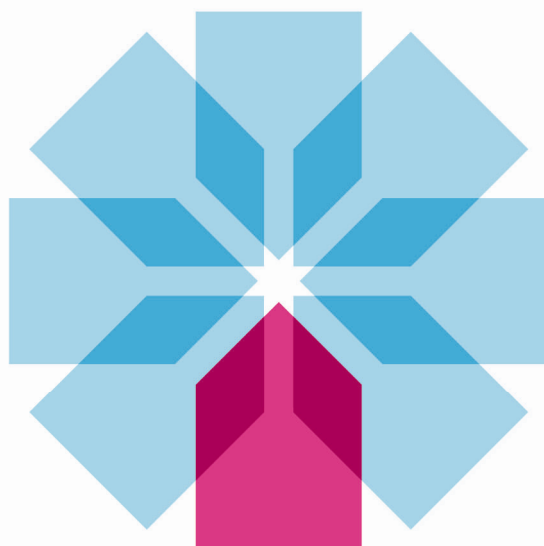


Wentworth Holdings Limited

ACN 080 167 264

Year ended 30 June 2011



wentworth™  
leading the way home

2011 Annual Report

# **Corporate Directory**

## **Registered Office and Principal Place of Business**

Wentworth Holdings Limited  
144 Church Street  
Brighton Victoria 3186

## **Correspondence Address**

Wentworth Holdings Limited  
144 Church Street

Brighton Victoria 3186

T 03 8951 0500

F 03 9592 7607

W [www.wentworthholdings.com.au](http://www.wentworthholdings.com.au)

## **Stock Exchange Listings**

Shares in Wentworth Holdings Limited are listed on the Australian Stock Exchange ("ASX")

## **Directors**

Vaughan Webber, Non-Executive Chairman  
Colin N Cowden, Non-Executive Director  
Hugh W Robertson, Non-Executive Director  
Nigel W Sharp, Non-Executive Director  
Charles M Tarbey, Executive Director

## **Company Secretary**

Ron Hollands

## **Key Management Personnel**

Charles M Tarbey, Executive Director  
Rosemary McKechnie, General Manager  
Ron Hollands, Chief Financial Officer/Company Secretary  
Lisa Campbell, Commercial Operations Manager  
Melanie Carey, State Manager  
Richard Kemp, State Manager

## **Auditor**

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne Victoria 3000

## **Solicitors**

Mills Oakley  
530 Collins Street  
Melbourne VIC 3000

## **Bankers**

Macquarie Bank Limited  
1 Shelley Street  
Sydney NSW 2000

## **Share Registry**

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001

T 02 9290 9600

F 02 9279 0664

W [www.registries.com.au](http://www.registries.com.au)

**The Annual General Meeting of Wentworth Holdings Limited will be held on:**

Friday 18 November 2011 commencing at

10am in the offices of:

Century 21 Australia Pty Limited

Level 7

608 St Kilda Road

Melbourne VIC 3000

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## ***Chairman's Report***

Despite the 2011 financial year being one of uncertain economic conditions, I am pleased to report another solid result and the achievement of a number of milestones that position the Company well for future prosperity and shareholder wealth.

An annual EBITDA of over \$3.3 million was achieved, providing the Board with the comfort to declare another 0.5 cents per share unfranked dividend. The Board would like to thank the Executive Team, led by Mr. Charles Tarbey, Miss Lisa Campbell, Mrs. Rosemary McKechnie and Mr. Ron Hollands and all of Wentworth's employees who worked so hard in achieving such a positive result.

There have been a number of highlights throughout the year:

- On 18 October 2010, the company paid its maiden dividend of 0.5 cents per share (unfranked)
- As part of capital management strategy, following continued strong cash generation, the company continued its on market share buy back ('the buy back').

The Board is delighted with the success of the buy back with approximately 6% of the shares on issue being acquired during the financial year. Over 7% of the shares on issue have now been acquired since the inception of the buy back initiative.

As announced on 30 June 2011, Wentworth has been active in exploring a number of opportunities to grow the property management business and expand into other sectors. Whilst this work is continuing, the board is also undertaking a strategic review of the business and its assets. The results of this review are expected to be announced in the next month.

I would like to personally thank my fellow board members, Wentworth employees and all shareholders for their support during the year and look forward to a prosperous year ahead.



Vaughan Webber  
Chairman

Melbourne  
23 September 2011

## **Directors' Report**

The directors of Wentworth Holdings Limited ('the Company') submit the annual financial report of the Company for the financial year ended 30 June 2011. To comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### **Directors**

The following persons were directors of Wentworth Holdings Limited during the whole of the financial year and up to the date of this report:

- Vaughan Webber (Non-Executive Chairman)
- Colin N Cowden (Non-Executive Director)
- Hugh W Robertson (Non-Executive Director)
- Charles M Tarbey (Executive Director)

The following persons were directors of the company during a part of the financial year and/or up to the date of this report:  
Nigel W Sharp (Non-Executive Director – appointed 27 July 2010)

### **Information on Directors**

Details of the directors in office during the financial year and until the date of this report are set out below:

#### **Vaughan Webber, Non-Executive Chairman**

Vaughan Webber is an experienced finance professional with a background in chartered accounting at a major international accountancy firm and more recently in corporate finance servicing Australian capital markets. Vaughan is a director of Anchor Resources Limited (appointed 19 August 2011). Vaughan was also a director of Golden West Resources Limited (24 July – 26 November 2009) and Style Limited (23 October 2009 - 4 March 2010). Vaughan is chair of the Nominations and Remuneration Committees and a member of the Audit and Risk Committee.

Interests in shares and options at the date of this report:

- 216,424 Ordinary shares in Wentworth Holdings Limited
- Nil Options

#### **Colin N Cowden, Non-Executive Director**

Colin Cowden is an Associate of the Institute of Chartered Secretaries, a Certified Practising Accountant and is a Fellow of the Australian and New Zealand Institute of Insurance and Finance. Colin has over 40 years experience in the insurance industry and has been involved in the management of both private and public companies. Colin was a director of Centamin Egypt Limited until 26 May 2011. Colin is a member of the Audit and Risk Committee.

Interests in shares and options at the date of this report:

- 5,982,009 Ordinary shares in Wentworth Holdings Limited
- Nil Options

#### **Hugh W Robertson, Non-Executive Director**

Hugh Robertson has over 25 years experience in the stock broking industry and is a director of Rattoon Holdings Ltd and Investor First Limited (appointed 2 May 2011). Hugh was also a director of NSX Ltd until 25 September 2009. Hugh is chair of the Audit and Risk Committee and a member of the Nominations and Remuneration Committees.

Interests in shares and options at the date of this report:

- 8,910,329 Ordinary shares in Wentworth Holdings Limited
- Nil Options

#### **Nigel W Sharp Executive Director**

Nigel Sharp has over 30 years experience in the property industry including property management, property development, listed property trust management, property valuations and sustainability solutions for property.

Interests in shares and options at the date of this report:

- 5,380,724 Ordinary shares in Wentworth Holdings Limited
- Nil Options

#### **Charles M Tarbey Executive Director**

Charles Tarbey has over 40 years experience in the real estate industry and is the Australian master franchisee for the Century 21 brand in Australia. Charles is a member of the Nominations and Remuneration Committees.

Interests in shares and options at the date of this report:

- 16,716,165 Ordinary shares in Wentworth Holdings Limited
- 15,000,000 Options

## ***Directors' Report (continued)***

### **Information on Directors (continued)**

### **Remuneration of Directors and Senior Management**

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 9 to 13.

### **Company Secretary**

#### **Ron Hollands**

Ron Hollands is a Chartered Accountant with over 20 years experience with a major international accountancy practice and with public and private companies. Mr. Hollands was appointed as Company Secretary on 29 July 2009.

Interest in shares at the date of this report:

- 434,744 Ordinary shares in Wentworth Holdings Limited
- Nil Options

### **Attendance at Meetings by Directors**

During the financial year, the following meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Committee		Remuneration Committee	
	E	A	E	A	E	A
Vaughan Webber	10	10	3	3	2	2
Colin N Cowden	10	9	3	3	-	-
Hugh W Robertson	10	8	3	3	2	2
Nigel W Sharp	9	8	-	-	-	-
Charles M Tarbey	10	10	-	-	2	2

E = number eligible to attend

A = number attended

Note: Membership of each Committee is listed in 'Information on Directors' above.

