604,170**	(769,614)
Dividends	**(803,308)**	-
Reduction due to losses not represented by assets under s258F of the Corporations Act 2001	**25,626,587**	-
Balance 30 June	**(199,138)**	(25,626,587)

The balance of accumulated losses at 30 June 2010 included paid up ordinary share capital that had been lost (i.e., shareholder equity not represented by available assets). In accordance with section 258F of the *Corporations Act 2001*, the Company reduced its paid up ordinary share capital balance by $25,626,587 (see note 22) with an equal reduction of the accumulated losses balance, being the total of accumulated losses at 30 June 2009 resulting from the change in control of the Company and the corresponding change in the asset classes that the Company invests in.

The Company has unwound all previous years' investment positions and realised all related losses. Accordingly, directors do not expect any further gains or losses from these investments in subsequent financial years.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied. Similarly, creditors are not affected as there has been no change in available assets. There is also no impact on the availability of the Company's tax losses from this capital reduction.

The directors believe that the capital reduction has enabled a clearer presentation and representation of the results of the Company. The balance of accumulated losses at 30 June 2010 represents solely the Company's current business.

25. CASH FLOW STATEMENT RECONCILIATION

	2010 $	2009 $
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss) after income tax	**604,170**	(769,614)
Adjustments for:		
Depreciation	**772**	-
Amortisation	**971**	-
Share based payments expense	**75,000**	-
Changes in assets and liabilities		
(Increase)/decrease in trade & other receivables	**(28,686)**	(15,697)
(Increase)/decrease in held-for-trading investments	**(1,095,323)**	1,151,927
(Increase) in deferred tax assets	**(161,619)**	-
(Increase) in loan capitalised interests	**(7,678)**	-
Increase in trade and other payables	**17,945**	(120,437)
Increase in provisions and employee benefits	**3,063**	-
Net cash from/(used in) operating activities	**(591,385)**	246,179

(b) Non-cash financing and investing activities

	2010 $	2009 $
Interim dividend paid out of shares in investments held-for-trading (note 12)	**803,308**	-
Return of capital out of shares in investments held-for-trading (note 22)	**698,522**	-
Issue of options under employee option plan scheme (note 28)	**75,000**	-

26. KEY MANAGEMENT PERSONNEL

(a) Key management personnel (KMP)

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

- L.D.P. IaFrate (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.
- A.J. Brown (Executive chairman), resigned 16 March 2010.
- S.M. Roberts (Non-executive director), resigned 12 October 2009.
- R.C. Ochojski (Non-executive director), resigned 12 October 2009.
- H. Lam (Chief Financial Officer), appointed 17 February 2010.

(b) Compensation for key management personnel

	2010	2009
	$	$
Short-term employee benefits #	**113,510**	64,167
Post employment benefits	**13,525**	40,774
Share-based payments	**75,000**	-
Total remuneration	**202,035**	104,941

\# Including payments to Mr. Lam for the services he provided through his company. Refer to note 26(e) for the details.

(c) Option holdings of key management personnel

30 Jun 2010	Balance at beginning of year 1 Jul 09	Granted as remuneration	Options exercised	Balance at end of year 30 Jun 10	Vested at 30 June 2010 Exercisable	Vested at 30 June 2010 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.J. Brown #	-	-	-	-	-	-
S.M. Roberts #	-	-	-	-	-	-
R.C. Ochojski #	-	-	-	-	-	-
Executive						
H. Lam	-	-	-	-	-	-
Total	-	3,250,000	-	3,250,000	3,250,000	-

Resigned during the year.

30 Jun 2009	Balance at beginning of year 1 Jul 08	Granted as remuneration	Options exercised	Balance at end of year 30 Jun 09	Vested at 30 June 2009 Exercisable	Vested at 30 June 2009 Not exercisable
Directors						
A.J. Brown	-	-	-	-	-	-
S.M. Roberts	-	-	-	-	-	-
R.C. Ochojski	-	-	-	-	-	-
C.T. Porta #	-	-	-	-	-	-
Total	-	-	-	-	-	-

Resigned during the year.

