

Associated Advisory Practices (No 2) Ltd

ACN 126 371 346

Financial Report

30 June 2011

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Associated Advisory Practices (No 2) Ltd

Directors' report

For the year ended 30 June 2011

The directors present their report together with the financial report of Associated Advisory Practices (No 2) Ltd ("the Company") for the year ended 30 June 2011 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:

Name and qualifications Experience, special responsibilities and other directorships

| | |
|--|---|
| Stephen John Murphy Non-Executive Director and Chairman | Appointed: 04/07/2007 Resigned: 13/10/2011 |
|--|---|

Stephen is a Chartered Accountant and has been a public practitioner since 1991. Stephen is also a Fellow of the Taxation Institute of Australia. 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 was the Chairman of Ventura Investment Management Ltd (VIML), Australian Loan Company Ltd (ALCo), Associated Advisory Practices Ltd (AAP) and Associated Advisory Practices (No 2) Ltd (AAP2) as well as a director of Centrepont Alliance Ltd (CAF) and a founding director of Professional Investment Holdings Ltd (PIH).

| | |
|---|-----------------------|
| Grahame David Evans DIP SM MBA Executive Director | Appointed: 20/04/2009 |
|---|-----------------------|

Grahame, based in Sydney, is Group Managing Director of PIH and oversees the PIH network, supplying training, tools and resources to help it remain competitive and deliver value-added services to its clients. He is also a director of CAF. Previously, Grahame was CEO of Investments for Tower Australia and Head of Corporate and Employee Benefits with AMP. At AMP, he was responsible for Australia's largest company superannuation portfolio with over 33,000 employees and \$11 billion under management. Prior to that as Managing Director, AMP Consulting, he was responsible for the superannuation consulting division of AMP including actuarial, trustee services, information technology, asset consulting and communications for clients such as Optus, BHP Billiton and Ansett.

| | |
|---|-----------------------|
| John Barry Smith Bachelor Pharmacy Non-Executive Director | Appointed: 20/04/2009 |
|---|-----------------------|

From 1956, Barry spent twenty years developing new pharmacies. In 1981 he joined Robert Morrison & Associates, probably the first of the independent financial planning groups, opening the first of its offices on the Gold Coast. He was appointed Queensland State Manager within two years and further established four additional practices on the Gold Coast and in Brisbane. Barry transferred from Advisor Investment Services to the Professional Investment Services (PIS) Group in 1997, spending the last six years prior to his retirement from financial planning in Far North Queensland, servicing Ayr, Townsville and Bowen. Barry sold his financial planning practice in 2002, returning to the Gold Coast, where he has been providing part time consultancy services to the PIS Group.

| | |
|---|-----------------------|
| Neil McMillan CFP M Ed St, BA, B Ed., Dip FP Non-Executive Director | Appointed: 21/08/2009 |
|---|-----------------------|

Neil began his journey in Financial Planning over 20 years ago when he co-founded Prime Time Financial Counsellors Pty Ltd. Since that time the business has continued to grow and prosper. He brings with him a wealth of prior experiences, in Aged Care management, University lecturing both overseas and in Australia and as a Psychologist. Neil's current role is General Manager of his firm which holds its own AFS Licence. His day to day role encompasses daily management, client & staff interaction, as well as acting as the compliance officer for the firm. In the last year he facilitated the implementation of a successful internal succession plan which saw the appointment of two new Directors.

Associated Advisory Practices (No 2) Ltd

Directors' report (continued)

For the year ended 30 June 2011

Directors

Craig William Hargraves
Appointed: 22/04/2010
CFP
Non-Executive Director

Appointed: 22/04/2010

Craig first joined the Financial Services Industry in February 1987, now accounting for over 20 years of experience within the industry. By June of 1988, Craig had established his own company, Craig Hargraves Investments Pty Ltd, and in 1992 formed the current company of Poynter Hargraves Financial Consultants Pty Ltd. Since the year 2000, Craig has been the Principal and Responsible Manager of Poynter Hargraves Financial Consultants Pty Ltd. In addition, in December 2008, Craig became the Principal and Responsible Manager of Executive Choice Administration Pty Ltd. Craig holds an Authorised Representative Authorisation through Poynter Hargraves and has done since January 2004 when the AFSL was issued under the new FSR Act, previously holding Proper Authorities.

