

Professional Investment Holdings Limited
and its controlled entities
ACN 074 949 429

Annual report
30 June 2010

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Professional Investment Holdings Limited and its controlled entities Directors' report

For the year ended 30 June 2010

The directors of Professional Investment Holdings Limited ("the Company") present their report together with the financial report of the Professional Investment Holdings Limited Group, being the Company and its controlled entities and the Group's interest in associates, for the financial year ended 30 June 2010 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Stephen Murphy Appointed: 26/07/1996
B. Com., CA, MAICD
Non Executive Director and
Chairman

Stephen has been Chairman of Professional Investment Holdings Ltd since its inception. He is a prominent Chartered Accountant and has been a public practitioner since 1991. Stephen is also a Fellow of the Taxation Institute of Australia. He has a strong interest in small to medium enterprises, and specialises in family businesses. Over a number of years, he has also been an active and strong contributor to the affairs of The Institute of Chartered Accountants in Australia, and the broader accounting profession. Stephen has a long standing association with Rotary. He is Chairman of Ventura Investment Management Limited, Associated Advisory Practices Ltd and Australian Loan Company Ltd.

Robert Bennetts Appointed: 26/07/1996
BSc., CFP, AIMM
Director and Chief Executive
Officer

Robert has contributed to the professional development program of the Institute of Chartered Accountants for many years. Mr Bennetts role as the Professional Investment Holdings Group CEO involves designing training programs and business strategies to enable accounting firms to enter the financial planning area and he ultimately bears the responsibility for the day to day operations of the Professional Investment Holdings Group.

Christopher Castles Appointed: 24/12/1999
CPA CFP FAICD
B.Eng. (Electronics),
Post-Graduate Dip Management,
Post-Graduate Dip Business
(Accounting),
Dip Financial Planning
Non-Executive Director

Chris is a non-executive director and operates a financial planning practice with offices in both Townsville and Ingham in North Queensland. He is also a partner in the accounting firm Coscer Accountants Pty Ltd.

Chris currently holds, and has held, board positions with a number of funds management organisations and is the Professional Investment Holdings Ltd board representative on the Professional Investment Services Pty Ltd Professional Standards Council.

Prior to entering the financial services industry Chris spent 13 years in the Royal Australian Air Force as an engineer, rising to the rank of Squadron Leader prior to his resignation.

Kenneth Butler Appointed: 26/07/1996
ACA
Non-Executive Director

Ken has been a director of Professional Investment Holdings Ltd since its formation in 1996. He is Chairman of the Audit Committee, a director of Ventura Investment Management Ltd, and several of the company's Asian subsidiaries. His firm attends to the Group's income tax affairs.

Ken has been in practice as a Chartered Accountant for over 26 years, and runs a practice at Coolangatta with 14 professional and support staff. He specialises in small business, with an emphasis on superannuation and structuring for asset protection. Prior to establishing his own business, he worked with KPMG in Australia and overseas. He was instrumental in the establishment and ongoing operation of the Financial Planning Specialist chapter of the Institute of Chartered Accountants in Australia.

Professional Investment Holdings Limited and its controlled entities Directors' report For the year ended 30 June 2010

Directors (continued)

Grahame Evans Appointed: 15/11/2006
DIP SM MBA, MAICD
Executive Director/Managing Director

Grahame, based in Sydney, oversees the Professional Investment Holdings Group network, supplying support training, tools and resources to help network members remain competitive and deliver value-added services to their clients. Previously Grahame was CEO of Investments for Tower Australia and Head of Corporate and Employee Superannuation with AMP. At AMP, he was responsible for Australia's largest corporate superannuation portfolio with over 33,000 employees and \$11 billion under management. Prior to that, as Managing Director of AMP Consulting, he was responsible for the superannuation consulting division of AMP including actuarial, trustee services, information technology, asset consulting and communications for such clients as Optus and BHP Billiton.

Grahame, at the age of 32, became the youngest ever Australian to be appointed to the board of an Australian life insurance company and was recognised as one of Australia's leading experts on superannuation with regular appearances in a variety of media.

Greg Whimp Appointed: 11/01/2010
B. Comm, ASIA, GAICD
Non - Executive Director

Greg began his career in financial services with the AMP Society, holding a number of positions with the Society throughout Queensland and in the UK with an AMP subsidiary – Pearl Assurance. Upon returning to Australia in 1995, Greg joined Suncorp, where he was responsible for promoting and growing Suncorp Investment Management Limited in the Queensland distribution market. In 1997 he joined the Professional Investment Services team at Bundall and has been intimately involved in the growth and success of the company over the years.

Greg resigned his position as an executive director of Professional Investment Holdings Ltd in November 2006 for health reasons, but played a continuing role as a consultant to management until his election to the board of directors in December 2009.

Anthony Mulligan Appointed: 30/10/1996
Non-Executive Director Resigned: 20/10/2009

Stephen Trist Appointed: 12/01/2006
Non-Executive Director Resigned: 29/09/2009

Benjamin Weinglass Appointed: 24/07/1997
Non-Executive Director Resigned: 30/09/2009

Elizabeth Flynn Appointed: 05/09/2008
Non-Executive Director Resigned: 13/07/2009

Company Secretary

Lisa Sawyer LLB, Grad. Dip Leg Prac, ACIS, MAICD was appointed to the position of PIH company secretary in June 2004. Lisa has been a member of the Professional Investment Group team since 2000 commencing as a Business Development Manager before joining the legal department in late 2002. Lisa was admitted to practise as a solicitor of the Supreme Court of Queensland in 1998 and was employed as a solicitor in the areas of estate planning, taxation and property prior to joining the Professional Investment Services Group.

Professional Investment Holdings Limited and its controlled entities
 Directors' report (continued)
 For the year ended 30 June 2010

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Stephen Murphy	22	22	-	-
Robert Bennetts	18	22	-	-
Kenneth Butler	21	22	9	9
Christopher Castles	22	22	-	-
Grahame Evans	19	22	-	-
Greg Whimp	12	17	-	-
Anthony Mulligan	4	4	-	-
Stephen Trist	2	3	-	-
Benjamin Weinglass	1	3	1	1
Elizabeth Flynn	0	0	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Remuneration report – audited

Principles of compensation – audited

Key management personnel, which include Company directors and Group General Managers, have authority and responsibility for planning, directing and controlling the activities of the Company.

It is the Group's policy that service contracts for executive directors and senior executives be unlimited in term but capable of termination on three to six weeks notice, and the Group retains the right to terminate the contract immediately, by making payment equal to the notice term.

Service contracts outline the components of remuneration paid but do not prescribe how remuneration levels are modified each year. Remuneration levels are reviewed each year to take into account any changes in the scope for the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

The company's constitution requires that non-executive directors' remuneration is to be determined by shareholder resolution each year at the Annual General Meeting. Total remuneration for all non-executive directors, last voted on by the shareholders at the 2009 Annual General Meeting, is a maximum \$300,000 per annum. Non executive directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of one committee.

The remuneration structure for executive directors is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company and Group. The contracts for service with executive directors are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement executive directors are paid employee benefit entitlements accrued to date of retirement.

The Group seeks to emphasise payment for results through providing various cash bonus and reward schemes, specifically, the incorporation of incentive payments based on the Group's financial results and individual performance. Bonuses are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date. Bonuses are calculated by the board. At the time of determining bonus levels recipients entitled to receive a bonus must leave the meeting.

Performance linked compensation – audited

Performance linked compensation includes short term incentives (STI) and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. It is an 'at risk' bonus provided in the form of cash and based on key performance indicators (KPI's) for the key management personnel. The KPI's generally include measures relating to Professional Investment Services Pty Ltd' (PIS), a wholly owned subsidiary.

The financial performance indicators are operating profit compared to budget. The financial objectives account for up to 60% of the maximum bonus. The non financial objectives vary with position and responsibility.

Professional Investment Holdings Limited and its controlled entities
 Directors' report (continued)
 For the year ended 30 June 2010

Remuneration report – audited (continued)

Performance linked compensation – audited (continued)

At the end of the financial year the actual performance of PIS is assessed. If PIS' performance falls below the minimum no further bonus calculations are made. A percentage of a pre-determined maximum amount is awarded depending on results, being between 25% for minimum performance and 100% for stretch performance. No bonus is awarded where performance falls below the minimum. The performance evaluation in respect of the year ended 30 June 2010 has not yet taken place according to this process.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the directors have regard to the following in respect of the current financial year and the previous full years:

	2010	2009	2008	2007	2006
Profit/(loss) attributable to owners	\$175,141	\$(22,230,425)	\$(3,852,032)	\$3,475,233	\$12,393,789
Dividends paid	-	-	\$7,660,471	\$3,997,190	\$3,621,809

Net profit is considered as one of the financial performance targets in setting the STI.

Professional Investment Holdings Limited and its controlled entities
 Directors' report (continued)
 For the year ended 30 June 2010

Key management personnel compensation – audited (continued)

Details of the nature and amount of each major element of remuneration of each director of the Company including the two executive directors and three Group General Managers of the Company are set out below. The Company Secretary is not considered key management personnel and therefore not included in the key management personnel disclosures in the financial report.

		Short-term				Post-employment	Share-based payments	Total	Proportion of remuneration performance related
		Salary, fees \$	STI cash bonus \$	Car benefits \$	Total	Super-annuation benefits \$	Options (Note 21) \$		
Directors									
<i>Non-executive</i>									
<i>Stephen Murphy (Chairperson)</i>	2010	44,400	-	-	44,400	-	-	44,400	-
	2009	46,800	-	-	46,800	-	-	46,800	-
<i>Kenneth Butler</i>	2010	39,960	-	-	39,960	-	-	39,960	-
	2009	42,120	-	-	42,120	-	-	42,120	-
<i>Christopher Castles</i>	2010	34,300	-	-	34,300	-	-	34,300	-
	2009	35,100	-	-	35,100	-	-	35,100	-
<i>Anthony Mulligan (resigned 20/10/09)</i>	2010	8,100	-	-	8,100	-	-	8,100	-
	2009	35,100	-	-	35,100	-	-	35,100	-
<i>Benjamin Weinglass (resigned 30/09/09)</i>	2010	9,720	-	-	9,720	-	-	9,720	-
	2009	42,120	-	-	42,120	-	-	42,120	-
<i>Greg Whimp</i>	2010	17,100	-	-	17,100	-	-	17,100	-
	2009	-	-	-	-	-	-	-	-
<i>Stephen Trist (resigned 29/09/09)</i>	2010	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-
<i>Elizabeth Flynn (appointed 05/09/08 / resigned 13/07/09)</i>	2010	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-
Executive:									
<i>Robert Bennetts, CEO</i>	2010	368,867	-	-	368,867	14,461	-	383,328	-
	2009	420,406	229,358	-	649,764	34,387	-	684,151	33.5%
<i>Grahame Evans, Managing Director</i>	2010	323,885	-	78,000	401,885	14,461	-	416,346	-
	2009	415,777	183,486	12,924	612,187	30,258	-	642,445	28.6%
Management									
<i>David Johnstone</i>	2010	128,178	-	-	128,178	-	-	128,178	-
	2009	-	-	-	-	-	-	-	-
<i>Kelly Wyman</i>	2010	137,167	-	-	137,167	-	-	137,167	-
	2009	-	-	-	-	-	-	-	-
<i>Paul Forbes</i>	2010	234,625	-	28,467	263,092	14,461	-	277,553	-
	2009	251,533	63,918	28,467	343,918	40,800	-	384,718	16.6%
<i>Stephen Poole</i>	2010	178,068	-	-	178,068	11,592	-	189,660	-
	2009	-	-	-	-	-	-	-	-
Total compensation: Key Management Personnel consolidated									
	2010	1,524,370	-	106,467	1,630,837	54,975	-	1,685,812	-
	2009	1,288,956	476,762	41,391	1,807,109	105,445	-	1,912,554	24.9%

Professional Investment Holdings Limited and its controlled entities

Directors' report (continued)

For the year ended 30 June 2010

Details of performance related remuneration - audited

Bonuses paid during 2009 related to the year ended 30 June 2008. No bonuses were paid to key management personnel in the year ended 30 June 2010.