(d) Shareholdings of key management personnel

Ordinary shares held in Equities and Freeholds Limited

30 Jun 2010	Balance 1 Jul 09	Granted as remuneration	On exercise of options	Net change – other[1]	Balance 30 Jun 10
Directors					
L.D.P. IaFrate	-	-	-	4,000,000	4,000,000
C.G. McComb	-	-	-	2,160,000	2,160,000
J.W. Sweeney	-	-	-	400,000	400,000
A.J. Brown[3]	2,517,433[2]	-	-	(2,517,433)[2]	-
S.M. Roberts[3]	2,517,433[2]	-	-	(2,517,433)[2]	-
R.C. Ochojski[3]	-	-	-	-	-
Total	2,517,433	-	-	6,560,000	6,560,000

30 Jun 2009	Balance 1 Jul 08	Granted as remuneration	On exercise of options	Net change – other[1]	Balance 30 Jun 09
Directors					
A.J. Brown	2,517,433[2]	-	-	-	2,517,433[2]
S.M. Roberts	2,517,433[2]	-	-	-	2,517,433[2]
R.C. Ochojski	-	-	-	-	-
C.T. Porta[3]	-	-	-	-	-
Total	2,517,433	-	-	-	2,517,433

Notes:

1 Net change – other refers to shares purchased or sold during the year.

2 Same shareholdings – owned by Discount Assets Limited and Tidewater Investments Limited.

3 Resigned during the year.

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

Investments

During the year the Company invested $2,000,000 in Armytage Strategic Opportunities Funds ("ASOF"), an unlisted managed investment scheme managed by Armytage private Limited ("Armytage"). Both Mr. IaFrate and Mr. McComb are directors and shareholders of Armytage. Management fee charged and paid was $11,848. Dealings were made at arm's length on normal commercial terms and conditions. Details of the investments are included in note 15.

Services

During the year, the Company acquired consulting services from Peregrine Consulting Group, a company of which Ho Lam is a director and controlling shareholder. Details of the consulting fees amounting to $59,393 (2009: Nil) are included in note 9. Payable at the year end, amounting to $9,853 (2009: Nil) are disclosed in note 19.

Sub-let of operating lease

Property under operating lease has been sub-let to Armytage, a company of which Mr. IaFrate and Mr. McComb are directors and shareholders. Dealings are in commercial terms and conditions. Details of the sub-let transaction are disclosed in note 29.

27. RELATED PARTY DISCLOSURES

(a) Key management personnel (KMP)

Details of KMP, including remuneration paid, are included in note 26.

(b) Loans to related parties

During the year the Company has provided its associated entity, Incito Group Limited ("Incito"), with a 'Subordinated Limited Recourse Convertible' loan facility with aggregate loan advancement up to $2,000,000. Interest is charged at a fixed rate of 7.65% p.a., which is comparable to the average commercial rate of interest. Incito is able to request an advance at any time up until 31 January 2011. Both Mr. IaFrate and Mr. McComb are shareholders of Incito. Mr. McComb was also a director of Incito until 18 August 2010.

The loan and its capitalised interest are repayable on or before 31 January 2013. During the period from 31 January 2011 to 31 October 2012, the Company is able to notify Incito that it intends to convert some or all of the Principal Outstanding into new ordinary shares in Incito.

During the year a loan of $507,678, including capitalised interest charged of $7,678, was advanced from the Company to Incito. No repayment was made during the year.

(c) Key management personnel and director transactions

Details of KMP and director transactions are included in note 26(e).

28. SHARE-BASED PAYMENT PLANS

(a) Employee share option plan

During the year the Company established 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

The expense recognised for employee services received during the year is shown in the table below:

	2010 $	2009 $
Expense arising from equity-settled share-based payment transactions	**75,000**	-

The share-based payment plans are described above. There have been no cancellations or modifications to the plans during the 2010 financial year.