### **Indemnification and Insurance of Directors, Officers and Auditors**

The constitution of the Company provides that the Company may indemnify each officer of the Company or a subsidiary of the Company against any liability for costs and expenses incurred in defending any proceedings against them and for any liability incurred, unless the liability arises out of a lack of good faith.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

During the financial year, the Company paid insurance premiums for directors' and officers' liability insurance in respect of all directors and Key Management Personnel of the Company. The Company elects, for commercial reasons, not to disclose the terms and conditions of the policy or disclosure of amounts of premium paid.

### **Principal Activities**

The principal activities of Wentworth during the financial year were Real Estate Sales and Property Management in Western Australia, Victoria and New South Wales.

## Directors' Report (continued)

### Review of Operations/changes in state of affairs

In summary, Wentworth's full year EBITDA - earnings before interest, tax, depreciation and amortisation (excluding impairment) is \$3.313 million (2010: \$2.061 million) for the full year ended 30 June 2011. If the EBITDA before impairment expense is adjusted for non-recurring items then the outcome for the full year ended 30 June 2011 is a gain of \$2.755 million (2010: \$3.191 million), as detailed in the table below. The consolidated profit/loss comprises the following:

	2011 \$'000	2010 \$'000
Consolidated profit/(loss) after income tax	476	(1,626)
Income tax benefit	1,009	-
Consolidated (loss) before income tax	(533)	(1,626)
Interest expense	398	508
Depreciation and amortisation expense	3,073	3,179
Impairment of goodwill	375	-
<b>Earnings before interest, tax, depreciation, amortisation and impairment</b>	<b>3,313</b>	<b>2,061</b>
<b>Includes the following non recurring items:</b>		
Profit on sale of investments	(731)	-
Loss on disposal of non current assets and non current assets held for sale	6	10
Non cash remuneration and other payments made	-	813
Various legacy matters/settlement of commercial matter	167	307
<b>Earnings before interest, tax, depreciation, amortisation and impairment (as adjusted for above non – recurring items) – profit</b>	<b>2,755</b>	<b>3,191</b>

FY11 has been a period of stabilisation and building for future growth with investments being made in a National Business Development Manager and Business Development Managers to grow properties under management and a revised incentive programme designed to attract and retain talent in a very competitive labour market.

Whilst Wentworth has experienced reduced letting fee income (due to lower than normal vacancy rates) and a decrease in properties under management, strong expenditure control has managed the EBITDA result.

Net assets at 30 June 2011 were \$12.233 million (2010: \$14.256 million) sourced from the above result and after allowing for the above mentioned dividend and a share buy back program (see below). Total liabilities at 30 June 2011 were \$6.134 million (2010: \$7.710 million), reduced throughout the year from operating cash flow. Bank debt was reduced by \$0.648 million and was \$3.690 million at 30 June 2011.

Wentworth have continued an on market share buy back programme, acquiring circa 12.703 million shares during the year ended 30 June 2011 (cost: \$1.085 million) representing 6% of the company's issued capital.

### Resources and operations

Wentworth continued to increase its investment in technology during the 2011 financial year. The Board sees this area being critical to its staff in fulfilling their service obligations to our clients, who are provided with timely information 'on line'. Wentworth continues to employ appropriately qualified personnel to ensure the consolidated Group retains the ability to service its growing business. Wentworth had 123 employees (2010: 127) as at 30 June 2011.

### Business strategy and outlook, likely developments and expected results of operations

As announced on 30 June 2011, Wentworth has been active in exploring a number of opportunities to grow the property management business and expand into other sectors. Whilst this work is continuing, the board is also undertaking a strategic review of the business and its assets. The results of this review are expected to be announced in the next month.

## Directors' Report (continued)

### Review of Operations/changes in state of affairs (continued)

#### Dividends

An unfranked dividend was declared for the year ended 30 June 2011 of 0.5 cents per share, totaling \$1.132 million (2010: 0.5 cents per share, totaling \$1.184 million). The dividend will be paid on 30 November 2011.

#### Future performance

Disclosure of information regarding likely developments in the operations of the consolidated Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated Group. Accordingly, this information has not been disclosed.

#### Funding and capital structure

At 30 June 2011, the consolidated Group had bank debt of \$3.690 million. Cash at bank was \$0.740 million at 30 June 2011 and Investments (recorded at fair value) were \$0.163 million.

### Events Subsequent to Balance Date

The financial statements were authorised for issue by the directors on 23 September 2011.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

### Share Options

Refer below for details regarding other share options on issue as at the date of this report as well as any movements during the year.

#### 1. Employee share plan

Type of options	Exercise price (cents)	Trading lock expiry date	Options at beginning No.	Option issued during year No.	Options exercised No.	Options lapsed No.	Options on issue at end of year No.
1	1.26	13/05/2006	6,667	-	-	6,667	-
2	1.80	1/07/2006	50,000	-	-	50,000	-
3	2.62	19/02/2007	33,333	-	-	33,333	-
4	3.00	30/06/2007	11,916	-	-	11,916	-
5	2.37	31/12/2007	2,000	-	-	2,000	-
6	3.00	4/11/2008	166,667	-	-	166,667	-
7	3.00	12/12/2008	16,667	-	-	16,667	-
Total			287,250	-	-	287,250	-

#### 2. Executive share option plan

It was resolved at the Company's 2009 annual general meeting (AGM) held on 16 December 2009, to issue up to 15 million options to subscribe for fully paid ordinary shares (Options) to Charles Michael Tarbey (Executive Director of the Company) or his nominee. The Options are being issued to Mr. Tarbey or his nominee as part of his remuneration.

There is no issue price for these Options as the Options were granted for no consideration. The key terms of the Options are as follows:

- the exercise price of each Option is \$0.06;
- the Options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 3 years from the date of issue;
- each Option shall entitle Charles Michael Tarbey or his nominee to acquire one share in the capital of the Company;
- each Option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to above stating the intention of Charles Michael Tarbey or his nominee to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining;
- all shares issued on exercise of the Options will rank pari passu in all respects with the Company's then issued shares. These Options will be unlisted; and
- the Options are not transferable.

Should all of the Options be exercised, the Company will raise a total of \$900,000. The options were independently valued at \$531,000 by Leadenhall VRG Pty Limited on 21 December 2009.

# Directors' Report (continued)

## Audited Remuneration Report

The directors present the Remuneration Report for Wentworth Holdings Limited and the consolidated Group prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2011.

### Background

This report sets out the remuneration policies that apply to all directors and other key management personnel of Wentworth Holdings Limited.

#### Key management personnel

Names and position held by key management personnel in office at any time during the 2011 financial year are:

Key Management Person	Position
Mr. Vaughan Webber	Chairman
Mr. Colin Cowden	Non - Executive Director
Mr. Hugh Robertson	Non - Executive Director
Mr. Nigel Sharp	Non - Executive Director
Mr. Charles Tarbey	Executive Director
Mrs. Rosemary McKechnie	General Manager
Mr. Ron Hollands	Chief Financial Officer / Company Secretary
Ms. Lisa Campbell	Commercial Operations Manager
Mrs. Melanie Carey	State Manager (Key management personnel – 1 February 2011)
Mr. Richard Kemp	State Manager (Key management personnel – 1 February 2011)
Mrs. Valarie Stamp	Branch Manager (Key management personnel 22 December 2009 to 31 January 2011)

The five highest remunerated consolidated Group Executives for the 2011 financial year were:

Person	Position
Mrs. Melanie Carey	State Manager
Mrs. Rosemary McKechnie	General Manager
Ms. Lisa Campbell	Commercial Operations Manager
Mr. Richard Kemp	State Manager
Mr. Ron Hollands	Chief Financial Officer

### Remuneration - General

#### Wentworth's compensation policy for Executives

The Board, through the establishment of a Remuneration Committee, develop and approve the Remuneration Policy for the Company. The Company aims to pay market-competitive compensation packages made up of a base salary (fixed) – this includes cash, superannuation, leave loading, other salary sacrifice items and Fringe Benefits Tax (FBT) and performance based compensation. This is generally positioned at market median against comparable industry peers on the basis of annual benchmarking. The objective of the compensation policy is to ensure that reward for performance is market-competitive, appropriate to the results delivered and aligned with stakeholder interests. Base salaries are reviewed annually, although they may also be reviewed on promotion.

The Company does not currently have a policy concerning Key Management Personnel limiting their exposure to risk regarding the Company's securities.