Robert John Bennetts
Non-Executive Director

Appointed: 23/06/2008
Resigned: 16/09/2011

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

Company secretary

Lisa Sawyer LLB, Grad. Dip Leg Prac, ACIS, MAID was appointed to the position of company secretary in June 2004. Lisa has been a member of the PIH 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 PIH Group.

Linda Kaddatz, BSc, was appointed to the position of company secretary in April 2011. Linda joined the PIH Group in February 2008 as Executive Assistant to the General Manager of Corporate Governance from which she progressed to the role of Company Secretary and Executive Assistant to the Group Head of Corporate Development.

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

| Director | Board Meetings | |
|--------------------------------|----------------|---|
| | A | B |
| Stephen John Murphy (Chairman) | 2 | 3 |
| Robert John Bennetts | 3 | 3 |
| Grahame David Evans | 3 | 3 |
| John Barry Smith | 1 | 3 |
| Neil McMillan | 2 | 3 |
| Craig William Hargraves | 2 | 3 |

A – Number of meetings attended

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

Principal activities

The company offers Australian Financial Services licensees wholesale support services and the opportunity to participate in a network of licenses. There were no significant changes in the nature of the Company's principal activities during the year.

Operating and financial review

Overview of the Company

Operating results

The profit of the Company for the financial year after providing for income tax amounted to \$694,086 (2010: \$363,090).

Associated Advisory Practices (No 2) Ltd

Directors' report (continued)

For the year ended 30 June 2011

Significant changes in the state of affairs

During the financial year shares were issued to the member dealer groups who reached revenue targets. In addition the Company experienced an increase in operations.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

| | Cents per share | Total amount \$ | Date of payment |
|---|-----------------|-----------------|-------------------|
| Declared and paid during the year 2011 | | | |
| Interim 2010 – A class | 1.37 | 54,800 | 17 September 2010 |
| Interim 2010 Redeemable preference | 7.77 | 44,989 | 17 September 2010 |
| Final 2010 – A class | 1.72 | 68,800 | 18 February 2011 |
| Final 2010 - Redeemable preference | 7.0 | 56,209 | 18 February 2011 |
| Interim 2011 – A class | 0.76 | 30,400 | 23 May 2011 |
| Interim 2011 - Redeemable preference | 2.0 | 22,052 | 23 May 2011 |
| Total amount | | <u>277,250</u> | |

Franked dividends declared as paid during the year were fully franked at the rate of 30 per cent.

Events subsequent to reporting date

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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of officers and auditors

Indemnification

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the entity has not paid premiums in respect of directors' and officers' liability insurance for the year ended 30 June 2011 and since the financial year, the Company has not paid or agreed to pay, premiums in respect of such insurance contracts for the year ending 30 June 2012. Insurance premiums are paid by PIS, a related party. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Associated Advisory Practices (No 2) Ltd

Directors' report (continued)

For the year ended 30 June 2011

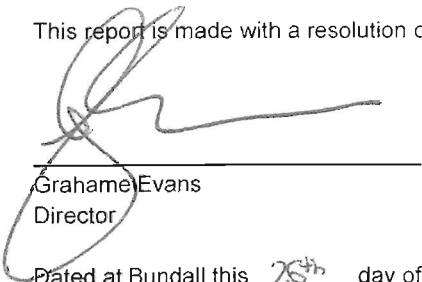
Proceedings on behalf of the Company

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.

Auditor's independence declaration

The Auditor's independence declaration is set out on page 24 and forms part of the directors' report for the financial year ended 30 June 2011.

This report is made with a resolution of the directors:



Grahame Evans
Director

Dated at Bundall this 26th day of October 2011.