(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 2010 financial year:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at 1 July	-	-	-	-
Granted during the year	3,250,000	0.35	-	-
Outstanding at 30 June	3,250,000	0.35	-	-
Exercisable at the end of the year	3,250,000	0.35	-	-

The outstanding balance as at 30 June 2010 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 2010 is 2.5 years (2009: Nil).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was 2.31 cents (2009: Nil).

(f) Option pricing model

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models used for the years ended 30 June 2010 (2009: Nil):

	2010	2009
Dividend Yield (%)	**-**	-
Expected Volatility (%)	**25**	-
Risk-free interest rate (%)	**3.75**	-
Expected life of option (years)	**3**	-
Option exercise price (cents)	**35**	-
Weighted average share price at measurement date (cents)	**25**	-
Model used	**Black-Scholes**	-

The effects of early exercise have been incorporated into the calculations by using an expected life of the option that could be shorter than the contractual life. The expected volatility was determined based on historical prices of small capitalised companies within the same industry. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

29. CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments – the Company as lessee

Operating lease relates to a non-cancellable lease of office with lease terms of five years. The Company does not have an option to purchase the leased office at the expiry of the lease period.

The Company had no operating lease commitments in previous financial year as it occupied premises, free of rent, leased by Tidewater Investments Limited.

(i) Payments recognised as an expense

	2010	2009
	$	$
Minimum lease payments	**52,037**	-
Sub-lease payments received	**(42,102)**	-
	9,935	-

(ii) Non-cancellable operating lease commitments

	2010	2009
	$	$
Not later than 1 year	**178,864**	-
Later than 1 year and not later than 5 years	**727,184**	-
Later than 5 years	**-**	-
	906,048	-

The Company does not recognise any liabilities in respect of non-cancellable operating leases. The premises under non-cancellable operating lease have been sub-let to other entities. The total of future minimum lease payments expected to be received from these entities at the reporting date is $729,654 (2009: Nil).

(b) Capital Commitments

The Company has no outstanding capital commitments (2009: Nil).

(c) Loan Commitments

During the year the Company has agreed to provide its associated entity, Incito Group Limited ("Incito"), with 'Subordinated Limited Recourse Convertible' loan facility with aggregate loan advancement up to $2,000,000. Incito is able to request an advance at any time up until 31 January 2011.

As at reporting date, the Company still has the commitment to advance up to $1,500,000 to Incito. The Company does not recognise any liabilities in respect of this loan commitment. Refer to note 27(b) for terms and conditions on the loan.

30. CONTINGENCIES

There were no contingent liabilities as at 30 June 2010 (2009: Nil).

31. EVENTS AFTER THE BALANCE SHEET DATE

Subject to shareholders' approval, the Company has agreed to increase its stake in its associate, Incito Group Limited, from current 25% to 100%.

32. AUDITORS' REMUNERATION

The auditor of Equities and Freeholds Limited is Pitcher Partners.

	2010 $	2009 $
Amounts received or due and receivable by Pitcher Partners for:		
Audit and review of the financial report	**39,000**	-
Amounts received or due and receivable by non Pitcher Partners audit firm for:		
Audit and review of the financial report	**14,558**	38,477

33. FINANCIAL INSTRUMENTS

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

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

As a consequence, the Company 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 Company'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 Company's debt financing of its activities. The Company 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 Company aims to manage equity and debt capital in order to provide returns for shareholders, whilst maintaining its ability to pay its debts as and when they come due. As a smaller corporation, the Company 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 Company.

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

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 Company's debt facilities. These require the Company to lodge securities to an appropriate multiple of debt with a margin lender. This ratio can fluctuate depending upon the margin lender's guidelines over individual securities, market conditions, and the composition of the portfolio of securities lodged with the debt financier. Reduction of the loan principal could be achieved both by cash deposits and by sales of securities. At no time in the year to 30 June 2010 was the Company in breach of its margin lending ratios.

(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 we use. Non derivative interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts. Our interest rate liability risk arises primarily from drawdowns of debt finance from a margin lender which exposes the Company to variable interest rates, and therefore, cash flow risks.