Options and rights over equity instruments granted as compensation - audited

There has been no movement during the reporting period in the number of options over ordinary shares in Professional Investment Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties.

No options held by key management personnel are vested but not exercisable. No options have been granted since the end of the financial year.

Principal activities

During the financial year the principal activity of the Group was the provision of financial planning services with revenue being primarily derived from fees received as a result of financial planning and investment advice.

Operating and financial review

Overview of the Group

A summary of the consolidated revenues and results are set out below:

Shareholder returns	Notes	2010	2009
Net revenue and other income		59,471,707	56,965,292
Profit before client claims, impairments and taxation		5,411,548	1,046,156
Net provisions for client claims raised during the year	29	(5,536,841)	(6,651,922)
Impairment (expense)/reversal	12, 14, 28	3,679,181	(12,368,932)
Profit/(loss) before taxation		3,553,888	(17,974,698)
Profit/(loss) after taxation		1,315,020	(21,060,705)
Profit attributable to outside equity holders		1,139,879	1,169,722
Net profit/(loss) attributable to members		175,141	(22,230,427)

International Operations

The GFC continues to impact on our international operations. During the year the Canadian business was sold for an amount approximating its investment. All jurisdictions continue to come under close scrutiny with a focus on operational performance and we have increased our investments, when necessary, to comply with minimum asset requirements of local regulators. Negotiations are continuing with a view to merging the New Zealand business with two similar operations.

Parramatta Riverbank Centre

On 30 September 2008, the Group acquired the Parramatta Riverbank Centre site (Site) for future development.

The Site was acquired with the intention of redevelopment and maximising the sale value. Because the development and resale was still some years off, the Site was classified as non-current inventory and had an estimated net realisable value ("NRV") at 30 June 2009 of \$32,000,000 based upon independent reports following the economic downturn.

Subsequent to 30 June 2010 the directors have signed an unconditional contract for sale of the Site for \$36,500,000 with a settlement due 30 November 2010. Accordingly the inventory has been reclassified as current inventory and has a net realisable value of \$36,000,000 at 30 June 2010 which reflects the selling price less estimated transaction costs. The increase in net realisable value has been reflected as an impairment reversal of \$3,990,911 at 30 June 2010.

The directors consider that the sale of the Site, for a sum in excess of independent valuations, was the best course of action, this is not withstanding that, prior to the Global Financial Crisis (GFC), the Site was originally purchased with the intention of redevelopment.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year, other than as discussed above.

Professional Investment Holdings Limited and its controlled entities
 Directors' report (continued)
 For the year ended 30 June 2010

Dividends

No dividends were paid or declared by the Company to members since the end of the previous financial year.

Dividends declared after end of year

There have been no dividends declared subsequent to year end.

Events subsequent to reporting date

Inventory

As discussed in note 28, subsequent to 30 June 2010 the directors have signed an unconditional contract for sale of the Site for \$36,500,000 with settlement due 30 November 2010. At 30 June 2010, the inventory has been classified as current inventory and has a net realisable value of \$36,000,000 which reflects the selling price less estimated transaction costs.

Centrepoint Alliance Ltd Merger

Subsequent to the end of the financial year Professional Investment Holdings Ltd (PIH) entered into an agreement with Centrepoint Alliance Ltd (CAF) to merge the two businesses by way of a Scheme of Arrangement (Scheme). The proposal is subject to regulatory and shareholder approval and will be put to shareholders at meetings proposed to be held in November 2010.

CAF is listed on the Australian Stock Exchange (ASX: code CAF) and is Australia's third largest insurance premium funding organisation. The directors believe that the merger will result in the Group becoming a part of a strong diversified listed financial services organisation and will be recommending that shareholders approve the Scheme.

As part of the merger a Merger Implementation Deed (MID) and a separate Convertible Note Subscription Agreement (Convertible Notes Agreement) were entered into by PIH and CAF. Key terms of the Convertible Notes include:

- CAF to advance \$7.5 million to PIH by way of subscription for Convertible Notes of which \$5 million was drawn down by PIH on 3 September 2010. The balance of \$2.5 million may be drawn down if required in the future.
- Convertible Notes are unsecured and mature on 30 November 2011.
- PIH will pay CAF interest at the rate of 8% per annum until redeemed or converted to equity.
- If all the Convertible Notes are converted to equity CAF will have a 12% holding of the fully diluted capital of PIH. In the event of the Scheme not proceeding, the Convertible Notes may be repayable or at CAF's option converted to shares. CAF may require repayment of the Convertible Notes with 30 days notice should the Scheme not proceed, or certain other events occur.

Subsequent to the execution of the Convertible Notes Agreement, PIH and CAF have advised that their intent is not to require repayment of the Convertible Notes at any time prior to 30 November 2011.

The financial effect of this subsequent event has not been brought to account at 30 June 2010.

ASIC Surveillance

During the year ended 30 June 2010, Professional Investment Services Pty Ltd (PIS) was subject to ASIC's ongoing surveillance. PIS generates the majority of the Group's revenue from financial planning advice provided under its Australian Financial Services Licence (AFSL). Subsequent to year end, PIS is negotiating with ASIC a framework by which PIS will address matters that have been raised by ASIC, which may include mechanisms to rectify the matters. The directors have made provision in the budgets and cash flow forecasts for the year ending 30 June 2011 for the potential increase in compliance costs.

The financial effect of this subsequent event has not been brought to account at 30 June 2010.

Other than the matters discussed above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Professional Investment Holdings Limited and its controlled entities
 Directors' report (continued)
 For the year ended 30 June 2010

Likely developments

During the year ended 30 June 2010, PIS was subject to ASIC's ongoing surveillance. PIS generates the majority of the Group's revenue from financial planning advice provided under its AFSL. Subsequent to year end, PIS is negotiating with ASIC a framework by which PIS will address matters that have been raised by ASIC, which may include mechanisms to rectify the matters. The directors have made provision in the budgets and cash flow forecasts for the year ending 30 June 2011 for the potential increase in compliance costs.

It is the current intention of the directors to continue to support the current operations of the Group. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the Group.

Share options

No employee share options over unissued shares or interests in the company were exercised during the financial year. No options have been granted since the end of the financial year.

Unissued shares under options

At the date of this report there are no shares of the Company under option.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify certain directors and senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Company has not entered into an agreement to indemnify the auditors of the company.

Insurance premiums

The Company has paid premiums to insure the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceeding arising out of their conduct whilst acting in the capacity of director of the company, other than conduct involving wilful breach of duty in relation to the company.

The disclosure of the nature of the insurance cover and the amount of the premiums involved is prohibited by the contract.


Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

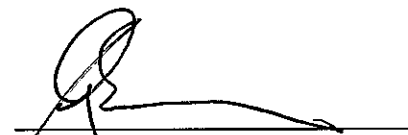
Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 60 and forms part of the directors' report for the financial year ended 30 June 2010.

This report is made in accordance with a resolution of the directors:



Stephen Murphy
 Director



Grahame Evans
 Director

Dated at Bundall this 30th day of September 2010.

Professional Investment Holdings Limited and its controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2010

	Note	2010	2009
Financial advice and product margin revenue		212,200,374	219,287,066
Financial advice fees paid		(163,664,748)	(172,609,519)
Net financial advice revenue		48,535,626	46,677,547
Wholesale clients and service fees revenue		1,076,396	1,236,761
Retail and wholesale asset management fees		2,361,606	1,877,788
Recoveries		1,340,472	1,115,404
Gain on sale of assets		4,030	-
Rental income		3,186,875	2,388,264
Auditor remuneration	7	(613,287)	(523,877)
Bad and doubtful debts		(287,732)	(318,447)
Client claims	29	(5,536,841)	(6,651,922)
Communication expenses		(569,156)	(621,601)
Computer expense		(629,363)	(521,947)
Conference expenses		(997,503)	(2,023,175)
Depreciation and amortisation expense	17,18	(1,646,338)	(2,063,930)
Directors fees and expenses		(380,374)	(522,688)
Employee benefit expenses	6	(23,645,252)	(26,710,232)
Entertainment		(219,275)	(280,287)
Impairment (expense)/reversal	12,14,28	3,679,181	(12,368,932)
Insurance		(4,360,082)	(2,850,690)
Licensing, subscriptions and registrations		(939,807)	(476,246)
Overseas expenses		(32,505)	(82,967)
Marketing and promotion		(959,956)	(1,270,160)
Other expenses		(1,655,129)	(1,018,260)
Printing, stationery and postage		(590,692)	(788,096)
Professional and consulting fees		(5,367,063)	(4,310,453)
Property costs		(6,323,667)	(6,548,863)
Share based compensation expense	21	(55,816)	(13,834)
Travel and accommodation		(1,178,146)	(1,317,664)
Results from operating activities		4,196,201	(17,988,507)
Dividend income		298	20,296
Interest income		2,396,227	2,380,608
Distribution income reinvested		79,839	-
Gain/(loss) on sale of investments		362,077	156,925
Foreign exchange gain/(loss)		128,261	1,111,699
Interest, bank charges & borrowing costs	30	(3,609,015)	(3,654,812)
Net financing income/(expense)		(642,313)	14,716
Share of profit/(losses) of associates	16(b)	-	(907)
Profit/(loss) before tax		3,553,888	(17,974,698)
Income tax (expense)/benefit	8	(2,238,868)	(3,086,007)
Profit/(loss) after tax for the year		1,315,020	(21,060,705)

Professional Investment Holdings Limited and its controlled entities
 Consolidated statement of comprehensive income (continued)
 For the year ended 30 June 2010

	<i>Note</i>	2010	2009
Other comprehensive income			
Foreign currency translation differences for foreign operations		(737,697)	926,227
Change in fair value of available for sale assets		217,514	(359,972)
Change in fair value of available for sale assets transferred to profit or loss		-	401,133
Other comprehensive income/(loss) for the period		(520,183)	967,388
Total comprehensive income/(loss) for the period		794,837	(20,093,317)
Profit/(loss) attributable to:			
Owners of the company		175,141	(22,230,427)
Minority interest		1,139,879	1,169,722
Profit/(loss) for the period		1,315,020	(21,060,705)
Total comprehensive income/(loss) attributable to:			
Owners of the company		(482,462)	(21,553,278)
Minority interest		1,277,299	1,459,961
Total comprehensive income/(loss) for the period		794,837	(20,093,317)
Earnings per share			
Basic earnings per share – dollars	33	0.004	(0.476)
Diluted earnings per share – dollars	33	0.004	(0.476)

Professional Investment Holdings Limited and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2010