#### Remuneration – Non-Executive Directors

The Board has adopted a policy to ensure that remuneration packages for Non-Executive Directors are transparent and easily explained while at the same time enabling the Board to attract and retain the highest quality candidates, whilst incurring a cost which is acceptable to shareholders.

The maximum remuneration of Non-Executive Directors is to be determined by Shareholders at a General Meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present, the maximum aggregate remuneration of Non-Executive Directors is \$200,000 per annum, which is reviewed annually. The total remuneration paid to Non-Executive Directors was \$80,216 (2010: \$49,552) based on the financial performance of the consolidated Group.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

## ***Directors' Report (continued)***

### **Audited Remuneration Report (continued)**

#### **Service Agreements**

Remuneration and other terms of employment for some Executives have been formalised in service agreements. All contracts with Executives may be terminated early by either party with various periods of notice, subject to termination payments as detailed below:

##### **Mr. Ron Hollands - Chief Financial Officer**

- Term of agreement commenced 4 July 2009 to 30 June 2010, then on a month to month basis.
- His current annualised consulting fee, inclusive of superannuation, is \$179,400 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one months salary.

##### **Ms. Lisa Campbell - Commercial Operations Manager**

- Term of agreement – commenced as a key management personnel 19 November 2008.
- Her current annualised base salary, inclusive of superannuation, is \$130,800 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 4 weeks salary.

##### **Mrs. Rosemary McKechnie – General Manager**

- Term of agreement commenced on 7 February 1985 (under a previous employer taken over by the Company).
- Her current annualised base salary, inclusive of superannuation, is \$181,658 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 4 weeks salary.

##### **Mrs. Melanie Carey- State Manager**

- Term of agreement – commenced as a key management personnel 1 February 2011.
- Her current annualised base salary, inclusive of superannuation, is \$65,400 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 4 weeks salary.

##### **Mr. Richard Kemp - State Manager**

- Term of agreement – commenced as a key management personnel 1 February 2011.
- His current annualised base salary, inclusive of superannuation, is \$126,626 per annum.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 4 weeks salary.

## Directors' Report (continued)

### Audited Remuneration Report (continued)

#### Details of Compensation

Details of the nature and amount of each element of compensation of directors and key management personnel for the current year and for the comparative year are set out below.

#### Compensation details for 1 July 2010 to 30 June 2011

	Short term employee benefits		Post employment benefits	Termination benefits	Share – based payments	Total	% of financial year compensation consisting of shares
	Base \$	Other (i) \$	Superannuation \$	\$	\$	\$	%
<b>Directors</b>							
Mr. Vaughan Webber	29,807	-	2,683	-	-	32,490	-
Mr. Colin Cowden	14,903	-	1,341	-	-	16,244	-
Mr. Hugh Robertson	14,903	-	1,341	-	-	16,244	-
Mr. Nigel Sharp (ii)	13,980	-	1,258	-	-	15,238	-
Mr. Charles Tarbey	100,000	-	-	-	-	100,000	-
	173,593	-	6,623	-	-	180,216	
<b>Executives</b>							
<u>Other Key Management Personnel</u>							
Ms Lisa Campbell	116,346	-	10,471	-	-	126,817	-
Mr. Ron Hollands	179,400	27,503	-	-	-	206,903	-
Mrs. Rosemary McKechnie	144,283	29,808	15,668	-	-	189,759	-
Mrs. Melanie Carey (iii)	25,000	-	2,250	-	-	27,250	-
Mr. Richard Kemp (iii)	47,562	4,973	4,728	-	-	57,263	-
Mrs. Valerie Stamp (iv)	56,547	8,694	5,872	-	-	71,113	-
	569,138	70,978	38,989	-	-	679,105	
	742,731	70,978	45,612	-	-	859,321	

#### Compensation details for 1 July 2009 to 30 June 2010

	Short term employee benefits		Post employment benefits	Termination benefits	Share – based payments	Total	% of financial year compensation consisting of shares
	Base \$	Other (i) \$	Superannuation \$	\$	\$	\$	%
<b>Directors</b>							
Mr. Vaughan Webber	22,731	-	2,046	-	-	24,777	-
Mr. Colin Cowden	11,365	-	1,023	-	-	12,388	-
Mr. Hugh Robertson	11,365	-	1,023	-	-	12,388	-
Mr. Jim Gardiner (v)	4,712	-	-	-	-	4,712	-
Mr. Charles Tarbey	100,000	-	-	-	800,825	900,825	89%
	150,173	-	4,092	-	800,825	955,090	
<b>Executives</b>							
<u>Other Key Management Personnel</u>							
Ms. Lisa Campbell	105,000	-	9,450	-	-	114,450	-
Mr. Ron Hollands	179,400	20,659	-	-	-	200,059	-
Mrs. Rosemary McKechnie	142,140	18,461	14,454	-	-	175,055	-
Ms Lorraine Wolinski (vi)	61,284	5,543	6,015	16,194	-	89,036	-
Mrs. Valerie Stamp (iv)	51,994	8,654	5,458	-	-	66,106	-
<u>Other Executives</u>							
Mr. Craig Harris (vii)	4,800	-	-	-	-	4,800	-
	544,618	53,317	35,377	16,194	-	649,506	
	694,791	53,317	39,469	16,194	800,825	1,604,596	

## Directors' Report (continued)

### Audited Remuneration Report (continued)

#### Details of Compensation (continued)

- (i) Comprises car allowances and license allowances.
- (ii) Mr. Nigel Sharp was appointed a Non - Executive Director on 27 July 2010.
- (iii) Mrs. Carey and Mr. Kemp became key management personnel on 1 February 2011. Their respective remuneration represents payments after their appointment as key management personnel.
- (iv) Mrs. Valerie Stamp was a key management personnel from 22 December 2009 until 31 January 2011. Accordingly her remuneration reported represents payments made during her tenure as a key management personnel.
- (v) Mr. Jim Gardiner resigned as Executive Managing Director on 19 November 2008, commencing as a Non – Executive Director until his resignation on 31 August 2009.
- (vi) Ms. Lorraine Wolinski became a key management personnel on 19 December 2008 until her resignation on 22 December 2009.
- (vii) Mr. Craig Harris resigned on 29 July 2009.

#### Options

##### Option details 1 July 2010 to 30 June 2011

	Balance 1 July 2010	Granted as Compensation	Exercised	Lapsed	Balance vested at 30 June 2011	% of grant vested	No. of Options exercised
	No	No	No	No	no	No	No
<b>Executives</b>							
Mr. Charles Tarbey	15,000,000	-	-	-	15,000,000	100%	Nil

##### Option details 1 July 2009 to 30 June 2010

	Balance 1 July 2009	Granted as Compensation	Exercised	Lapsed	Balance vested at 30 June 2010	% of grant vested	No. of Options exercised
	No	No	No	No	no	No	No
<b>Executives</b>							
Mr. Charles Tarbey	-	15,000,000	-	-	15,000,000	100%	Nil

It was resolved at the Company's 2009 annual general meeting (AGM) held on 16 December 2009, to issue up to 15 million options to subscribe for fully paid ordinary shares (Options) to Charles Michael Tarbey (Executive Director of the Company) or his nominee. The Options are being issued to Mr. Tarbey or his nominee as part of his remuneration. There is no issue price for these Options as the Options were granted for no consideration. The key terms of the Options are as follows:

- the exercise price of each Option is \$0.06;
- the Options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 3 years from the date of issue;
- each Option shall entitle Charles Michael Tarbey or his nominee to acquire one share in the capital of the Company;
- each Option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to above stating the intention of Charles Michael Tarbey or his nominee to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining;
- all shares issued on exercise of the Options will rank pari passu in all respects with the Company's then issued shares. These Options will be unlisted; and
- the Options are not transferable.

Should all of the Options be exercised, the Company will raise a total of \$900,000. The options were independently valued at \$531,000 by Leadenhall VRG Pty Limited on 21 December 2009.

#### Executive Share Option Plan

The Executive Share Option Plan is an ownership based remuneration scheme that covers persons who are employed by the consolidated Group or a Director of the consolidated group and who the board determines is eligible to participate in the Options Scheme.

The company issued nil (2010: nil) share options over shares under its Executive Share Option Plan during the year ended 30 June 2011.