In its current form, the Company 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 Company 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 Company's debt financing, policies and procedures in relation to risk management of the debt position are generally prescribed to the Company in the form of maximum available loan, rate of interest charged, acceptability of collateral lodged with the margin lender and the basis on which collateral may be lodged. As a consequence, the Company lodges more liquid, larger capitalised securities with its margin lender as collateral.

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

30 Jun 2010	Weighted Average Interest Rate	Fixed Interest Rate	Floating Interest Rate	Non Interest Bearing	Total
	%	$	$	$	$
Financial assets:					
Cash and cash equivalents	4.28	-	2,191,927	136,605	2,328,532
Trade and other receivables	-	-	-	78,083	78,083
Held-for-trading investment	-	-	-	676,167	676,167
Investment in an associate	-	-	-	50,000	50,000
Available-for-sale investment	-	-	-	1,657,265	1,657,265
Held-to-maturity investment	5.65	86,106	-	-	86,106
Loan receivables	7.65	507,678	-	-	507,678
Financial Liabilities:					
Trade and other payables	-	-	-	(58,914)	(58,914)
Net Financial Assets		593,784	2,191,927	2,539,206	5,324,917

30 Jun 2009	Weighted Average Interest Rate	Fixed Interest Rate	Floating Interest Rate	Non Interest Bearing	Total
	%	$	$	$	$
Financial assets:					
Cash and cash equivalents	-	-	-	7,122	7,122
Trade and other receivables	-	-	-	49,397	49,397
Held-for-trading investment	-	-	-	1,082,674	1,082,674
Financial Liabilities:					
Trade and other payables	-	-	-	(40,969)	(40,969)
Borrowings	7.99	-	(10,669)	-	(10,669)
Net Financial Assets		-	(10,669)	1,098,224	1,087,555

The directors estimate that *ceterus paribus* an upward move of 1% (100 basis points) in domestic interest rates would increase pre-tax profit by approximately $20,000 (2009: pre-tax Loss - $110) given the investment in short term cash instruments.

(c) Largely controllable risks – credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk. The Company'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, other than the loan advanced to an associated entity, Incito Group Limited, the Company does not have any material credit risk exposure to any single debtor or group of debtors under transactions entered into by the Company.

The Company'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 Company only deals with ASX Members of high standing. In addition, the Company 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 Company uses only margin lenders which are controlled entities of major financial institutions.

The Company'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 Company 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, excluding the value of any collateral or other security, 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 our operational liquidity requirements:

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

To help mitigate these risks we maintain constant monitoring of the entity's financial position through a series of cross-linked financial programs, and attempt to ensure the entity has accessible liquidity in form of cash, readily saleable securities and access to bank and margin financing. The entity holds a preponderance of liquid equity securities, particularly relative to the small size of the entity's investment portfolio.

(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.

A 10% upward/downward move in the value of the portfolio, *ceterus paribus,* would increase/decrease approximately $47,000 (2009: $76,000) and $116,000 (2009: nil) to the net profit and net unrealised gains/(losses) reserve for the year ended 30 June 2010 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 fair values of both investments held for trading and available-for-sales are determined based on Level 1.

The net fair values of the investments are shown in notes 15 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

	2010	2009
	$	$
Net financial assets as above	**5,324,917**	1,087,555
Non financial assets and liabilities	**355,129**	-
Net assets per statement of financial position	**5,680,046**	1,087,555

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 24 to 61 in accordance with the Corporations Act 2001:

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

b. Give a true and fair view of the financial position of the company as at 30 June 2010 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

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

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

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

On behalf of the board

Lee D. P. IaFrate
Chairman

Melbourne, 9 September 2010

EQUITIES AND FREEHOLDS LIMITED
ABN 48 111 695 357

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITIES AND FREEHOLDS LIMITED

We have audited the accompanying financial report of Equities and Freeholds Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

EQUITIES AND FREEHOLDS LIMITED
ABN 48 111 695 357

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EQUITIES AND FREEHOLDS LIMITED

Auditor's Opinion

In our opinion:

(a) the financial report of Equities and Freeholds Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Pitcher Partners

B J BRITTEN
Partner
Date 10 September 2010

PITCHER PARTNERS
Melbourne

ADDITIONAL 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 2010.