	Issued capital	Foreign currency translation reserve	Fair value reserve	Share option reserve	Accumulated losses	Total	Minority Interest	Total
CONSOLIDATED								
Balance at 1 July 2008	37,187,173	(1,023,644)	(33,889)	126,593	10,436,488	46,692,721	6,567,172	53,259,893
Total comprehensive income for the period	-	-	-	-	(22,230,427)	(22,230,427)	1,169,722	(21,060,705)
Profit/(loss) for the period	-	-	-	-	-	-	-	-
Other comprehensive income								
Foreign currency translation differences	-	643,260	-	-	-	643,260	282,967	926,227
Net change in fair value of available for sale assets	-	-	(367,244)	-	-	(367,244)	7,272	(359,972)
Transfer to income statement	-	-	401,133	-	-	401,133	-	401,133
Total other comprehensive income	-	643,260	33,889	-	-	677,149	290,239	967,388
Total comprehensive income for the period	-	643,260	33,889	-	(22,230,427)	(21,553,278)	1,459,961	(20,093,317)
Transactions with owners, recorded directly in equity								
Dividends to equity owners	-	-	-	-	-	-	-	-
Redemption of shares	(347,363)	-	-	-	-	(347,363)	-	(347,363)
Share option expensed over vesting period	-	-	-	13,834	-	13,834	-	13,834
Total contributions by and distribution to owners	(347,363)	-	-	13,834	-	(333,529)	-	(333,529)
Change in ownership interest in subsidiaries								
Dividends to minority owners	-	-	-	-	-	-	(1,088,846)	(1,088,846)
Dilution gains/(losses)	-	-	-	-	(22,079)	(22,079)	22,079	-
Issue of shares	-	-	-	-	-	-	-	-
Total change in ownership interest in subsidiaries	-	-	-	-	(22,079)	(22,079)	(1,066,767)	(1,088,846)
Total transactions with owners	(347,363)	-	-	13,834	(22,079)	(355,608)	(1,066,767)	(1,422,375)
Balance at 30 June 2009	36,839,810	(380,384)	-	140,427	(11,816,018)	24,783,835	6,960,366	31,744,201

The notes on pages 16 to 56 are an integral part of these consolidated financial statements

Professional Investment Holdings Limited and its controlled entities
 Consolidated statement of changes in equity
 For the year ended 30 June 2010

	Issued capital	Foreign currency translation reserve	Fair value reserve	Share option reserve	Accumulated losses	Total	Minority interest	Total
CONSOLIDATED								
Balance at 1 July 2009	36,839,810	(380,384)	-	140,427	(11,816,018)	24,783,835	6,960,366	31,744,201
Total comprehensive income for the period	-	-	-	-	175,141	175,141	1,139,879	1,315,020
Profit/(loss) for the period	-	-	-	-	-	-	-	-
Other comprehensive income								
Foreign currency translation differences	-	(694,561)	-	-	-	(694,561)	(43,136)	(737,697)
Net change in fair value of available for sale assets	-	-	36,958	-	-	36,958	180,556	217,514
Total other comprehensive income	-	(694,561)	36,958	-	-	(657,603)	137,420	(520,183)
Total comprehensive income for the period	-	(694,561)	36,958	-	175,141	(482,462)	1,277,299	794,837
Transactions with owners, recorded directly in equity								
Share option expensed over vesting period	-	-	-	55,816	-	55,816	-	55,816
Total contributions by and distribution to owners	-	-	-	55,816	-	55,816	-	55,816
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-
Dividends to minority owners	-	-	-	-	-	-	(1,461,998)	(1,461,998)
Dilution gains/(losses)	-	-	-	-	(21,092)	(21,092)	21,092	-
Issue of shares	21,873	-	-	-	-	21,873	-	21,873
Total change in ownership interest in subsidiaries	21,873	-	-	-	(21,092)	781	(1,440,906)	(1,440,125)
Total transactions with owners	21,873	-	-	55,816	(21,092)	56,597	(1,440,906)	(1,384,309)
Balance at 30 June 2010	36,861,683	(1,074,945)	36,958	196,243	(11,661,969)	24,357,970	6,796,759	31,154,729

Amounts are stated net of tax.

The notes on pages 16 to 56 are an integral part of these consolidated financial statements.

Professional Investment Holdings Limited and its controlled entities
 Consolidated balance sheet
 As at 30 June 2010

	Note	2010	2009
Assets			
Cash and cash equivalents	10	16,726,256	11,676,057
Trade and other receivables	12	32,938,772	40,271,930
Tax assets	15	-	3,015,611
Other assets	13	4,323,746	8,114,761
Inventory	28	36,000,000	-
Total current assets		89,988,774	63,078,359
Trade and other receivables	12	14,780,265	17,153,221
Other assets	13	1,831,463	1,720,367
Investments	14	2,787,334	2,605,391
Investments accounted for using the equity method	16	43,282	43,282
Deferred tax assets	9	9,224,277	11,023,973
Property, plant and equipment	17	2,406,243	2,802,417
Intangible assets	18	9,086,903	12,669,005
Inventory	28	-	32,000,000
Total non-current assets		40,159,767	80,017,656
Total assets		130,148,541	143,096,015
Liabilities			
Trade and other payables	19	43,712,538	39,433,665
Loans and borrowings	20	36,850,197	20,755,747
Employee benefits	21	1,078,924	1,074,783
Provisions	29	6,089,647	8,845,701
Income tax payable	15	284,121	-
Total current liabilities		88,015,427	70,109,896
Trade and other payables	19	2,409,109	6,348,460
Loans and borrowings	20	4,770,238	29,000,000
Employee benefits	21	900,086	727,681
Provisions	29	2,898,952	5,165,777
Total non-current liabilities		10,978,385	41,241,918
Total liabilities		98,993,812	111,351,814
Net assets		31,154,729	31,744,201
Equity			
Issued capital	22	36,861,683	36,839,810
Foreign currency translation reserve		(1,074,945)	(380,384)
Fair value reserve		36,958	-
Share option reserve		196,243	140,427
Accumulated losses		(11,661,969)	(11,816,018)
Total equity attributable to equity holders of the parent		24,357,970	24,783,835
Non-controlling interest		6,796,759	6,960,366
Total equity		31,154,729	31,744,201

The notes on pages 16 to 56 are an integral part of these consolidated financial statements.

Professional Investment Holdings Limited and its controlled entities Consolidated statement of cash flows

For the year ended 30 June 2010

	Note	2010	2009
Cash flows from operating activities			
Cash receipts from customers		228,319,734	238,543,421
Cash paid to suppliers and employees		(213,061,021)	(229,897,210)
Cash paid on client claims		(10,995,404)	(14,326,562)
Cash generated from/(used in) operations		5,070,321	(5,680,351)
Income taxes (paid)/refunded		2,860,560	(7,244,396)
Net cash from/(used in) operating activities	11	7,123,269	(12,924,747)
Cash flows from investing activities			
Interest received		2,148,229	2,325,741
Dividends received		298	20,296
Acquisition of property, plant and equipment		(667,735)	(429,004)
Proceeds from sale of property, plant and equipment		366,107	-
Acquisition of intangibles		(101,454)	(200,000)
Proceeds from sale of investments		1,275,767	157,551
Acquisition of subsidiary, net of cash acquired		-	(26,243)
Loans to advisors		(138,674)	(2,591,658)
Repayments from advisors		578,247	1,550,441
Net cash from/(used in) investing activities		3,460,785	807,124
Cash flows from/(used in) financing activities			
Proceeds from the issue of share capital		21,873	-
Share buy back		-	(347,363)
Repayment of borrowings		(3,522,582)	(12,685,735)
Proceeds from borrowings		987,991	2,213,359
Borrowing costs		(3,081,968)	(2,101,014)
Net cash from/(used in) financing activities		(5,594,686)	(12,920,753)
Net increase/(decrease) in cash and cash equivalents		4,989,368	(25,038,376)
Cash and cash equivalents at 1 July		11,676,057	36,506,480
Effect of exchange rate fluctuations on cash held		60,881	207,953
Cash and cash equivalents at 30 June	10	16,726,256	11,676,057

The notes on pages 16 to 56 are an integral part of these consolidated financial statements.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

1. Reporting Entity

Professional Investment Holdings Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Corporate Centre, Corner Bundall Road & Slatyer Avenue, Bundall, Queensland. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The Group is primarily involved in the provision of financial planning services.

2. Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was authorised for issue by the directors on the 30th September 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 2(g) – Basis of financial statement preparation

Note 9 and 3(l) – recognition of deferred tax assets

Note 18 and note 3(f) – goodwill and intangible assets recoverable amount

Note 27 – contingencies

Note 28 – net realisable value of inventory

Note 29 – provisions

(e) Changes in accounting policies

As of 1 July 2009, the Group changed its accounting policies in the following areas:

- Determination and presentation of operating segments (Note 3(q))
- Presentation of financial Statements (Note 3(r)).

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

2. Basis of Preparation (continued)

(g) Basis of financial statement preparation

The financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2009 the Group experienced a significant reduction in revenues compared to prior years as a result of the global financial crisis which adversely impacted the profitability and cash flows of the Group.

During the year ended 30 June 2010, the Group achieved improved trading results, renegotiated certain banking arrangements and, subsequent to year end, entered into an unconditional contract for the sale of property which will release \$7m of cash funds, and proposes a merger with Centrepoint Alliance Limited as outlined in note 34.

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. The achievement of these cash flow projections is dependent upon the following assumptions:

- No further client claims or other litigious matters of significance arising that require settlement within 12 months from the date of the directors declaration;
- The Group's main operating subsidiary, Professional Investment Services Pty Ltd, which generates the majority of the Group's revenue from financial planning advice provided under its Australian Financial Services Licence, and which breached certain financial conditions of its licence during the year, continuing to hold its licence and there being no adverse impacts on the business instigated by regulators or other parties (refer note 34) and
- The convertible note referred to in note 34 not be called upon for repayment within 12 months from the date of the directors declaration in the event that the merger with Centrepoint Alliance Limited does not occur

The directors of the Company are of the view that each of these critical assumptions can be achieved, and accordingly that the Group will be able to continue as a going concern. If the critical assumptions are not achieved and additional funding is required within the next 12 months, the directors intend raising additional debt or equity finance, however there is an inherent uncertainty whether this alternate funding could be raised.

In the event that the Group cannot continue as a going concern, it may not realise its assets or settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the consolidated Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non minority items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis and to realise the asset and settle the liability simultaneously.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Cash and cash equivalents comprise cash balances and call deposits, net of outstanding bank overdrafts for the purpose of the statement of cash flows.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(f)(i)), are recognised directly in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments including trade and other receivables and trade and other payables and loans and borrowings, are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary shares

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividend is discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Buyback of share capital

When share capital recognised as equity is bought back, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functioning of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a declining basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 3 – 7 years
- Leasehold improvements 3 – 7 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of non-controlling interest

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the profit or loss as an expense as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or an other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, unless such lives are indefinite, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. The estimated useful lives in the current and comparative periods are as follows:

- software 2.5 years
- trademarks and advisor networks 10 – 15 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition for any investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(g) Employee benefits

(i) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Group's obligations.

(ii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees. A liability is recognised for the amount expected to be paid under a short-term cash bonus or profit sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The share option plan allows Group employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The share option plan was cancelled, and not replaced, during the year.

(iv) Defined contribution plans

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefits expense in the profit or loss in the periods' in which services are rendered by employees.