Associated Advisory Practices (No 2) Ltd

Statement of comprehensive income

For the year ended 30 June 2011

| | <i>Note</i> | 2011 | 2010 |
|--|-------------|------------------|------------------|
| Product margin revenue | | 1,860,569 | 1,183,945 |
| Product margins paid | | <u>(277,946)</u> | <u>(188,361)</u> |
| Net product margins | | 1,582,623 | 995,584 |
| Audit fees | 4 | (6,245) | (6,533) |
| Directors fees | 12 | (7,500) | (5,625) |
| Management fee | 12 | (633,049) | (398,233) |
| Other expenses | | (1,651) | (1,450) |
| Professional fees | | <u>(5,571)</u> | <u>(3,450)</u> |
| Results from operating activities | | 928,607 | 580,293 |
| Financial income | | <u>18,132</u> | <u>2,759</u> |
| Profit before tax | | 946,739 | 583,052 |
| Income tax expense | 5 | <u>(252,653)</u> | <u>(219,962)</u> |
| Profit for the year | | <u>694,086</u> | <u>363,090</u> |
| Other comprehensive income | | | |
| Other comprehensive income for the year, net of income tax | | - | - |
| Total comprehensive income for the year | | <u>694,086</u> | <u>363,090</u> |

The accompanying notes are an integral part of these financial statements.

Associated Advisory Practices (No 2) Ltd
Statement of changes in equity
For the year ended 30 June 2011

| <i>In AUD</i> | Note | Share capital | Retained earnings | Total |
|--|------|---------------|-------------------|-----------|
| Balance at 1 July 2009 | | 1 | 183,188 | 183,189 |
| Total comprehensive income for the year | | | | |
| Profit for the year | | - | 363,090 | 363,090 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | - | 363,090 | 363,090 |
| Transactions with owners, recorded directly in equity | | | | |
| Dividends to equity owners | | - | (123,754) | (123,754) |
| Total transactions with owners | | - | (123,754) | (123,754) |
| Balance 30 June 2010 | 10 | 1 | 422,524 | 422,525 |
| | | | | |
| Balance at 1 July 2010 | | 1 | 422,524 | 422,525 |
| Total comprehensive income for the year | | | | |
| Profit for the year | | - | 694,086 | 694,086 |
| Other comprehensive income for the year | | - | - | - |
| Total comprehensive income for the year | | - | 694,086 | 694,086 |
| Transactions with owners, recorded directly in equity | | | | |
| Dividends to equity owners | | - | (277,250) | (277,250) |
| Total transactions with owners | | - | (277,250) | (277,250) |
| Balance 30 June 2011 | 10 | 1 | 839,360 | 839,361 |

Amounts are stated net of tax.

The accompanying notes are an integral part of these financial statements.

Associated Advisory Practices (No 2) Ltd
 Balance sheet
 As at 30 June 2011

| | Note | 2011 | 2010 |
|----------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 6a | 950,239 | 597,020 |
| Trade and other receivables | 7 | 392,989 | 409,532 |
| Total current assets | | <u>1,343,228</u> | <u>1,006,552</u> |
| Deferred tax assets | | 1,874 | 1,200 |
| Total non current assets | | <u>1,874</u> | <u>1,200</u> |
| Total assets | | <u>1,345,102</u> | <u>1,007,752</u> |
| Liabilities | | | |
| Trade and other payables | 9 | 226,149 | 403,733 |
| Current tax liabilities | 8 | 279,592 | 181,494 |
| Total current liabilities | | <u>505,741</u> | <u>585,227</u> |
| Total liabilities | | <u>505,741</u> | <u>585,227</u> |
| Net assets | | <u>839,361</u> | <u>422,525</u> |
| Equity | | | |
| Share capital | 10 | 1 | 1 |
| Retained earnings | | 839,360 | 422,524 |
| Total equity | | <u>839,361</u> | <u>422,525</u> |

The accompanying notes are an integral part of these financial statements.

Associated Advisory Practices (No 2) Ltd
Statement of cash flows
For the year ended 30 June 2011

| | <i>Note</i> | 2011 | 2010 |
|---|-------------|--------------------|------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 1,877,112 | 1,148,758 |
| Cash paid to suppliers | | <u>(1,109,546)</u> | <u>(420,058)</u> |
| Cash generated from operations | | 767,566 | 728,700 |
| Income tax paid | | (155,229) | (10,752) |
| Financial income received | | 18,132 | 2,759 |
| Net cash from/(used in) operating activities | 6b | <u>630,469</u> | <u>720,707</u> |
| Cash flows from financing activities | | | |
| Dividends paid | | <u>(277,250)</u> | <u>(123,754)</u> |
| Net cash used in financing activities | | <u>(277,250)</u> | <u>(123,754)</u> |
| Net increase in cash and cash equivalents | | 353,219 | 596,953 |
| Cash and cash equivalents at 1 July | | 597,020 | 67 |
| Cash and cash equivalents at 30 June | 6a | <u>950,239</u> | <u>597,020</u> |

The accompanying notes are an integral part of these financial statements.