## Directors' Report (continued)

### Audited Remuneration Report (continued)

#### Other Share Based Payments

It was resolved at the 2008 Annual General Meeting on 19 December 2008 to offer Mr. Charles Tarbey, Executive Director, the following incentive package, at no cost:

- 2.500 million shares (\$0.136 million when issued 9 February 2009).
- An additional 2.500 million shares if earnings before interest, tax, depreciation and amortisation of the Company and its subsidiaries (EBITDA) for any financial year ending 30 June 2009 (FY09 EBITDA), 30 June 2010 (FY10 EBITDA) or 30 June 2011 (FY11 EBITDA) achieves a breakeven position, as reported in the Company's audited financial statements for the relevant financial year approved by the board of directors of the Company.
- An additional 2.500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$1.000 million.
- An additional 2.500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$2.000 million.

The fair value of the shares at b), c) and d) above were valued at \$0.055/share at grant date. The shares at b) and c) were issued 18 December 2009 (cost: \$0.275 million). The shares at d) were issued 27 August 2010 (cost: \$0.138 million).

#### Remuneration Policy and Company Performance

Aside from Mr. Charles Tarbey (refer above), no other key management personnel were given performance based compensation as their roles do not have a direct influence on the financial performance of the Company in the year ended 30 June 2011.

The above mentioned performance based compensation policies were chosen to encourage behaviours and performance that will contribute to the consolidated Group's profits.

	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Revenue (Continuing Operations)	13,986	14,044	19,894	31,412	29,845
Revenue (Discontinuing Operations)	-	-	762	5,332	6,507
Net Loss before Tax (Continuing Operations)	(533)	(1,626)	(11,691)	(16,200)	(7,459)
Net Loss before Tax (Discontinuing Operations)	-	-	(300)	(5,952)	(6,735)
Net Profit/(loss) after Tax (Continuing Operations)	476	(1,626)	(11,691)	(17,870)	(6,588)
Net Loss after Tax (Discontinuing Operations)	-	-	(300)	(5,952)	(7,075)
Share Price start of year	\$0.080	\$0.060	\$0.088	\$0.205	\$0.870
Share Price at the end of the year	\$0.045	\$0.080	\$0.060	\$0.088	\$0.205
Interim Dividend	-	-	-	-	-
Final Dividend	0.5 cents	0.5 cents	-	-	-
Basic Earnings per share (Continuing Operations)	0.21	(0.79)	(10.48)	(16.51)	(13.11)
Diluted Earnings per share (Continuing Operations)	0.21	(0.79)	(10.48)	(16.51)	(13.11)
Basic Earnings per share (Discontinuing Operations)	-	-	(0.27)	(5.50)	(6.32)
Diluted Earnings per share (Discontinuing Operations)	-	-	(0.27)	(5.50)	(6.32)

The consolidated Group aims to pay market-competitive compensation packages made up of a fixed base salary (includes cash, superannuation, leave loading), other salary sacrifice items, Fringe Benefits Tax (FBT) and bonuses, generally positioned at market median against comparable industry peers on the basis of annual benchmarking. Bonuses are paid to encourage behaviours and performance that will contribute to the consolidated Group's profits and are congruent with the aim to maximise shareholder wealth.

The compensation policy objective is to ensure that reward for performance is market-competitive, appropriate to the results delivered and aligned with stakeholder interests. Base salaries are reviewed annually, although they may also be reviewed on promotion.

#### Corporate Governance

The directors of Wentworth Holdings Limited support and adhere to the principles of good corporate governance. All directors, managers and employees are expected to act with integrity and objectivity, to enhance the reputation and performance of the consolidated Group. The Group's Corporate Governance Statement is contained in the following section of this Annual Report.

#### Non-audit Services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8 to the financial statements.

## ***Directors' Report (continued)***

### **Auditors' independence declaration**

The auditor's independence declaration is included on page 15 of the annual report.

### **Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or 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. The company was not a party to any such proceedings during the year.

### **Rounding off of amounts**

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 298 (2) of the *Corporations Act 2001*.

On behalf of the Directors



Charles Tarbey  
Executive Director  
Melbourne  
23 September 2011

The Directors  
Wentworth Holdings Limited  
144 Church Street  
BRIGHTON VIC 3186

23 September 2011

Dear Board Members

**Wentworth Holdings Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Wentworth Holdings Limited.

As lead audit partner for the audit of the financial statements of Wentworth Holdings Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton  
Partner  
Chartered Accountants

# Corporate Governance Statement

This statement provides an outline of the main corporate governance practices Wentworth Holdings Limited (the 'Company') has in place.

The Board are committed to conducting the company's business ethically and in accordance with high standards of corporate governance. The Board (and company management) regularly review company policies, practices and procedures, particularly concerning corporate governance.

This statement provides disclosure to the extent recommended by the Australian Stock Exchange (the 'ASX') in accordance with its Principles of Good Corporate Governance and Best Practice Recommendations (the 'ASX Guidelines'). Where the Company has adopted a practice that differs from the ASX Guidelines, disclosure is made of the Company's practice and how that practice embraces the ASX Guidelines.

## Principle 1: Lay solid foundations for management and oversight

The Board of Directors (the 'Board') of the Company is responsible for the corporate governance of the Company and the Company's overall business performance. The Board sets the strategic direction of the Company and, through the Executive Director and senior management, have oversight of and monitor the implementation and progression by the Company of that strategic direction.

The Board has delegated to the Executive Director and senior management, responsibility for the management of the daily operations of the business of the Company. The Board meet at least monthly when, inter alia, the Executive Director reports on the Company operations.

The Board has a Charter that details the responsibilities of the Board, the Executive Director and those responsibilities specific to the Chairman.

Any authority that has not been expressly delegated by the Board to the Executive Director, senior management or another delegate is reserved for the Board. The Board reviews the distribution of authority between itself and management regularly to ensure that there is an appropriate balance of authority relevant to the requirements of the Company.

## Principle 2: Structure the board to add value

The Board comprises the following individuals:

Name	Position	Name	Position
Vaughan Webber	Non-Executive Chairman	Hugh Robertson	Non-Executive Director
Charles Tarbey	Executive Director	Nigel Sharp	Non- Executive Director
Colin Cowden	Non –Executive Director		

The Board considers the Non-Executive Chairman and the three Non-Executive Directors are independent of management and are able to manage any conflict arising from any external relationship that could, or could reasonably be perceived to, materially interfere with their exercise of independent and unfettered judgment.

Election of Board members is achieved by the Company's shareholders at a General Meeting in accordance with the Company's constitution. Specifically, currently, each director retires after two (2) years in office and must seek re-election from shareholders if they wish to continue in office.

The Company is committed to the following principles:

- The Board is to comprise of directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- The principal criterion for the appointment of new directors being their ability to add value to the Company and its business.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report and are considered appropriate by the Board for the Company.

The Board has a Nomination Committee and an approved Charter for the Nomination Committee. The Nomination Committee has a Board approved policy concerning processes and procedure for selecting and recommending to the Board the appointment of Non-Executive Directors, the Executive Director and senior management. The Nomination Committee comprises Vaughan Webber (Chairman), Hugh Robertson and Charles Tarbey. Attendance by members at meetings of the committee is included in the directors' report.

Each director may obtain independent professional advice at the expense of the Company on matters arising in the course of their Board duties. The payment for the cost of the advice by the Company is subject to the approval of the Chairman, which will not be unreasonably withheld.

## Principle 3: Promote ethical and responsible decision making

The Board is committed to the establishment and maintenance of an appropriate Code of Conduct to provide guidance to directors, senior management and all staff. The key purpose of the Code of Conduct is to maintain the Company's integrity, to set the responsibility and accountability of individuals for reporting and investigating unethical practices and to achieve compliance with legal and other obligations and to then report to legitimate stakeholders.

The Board adopts a formal Code of Conduct, Share Trading Rules and a Conflict of Interest Policy. These codes, rules and policies apply to each all key management personnel and prohibit key management personnel from acquiring or disposing of shares in the Company whilst in the possession of information which is market sensitive and not publicly available.

## **Corporate Governance Statement (continued)**

### **Principle 4: Safeguard integrity in financial reporting**

The Executive Director and the Chief Financial Officer make the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the consolidated Group and are in accordance with relevant legislation and accounting standards;
- that the Company has adopted an appropriate system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the Company's risk management and internal compliance and controls are operating efficiently and effectively in all material respects.

The Board has an Audit and Risk Committee and an approved Audit and Risk Committee Charter. The Audit and Risk Committee comprises Hugh Robertson (Chairman) and Colin Cowden and Vaughan Webber. The Audit and Risk Committee recommends candidates for appointment as the external auditor of the Company and from time to time will review the scope, performance and fees of the external auditor. The attendance at meetings of the committee is included in the directors' report.