Professional Investment Holdings Limited and its controlled entities Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Claims

A provision for claims is recognised only when a product collapse has occurred and has given rise to claims or the Group expects to incur liabilities in the future as a result of past advice given. It is measured at the present value of the future costs that the Group expects to incur to settle the claim.

(i) Revenue

Financial advice and product margin revenue is recorded at the time business is written as at this point all services have been provided to the customer. Ongoing revenue is recorded monthly. Revenue for services provided is recognised at the point of delivery of the service to clients. Dividend and distribution revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting. All revenue is stated net of the amount of goods and services tax (GST).

(j) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(k) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(I) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expense are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(i) Tax Consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group from 1 July 2008. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Professional Investment Holdings Limited.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(l) Income tax (continued)

(ii) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-entity receivables / (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(n) Leased assets

Leases in terms of which the Group assumed substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's balance sheet.

(o) Inventory

(i) Property development project

Property development projects are carried at the lower of cost and net realisable value. Property development projects include land and property at cost and development costs on those assets which have been or are in the process of being developed for sale. Cost includes the cost of acquisition and development, but excludes holding costs such as interest, rates and taxes. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs.

Property development projects which are not expected to be sold within 12 months are classified as non-current.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary, redeemable preference and A class shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential shares, which comprise share options granted to employees.

(q) Segment reporting

(i) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(s) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any significant impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 1053 *Application of Tiers of Australian Accounting Standards* introduces a two tier reporting framework for reporting entities preparing general purpose financial statements. The standard applies to reporting periods beginning on or after 1 July 2013 and is not expected to have any significant impact on the financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid or redemption price at the reporting date.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) Share-based payment transactions

The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

5. Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established informally to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from product providers. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the characteristic of each product providers. More than 50 percent (2009: 50 percent) of the Group's customers have been transacting with the Group since inception and losses have occurred infrequently. The Group's trade and other receivables relate mainly to financial advice revenue and product margins earned as a financial dealer group and interest bearing loans receivable. The Group does not require collateral in respect of trade and other receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected net cash outflows, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

(i) Currency risk

The Group holds foreign currency denominated accounts to minimise foreign exchange risk. The foreign currency denominated balances are not significant and foreign exchange rates are monitored on a regular basis.

(ii) Interest rate risk

The Group adopts a policy to minimise exposure to interest rate risk by depositing excess funds in interest bearing accounts that are variable rate.

Professional Investment Holdings Limited and its controlled entities Notes to the consolidated financial statements

5. Financial risk management

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the level of dividends to shareholders.

The Board ensures the Group has sufficient capital as required for working capital purposes.

The Group incurs borrowings to fund major acquisitions and managed investment scheme loans.

There were no changes in the Group's approach to capital management during the year.

The Group has subsidiaries that are subject to externally imposed capital requirements which are conditions of regulatory licences. Regulatory licence conditions require the subsidiaries to maintain minimum cash balances, and minimum net asset balances.

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

6. Personnel expenses

	Consolidated	
	2010	2009
Wages and salaries	19,347,457	21,604,150
Other associated personnel expenses	4,121,249	4,841,095
Increase in liability for annual leave	4,142	171,939
Increase in liability for long service leave	172,404	93,048
	<u>23,645,252</u>	<u>26,710,232</u>

7. Auditors' remuneration

Audit services

Auditors of the Company

KPMG Australia:

Audit and review of financial reports

393,835 246,569

Other regulatory audit services

23,500 20,000

KPMG Canada:

Audit and review of financial reports

- 20,000

Other auditors

Audit and review of financial reports¹

195,952 237,308

613,287 523,877

¹ These amounts include payments made by a Group entity, in their capacity as Responsible Entity, to auditors of managed investment schemes.

8. Income tax expense

Current tax expense

Note

Current year

439,172 1,706,242

Deferred tax expense

Origination and reversal of temporary differences

9

1,799,696 1,379,765

1,799,696 1,379,765

Total income tax expense

2,238,868 3,086,007

Numerical reconciliation between tax expense and pre-tax net profit

Profit/(loss) before tax

3,553,888 (17,974,698)

Income tax using the domestic corporation tax rate
of 30% (2009: 30%)

1,066,166 (5,392,409)

Increase in income tax expense due to:

Gross up of dividends

38 2,609

Non-deductible expenses

122,411 451,395

Effect of tax losses not taken to account

1,090,353 7,452,201

Decrease in income tax expense due to:

Reversal of temporary differences not previously recognised

(591,080) (41,517)

Tax exempt revenues

(128) (8,698)

Other differences

551,108 622,426

Total

1,172,702 8,478,416

Income tax expense on pre-tax net profit

2,238,868 3,086,007

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Other investments	301,007	774	(8,400)	(423,843)	292,607	(423,069)
Employee benefits	593,703	515,843	-	-	593,703	515,843
Other items including claim provision	2,228,196	2,870,273	-	-	2,228,196	2,870,273
Tax value of loss carry-forwards recognised	6,109,771	8,060,926	-	-	6,109,771	8,060,926
Tax assets/(liabilities)	9,232,677	11,447,816	(8,400)	(423,843)	9,224,277	11,023,973
Net tax assets/(liabilities)	9,232,677	11,447,816	(8,400)	(423,843)	9,224,277	11,023,973

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2010	2009
Tax losses and timing differences	5,791,465	7,452,201
	5,791,465	7,452,201

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from. The recoverability of deferred tax assets recognised have been supported by projections prepared by management which indicate that the deferred tax assets will be recouped from earnings to be achieved over a period of approximately 4 years. In the event that the projected earnings are not achieved, an amount of the deferred tax asset may require write-off in future financial years.

Movement in temporary differences during the year

	Consolidated				
	Balance 1 July 2008	Recognised in income	Recognised in equity	Acquired in business combination	Balance 30 June 09
Investments	(221,125)	(196,901)	-	(5,043)	(423,069)
Employee benefits	438,585	77,258	-	-	515,843
Other items, including claims provisions	12,179,747	(9,309,474)	-	-	2,870,273
Tax value of loss carry-forwards (recognised)/derecognised	11,574	8,049,352	-	-	8,060,926
	12,408,781	(1,379,765)	-	(5,043)	11,023,973

	Consolidated				
	Balance 1 July 2009	Recognised in income	Recognised in equity	Acquired in business combination	Balance 30 June 10
Investments	(423,069)	715,676	-	-	292,607
Employee benefits	515,843	77,860	-	-	593,703
Other items, including claims provisions	2,870,273	(642,077)	-	-	2,228,196
Tax value of loss carry-forwards (recognised)/derecognised	8,060,926	(1,951,155)	-	-	6,109,771
	11,023,973	(1,799,696)	-	-	9,224,277

10. Cash and cash equivalents

	Consolidated	
	2010	2009
Cash and cash equivalents in the statement of cash flows	16,726,256	11,676,057

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

11. Reconciliation of cash flows from operating activities

	Consolidated	
	2010	2009
Cash flows from operating activities		
Profit/(loss) for the year	1,315,020	(21,060,705)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,646,338	2,063,930
Impairment expense/(reversal)	(3,679,181)	12,368,932
Foreign exchange (gains)/ losses unrealised	(128,261)	1,111,699
(Gain)/loss on sale of investment and assets	(366,107)	(156,925)
Investment income	(2,148,229)	(2,346,037)
Interest expense	3,081,968	2,101,015
Share of (profit)/loss of associates	-	(907)
	(278,452)	(5,918,998)
(Increase)/decrease in trade and other receivables	3,255,130	10,113,389
(Increase)/decrease in tax assets	3,015,611	(3,015,611)
(Increase)/decrease in deferred tax	1,799,696	1,384,808
(Increase)/decrease in prepayments	1,919,515	(1,193,545)
(Increase)/decrease in other assets	1,760,404	(1,322,607)
(Decrease)/increase in trade and other payables	457,577	11,707,563
(Decrease)/Increase in provisions and employee benefits	(5,090,333)	(22,158,322)
(Decrease)/increase in income tax payable	284,121	(2,521,424)
Net cash from/(used in) operating activities	7,123,269	(12,924,747)

12. Trade and other receivables

	Consolidated	
	2010	2009
Current		
Loans due from advisors ¹	1,306,726	1,103,609
Interest bearing loans receivable	2,322,117	3,300,085
Trade receivables	28,529,646	32,815,199
Claims recoveries	780,283	3,053,037
	32,938,772	40,271,930
Non-current		
Loans due from advisors ¹	2,551,690	3,182,828
Interest bearing loans receivable	9,280,696	12,527,137
Claims recoveries	1,242,364	1,443,256
Other	1,705,515	-
	14,780,265	17,153,221

An impairment loss of \$203,610 was recognised by the Group (2009: \$124,300) for the year ended 30 June 2010 in relation to loans receivable due to the financial position of the recipient of the loan. The amounts were impaired as the future estimated cash flow from these assets do not support recoverability of the carrying amounts.

The Group's exposure to credit and currency risk and impairment losses to trade and other receivables are disclosed in Note 23.

¹ These loans are secured and bear interest at commercial rates

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

13. Other assets

	Consolidated	
	2010	2009
Current		
Short term deposits	3,352,418	5,214,245
Prepayments	971,328	2,900,516
	<u>4,323,746</u>	<u>8,114,761</u>
Non-current		
Deposits	<u>1,831,463</u>	<u>1,720,367</u>

14. Investments

Non-current		
Investments available-for-sale – at fair value	<u>2,787,334</u>	<u>2,605,391</u>

An impairment loss of \$108,120 was recognised for the year ended 30 June 2010 (2009:\$ 447,083) on investments available for sale due to a sustained reduction in fair value.

Sensitivity analyses – price risk

The Group's available for sale investments are shares listed on the ASX and units in a Frank Russell managed investment scheme. For such investments a two percent increase/(decrease) in the fair value at the reporting date would have increased/(decreased) equity by \$38,949 after tax (2009: \$36,300)

15. Current tax assets and liabilities

The current tax asset for the Group of \$Nil (2009: \$3,015,611) represents the amount of income tax receivable in respect of the current period.

The current tax liability for the Group of \$284,121 (2009: \$Nil) represent the amount of income taxes payable in respect of the current period.

16. Equity accounted investees

(a) Investments in associates

The Group accounts for investments in associates using the equity method. The Group has not recognised losses relating to RMS Software during the year since the Group has no obligation in respect of these losses.

The Group has the following investments in associates:

	Principal activities	Country	Reporting Date	Ownership	
				2010	2009
RMS Software (RMS)	Financial Services Software	New Zealand	31 March	25%	25%

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

16. Equity accounted investees (continued)

(a) Investments in associates (continued)

	Revenues (100%)	Profit/(loss) (100%)	Share of associate's net profit/(loss) recognised	Total Assets (100%)	Total Liabilities (100%)	Share of associate's net assets equity accounted
2009						
RMS	126,603	(1,131)	(907)	38,652	(63,769)	43,282
	126,603	(1,131)	(907)	38,652	(63,769)	43,282
2010						
RMS	126,603	(1,131)	-	38,652	(63,769)	43,282
	126,603	(1,131)	-	38,652	(63,769)	43,282

(b) Results of associates

	Consolidated	
	2010	2009
Share of associates loss before income tax	-	(907)
Share of income tax expense	-	-
Share of associates net profit- as disclosed by associates	-	(907)
Adjustments:		
- depreciation adjustment	-	-
- unrecognised losses	-	-
Share of associates net loss not recognised	-	(907)

The Group has no obligation in respect of these losses.