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

1. Corporate information

Associated Advisory Practices (No 2) Ltd (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 14 Corporate Centre, Corner Bundall Road and Slatyer Avenue, Bundall Queensland. The Company is primarily involved in provision of wholesale support services.

The financial statements were approved by the Board of Directors on 26th October 2011.

2. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements have been prepared on the historical cost basis.

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

(b) 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, 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 at amortised cost using the effective interest method less an allowance for impairment.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company 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 Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

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

(ii) Share capital

Ordinary shares

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends on shares are recognised as a liability in the period in which they are declared.

Independent auditor's report to the members of Associated Advisory Practices (No 2) Ltd

We have audited the accompanying financial report of Associated Advisory Practices (No 2) Ltd, which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

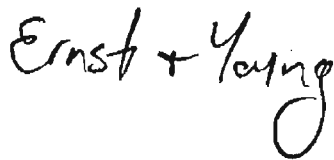
Independence

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

Opinion

In our opinion:

- a. the financial report of Associated Advisory Practices (No 2) Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2a.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Peter McIver'.

Peter McIver
Partner
Perth
26 October 2011

Auditor's Independence Declaration to the Directors of Associated Advisory Practices (No 2) Ltd

In relation to our audit of the financial report of Associated Advisory Practices (No 2) Ltd for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Peter McIver
Partner
Perth
26 October 2011

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(d) 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 Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

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.

(e) Revenue

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

(i) Product margin revenue

Product margin revenue is recorded at the time business is written as at this point all services have been provided to the customer.

(ii) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable 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 on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. 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.

Associated Advisory Practices (No 2) Ltd Notes to the financial statements

2. Summary of significant accounting policies (continued)

(f) Income tax (continued)

A deferred tax asset is recognised 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 renewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) 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 Australian Taxation Office (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.

(h) New accounting standards and interpretations

(i) Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year.

Associated Advisory Practices (No 2) Ltd Notes to the financial statements

2. Summary of significant accounting policies (continued)

(h) New accounting standards and interpretations (continued)

(ii) Accounting standards and interpretations issued but not yet effective

Applicable Australian Accounting Standards and Interpretations, that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 30 June 2011. The full impact of these standards has not yet been assessed.

| Title | Application date of standard | Application date for Company |
|---|------------------------------|------------------------------|
| AASB 9 and AASB 2009-11: AASB 9 Financial Instruments and Amendments to Australian Financial Instruments and Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] | 1 January 2013 | 1 July 2013 |
| AASB 124 (Revised): Related Party Disclosures (December 2009) | 1 January 2011 | 1 July 2011 |
| AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] | 1 January 2011 | 1 July 2011 |
| AASB 1054: Australian Additional Disclosures | 1 July 2011 | 1 July 2011 |
| AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] | 1 January 2011 | 1 July 2011 |
| AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] | 1 January 2011 | 1 July 2011 |
| AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] | 1 July 2011 | 1 July 2011 |
| AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] | 1 January 2013 | 1 July 2013 |

Associated Advisory Practices (No 2) Ltd
Notes to the financial statements

2. Summary of significant accounting policies (continued)
(h) New accounting standards and interpretations (continued)
(ii) Accounting standards and interpretations issued but not yet effective

| Title | Application date of standard | Application date for Company |
|--|------------------------------|------------------------------|
| AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] | 1 January 2012 | 1 July 2012 |
| AASB 10: Consolidated Financial Statements | 1 January 2013 | 1 July 2013 |
| AASB 12: Disclosure of Interests in Other Entities | 1 January 2013 | 1 July 2013 |
| AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards | 1 January 2013 | 1 July 2013 |
| AASB 13: Fair Value Measurement | 1 January 2013 | 1 July 2013 |
| AASB 2011-8: Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard | 1 January 2013 | 1 July 2013 |
| AASB 2011-9: Amendments to Australian Accounting Standards -Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] | 1 July 2012 | 1 July 2012 |
| AASB 119 (Revised): Employee Benefits | 1 January 2013 | 1 January 2013 |

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

3. Financial risk management objectives and policies

During the year, the Company's principal financial instruments comprised of cash.