### **Principle 5: Make timely and balanced disclosures**

The Company acknowledges the importance of providing the market with timely, balanced and accurate information to ensure that the market remains efficient, competitive and fully informed. The Board is committed to the enhancement of investor confidence and promotes its commitment by complying with the continuous disclosure rules contained in the Listing Rules of the ASX and with the requirements of the Corporations Act.

The Company adopts a Listing Rules Compliance Policy. This policy contains procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

### **Principle 6: Respect the rights of shareholders**

The Company keeps its shareholders and the market informed through ASX announcements regarding material developments and the annual and half yearly reports. The Company's shareholders elect directors at the Annual General Meeting (AGM) in accordance with the Company's Constitution. The AGM is held in Melbourne, Victoria. Shareholders have the opportunity to express their views, ask questions about Company business and vote on items of business for resolution by shareholders at the Annual General Meeting.

The Company adopts a Shareholders Communications Policy which aims to promote effective communication with shareholders and encourage their participation at General Meetings.

### **Principle 7: Recognise and manage risk**

As stated above, the Company has an Audit and Risk Committee and an approved Audit and Risk Committee Charter. The collective experience of the Board and senior management enables accurate identification of the principal risks which may affect the Company's business. These risks are also considered by the Audit and Risk Committee, discussed and methods for management of these risks agreed. In addition, key operational risks and their management, will be advised to the Board and will be recurring items for deliberation at Board meetings.

It is the Board's responsibility to ensure that an effective internal control framework exists, including controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational performance indicators.

### **Principle 8: Remunerate fairly and responsibly**

The Board again carried out reviews during the year of its own performance in meeting its key responsibilities. The purpose of these reviews is to identify areas of weakness and mechanisms for improving the functioning and performance of the Board and its relationship with management, and to consider progress made towards attaining specific performance objectives. The Board developed and adopted a Performance Evaluation Policy to assist with this review process.

Non-Executive Directors are remunerated by a fixed director's fee including superannuation, as permitted by the Company's Constitution. The Executive Director and key management personnel of the Company receive salary, benefits and incentives as part of their remuneration package as detailed in the Directors' Report. The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision making process.

The Board has an established Remuneration Committee and have approved a Remuneration Policy. The Remuneration Committee comprises Vaughan Webber (Chairman), Hugh Robertson and Charles Tarbey. The attendance at meetings of the committee is detailed in the directors' report.

The maximum remuneration of Non-Executive Directors is determined by Shareholders at a General Meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-Executive Directors is \$200,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company. The amount of remuneration for all directors and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors' report under the heading Remuneration.

## **Consolidated statement of comprehensive income**

### **For the year ended 30 June 2011**

	Notes	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Revenue	4	13,986	14,044
Employee benefits expense	5	(7,537)	(7,914)
Depreciation and amortisation expense	5	(3,073)	(3,179)
Finance costs	5	(398)	(508)
Marketing & advertising expenses		(139)	(107)
Communication expenses		(746)	(810)
Occupancy expenses		(1,044)	(1,110)
Administration expenses		(1,176)	(2,031)
Impairment of goodwill	5	(375)	-
Other expenses		(31)	(11)
<b>(Loss) before income tax</b>		<b>(533)</b>	<b>(1,626)</b>
Income tax (expense)/benefit	6	1,009	-
<b>Profit/(Loss) for the year</b>		<b>476</b>	<b>(1,626)</b>
<b>Other comprehensive income</b>			
Realisation of reserve following sale of investments		(218)	-
Net value gain/(loss) on available for sale financial assets		(59)	218
Other comprehensive income for the year, net of tax		(277)	218
<b>Total comprehensive income for the year</b>		<b>199</b>	<b>(1,408)</b>
Profit/(loss) attributable to:			
Owners of the Company		476	(1,626)
Total comprehensive income attributable to:			
Owners of the Company		199	(1,408)
<b>Earnings per share</b>			
<b>From continuing and discontinued operations:</b>			
Basic earnings per share (cents per share)	10a	0.21	(0.79)
Diluted earnings per share (cents per share)	10b	0.21	(0.79)
<b>From continuing operations</b>			
Basic earnings per share (cents per share)	10a	0.21	(0.79)
Diluted earnings per share (cents per share)	10b	0.21	(0.79)

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

## **Consolidated statement of financial position**

**As at 30 June 2011**

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	11	740	625
Trade and other receivables	12	255	513
Other current assets	13	325	1,343
<b>Total Current Assets</b>		<b>1,320</b>	<b>2,481</b>
<i>Non Current Assets</i>			
Plant and equipment	14	230	339
Goodwill	15	9,801	10,176
Other intangible assets	16	6,003	8,966
Other financial assets	17	4	4
Deferred tax assets	6	1,585	-
<b>Total Non Current Assets</b>		<b>17,623</b>	<b>19,485</b>
<b>Total Assets</b>		<b>18,943</b>	<b>21,966</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables	19	796	1,640
Borrowings	20	648	648
Provisions	21	1,562	1,654
Income tax	6	576	-
<b>Total Current Liabilities</b>		<b>3,582</b>	<b>3,942</b>
<i>Non Current Liabilities</i>			
Borrowings	20	3,042	3,690
Provisions	21	86	78
<b>Total Non Current Liabilities</b>		<b>3,128</b>	<b>3,768</b>
<b>Total Liabilities</b>		<b>6,710</b>	<b>7,710</b>
<b>Net Assets</b>		<b>12,233</b>	<b>14,256</b>
<b>Equity</b>			
<i>Capital and reserves</i>			
Issued capital	22	78,763	79,735
Reserves	24	472	887
Accumulated losses	25	(67,002)	(66,366)
<b>Equity attributable to owners of the Company</b>		<b>12,233</b>	<b>14,256</b>
<b>Total Equity</b>		<b>12,233</b>	<b>14,256</b>

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

# Consolidated statement of changes in equity

For the year ended 30 June 2011

	Issued capital \$'000	Share option reserves \$'000	Financial asset revaluation reserves \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance – 30 June 2009</b>	72,995	323	-	(63,556)	9,762
Profit/(loss) after tax	-	-	-	(1,626)	(1,626)
Fair value adjustment: available for sale assets (i)	-	-	218	-	218
<b>Total comprehensive income</b>	-	-	218	(1,626)	(1,408)
Increase to reserves: share based payments (ii)	-	801	-	-	801
Transfer from reserves: financing agreement (iii)	305	(305)	-	-	-
Increase to reserves: financing agreement (iv)	-	125	-	-	125
Increase to issued capital: '1:1' Rights Issue (v)	6,932	-	-	-	6,932
'1:1' Rights Issue costs (v)	(409)	-	-	-	(409)
Transfer from reserves: share based payments (vi)	275	(275)	-	-	-
Decrease in issued capital – Share buy back (vii)	(334)	-	-	-	(334)
Share buy back costs (vii)	(29)	-	-	-	(29)
Dividend	-	-	-	(1,184)	(1,184)
<b>Balance - 30 June 2010</b>	79,735	669	218	(66,366)	14,256
Profit/(loss) after tax	-	-	-	476	476
Realisation of reserve following sale of investments	-	-	(218)	-	(218)
Fair value adjustment: available for sale assets (i)	-	-	(59)	-	(59)
<b>Total comprehensive income</b>	-	-	(277)	476	199
Transfer from reserves: share based payments (viii)	138	(138)	-	-	-
Decrease in issued capital – Share buy back (vii)	(1,085)	-	-	-	(1,085)
Share buy back costs (vii)	(25)	-	-	-	(25)
Dividend	-	-	-	(1,112)	(1,112)
<b>Balance - 30 June 2011</b>	78,763	531	(59)	(67,002)	12,233

(i) Refer Note 13.

(ii) Includes a share based payment for the issue of up to 15,000,000 options (cost: \$0.531 million) to Mr. Tarbey (or his nominee) resolved at the 2009 AGM on 16/12/09 and share based payments to Mr. Tarbey resolved at the 2008 AGM.

(iii) On 15/10/09, 4,837,635 shares were issued (value: \$0.305 million) to a shareholder related entity, being the interest cost (rate of 10,000 shares/day in the company) for a loan provided by a shareholder related entity. The loan was repaid in full on 12/10/09.

(iv) Interest cost (rate: 10,000 shares/day in the company) for a loan provided by a shareholder related entity.