Commitments

Share of associates other expenditure commitments contracted but not provided for or payable (including operating lease commitments):

	2010	2009
Within one year-Operating lease	2,046	2,046

17. Property, plant and equipment

	Leasehold improvements	Consolidated plant and equipment	Total
Cost			
Balance at 1 July 2008	1,504,612	4,189,379	5,693,991
Acquisitions	82,979	346,025	429,004
Business combinations	48,192	65,864	114,056
Effect of movements in foreign exchange	132,861	74,234	207,095
Balance at 30 June 2009	1,768,644	4,675,502	6,444,146
Balance at 1 July 2009	1,768,644	4,675,502	6,444,146
Acquisitions	157,080	460,239	617,319
Disposals	(53,973)	(278,699)	(332,672)
Effect of movements in foreign exchange	(40,354)	(18,392)	(58,746)
Balance at 30 June 2010	1,831,397	4,838,650	6,670,047

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

17. Property, plant and equipment (continued)

	Consolidated		Total
	Leasehold improvements	Plant and equipment	
Depreciation and impairment losses			
Balance at 1 July 2008	369,850	2,300,251	2,670,371
Depreciation charge for the year	315,877	597,487	913,364
Effect of movements in foreign exchange	26,618	31,376	57,994
Balance at 30 June 2009	712,345	2,929,384	3,641,729
Balance at 1 July 2009	712,345	2,929,384	3,641,729
Depreciation charge for the year	232,687	581,090	813,777
Disposals	-	(138,257)	(138,257)
Effect of movements in foreign exchange	1,360	(54,805)	(53,445)
Balance at 30 June 2010	946,392	3,317,412	4,263,804
Carrying amounts			
At 1 July 2008	1,134,762	1,888,858	3,023,620
At 30 June 2009	1,056,299	1,746,118	2,802,417
At 1 July 2009	1,056,299	1,746,118	2,802,417
At 30 June 2010	885,005	1,521,238	2,406,243

18. Intangible assets

Consolidated	Trademark and advisor network			Total
	Goodwill	Software		
Cost				
Balance at 1 July 2008	5,959,095	1,411,992	8,328,405	15,699,492
Acquisitions	-	666,393	773,634	1,440,027
Business combinations	75,504	-	-	75,504
Effect of movements in foreign exchange	252,980	11,512	42,562	307,054
Balance at 30 June 2009	6,287,579	2,089,897	9,144,601	17,522,077
Balance at 1 July 2009	6,287,579	2,089,897	9,144,601	17,522,077
Acquisitions	-	101,454	-	101,454
Disposals	(1,767,069)	(311,940)	(1,770,953)	(3,849,962)
Effect of movements in foreign exchange	20,190	(909)	1,361	20,642
Balance at 30 June 2010	4,540,700	1,878,502	7,375,009	13,794,211
Amortisation and impairment losses				
Balance at 1 July 2008	599,981	912,600	507,061	2,019,642
Amortisation for the year	-	547,824	602,742	1,150,566
Impairment	1,612,020	-	-	1,612,020
Effect of movements in foreign exchange	62,334	3,792	4,718	70,844
Balance at 30 June 2009	2,274,335	1,464,216	1,114,521	4,853,072
Balance at 1 July 2009	2,274,335	1,464,216	1,114,521	4,853,072
Amortisation for the year	-	354,428	478,133	832,561
Disposals	(549,061)	(159,225)	(305,328)	(1,013,614)
Effect of movements in foreign exchange	32,927	1,629	733	35,289
Balance at 30 June 2010	1,758,201	1,661,048	1,288,059	4,707,308

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Notes to the consolidated financial statements

18. Intangible assets (continued)

Carrying amounts	Trademark and advisor			Total
	Goodwill	Software	network	
At 1 July 2008	5,359,114	499,392	7,821,344	13,679,850
At 30 June 2009	4,013,244	625,681	8,030,080	12,669,005
At 1 July 2009	4,013,244	625,681	8,030,080	12,669,005
At 30 June 2010	2,782,499	217,454	6,086,950	9,086,903

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

	Consolidated	
	2010	2009
Amortisation	832,561	1,150,566
Impairment	-	1,612,020
	832,561	2,762,586

Impairment tests for cash generating units containing goodwill

The following cash generating units have significant carrying amounts of goodwill:

	Consolidated	
	2010	2009
Fifth Floor Pte Limited	1,394,848	1,551,511
Ausican Inc.	-	1,074,081
Horwath Financial Services Limited	-	-
DeRun Securities Pty Ltd	937,500	937,500
My Blueprint / IFMA	437,352	437,352
Diversified Portfolio Managers Limited	12,800	12,800
	2,782,500	4,013,244

The recoverable amounts of the above cash generating units and advisor networks are based on value in use calculations. Value in use calculations use cash flow projections based on actual and one year projected operating results. Cash flows for a further four year period are extrapolated using a three per cent growth rate and are considered appropriate because financial services is a long-term business. This growth rate is consistent with the long-term average growth rate for the Group. In addition, a terminal value has been estimated based on a multiple of approximately 6 times the final year's net cash flow. A pre-tax discount rate of between 18.3 to 20 percent has been used in discounting the projected cash flows. The following units have goodwill that has been impaired as follows;

	Consolidated	
	2010	2009
Ausican Inc	-	686,696
Horwath Financial Services Limited	-	843,528
Professional Investment Services (Malaysia) Sdn. Bhd.	-	99,796
	-	1,630,020

19. Trade and other payables

Current liabilities

	Consolidated	
	2010	2009
Current trade payables	25,581,725	26,649,592
Other trade payables and accrued expenses	2,328,071	1,010,544
Client claims payable	15,802,742	11,773,529
	43,712,538	39,433,665

Non-current liabilities

Client claims payable	2,409,109	6,348,460
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The Group's exposure to currency and liquidity risk related to trade payables is disclosed in Note 23.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

19. Trade and other payables (continued)

On 25 August 2008 the Group issued letters of offer and deeds of release to members of the Brand Smart Riverbank Property Syndicate (Syndicate). The offer comprised an 80 cents per unit compensation payment payable in four instalments of \$6,562,000; 30 September 2008, 30 June 2009, 30 June 2010, and 30 June 2011. The proposal was approved at a meeting of members held on 15 September 2008. The first two instalments have been paid and the final two instalments are included in client claims payable. The third instalment was paid subsequent to year end on 2 July 2010.

During the year the Group reached a settlement for the class action brought against it by ASIC on behalf of various parties. The net amount of \$5,153,848 paid to ASIC on 30 November 2009 as settlement was fully provided for as client claims payable at 30 June 2009.

The Group was the respondent/defendant in a representative action in the NSW Supreme Court (equity division), brought against it on the 19 September 2006 in relation to Westpoint property development collapse. The Group reached a settlement for the representative action. The net amount of \$377,271 was paid on the 29 June 2010. A further \$4,000,000 is due and payable in 8 quarterly instalments. The settlement was fully provided for at 30 June 2009 and transferred from client claims provision to client claims payable as at 30 June 2010.

20. Loans and borrowings

	Consolidated	
	2010	2009
Current liabilities		
Professional indemnity insurance financing	-	1,990,694
Managed investment scheme financing loan	7,850,197	18,765,053
Bank loan for development property	29,000,000	-
	36,850,197	20,755,747
Non-current liabilities		
Managed investment scheme financing loan	4,770,238	-
Bank loan for development property	-	29,000,000
	4,770,238	29,000,000

The bank loan for the development property is secured over inventory with a carrying value of \$36million (2009: \$32million) (see Note 28).

Contractual terms and conditions of outstanding loans for the Group were as follows:

Nominal interest rate	Year of maturity	30 June 2010		30 June 2009	
		Face value	Carrying amount	Face value	Carrying amount
5.96%	2009	-	-	1,990,694	1,990,694
9.36%	2010 ¹	901,465	901,465	2,627,024	2,627,024
9.76%	2011 ¹	491,851	491,851	917,903	917,903
6.23%	2011	29,000,000	29,000,000	29,000,000	29,000,000
9.28%	2012 ¹	1,083,419	1,083,419	2,311,773	2,311,773
10.23%	2013 ¹	3,015,008	3,015,008	2,901,619	2,901,619
9.20%	2014 ¹	727,941	727,941	1,630,862	1,630,862
10.06%	2015 ¹	459,100	459,100	916,006	916,006
9.14%	2016 ¹	2,330,013	2,330,013	-	-
9.43%	2017 ¹	2,379,639	2,379,639	5,304,380	5,300,380
10.54%	2018 ¹	1,231,999	1,231,999	2,155,486	2,155,486
		41,620,435	41,620,435	49,755,747	49,755,747

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rates see Note 23.

¹ Year of maturity is based on original loan terms for managed investment scheme financing loans. As a result of breached covenants discussed below, \$8,513,197 is to be progressively repaid by 30 November 2011 and mainly funded by realisation of interest bearing loans receivable.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

20. Loans and borrowings (continued)

In the year ended 30 June 2009, the Group breached loan covenants as a result of obtaining new funding for the development site inventory as identified in Note 28. Two out of four covenants were breached being:

- Interest bearing debt to EBITDA and
- EBITDA to interest expense

The secured lender did not take enforcement action at the time, but reserved its rights under the terms of the loan. Because of the covenant breach in the prior year, amounts totalling \$11,917,708 were classified as current in year ended 30 June 2009. During the year ended 30 June 2010 the Group renegotiated the terms of the loan, as a result, the loan is to be repaid in instalments prior to 30 November 2011. As at 30 June 2010, \$4,419,277 has been reclassified to non-current.

The Group obtained new funding of \$39,000,000 during the year ended 30 June 2009, secured over the development site classified as non current inventory (Note 28), a fixed and floating charge over a controlled entity of the Group and a guarantee and indemnity given by the Company. The loan has no financial covenants, is subject to annual review, monthly interest payments at a variable rate and is due to be repaid on 30 June 2011. \$10,000,000 was repaid during the 2009 year. As per the annual review, if the financier is of the view that the financial position or prospects of the borrower or the guarantor has deteriorated materially then the lender may require additional security, and/or repayment of part or all of the loan and/or mortgage insurance be obtained. The financier has not advised of any such requirements to the date of this report.

The Group has its professional indemnity insurance financed annually which is payable over nine months, unsecured, at a rate of 5.96%.

21. Employee benefits

Current

Liability for annual leave

Consolidated	
2010	2009
1,078,924	1,074,783

Non Current

Liability for long-service leave

900,086	727,681
1,979,010	1,802,464

Total employee benefits

Share based payments

The Company had an employee share option plan that entitled eligible employees to purchase shares in the Company which was cancelled on the 14th May 2010. As a result, unvested benefits of \$55,816 were expense during the year.

The terms and conditions of the outstanding grants were cancelled during the year and no share options are outstanding.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
Outstanding at 1 July	3.72	250,998	3.06	409,547
Forfeited during the period	3.72	(233,500)	1.25	(158,549)
Exercised during the period	1.25	(17,498)	-	-
Outstanding at 30 June	-	-	3.72	250,998
Exercisable at 30 June	-	-	-	-

The options outstanding at 30 June 2010 have an exercise price in the range of \$1.25 to \$7.50 and a weighted average contractual life of 5 years.