The Company manages its exposure to key financial risks, including interest rate, credit and liquidity risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The Company has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations. The main risks arising from the Company's financial instruments are cash flow credit risk, interest rate risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of regular short and long-term cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks rests with the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit allowances, and future cash flow forecast projections.

(a) Risk exposures and responses

(i) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these assets. Exposure at balance date is addressed in each applicable note.

The Company trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is monitored and managed. Refer to Note 11 for an ageing analysis and impairment analysis.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company's cash balances are held with Australian authorised deposit-taking institutions with a S&P rating of 'A' or above.

(ii) Interest rate risk

The Company's objective is to minimise exposure to adverse risk and therefore continuously analyses its interest rate exposure.

At balance date the Company held no long term debt and consequently is not exposed the long term impact of variable interest rates. Refer to Note 11.

(iii) Liquidity risk

The Company's objective 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. At balance date, virtually 100% of the Company's assets mature in less than 12 months. Refer to Note 11.

(iv) Equity risk/Market risk

The risk that the fair value of equities decreases as a result of changes in the level of equity price indices and individual stocks. The Company has no significant exposure to equity and market risk.

(v) Currency risk

The company has no exposure to currency risk.

Associated Advisory Practices (No 2) Ltd Notes to the financial statements

| | | |
|--|-----------------|----------------|
| 4. Auditors' remuneration | | |
| Audit services | 2011 | 2010 |
| Auditors of the Company | | |
| - Ernst & Young Australia: | 6,245 | - |
| - KPMG Australia | - | 6,533 |
| Audit of financial reports | <u>6,245</u> | <u>6,533</u> |
| 5. Income tax expense | | |
| Recognised in the statement of comprehensive income | 2011 | 2010 |
| Current tax expense | | |
| Current year | <u>253,327</u> | <u>220,682</u> |
| | <u>253,327</u> | <u>220,682</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>(674)</u> | <u>(720)</u> |
| | <u>(674)</u> | <u>(720)</u> |
| Total income tax expense included in profit or loss | <u>252,653</u> | <u>219,962</u> |
| Numerical reconciliation between tax expense and pre-tax net profit | 2011 | 2010 |
| Profit before tax | <u>946,739</u> | <u>583,052</u> |
| Income tax using the domestic corporation tax rate of 30% (2010: 30%) | <u>284,022</u> | <u>174,916</u> |
| (Decrease)/increase in income tax expense due to: | | |
| Timing differences | (44) | (44) |
| Prior year under provided | 238 | - |
| Franking deficit tax/(offset) | <u>(31,563)</u> | <u>45,090</u> |
| Income tax expense on pre-tax net profit | <u>252,653</u> | <u>219,962</u> |
| 6(a) Cash and cash equivalents | 2011 | 2010 |
| Cash at bank | <u>950,239</u> | <u>597,020</u> |
| | <u>950,239</u> | <u>597,020</u> |
| 6(b) Reconciliation of cash flows from operating activities | 2011 | 2010 |
| Profit for the period | 694,086 | 363,090 |
| (Increase)/decrease in trade receivables | 16,543 | (35,187) |
| (Increase)/decrease in deferred tax asset | (674) | (720) |
| Increase/(decrease) in other payables | (177,584) | 280,816 |
| Increase/(decrease) in tax payables | <u>98,098</u> | <u>112,708</u> |
| Net cash from operating activities | <u>630,469</u> | <u>720,707</u> |
| 7. Trade and other receivables | 2011 | 2010 |
| Product margins receivable | 390,022 | 323,255 |
| Due from related party – trade receivable | <u>2,967</u> | <u>86,277</u> |
| | <u>392,989</u> | <u>409,532</u> |

(a) Terms and conditions

Trade and other receivables which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment loss and allowances for any uncollectable amounts.