(v) On 31/8/09, the company announced a '1 for 1' Fully Underwritten, Non Renounceable Rights Issue at \$0.06 per share to recapitalise the company and to strengthen its balance sheet by the repayment of borrowings. This was completed and all shares issued in October 2009

(vi) 2,500,000 shares issued on 9/2/09 to Mr. Charles Tarbey – Executive Director (cost: \$0.143 million) resolved at the 2008 Annual General Meeting (AGM) on 19/12/08.

(vii) Refer Note 22.

(viii) Share based payments made to Mr. Tarbey resolved at the 2008 AGM.

The above consolidated statement of changes in equity is to be read in conjunction with the attached notes.

## **Consolidated statement of cash flows**

**For the year ended 30 June 2011**

	Notes	Year end 30 June 2011 \$'000	Year end 30 June 2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		14,718	15,409
Payments to suppliers and employees		(12,383)	(15,705)
Interest and other costs of finance paid		(398)	(383)
Interest received		16	37
Net cash (used in)/provided by operating activities	28	1,953	(642)
<b>Cash flows from investing activities</b>			
Proceeds from disposal of non-current assets held for sale and other non – current assets		1,676	1,000
Loans to other entities		-	(208)
Loans repaid by other entities		98	457
Payment for investments		(218)	(955)
Payment for plant and equipment		(83)	(55)
Payment for intangibles		-	(13)
Net cash provided by investing activities		1,473	226
<b>Cash flows from financing activities</b>			
Dividend		(1,155)	-
Proceeds from issue of shares		-	6,932
Share issue costs		-	(409)
Share buy back and associated costs		(1,110)	(363)
Proceeds from borrowings		-	4,338
Repayment of borrowings		(1,046)	(9,686)
Net cash provided by/(used in) financing activities		(3,311)	812
Net increase in cash and cash equivalents		115	396
Cash and cash equivalents at the beginning of the financial year		625	229
<b>Cash and cash equivalents at the end of the financial Year</b>	11	740	625

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

# Notes to the Financial Statements

## 1. Significant accounting policies

### a. Statement of compliance

The financial report is a general purpose financial report for the year ended 30 June 2011 and has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report includes the consolidated financial statements of the Group.

Accounting Standards include Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 23 September 2011.

### b. Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) - referred to as the consolidated Group in these financial statements. A controlled entity is any entity Wentworth Holdings Limited has the power to govern the financial and operating policies to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated Group. All inter-company balances and transactions between entities in the consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation.

### d. Going concern

As at 30 June 2011, current liabilities of \$3.582 million exceed current assets of \$1.320 million by \$2.262 million. Current liabilities at 30 June 2011 include a dividend provision of \$1.132 million and \$0.648 million in current debt owed to the consolidated Group's bankers. Current assets at 30 June 2011 include available for sale investments recorded at fair value of \$0.159 million. As at 30 June 2011, the consolidated Group had cash of \$0.740 million and net assets of \$12.233 million.

The directors have prepared the financial statements on a going concern basis, which contemplates the continuity of business activities, through the realisation of assets and settlement of liabilities in the normal course of business, noting that the consolidated Group's financial performance is expected to continue to improve in the period ending 30 June 2012 (and onwards) as a result of organic growth and cost cutting measures already implemented at the date of this report. Despite the abovementioned deficiency of current assets to current liabilities, the directors are satisfied the company can continue operations for the next 12 months based on forecast cash flows that demonstrate sufficient cash will be generated to meet operating expenses, debt repayments and interest and the dividend provided for at 30 June 2011.

At the date of this report, the directors are confident that they will be successful in achieving the strategies set out above and accordingly have prepared the financial statements on a going concern basis.

# **Notes to the Financial Statements**

## **1. Significant accounting policies (continued)**

### **e. Income tax**

The current tax expense is based on the result for the year, adjusted for any non-assessable or disallowed items for income tax purposes for the period, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method. Temporary differences are differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the consolidated statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the consolidated Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

As of 1 July 2003, Wentworth Holdings Limited (the head entity) and its 100% owned subsidiaries formed a consolidated Group for Australian taxation purposes. Wentworth Holdings Limited and the 100% owned subsidiaries in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if the entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right. The members of the tax consolidated group are identified in Note 18.

As the head entity in the tax consolidated Group, Wentworth Holdings Limited, also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

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

### **f. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **g. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

### **h. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due to be settled in advance of the period to which they relate. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the consolidated Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the consolidated statement of comprehensive income.

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

### i. Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. All plant and equipment is depreciated on a straight-line basis so as to write off the net cost of each asset over their estimated useful lives, commencing from the time the assets are held ready for use to its estimated residual value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis. The following estimated useful lives are used in the calculation of depreciation and are unchanged from the previous financial year:

Plant and equipment.....	3 to 10 years
Leasehold improvements .....	10 years
Equipment under finance.....	3 years

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### j. Intangibles

#### 1. Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit and loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 2. Property management rights (rent rolls)

Property management rights, acquired as part of business combinations, are capitalised at their fair value at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

AASB 138 'Intangible Assets' requires intangible assets with finite lives to be amortised over their useful lives. The property management rights are expected to have a finite life and are therefore amortised over their useful life.

The useful lives of the property management (rent roll) intangible assets are as follows:

Real Estate Business (rent roll and sales operation acquired)	7 years	(2010: 7 years)
Rent Rolls (stand alone rent rolls)	7 years	(2010: 7 years)

The useful life of each rent roll has been estimated based upon the expected attrition rates of the property management rights. These attrition rates are based on historical experience, future expectations and by reference to business models prepared by an independent valuer.

The property management rights are tested for impairment where an indicator of impairment exists, either individually or at the cash generating unit level.

#### 3. Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

### k. Financial instruments

#### Financial assets

##### i. Recognition

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Other financial assets are classified into the following categories depending on the nature and purpose of the financial assets at the time of recognition and are measured as set out below.

##### ii. Loans and receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

##### iii. Available-for-sale financial assets (AFS)

Listed shares held by the consolidated Group which are traded in an active market, are classified as AFS and are stated at fair value. Unrealised gains and losses arising from changes in fair value are recognised directly in the financial asset revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the financial asset revaluation reserve is included in profit or loss for the period.

Dividends received from AFS equity instruments are recognised in profit or loss when the consolidated Group's right to receive payment is established.

##### iv. Impairment

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment are expected to reduce. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The financial asset carrying amount is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a separate provision for impairment account. When a trade receivable is uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the provision account carrying amount are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

Concerning available-for-sale equity instruments, subsequent increases in fair value after an impairment loss are recognised directly in equity.

##### v. Valuation methods

###### Fair value

Fair value is determined based on current bid prices for all quoted investments. The following evidence is used to support the fair value of unlisted investments:

- the price of recent arm's length transactions;
- the price of transactions of similar instruments sold by a third party;
- discounted cash flow models; or
- option pricing models.

###### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Equity instruments

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the consolidated Group. Transaction costs directly attributable to the issue of new securities or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Interest is recognised as an expense as incurred.

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

### l. Comparative information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### m. Payables

Payables represent liabilities for goods and services provided to the consolidated Group prior to the end of the financial year which are unpaid.

### n. Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all of the risks and rewards incidental to ownership of the leased property and operating leases under which the lessor effectively retains substantially all the risks and rewards.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year. Leased assets are depreciated over the shorter of their estimated useful lives or the lease term on a straight line basis.

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

### o. Employee benefits

#### i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of reporting date, are recognised in other payables concerning employees' services up to the reporting date and are measured at the amounts to be expected to be paid when the liabilities are settled. Non-accumulated sick leave is recognised when leave is taken and measured at the rates paid or payable.

#### ii. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of estimated future cash flows to be made in respect of services provided by employees up to the reporting date. In determining the future cash flows, consideration is given to future wage and salary levels, experience of employee departures and periods of service. In calculating the present value, expected future cash outflows are discounted using market yields, as at the balance sheet date, on national government bonds, which have terms to maturity and currency that match, as closely as possible, the estimate future cash flows.

#### iii. Defined contribution plans

Contributions to defined contributions superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### p. Provisions

Provisions are recognised when the consolidated Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount factor used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### q. Revenue

Revenue from property management, real estate sales and management letting rights is recognised on an accrual basis when the service has been delivered and the right to receive the revenue is established, can be reliably measured and it is probable that the revenue will be received.

Interest revenue is accrued as it is earned. Dividend revenue is recognised when the right to receive a dividend has been established.