Employee expenses

Share options expense

Total expense recognised as share based compensation expense

Consolidated	
2010	2009
55,816	13,834
55,816	13,834

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

22. Capital and reserves

Share capital

	'A' class shares		Ordinary shares		Redeemable preference shares		'Z' Class shares		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Number of shares										
On issue at 1 July	8,428,583	8,428,583	27,246,701	27,246,701	10,980,214	11,090,638	1	1	46,655,499	46,765,923
Share buy back	-	-	-	-	-	(110,424)	-	-	-	(110,424)
Issued for cash	-	-	-	-	17,498	-	-	-	17,498	-
Issued non cash	-	-	-	-	8,875	-	-	-	8,875	-
Redeemed non cash	-	-	-	-	(22,342)	-	-	-	(22,342)	-
On issue at 30 June – fully paid	8,428,583	8,428,583	27,246,701	27,246,701	10,984,245	10,980,214	1	1	46,659,530	46,655,499

Cost

	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
On issue at 1 July	\$ 5,156,256	\$ 5,156,256	\$ 193,002	\$ 193,002	\$ 31,490,551	\$ 31,837,914	\$ 1	\$ 1	\$ 36,839,810	\$ 37,187,173
Share buy back	-	-	-	-	-	(347,363)	-	-	-	(347,363)
Issued for cash	-	-	-	-	21,873	-	-	-	21,873	-
Issued non cash	-	-	-	-	-	-	-	-	-	-
Redeemed non cash	-	-	-	-	-	-	-	-	-	-
On issue at 30 June – fully paid	5,156,256	5,156,256	193,002	193,002	31,512,424	31,490,551	1	1	36,861,683	36,839,810

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

During the year ended 30 June 2010, 8,875 (2009: nil) redeemable preference shares were issued for nil consideration and 22,342 (2009: nil) redeemable preference shares were redeemed for \$nil as part of the Bongiorno purchase and sale agreement which stipulated that shares would be redeemed at nil if and when advisors resigned and joined competitor dealer groups.

From time to time the Company will buy back shares from terminated employees and advisors and advisors who have not maintained minimum net retention.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

22. Capital and reserves (continued)

Share capital (continued)

Fully paid "A" Class shares

"A" Class shares carry the following rights:

- (i) the right to a return of capital in proportion to the amount of the total issue price paid or credited as being paid on the share on a winding up of the company, pari passu with ordinary shares and redeemable preference shares;
- (ii) the right to participate in a distribution of surplus assets on a winding up of the company, pari passu with ordinary shares and redeemable preference shares;
- (iii) the right to participate in any dividends; and
- (iv) the right to vote at general meetings of the company.

Fully paid ordinary shares

Ordinary shares carry the following rights:

- (i) the right to a return of capital in proportion to the amount of the total issue price paid or credited as being paid on the share on a winding up of the company, pari passu with "A" class shares and redeemable preference shares;
- (ii) the right to participate in a distribution of surplus assets on a winding up of the company, pari passu with "A" class shares and redeemable preference shares;
- (iii) the right to participate in any dividends; and
- (iv) the right to vote at general meetings of the company.

Fully paid redeemable preference shares

Redeemable preference shares carry the following rights:

- (i) the right to a return of capital in proportion to the amount of the total issue price paid or credited as being paid on the shares on a winding up of the company, pari passu with ordinary shares and "A" class shares;
- (ii) the right to participate in a distribution of surplus assets on a winding up of the company, pari passu with ordinary shares and "A" class shares;
- (iii) the right to participate in any dividends pari passu with ordinary shares and "A" class shares;
- (iv) the right to vote at general meetings of the company; and
- (v) are redeemable at the Board's sole discretion.

Fully paid "Z" Class shares

"Z" Class shares carry the following rights:

- (vi) carry no rights to a return of capital on a winding up of the Company;
- (vii) carry no right to participate in a distribution of surplus assets on a winding up of the Company;
- (viii) carry no right to participate in dividends; and
- (ix) carry no right to vote at general meetings of the Company.
- (x) the right to appoint such number of Directors as is necessary to ensure that Directors nominated by the holder of the 'Z' class share represent a proportion of the total number of Directors equal to the aggregate number of shares in the Company (of any class) held by the holder of the 'Z' class share and/or its Associated Entities as a proportion of the total number of issued shares in the Company (of any class).

No preference shares give the holder the right to require redemption or to receive a dividend or other payment.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

22. Capital and reserves (continued)

Share capital (continued)

Share option reserve

The share option reserve includes the fair value of employee options measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options.

Dividends

2010

There were no dividends declared or paid during the year (2009: Nil).

Dividend franking account

30 per cent franking credits available to shareholders of Professional Investment Holdings Limited for subsequent financial years

The Company	
2010	2009
19,316,145	22,842,506

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- franking credits that will arise from the receipt of dividends recognised as receivables at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to use franking credits is dependent upon there being sufficient available profit to declare dividends. In accordance with the tax consolidation legislation, the head entity in the tax consolidated group has also assumed the benefit of 18,145,641 (2009: 22,295,431) franking credits.

23. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Consolidated	Note	Carrying amount	
		2010	2009
Available for sale financial assets	14	2,787,334	2,605,391
Trade and other receivables	12	47,719,037	57,425,151
Deposits	13	5,183,881	6,934,612
Cash and cash equivalents	10	16,726,256	11,676,057
		72,416,508	78,641,211

The following impairment losses have been recognised on loans receivables.

	Group	
	2010	2009
Advisor loan	203,610	-
Commission advance	-	124,300
	203,610	124,300

Professional Investment Holdings Limited and its controlled entities Notes to the consolidated financial statements

23. Financial instruments (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region is as follows:

	Group	
	2010	2010
Australia	24,541,027	28,877,151
New Zealand	602,756	741,226
Singapore	2,928,507	2,616,777
Hong Kong	295,250	2,325
Canada	-	468,092
Malaysia	162,106	109,628
	<u>28,529,646</u>	<u>32,815,199</u>

The aging of the Group's trade receivables at the reporting date was:

	Carrying value – gross	
	2010	2009
Current	28,261,868	30,819,170
Past due 0 – 30 days	141,659	1,184,469
Past due 30 – 90 days	126,119	811,560
	<u>28,529,646</u>	<u>32,815,199</u>

Based on historic trends, the Group believes that no impairment allowance is necessary in respect of trade receivables.

The Group has advisor loans receivable of \$3,858,416 (2009: \$4,286,437) of which \$3,815 (2009: \$20,454) was past due at year end and have subsequently been collected and \$203,610 (2009: nil) are impaired.

The Group has interest bearing loans receivable of \$11,602,813 (2009: \$15,827,222) of which \$3,994 (2009: 26,081) was past due and \$Nil (2009: \$116,000) are impaired.

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

23. Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of the Group's financial liabilities, excluding estimated interest:

	Carrying amount	Contractual cash flow	6 mths or less	6 – 12 months	1 – 2 years	2 – 5 years	more than 5 years
30 June 2010							
Trade and other payables	46,121,647	(46,773,842)	(37,270,132)	(8,503,710)	(1,000,000)	-	-
Interest bearing loans	29,000,000	(29,000,000)	-	(29,000,000)	-	-	-
Managed investment scheme finance	12,620,435	(12,620,435)	(2,001,345)	(1,213,187)	(2,273,475)	(4,011,213)	(3,121,215)
Tax payable	284,121	(284,121)	-	(284,121)	-	-	-
	88,026,203	(88,678,398)	(39,271,477)	(39,001,018)	(3,273,475)	(4,011,213)	(3,121,215)
30 June 2009							
Trade and other payables	45,782,125	(47,145,823)	(27,688,724)	(12,895,099)	(6,562,000)	-	-
Interest bearing loans	30,990,694	(30,990,694)	(1,990,694)	-	(29,000,000)	-	-
Managed investment scheme finance	18,765,053	(18,765,053)	(18,765,053)	-	-	-	-
	95,537,872	(96,901,566)	(48,444,471)	(12,895,099)	(35,562,000)	-	-

Liquidity risk is mitigated by the fact that \$22.5million (2009: \$24.1million) of trade and other payables is not contractually payable until trade and other receivables with a carrying value of \$26.8million (2009: \$30.1million) are received.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

23. Financial instruments (continued)

Currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	NZD	SGD	HKD	CAD	MYR
2010					
Trade receivables	602,756	2,928,507	295,250	-	162,106
Trade payables	(658,164)	(3,001,264)	(281,115)	-	(237,308)
Gross balance sheet exposure	(55,408)	(72,757)	14,135	-	(75,202)
2009					
Trade receivables	741,226	2,616,777	2,325	468,091	109,628
Trade payables	(807,644)	(1,882,256)	(37,395)	(350,394)	(111,132)
Gross balance sheet exposure	(66,418)	734,521	(35,070)	117,698	(1,504)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
NZD 1	0.7800	0.8023	0.8114	0.7933
SGD 1	0.7800	0.8991	0.8114	0.8374
HKD 1	0.1433	0.1701	0.1484	0.1576
CAD 1	1.0428	1.1428	1.0312	1.0539
MYR1	0.3341	0.3810	0.3589	0.3510

A 10 percent strengthening of the Australian dollar against the above currencies at 30 June would have increased (decreased) the Group's profit or loss by an insignificant amount. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Variable rate instruments

	Consolidated carrying amount	
	2010	2009
Cash and cash equivalents	16,726,256	11,676,057
Financial liabilities	(29,000,000)	(29,000,000)
	(12,273,744)	(17,323,943)

Fixed rate instruments

	Consolidated carrying amount	
	2010	2009
Financial assets	20,645,110	27,048,268
Financial liabilities	(12,620,435)	(20,755,744)
	8,024,675	6,292,524

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss therefore a change in interest rates at the reporting date would not affect profit or loss.

A 0.5% change in the interest rates would have an insignificant effect on the Group's equity and profit or loss on the basis that all other variables remain constant.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

23. Financial instruments (continued)

Fair values

The fair values of financial assets and liabilities approximate their carrying amounts.

An impairment of \$108,120 for the Group was recognised on available for sale financial assets during the year (2009: Group \$447,089). These assets were written down to fair value which is based on the closing unit price/share price at 30 June 2010. The assets were impaired as the closing prices at 30 June 2010 were significantly lower than the original cost of the asset.

Other financial assets that are impaired are disclosed under credit risk.

(a) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows where applicable using the following interest rates.

Interest rates are as follows:

	2010	2009
Loans and borrowings		
- Insurance financing	-	5.96%
- Managed investment scheme financing bank loan	9.14% - 10.54%	9.02% - 10.54%
- Inventory development property loan	6.23%	4.71%

(b) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted using the effective interest rate to determine the fair value.

(c) Fair value hierarchy

The Group's only financial instruments carried at fair value are available for sale financial assets with a carrying value of \$2,787,334 (2009: \$2,605,391) and have a level 2 valuation method whereby inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2010	2009
Less than one year	3,136,370	5,359,149
Between one and five years	8,779,775	6,612,214
	<u>11,916,145</u>	<u>11,971,363</u>

The Group leases office space under operating leases. The leases typically run for a period of 5 years with an option to renew the lease after that date. None of the leases include contingent rentals.

During the financial year ended 30 June 2010 \$3,453,977 was recognised as an expense in profit or loss in respect of operating leases (2009: \$4,016,016).