Amounts due from related party are interest free, unsecured and at call.

8. Current tax assets and liabilities

The current income tax liability for the Company is \$279,592 (2010: \$181,494). This represents the amount of income taxes payable in respect of current and prior financial periods.

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

9. Trade and other payables

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| Due to related party – at call | 6,500 | 182,765 |
| Trade payables and accruals | 219,649 | 220,968 |
| | <u>226,149</u> | <u>403,733</u> |

(a) Terms and conditions

The trade and other payables are non interest-bearing. The trade payables relate principally to commissions payable to advisers and insurance premiums and commissions payable to insurance brokers.

Other creditors and accrued expenses relate mainly to accrued operating expenses and are normally payable within 60 days.

(b) Fair value

Due to the short term nature of the current trade and other payables, their carrying value is assumed to approximate their fair value.

(c) Financial guarantees

No guarantees have been given over trade and other payables.

(d) Related party payables

Related party payables are interest free, unsecured and at call.

(e) Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in Note 11.

10. Capital and reserves

Share capital

| | Ordinary shares | | 'Z' class shares | | Redeemable preference shares | | 'A class shares' | | Total | |
|---------------|-----------------|----------|------------------|----------|------------------------------|----------|------------------|----------|----------|----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Cost | | | | | | | | | | |
| 1 July | 1 | 1 | - | - | - | - | - | - | 1 | 1 |
| Issued shares | - | - | - | - | - | - | - | - | - | - |
| 30 June | <u>1</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>1</u> |

| | Ordinary shares | | 'Z' class shares | | Redeemable preference shares | | 'A class shares' | | Total | |
|------------------|-----------------|----------|------------------|----------|------------------------------|----------------|------------------|------------------|------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Number of shares | | | | | | | | | | |
| 1 July | 1 | 1 | 1 | - | 579,003 | - | 4,000,000 | - | 4,579,005 | 1 |
| Issued shares | - | - | - | 1 | 589,684 | 616,363 | - | 4,000,000 | 589,684 | 4,616,364 |
| Redeemed shares | - | - | - | - | (66,049) | (37,360) | - | - | (66,049) | (37,360) |
| 30 June | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1,102,638</u> | <u>579,003</u> | <u>4,000,000</u> | <u>4,000,000</u> | <u>5,102,640</u> | <u>4,579,005</u> |

The Company does not have authorised capital or par value in respect of its issued shares.

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

10. Capital and reserves (continued)

Share issues and redemptions

During the financial year, shares were issued to and redeemed from member dealer groups for nil consideration, based on achieving revenue targets.

Ordinary shares

The holder of an ordinary share has the right:

- a) to receive notice of and to attend general meetings of the Company;
- b) to vote at a general meeting of the Company, on the basis of one vote for each share held;
- c) in a winding up or reduction of capital of the Company to repayment of the capital paid up on that share and to participate in the distribution of the surplus assets of the Company parri passu with the RPS;
- d) subject to the rights of the holders of RPS, to receive dividends as determined from time to time by the directors to be payable to the holders of ordinary shares.

A Class Redeemable Preference Shares

The holder of an A Class Redeemable Preference Share has the right:

- a) to receive notice of and to attend general meetings of the Company;
- b) to vote at a general meeting of the Company, on the basis of one vote for each share held;
- c) to participate in a preferential non-cumulative dividend as declared by the Board from time to time.
- d) to a return of the capital in proportion to the amount of the total issue price paid or credited as being paid up on the share on a winding up of the Company in preference to any other class of share and to receive (in aggregate between the holders of A Class Redeemable Preference Shares and pro rata between them) 50% of any distribution to shareholders on reduction or return of capital and 50% of any surplus assets on a winding up of the Company.
- e) redeemable at company's option.

Redeemable Preference Shares (RPS)

The holder of an RPS has the right:

- a) 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;
- b) to participate in a preferential non-cumulative dividend as declared by the Board from time to time and paid as provided below;
- c) to a distribution of surplus assets on a winding up of the Company, pari passu with ordinary shares;
- d) to vote at general meetings of the Company on the basis of one vote for each share held;
- e) redeemable at company's option.