Gains or losses arising from derecognition of an asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

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

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

### r. Goods and services tax

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

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

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

### s. Acquisitions of assets and business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and the equity instruments issued by the consolidated Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration, classified as an asset or liability, are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the consolidated Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (ie: the date the consolidated Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the consolidated Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of the date.

The measurement period is the period from the date of acquisition to the date the consolidated Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

### t. Impairment of assets

At each reporting date, the consolidated Group reviews the carrying amounts of its tangible and intangible assets to determine if there is any indication the assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where the assets of a CGU include goodwill or intangibles which have an indefinite useful life, then the CGU is tested for impairment annually.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of (1) fair value less costs to sell and (2) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the value in use is not expected to be materially different from the fair value less selling costs the recoverable amount is based on the fair value less costs to sell.

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

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately. Any impairment loss which is allocated to goodwill is not able to be reversed in a future period where the fair value of the asset (or CGU) increases.

### u. Share-based payments

Share-based compensation benefits are provided to employees through the Employee Share Plan ('the Plan'). The plan is an opportunity for eligible employees to purchase shares in Wentworth Holdings Limited funded by an interest free, non-recourse loan. Employees, who were employed with the consolidated Group for specified periods at specified entitlement dates, are entitled to participate in the Plan. All shares issued pursuant to the Plan are restricted until the loan has been repaid. The employee also maintains full entitlement to voting, dividends and bonus issues.

Given the trading lock and non-recourse loan features the Plan is treated as an option under AASB 2 "Share-based Payment". As a result, the employee loans and shares issued to date are not recognised. The issued capital is recognised in contributed equity in the balance sheet when the employees repay the loans. Consequently the issued capital on the consolidated statement of financial position differs from issued share capital as notified to the ASX.

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of the grant. Fair value is measured with reference to the Black Scholes Option Pricing Formula.

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

The consolidated Group has also provided benefits to certain key management personnel in the form of share based payments, based on the achievement of performance targets. Specifically, it was resolved at the 2008 Annual General Meeting on 19 December 2008 to offer Mr. Charles Tarbey, Executive Director, the following incentive package, at no cost:

- 2.500 million shares (\$0.136 million when issued 9 February 2009).
- An additional 2.500 million shares if earnings before interest, tax, depreciation and amortisation (EBITDA) of the Company and its subsidiaries for any financial year ending 30 June 2009 (FY09 EBITDA), 30 June 2010 (FY10 EBITDA) or 30 June 2011 (FY11 EBITDA) achieves a breakeven position, as reported in the Company's audited financial statements for the relevant financial year approved by the board of directors of the Company.
- An additional 2.500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$1.000 million. The above two (2) tranches of shares were issued 18 December 2009 (cost: \$0.275 million).
- An additional 2.500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$2.000 million. The above tranche of shares were issued 27 August 2010 (cost: \$0.138 million)

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date when they were granted. The fair value is determined at the market price of the shares at grant date.

In addition to the above, it was resolved at the Company's 2009 annual general meeting (AGM) held on 16 December 2009, to issue up to 15 million options to subscribe for fully paid ordinary shares (Options) to Charles Michael Tarbey (Executive Director of the Company) or his nominee. The Options are being issued to Mr. Tarbey or his nominee as part of his remuneration.

There is no issue price for these Options as the Options were granted for no consideration. The key terms of the Options are:

- the exercise price of each Option is \$0.06;
- the Options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 3 years from the date of issue;
- each Option shall entitle Charles Michael Tarbey or his nominee to acquire one share in the capital of the Company;
- each Option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to above stating the intention of Charles Michael Tarbey or his nominee to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining;
- all shares issued on exercise of the Options will rank pari passu in all respects with the Company's then issued shares. These Options will be unlisted; and
- the Options are not transferable.

Should all of the Options be exercised, the Company will raise a total of \$900,000. The options were independently valued at \$531,000 by Leadenhall VRG Pty Limited on 21 December 2009.

# Notes to the Financial Statements

## 1. Significant accounting policies (continued)

### v. Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis for making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning future and other key sources or estimation uncertainty at the balance date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

#### i. Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the recoverable amount of each cash-generating unit (CGU). The recoverable amount of each CGU is based on the fair value less selling costs on the basis that the value in use of each CGU is not materially different from its fair value less selling costs.

The carrying amount of Goodwill and Other Intangible Assets at balance date is \$9.801 million (2010: \$10.176 million) and \$6.003 million (2010: \$8.966 million) respectively. Details of the impairment testing and the results thereof are provided at Note 15.

#### ii. Amortisation of Other Intangible Assets

Determining the useful lives of the Other Intangible Assets with finite lives (comprising Property Management Rights) requires an estimate of the remaining useful life of each rent roll. The carrying amount of the Other Intangible Assets at balance date is \$6.003 million (2010: \$8.966 million). Details of the useful lives are provided at Notes 1 j (2) and 16.

#### iii. Business combinations

The balance of the purchase price of each real estate business acquired (net of tangible assets) was allocated between the rent roll intangible asset and goodwill on the following basis:

	Rent Roll Asset	Goodwill
Rent Roll (stand-alone rent rolls)	64%	36%
Real Estate Business (rent roll and sales operation acquired)	22%	78%

These allocations are based on business models prepared by an independent valuer.

No acquisitions were made in the year ended 30 June 2011. In the year ended 30 June 2010, one (1) stand alone rent roll was acquired. 100% of the purchase price of the 2010 acquisition was allocated to 'rent roll asset' as no goodwill was deemed to have been purchased with the acquisition. There were no other assets or liabilities acquired with this rent roll. The fair value of the rent roll acquired was \$0.443 million that includes \$0.013 million acquisition costs.

## Notes to the Financial Statements

### 2. Adoption of new and revised accounting standards

In the current year, the consolidated Group has adopted all of the new and revised Accounting Standard and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the current annual reporting period. There were no material impacts from the adoption of these new and revised Standards and Interpretations, other than as described below, however they have impacted the disclosures presented in the financial statements.

#### Standards affecting presentation and disclosure

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'.	The application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions'.	The application of AASB 2009-8 makes amendments to AASB 2 'Share – based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	<p>The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available concerning non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.</p> <p>In addition, the application of AASB 2010-3 makes amendment to AASB 3 (2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquire that are not replaced should be measured in accordance with AASB 2 'Share –based Payment' at the acquisition date ('market-based measure').</p>
AASB 2010-4 'Further Amendments to Australian Accounting arising from the Annual Improvements Project'.	The application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'.	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit and loss. To date, the Group has not entered into transactions of this nature.

## Notes to the Financial Statements

### 2. Adoption of new and revised accounting standards cont.,

#### Standards and Interpretations on issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations had been issued but were not yet effective. Initial application of the following Standards and Interpretations is not anticipated to have a material financial effect on the financial report of the consolidated Group and the Company:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 124 'Related Party Disclosures (revised December 2009) AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
• AASB 9 'Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
• AASB 2009-14 'Amendments to Australian Interpretation-Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
• AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2011	30 June 2012
• AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
• AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosure of Transfers of Financial Assets'	1 July 2011	30 June 2012
• AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
• AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements'	1 July 2011	30 June 2013
• AASB 2011 -4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2015
• IFRS 10 Consolidated Financial Statements -Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.	1 January 2013	30 June 2014
• IFRS 11 Joint Arrangements - Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.	1 January 2013	30 June 2014
• IFRS 12 Disclosure of Interests in Other Entities - Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	1 January 2013	30 June 2014
• IFRS 13 Fair Value Measurement - Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.	1 January 2013	30 June 2014
• IAS 19 Employee Benefits (2011) An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.	1 January 2013	30 June 2014
• Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.	1 July 2012	30 June 2014

### 3. Contingent assets and liabilities

The directors are not aware of any material contingent assets or liabilities which may exist at 30 June 2011.