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

25. Consolidated entities

Parent entity	Country of Incorporation	Ownership interest	
		2010	2009
Professional Investment Holdings Limited	Australia		
Subsidiaries			
Professional Investment Services Pty Ltd	Australia	100%	100%
My Blueprint Limited	Australia	100%	100%
The IFMA Unit Trust	Australia	100%	100%
IFMA Investment Services Pty Ltd	Australia	100%	100%
Professional Accountants Ltd	Australia	100%	100%
Professional Investment Finance Pty Ltd	Australia	100%	100%
Fifth Floor Pte Limited	Singapore	100%	100%
Ausiwi Limited	New Zealand	100%	100%
Professional Investment Services LLC	USA	100%	100%
Mentor Investment Services Limited	Australia	37.57%	37.57%
Australian Master Superannuation Fund Pty Ltd	Australia	100%	100%
IFMA (NSW) Pty Ltd	Australia	100%	100%
Professional Mortgage Services Pty Ltd	Australia	100%	100%
Australian Direct Share Services Pty Ltd	Australia	100%	100%
Step by Step Guide Pty Ltd formerly PAL Sub Four Pty Ltd	Australia	100%	100%
One Stop Tax Shop Pty Ltd	Australia	100%	100%
Australian International Property P/L formerly PAL Sub One Pty Ltd	Australia	100%	100%
Professional Investment Technologies Pty Ltd	Australia	100%	100%
Discovery Investment Services Corporation Ltd	Australia	100%	100%
Australian Loan Company Ltd	Australia	44.47%	44.29%
Investment Diversity Limited	Australia	100%	100%
Ventura Investment Management Ltd	Australia	17.01%	17.01%
Professional Insurance Brokers (Australasia) Pty Ltd	Australia	100%	100%
Professional Investment Cattle Pty Ltd	Australia	100%	100%
MI Professional Funding Pty Ltd	Australia	100%	100%
Associated Advisory Practices Ltd	Australia	58.16%	50.84%
Associated Advisory Practices (No 2) Ltd	Australia	87.36%	100%
Blueprint Investment Services Ltd	Australia	100%	100%
Professional Investment Services (HK) Ltd	Hong Kong	100%	100%
Advisors Worldwide Ltd	Hong Kong	100%	100%
Advisors Worldwide (NZ) Ltd	New Zealand	100%	100%
Horwath Financial Services Limited	Hong Kong	98.8%	100%
De Run Securities Pty Ltd	Australia	56.01%	56.01%
Diversified Portfolio Managers Limited	Australia	100%	100%
Ausican Inc.	Canada	100%	100%
Professional Investment Services (Beijing) Pty Ltd	Australia	100%	100%
All Star Funds Management Ltd	Australia	90%	90%
Professional SMSF Services Pty Ltd	Australia	100%	100%
Professional SMSF Solutions Pty Ltd	Australia	100%	100%
Professional Investment Services (Malaysia) Sdn. Bhd.	Malaysia	55%	55%
Parramatta Site Developments Pty Ltd	Australia	100%	100%

Although the Group owns less than half of the voting rights of Ventura Investment Management Limited, Australian Loan Company Limited and Mentor Investment Services Limited, it is able to govern the financial and operating policies of the subsidiaries by virtue of an agreement with the other investors of the subsidiaries, therefore the Group consolidates its investment in the subsidiaries.

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

26. Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Stephen Murphy (Chairperson)
 Kenneth Butler
 Christopher Castles
 Greg Whimp
 Anthony Mulligan (Resigned 20/10/2009)
 Stephen Trist (Resigned 29/9/2009)
 Benjamin Weinglass (Resigned 30/9/2009)
 Elizabeth Flynn (Appointed 05/09/2008 / Resigned 13/07/2009)

Executive directors

Robert Bennetts (Chief Executive Officer)
 Grahame Evans (Managing Director)

Management

Stephen Poole (Group General Manager – Advice)
 Paul Forbes (Group General Manager – Product & Research)
 Kelly Wyman (Group General Manager – Services)

The key management personnel compensation included in 'personnel expenses' (see Note 6) and directors fees are as follows:

	2010	2009
Short-term employee benefits	1,477,257	1,605,869
Other long term benefits	54,975	105,445
Directors fees and expenses	153,580	201,240
	<u>1,685,812</u>	<u>1,912,554</u>

Individual compensation disclosures

Information regarding key management personnel remuneration as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Options and rights over equity instruments granted as compensation

No options held by key management personnel are granted as compensation.

Movements in shares

Executive directors participate in the Group's employee share option program which was cancelled during the year. The movement during the reporting period in the number of ordinary shares in Professional Investment Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2009	Purchases	Sales	Held at 30 June 2010
Stephen Murphy	558,882	-	-	558,882
Robert Bennetts	4,599,715	-	-	4,599,715
Kenneth Butler	579,355	-	-	579,355
Christopher Castles	81,514	-	-	81,514
Anthony Mulligan	583,637	-	-	583,637
Benjamin Weinglass	1,155,599	-	-	1,155,599
Greg Whimp	188,994	-	-	188,994
Stephen Poole	98,685	-	-	98,685
Paul Forbes	37,500	-	-	37,500
Kelly Wyman	-	-	-	-
David Johnstone	-	-	-	-
Elizabeth Flynn	-	-	-	-
Stephen Trist	-	-	-	-
Grahame Evans	80,902	-	-	80,902

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

26. Related parties (continued)

Movements in shares (continued)

	Held at 1 July 2008	Purchases	Sales	Held at 30 June 2009
Stephen Murphy	558,882	-	-	558,882
Robert Bennetts	4,599,715	-	-	4,599,715
Kenneth Butler	579,355	-	-	579,355
Christopher Castles	81,514	-	-	81,514
Anthony Mulligan	583,637	-	-	583,637
Benjamin Weinglass	1,155,599	-	-	1,155,599
Greg Whimp	188,994	-	-	188,994
Stephen Poole	98,685	-	-	98,685
Paul Forbes	37,500	-	-	37,500
Kelly Wyman	-	-	-	-
David Johnstone	-	-	-	-
Elizabeth Flynn	-	-	-	-
Stephen Trist	-	-	-	-
Grahame Evans	80,902	-	-	80,902

No shares were granted to key management personnel during the reporting period as compensation (2009: Nil).

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

26. Related parties (continued)

Other key management personnel transactions with the Group

A number of key management persons of the Group, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

Director	Transaction	Note	Consolidated	
			2010	2009
Stephen Murphy	Commissions paid to director related entity	(a)	13,100	9,712
	Consulting Fees		65,925	8,890
Kenneth Butler	Commissions paid to director related entity	(b)	-	30,473
	Accounting/ Taxation/ Consulting / Claim		50,984	27,030
Christopher Castles	Commissions paid to director related entity	(c)	1,482,089	1,096,100
Anthony Mulligan	Commissions paid to director related entity	(d)	532,460	479,855
Robert Bennetts	Commissions paid to director	(e)	3,261	395
	Other		49,610	49,821
Grahame Evans	Other	(f)	19,228	16,637
Elizabeth Flynn	Claim	(g)	-	4,000

- (a) A total of \$13,100 (2009: \$9,712) has been paid in relation to commissions earned by Stephen Murphy during the year. In addition, the Group has used the consulting and share registry services of Murphyco Pty Ltd Pty Ltd and has paid \$65,925 in the current year (2009: \$8,890).
- (b) A total of \$Nil (2009: \$30,473) has been paid in relation to commissions earned by Kenneth Butler during the year. In addition the Group has used the accounting consulting and taxation services of Butlers Accountants Pty Ltd during the year and paid \$46,984 (2009: \$23,030); and paid \$4,000 payment in relation to the Brandsmart Unitholder settlement.
- (c) A total of \$1,482,089 (2009: \$1,096,100) has been paid in relation to commissions earned by Christopher Castles during the year.
- (d) A total of \$532,460 (2009: \$479,855) has been paid in relation to commissions earned by Anthony Mulligan during the year.
- (e) A total of \$3,261 (2009: \$395) was paid in relation to commissions earned by Robert Bennetts during the year. In addition Professional Investment Services Pty Ltd, a subsidiary company paid \$49,610 (2009: \$49,821) in salaries to a director related party.
- (f) Professional Investment Services Pty Ltd, a subsidiary company paid \$19,228 (2009:\$ 16,637) in salaries to a director related party.
- (g) As a former Brandsmart investor, Elizabeth Flynn is receiving payments under a deed of release with a subsidiary company. \$Nil has been paid to 30 June 2010, with a further \$4,000 payable to Ms. Flynn

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

26. Related parties (continued)

Identity of related parties

There are no amounts payable to the key management personnel at 30 June 2010 (2009: Nil).

27. Contingencies

The directors are of the opinion that a provision is not required in respect of the following matter as it is not probable that a future sacrifice of economic benefit will be required.

Claims

The Group is subject to legal claims in the ordinary course of business, primarily relating to client claims. Liabilities have been raised for the amount of client claims where it is expected that a future sacrifice of economic benefits will be required and the amount is capable of reliable measurement.

Further amounts may arise beyond the claims recognised, and it is impractical to quantify the amount of the contingent liability. However, if an additional liability was significant it may have a material adverse impact on the financial position of the Group.

28. Inventory

Current

Inventory – property development site at net realisable value

	2010	2009
	36,000,000	-

Non-current

Inventory – property development site at net realisable value

	-	32,000,000
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On 30 September 2008, the Group acquired the Brand Smart Riverbank Centre site (Site) for future development.

In accordance with AASB 102 Inventories, the Site is classified as inventory and is carried at the lower of cost and net realisable value (NRV) with the assessment of NRV based on the inventory's intended use. The standard requires, inter alia, that *"estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price and cost relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period."*

2009

The Site was acquired with the intention of redevelopment and maximising the sale value. Because the development and resale was still some years off, the Site was classified as non-current inventory and had an estimated net realisable value ("NRV") at 30 June 2009 of \$32,000,000. The carrying value of the inventory at 30 June 2009 reflects the impairment write down of \$10,185,529 with the impairment being recognised as an impairment expense in profit and loss.

2010

Prior to 30 June 2010 the directors resolved to sell the Site and, subsequent to year end have signed an unconditional contract for sale of the Site for \$36,500,000 with settlement due 30 November 2010. Accordingly the inventory has been reclassified as current inventory and has a net realisable value of \$36,000,000 at 30 June 2010 which reflects the selling price less estimated transaction costs. The increase in net realisable value has been reflected as an impairment reversal of \$3,990,911 at 30 June 2010.

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

29. Provisions

	Consolidated claims	
	2010	2009
Balance at 1 July	14,011,478	36,434,788
Claims settled during the period	(1,743,464)	(1,188,002)
Provisions – unwound discount	682,268	1,485,847
Provisions – reassessed	(1,342,510)	(1,905,756)
Provisions raised during the year	3,061,512	8,557,678
Provisions reclassified as payable	(5,680,685)	(29,373,079)
	<u>8,988,599</u>	<u>14,011,478</u>
Current	6,089,647	8,845,701
Non current	2,898,952	5,165,777
	<u>8,988,599</u>	<u>14,011,478</u>

Professional Investment Services Pty Ltd (PIS), a wholly owned subsidiary, was the respondent/defendant in a representative action in the NSW Supreme Court (equity division), brought against it on the 19 September 2006 in relation to Westpoint property development collapse. PIS reached a settlement for the representative action. A net amount of \$377,271 was paid on 29 June 2010. A further \$4,000,000 is due and payable in 8 quarterly instalments. The settlement was fully provided for at 30 June 2009 and transferred from client claims provision to client claims payable as at 30 June 2010.