Z Class Share

Only one Z Class Share may be issued at any time. The Z Class Share is a redeemable preference share. The holder of a Z Class Share has:

- a) the right to receive notice of and to attend general meetings of the Company;
- b) the preferential right to a return of capital limited to \$1.00 on a winding up of the Company;
- c) no right to participate in a distribution of surplus assets on a winding up of the Company;
- d) no right to participate in any dividends;
- e) the preferential right (but not the obligation) to vote 51% of the total vote exercisable at any meeting of the Company.

Preferential Dividends

Dividends are to be paid as follows:

- a) Any dividend declared and paid must be paid to the holders of RPS (if any) in priority to the holders of all other shares on issue;
- b) following declaration and payment of a dividend (if any) to the holders of RPS, the Board may (but is not obliged) thereafter for the same period pay a dividend up to the amount paid to RPS's, to the holders of A Class Preference Shares;
- c) following payment of a dividend (if any) to the holders of RPS and then A Class Redeemable Preference Shares, the Board may (but is not obliged) thereafter for the same period pay dividends to other shareholders (excluding the holder of the Z Class Share). The dividend to be paid to other shareholders must not exceed that paid to the holders of RPS and A Class Redeemable Preference Shares; and
- d) thereafter the holders of RPS are entitled to participate in further dividends pari passu with the holders of 'A' Class Redeemable Preference Shares and ordinary shares.

Associated Advisory Practices (No 2) Ltd Notes to the financial statements

10. Capital and reserves (continued)

Preferential Dividends (continued)

Dividends

Dividends recognised in the current year by the company are:

| | Cents per share | Total amount | Franked | Date of payment |
|--------------------------------------|-----------------|----------------|---------|-------------------|
| 2011 | | | | |
| Interim 2010 – A class | 1.37 | 54,800 | 100% | 17 September 2010 |
| Interim 2010 – Redeemable preference | 7.77 | 44,989 | 100% | 17 September 2010 |
| Final 2010 – A class | 1.72 | 68,800 | 100% | 18 February 2011 |
| Final 2010 – Redeemable preference | 7.0 | 56,209 | 100% | 18 February 2011 |
| Interim 2011 – A class | 0.76 | 30,400 | 100% | 23 May 2011 |
| Interim 2011 – Redeemable preference | 2.0 | 22,052 | 100% | 23 May 2011 |
| | | <u>277,250</u> | | |
| 2010 | | | | |
| Interim 2009 – A class | 0.003 | 12,000 | 100% | 18 September 2009 |
| Interim 2009 – Redeemable preference | 0.06 | 11,251 | 100% | 18 September 2009 |
| Final 2009 – Ordinary | 51,000 | 51,000 | 100% | 3 March 2010 |
| Final 2009 – Redeemable preference | 0.13 | 49,503 | 100% | 3 March 2010 |
| | | <u>123,754</u> | | |

Franked dividends paid during the year were franked at the tax rate of 30%.

Dividend franking account

30% franking credits available to shareholders of the Company designed for subsequent financial years is 3,580 (2010: 45,090).

The Company paid \$5,877 to the Australian Taxation Office subsequent to year, as full and final settlement of the franking deficit liability for the year ended 30 June 2011.

11. Financial Instruments

Credit Risk

Exposure to credit risk

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

| | Note | 2011 | 2010 |
|-----------------------------|------|------------------|------------------|
| Cash and cash equivalents | 6a | 950,239 | 597,020 |
| Trade and other receivables | 7 | 392,989 | 409,532 |
| | | <u>1,343,228</u> | <u>1,006,552</u> |

The Company's maximum exposure to credit risk for trade receivables at the reporting date by type of customer is as follows:

| | | 2011 | 2010 |
|--------------------------------------|------|----------------|----------------|
| Wholesale services – product margins | 7 | 390,022 | 323,255 |
| Related parties – trade | 7,12 | 2,967 | 86,277 |
| | | <u>392,989</u> | <u>409,532</u> |

There are no significant concentrations of credit risk.