(a) Distribution of equity securities

Ordinary share capital

As at 31 July 2010 there were 26,194,584 shares held by 379 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	82,596	170
1,001 - 5,000	180,240	77
5,001 - 10,000	103,082	13
10,001 - 100,000	3,951,789	74
100,001 - over	21,876,877	45
TOTAL	**26,194,584**	**379**

There were 218 numbers of shareholders holding less than 2,174 marketable parcels of ordinary shares.

(b) Substantial shareholders

	Fully Paid	
	Number	**%**
Ordinary shareholders		
Tidewater Investments limited	2,014,719	7.69
Absolute investment Funds SPC	2,000,000	7.64
Top Pocket Pty Ltd	2,000,000	7.64
Top Pocket Pty Ltd <Top Pocket Superfund A/C>	2,000,000	7.64
	8,014,719	30.61

ADDITIONAL SECURITIES EXCHANGE INFORMATION (continued)

(c) **Twenty largest holders of quoted equity securities**

	Fully Paid Number of shares	Held %
Ordinary shareholders		
Tidewater Investments Limited	2,014,719	7.69
Absolute Investment Funds SPC <Macro Div Seg Portfolio A/C>	2,000,000	7.64
Top Pocket Pty Ltd	2,000,000	7.64
Top Pocket Pty Ltd <Top Pocked Superfund A/C>	2,000,000	7.64
Angora Lane Pty Ltd <Angora Lan P/L S/Fund A/C>	1,200,000	4.58
Sixth Erra Pty Ltd <Staff Super Fund A/C>	1,200,000	4.58
Webinvest Pty Ltd <OLSB Unit A/C>	1,000,000	3.82
Mr Victor John Plummer	800,000	3.05
ANZ Nominees Limited <Cash Income A/C>	600,400	2.29
Megwil Pty Ltd	600,000	2.29
Discount Assets Limited	585,281	2.23
Tartan Pines Pty Ltd <Tartan Pines P/L S/Fund A/C>	480,000	1.83
Babade Pty Ltd <P & L Chrimes Super Fund A/C>	400,000	1.53
GJP Investments Pty Ltd <The Langham A/C>	400,000	1.53
Sixth Erra Pty Ltd <The I Collie Family A/C>	400,000	1.53
Mr Jonathan Westaby Sweeney + Mrs Edwina Louise Sweeney (J S Superannuation A/C>	400,000	1.53
Mr Vincent Vozzo	365,000	1.39
Prycroft Sixty-Eight Pty Ltd	353,400	1.35
Clapsy Pty Ltd <Baron Super Fund A/C>	300,000	1.15
Moorakyne Corporations Pty Ltd	250,000	0.95
Top 20 Total	**17,348,800**	**66.24**

ADDITIONAL SECURITIES EXCHANGE INFORMATION (continued)

LIST OF INVESTMENTS AS AT 30 JUNE 2010

Description	No. of Units/Shares	Market Value $
Available-for-sales investment		
Armytage Strategic Opportunities Fund	3,298,697	$1,657,265
Total		**$1,657,265**
Investments Held for trading		
Anaeco Limited	444,444	$73,167
AWB Limited	100,000	$92,000
Bluescope Steel Limited	50,000	$105,000
Brambles Limited	5,000	$27,300
Connecteast Group	250,000	$95,000
Comet Ridge Limited	250,000	$37,500
Elders Limited	70,000	$27,300
Intoll Group	100,000	$104,000
Nido Petroleum Limited	500,000	$75,000
Skilled Group Limited	10,000	$10,900
Virgin Blue Holdings Limited	100,000	$29,000
TOTAL		**$676,167**

Transactions in Securities

The total number of transactions in securities during the reporting period was 113. The total brokerage paid or accrued during that period was $15,601.