During the current year \$3,061,512 (2009: \$8,557,678) of client claims have been assessed, quantified and raised as a provision on a case by case basis in relation to client claims received up to 30 June 2010, for which future outflows of economic benefits are probable. An insurance recovery receivable of \$399,918 (2009: \$537,142) in relation to this provision has also been recognised. Due to the nature of the claims and prior experience, the exact timing of these outflows is uncertain.

30. Interest, bank charges and borrowing costs

	Consolidated	
	2010	2009
Borrowing costs - interest discounting	527,047	1,498,964
Interest and bank charges	3,081,968	2,155,848
	<u>3,609,015</u>	<u>3,654,812</u>

Professional Investment Holdings Limited and its controlled entities Notes to the consolidated financial statements

31. Operating segments

The Group has two reportable segments based on geographic location. For each of the segments, the Group's managing director and CEO review internal management reports on at least a quarterly basis. The two segments are the Australian based operations and the overseas operations.

The following summary describes the operations in each of the Group's reportable segments:

- Australia Includes the main Australian Financial Services Licence holder with revenue being primarily derived from fees received as a result of financial planning, investment advice and commercial loans to advisors.
- International Includes all international companies that provide financial planning services with revenue being primarily derived from fees received as a result of financial planning and investment advice.
- Other Includes the Group's investment in the Brandsmart Riverbank Centre which includes rental income and changes in the net realisable value of inventory.

There is little integration between the two segments, other than funding provided by the Australian operations to the international operations.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

	Australian Operations		International		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
External net financial advice revenue	38,952,551	35,495,198	4,919,320	6,531,071	-	-	43,871,871	42,026,269
Interest income	737,504	1,451,838	4,599	40,076	1,017	30,383	743,120	1,522,297
Interest expense	(844,215)	(1,863,198)	(50,826)	(185,047)	(1,552,527)	(1,529,887)	(2,447,568)	(3,578,132)
Depreciation and amortisation	(1,312,057)	(1,443,362)	(331,986)	(520,925)	-	-	(1,644,044)	(1,964,287)
Reportable segment profit/(loss) before income tax	3,342,551	(27,502,649)	(3,044,962)	(3,850,647)	3,435,897	(15,213,233)	3,733,487	(46,566,529)
Other material non cash items								
Impairment on goodwill and loans	(1,249,862)	(23,890,659)	-	-	4,000,000	-	2,750,138	(23,890,659)
Client claims	(5,536,841)	(6,651,922)	-	-	-	-	(5,536,841)	(6,651,922)
Reportable segment assets	92,909,691	93,884,797	10,921,329	14,225,903	36,664,604	32,339,499	140,495,624	140,450,199
Reportable segment liabilities	66,356,422	64,736,823	13,947,922	14,440,000	36,191,106	36,473,006	116,495,450	115,649,829

Professional Investment Holdings Limited and its controlled entities
Notes to the consolidated financial statements

31. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and non-current assets and other material items.

	2010	2009
Revenues		
Total net financial advice revenue for reportable segments	43,871,871	42,026,269
Other net financial advice revenue	4,663,754	4,651,278
Consolidated net financial advice revenue	48,535,626	46,677,547
Profit/(loss) before tax		
Total profit/(loss) before tax for reportable segments	3,733,487	(46,566,529)
Other profit/(loss) before tax and inter-segment eliminations	(179,599)	28,591,833
Consolidated profit/(loss) before tax	3,553,888	(17,974,696)
Assets		
Total assets for reportable segments	140,495,624	140,450,199
Intercompany eliminations	(17,741,714)	(13,455,533)
Other assets	7,394,631	16,101,349
Consolidated assets	130,148,541	143,096,015
Liabilities		
Total liabilities for reportable segments	116,495,450	115,649,829
Intercompany eliminations	(32,010,893)	(23,519,256)
Other liabilities	14,509,255	19,221,241
	98,993,812	111,351,814

	Reportable segment totals	Adjustments	Consolidated totals
Other material items 2010			
Interest revenue	743,120	1,653,106	2,396,227
Interest expense	(2,447,568)	1,161,447	(3,609,015)
Depreciation and amortisation	(1,644,044)	2,294	(1,646,338)
Impairment (expense)/recovery	2,750,138	929,043	3,679,181
Client claims	(5,536,841)	-	(5,536,841)
Other material items 2009			
Interest revenue	1,522,297	858,311	2,380,608
Interest expense	(3,578,132)	(76,680)	(3,654,812)
Depreciation and amortisation	(1,964,287)	(99,643)	(2,063,930)
Impairment (expense)/recovery	(23,890,659)	11,521,727	(12,368,932)
Client claims	(6,651,922)	-	(6,651,922)

Professional Investment Holdings Limited and its controlled entities

Notes to the consolidated financial statements

32. Parent entity Disclosures

As at, and throughout, the financial year ending 30 June 2010 the parent company of the Group was Professional Investment Holdings Limited.

	Note	Company	
		2010	2009
Result of the parent entity			
Profit/(loss) for the period		2,106,797	(20,191,603)
Other comprehensive income		-	-
Total comprehensive income for the year		2,106,797	(20,191,603)
Financial positions of parent entity at year end			
Current assets		1,428,093	472,865
Total assets		27,607,899	16,461,657
Current liabilities		236,624	1,093,774
Total liabilities		10,055,530	1,093,774
Total equity of the parent entity comprising of:			
Share capital		36,861,683	36,893,810
Share option reserve		196,243	140,427
Retained earnings		(19,505,557)	(21,612,354)
Total equity		17,552,369	15,367,883

(i) Parent entity contingencies

The parent entity did not have any contingent liabilities at 30 June 2010 (2009: Nil).

(ii) Parent entity guarantees in respect of debts of its subsidiaries

The Company has issued letters of support for certain controlled entities and has guaranteed that it will provide adequate resources and support, as required, to enable the controlled entities to continue operations in the foreseeable future. The Company has guaranteed bank loans totalling \$35,553,758 (2009:\$40,917,708) held in wholly owned subsidiaries at 30 June 2010.

33. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit/(loss) attributable to ordinary shareholders of \$175,141 (2009: loss \$22,230,425) and a weighted average number of ordinary shares outstanding of 46,659,530 (2009:46,655,499), calculated as follows:

	Consolidated	
	2010	2009
Profit/(loss) for the year	175,141	(22,230,425)
Profit/(loss) attributable to ordinary shareholders	175,141	(22,230,425)

Weighted average number of ordinary shares

	2010	2009
Issued shares at 1 July	46,655,499	46,765,923
Effect of shares redeemed	(22,342)	(110,424)
Effect of share options exercised	17,498	-
Effect of shares issued	8,875	-
Weighted average number of ordinary shares at 30 June	46,659,530	46,655,499

There are no dilutive potential ordinary shares on issue.

Professional Investment Holdings Limited and its controlled entities Notes to the consolidated financial statements

34. Events subsequent to balance sheet date

Inventory

As discussed in note 28, subsequent to 30 June 2010 the directors have signed an unconditional contract for sale of the Site for \$36,500,000 with settlement due 30 November 2010. At 30 June 2010, the inventory has been classified as current inventory and has a net realisable value of \$36,000,000 which reflects the selling price less estimated transaction costs.

Centrepont Alliance Ltd Merger

Subsequent to the end of the financial year Professional Investment Holdings Ltd (PIH) entered into an agreement with Centrepont Alliance Ltd (CAF) to merge the two businesses by way of a Scheme of Arrangement (Scheme). The proposal is subject to regulatory and shareholder approval and will be put to shareholders at meetings proposed to be held in November 2010.

CAF is listed on the Australian Stock Exchange (ASX: code CAF) and is Australia's third largest insurance premium funding organisation. The directors believe that the merger will result in the Group becoming a part of a strong diversified listed financial services organisation and will be recommending that shareholders approve the Scheme.

As part of the merger a Merger Implementation Deed (MID) and a separate Convertible Note Subscription Agreement (Convertible Notes Agreement) were entered into by PIH and CAF. Key terms of the Convertible Notes include:

- CAF to advance \$7.5 million to PIH by way of subscription for Convertible Notes of which \$5 million was drawn down by PIH on 3 September 2010. The balance of \$2.5 million may be drawn down if required in the future.
- Convertible Notes are unsecured and mature on 30 November 2011.
- PIH will pay CAF interest at the rate of 8% per annum until redeemed or converted to equity.
- If all the Convertible Notes are converted to equity CAF will have a 12% holding of the fully diluted capital of PIH. In the event of the Scheme not proceeding, the Convertible Notes may be repayable or at CAF's option converted to shares. CAF may require repayment of the Convertible Notes with 30 days notice should the Scheme not proceed, or certain other events occur.

Subsequent to the execution of the Convertible Notes Agreement, PIH and CAF have advised that their intent is not to require repayment of the Convertible Notes at any time prior to 30 November 2011.

The financial effect of this subsequent event has not been brought to account at 30 June 2010.

ASIC Surveillance

During the year ended 30 June 2010, Professional Investment Services Pty Ltd (PIS) was subject to ASIC's ongoing surveillance. PIS generates the majority of the Group's revenue from financial planning advice provided under its Australian Financial Services Licence (AFSL). Subsequent to year end, PIS is negotiating with ASIC a framework by which PIS will address matters that have been raised by ASIC, which may include mechanisms to rectify the matters. The directors have made provision in the budgets and cash flow forecasts for the year ending 30 June 2011 for the potential increase in compliance costs.

The financial effect of this subsequent event has not been brought to account at 30 June 2010.

Other than the matters discussed above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group the results of those operations, or the state of affairs of the Group, in future financial years.

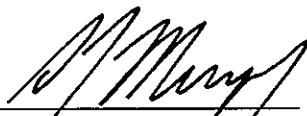
Professional Investment Holdings Limited and its controlled entities

Directors' declaration


- 1 In the opinion of the directors of Professional Investment Holdings Limited ('the Company'):
 - a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 10 to 56, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to Note 2(a) to the consolidated financial statement, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Bundall this 30th day of September 2010.

Signed in accordance with a resolution of the directors:



Stephen Murphy
Director



Grahame Evans
Director

Independent auditor's report to the members of Professional Investment Holdings Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Professional Investment Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated balance sheet as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 34 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 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

Whilst we draw your attention to the material uncertainties referred to below, in our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group'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.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without qualification of the above opinion, we draw attention to Note 2(g) to the financial report which indicates that the ability of the Group to continue as a going concern is dependent on the Group being able to source alternative funding if the convertible note holder referred to in note 34 requires repayment of its convertible notes within 12 months of the date of this report, the major operating subsidiary continuing to maintain its Australian Financial Services Licence and there being no other significant client claims or other litigious matters arising requiring repayment within 12 months of the date of this report.

Due to the matters set out in Note 2(g), a material uncertainty exists which may cast significant doubt about the Group's ability to continue as a going concern, and therefore whether the Group is able to realise its assets, including intangible assets with a carrying value of \$9.1 million, deferred tax assets with a carrying value of \$9.2 million, or settle its liabilities, at the amounts recorded in the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Professional Investment Holdings Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Stephen Board
Partner

Bundall

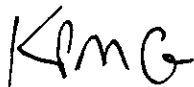
30 September 2010

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

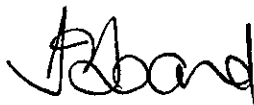
To: the directors of Professional Investment Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Stephen Board'.

Stephen Board
Partner

Bundall

30 September 2010