Impairment losses

None of the Company's receivables are past due (2010: Nil) and no impairment losses have been incurred.

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

11. Financial Instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities:

| | | | Contractual | 6 Months |
|--------------------------|------|-----------------|------------------|------------------|
| 30 June 2011 | Note | Carrying amount | cash flow | or less |
| Trade and other payables | 9 | 226,149 | (226,149) | (226,149) |
| Tax liability | 8 | 279,592 | (279,592) | (279,592) |
| | | <u>505,741</u> | <u>(505,741)</u> | <u>(505,741)</u> |
| 30 June 2010 | | | | |
| Trade and other payables | 9 | 403,733 | (403,733) | (403,733) |
| Tax liability | 8 | 181,494 | (181,494) | (181,494) |
| | | <u>585,227</u> | <u>(585,227)</u> | <u>(585,227)</u> |

Interest rate risk

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

| | Note | 2011 | 2010 |
|---------------------------|------|----------------|----------------|
| Variable rate instruments | | | |
| Cash and cash equivalents | 6a | <u>950,239</u> | <u>597,020</u> |

The Company has no fixed rate financial instruments.

A 0.5% change in the interest rates would have increased or decreased profit or loss by \$3,409 (2010: \$3,537).

12. Related parties

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

Executive directors

Grahame David Evans (Group Managing Director) (Appointed: 20/04/2009)

Non-executive directors

Stephen John Murphy (Chairperson) (Resigned: 13/10/2011)
 Neil McMillan (Appointed: 21/08/2009)
 John Barry Smith (Appointed: 20/04/2009)
 Craig William Hargraves (Appointed: 22/04/2010)
 Robert John Bennetts (Resigned: 16/09/2011)

Management

Soula Cargakis (General Manager) (Appointed: 04/07/2007)

Directors do not hold any shares or options in the Company at year end or at any time during the year.

Associated Advisory Practices (No 2) Ltd

Notes to the financial statements

12. Related parties (continued)

Key Management personnel compensation comprised;

| | 2011 | 2010 |
|--|--------------|--------------|
| Total of Executive and Non-executive director fees | <u>7,500</u> | <u>5,625</u> |

Key management personnel compensation

The key management personnel receive no compensation from the Company in relation to the management of the Company.

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

Other key management personnel transactions with the Company

A number of key management persons of the Company, 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 Company 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 amounts recognised during the year relating to key management personnel and other related parties were as follows:

| Director | Transaction | | 2011 | 2010 |
|---------------------|-------------------|-----|--------------|--------------|
| Stephen John Murphy | Professional fees | (a) | <u>4,571</u> | <u>3,450</u> |

(a) A total of \$4,571 (2010: \$3,450) has been paid to Murphyco Pty Ltd as the Company has used the share registry services of Murphyco Pty Ltd. There are no amounts payable at 30 June 2011 (2010: Nil).

Parent entity

The ultimate parent entity of the Company is Centrepoint Alliance Limited (ASX Code: CAF).

Other related party transactions

During the year the Company paid or has payable to Professional Investment Service Pty Ltd (ACN 071 608 558), a management fee for administrative services of \$633,049 (2010: \$398,233). Trade amounts receivable from/(payable to) related parties are:

| | 2011 | 2010 |
|--|----------------|-----------------|
| Professional Investment Services Pty Ltd | (4,000) | 86,277 |
| Associated Advisory Practices Ltd | (2,500) | (85,543) |
| Professional Investment Holdings Ltd | 2,967 | (97,222) |
| | <u>(3,533)</u> | <u>(96,488)</u> |

Amounts receivable from/(payable to) related parties are interest free, unsecured and repayable on demand.

13. Events subsequent to balance date

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 Company, the results of those operations, or the state of affairs of the Company, in future financial years


14. Commitments and contingences

There were no commitments or contingent liabilities at balance date.

Associated Advisory Practices (No 2) Ltd Directors' declaration

- 1 In the opinion of the directors of Associated Advisory Practices (No 2) Limited ('the Company'):
- (a) the financial statements and notes, set out on pages 5 to 20, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 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) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2;
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Grahame Evans
Director

Dated at Bundall on the 26th day of October 2011.