### 4. Revenue

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
<b>Revenue:</b>		
Rendering of service	13,970	14,007
Interest revenue – bank deposits	16	37
	<b>13,986</b>	<b>14,044</b>

## Notes to the Financial Statements

### 5. Loss for the year before tax Expenses

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
Loss for the year before income tax includes the following specific expenses:		
<b>Depreciation</b>		
Plant and equipment	115	220
Equipment under finance lease	-	21
Leasehold improvements	70	82
<b>Total depreciation</b>	<b>185</b>	<b>323</b>
<b>Amortisation</b>		
Property rights	2,888	2,856
<b>Total amortisation</b>	<b>2,888</b>	<b>2,856</b>
<b>Depreciation and amortisation</b>		
Continuing operations	3,073	3,179
<b>Total depreciation and amortization</b>	<b>3,073</b>	<b>3,179</b>
<b>(Profit)/loss on disposal of non –current assets</b>		
Continuing operations	6	10
<b>Total (profit)/loss on disposal of non-current assets</b>	<b>6</b>	<b>10</b>
<b>Finance costs – at amortised cost</b>		
Interest - director and shareholder related entity loans	-	264
Interest - bank overdrafts and loans	398	315
Interest – other	-	(71)
<b>Finance costs expensed</b>	<b>398</b>	<b>508</b>
<b>Employee benefits expense</b>		
Defined contribution plans	562	614
Employee share based payments expense	-	801
Other salary and wages	6,975	6,499
	<b>7,537</b>	<b>7,914</b>
<b>Other expenses</b>		
Operating lease rental expenses – minimum lease payments	62	291
<b>Individually significant items included in expenses</b>		
Impairment of goodwill (Note 15)	375	-

# Notes to the Financial Statements

## 6. Income tax benefit

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
<b>Income tax expense/(benefit)</b>		
Current tax	576	-
Deferred tax	(1,585)	-
<b>Total income tax expense/(benefit)</b>	<b>(1,009)</b>	<b>-</b>
The income tax benefit for the year can be reconciled to the accounting profit as follows:		
(Loss) before income tax benefit	(533)	(1,626)
Income tax (benefit) calculated at 30%	(160)	(488)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment losses	113	-
Non deductible amortisation	866	857
Non deductible share-based and financing costs	-	278
Capital losses previously unbooked now utilised	(219)	-
Other net deductible items	(24)	(370)
Tax losses recouped & deferred tax assets not recognised for current year tax losses/other deductible items	-	(277)
Income tax payable	576	-
Tax losses recorded as a deferred tax asset concerning the current financial year result	(576)	-
Tax losses recognised as a deferred tax asset expected to be recouped in future financial years	(713)	-
Temporary differences recorded as a deferred tax asset	(296)	-
Total deferred tax asset	1,585 <sup>1</sup>	-
Income tax (benefit)	(1,009)	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate. Refer to Note 1(e) for Tax Consolidation accounting policy.

Revenue tax losses of \$17.514 million (2010: \$21.811 million) with a tax effect @ 30% of \$5.254 million (2010: \$6.543 million) have not been brought to account. Temporary differences of \$nil million (2010: \$2.463 million) with a tax effect @ 30% of \$nil million (2010: \$0.739 million) have not been brought to account. Capital losses of \$6.104 million (2010: \$6.835 million) with a tax effect @ 30% of \$1.831 million (2010: \$2.051 million) have not been brought to account.

### <sup>1</sup> Comprises

Item	\$000
Doubtful debts	58
Employee entitlements	510
Accruals	441
Other	(23)
Tax losses	4,297
Total	5,283
Deferred tax asset @30%	1,585

# Notes to the Financial Statements

## 7. Key management personnel

Names and position held by key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr. Vaughan Webber	Non - Executive Chairman
Mr. Colin Cowden	Non – Executive Director
Mr. Hugh Robertson	Non - Executive Director
Mr. Nigel Sharp	Non – Executive Director (appointed 27 July 2010)
Mr. Charles Tarbey	Executive Director
Mrs. Rosemary McKechnie	General Manager
Mr. Ron Hollands	Chief Financial Officer
Ms. Lisa Campbell	Commercial Operations Manager
Mr. Richard Kemp	State Manager (Key Management Personnel from 1 February 2011)
Mrs. Melanie Carey	State Manager ( Key Management Personnel from 1 February 2011)
Mrs. Valarie Stamp	Manager – Property Management (Key Management Personnel: 22 December 2009 - 1 February 2011)

### Key Management Personnel Compensation<sup>1</sup>

	Year ended 30/06/11 \$	Year ended 30/06/10 \$
Short Term Employee Benefits	813,709	743,308
Post Employment Benefits	45,612	39,469
Termination Benefits	-	16,194
Share based payment	-	800,825
	859,321	1,599,796

### Employee share plan options

#### Option details 1 July 2010 to 30 June 2011 for key management personnel

There were no shares granted as compensation during the 2011 financial year. Charles Tarbey continued to hold 15,000,000 options at 30 June 2011. As at 30 June 2011, the balance of Options vested was 15,000,000. Refer Note 23 (b).

#### Option details 1 July 2009 to 30 June 2010 for key management personnel

	Balance 1 July 2009	Granted as compensation	Exercised	Lapsed	Balance vested at 30 June 2010	% of grant vested	No. of Options exercised
	No	No	No	No	No	No	no
<b>Executives</b>							
Mr. Charles Tarbey	-	15,000,000	-	-	15,000,000	100%	Nil

All share options issued to directors and executives are made in accordance with the provisions of either the Executive Share Option Plan or the Employee Share Plan. During the 2011 (2010: Nil) financial year, no options were exercised by directors or executives. Further details of the option plans are contained in Note 23 to the financial statements.

<sup>1</sup> Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

# Notes to the Financial Statements

## 7. Key management personnel (continued)

### Directors and key management personnel equity holdings

#### Fully paid ordinary shares of Wentworth Holdings Limited - 2011

	Balance at 1 July 2010 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2011 No.	Balance held nominally No.
<b>Directors</b>						
Mr. Vaughan Webber	216,424	-	-	-	216,424	216,424
Mr. Colin Cowden	5,982,009	-	-	-	5,982,009	-
Mr. Hugh Robertson	9,460,329	-	-	(550,000)	8,910,329	-
Mr. Nigel Sharp	-	-	-	5,380,724	5,380,724	-
Mr. Charles Tarbey	16,716,165	-	-	-	16,716,165	-
<b>Executives</b>						
Mr. Ron Hollands	434,744	-	-	-	434,744	-
Ms. Lisa Campbell	40,000	-	-	-	40,000	40,000
Mrs. Valerie Stamp	30,667	-	-	-	30,667	30,667
Mrs. Rosemary McKechnie	-	-	-	-	-	-
Mrs. Melanie Carey	-	-	-	-	-	-
Mr. Richard Kemp	-	-	-	-	-	-

#### Fully paid ordinary shares of Wentworth Holdings Limited - 2010

	Balance at 1 July 2009 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2010 No.	Balance held nominally No.
<b>Directors</b>						
Mr. Vaughan Webber	108,212	-	-	108,212	216,424	216,424
Mr. Colin Cowden	2,207,452	-	-	3,774,557	5,982,009	-
Mr. Hugh Robertson	2,372,577	-	-	7,087,752	9,460,329	-
Mr. Jim Gardiner	1,072,595	-	-	(100,000)	972,595	-
Mr. Charles Tarbey	2,500,000	5,000,000	-	9,216,165	16,716,165	-
<b>Executives</b>						
Ms. Lisa Campbell	-	-	-	40,000	40,000	40,000
Mrs. Lorraine Wolinski	371,234	-	-	628,766	1,000,000	1,000,000
Mrs. Rosemary McKechnie	-	-	-	-	-	-
Mr. Ron Hollands	217,372	-	-	217,372	434,744	-
Mrs. Valerie Stamp	30,667	-	-	-	30,667	30,667

### Loans to and from directors and key management personnel

Details of aggregate of loans from director related entities and key management personnel as at reporting date are as follows:

	Balance at 30 June 2010	Amounts advanced / (paid)	Interest charged	Balance 30 June 2011
	\$	\$	\$	\$
<b>2011</b>				
<b>Directors</b>				
Director related entity ( Mr. Charles Tarbey)	473,000	(473,000)	-	-
Total 2011	473,000	(473,000)	-	-
<b>2010</b>				
<b>Directors</b>				
Director related entity (Mr. Hugh Robertson)	500,000	(500,000)	-	-
Director related entity (Mr. Colin Cowden)	1,000,000	(1,000,000)	23,796	-
Director related entity ( Mr. Charles Tarbey)	-	473,000	-	473,000
Total 2010	1,500,000	(1,027,000)	23,796	473,000

## Notes to the Financial Statements

### 7. Key management personnel (continued)

In 2010, \$473,000 was advanced by a Director related entity (Mr. Charles Tarbey) to the consolidated Group concerning the acquisition of the Century 21 City Apartments rent roll. This loan was interest free, unsecured and repaid in the year ended 30 June 2011 (refer Notes 19 and 29). Director related entity loans from Messrs. Robertson and Cowden were repaid in full, including any interest, in the year ended 30 June 2010. These loans were secured by a fixed and floating charge agreement over the assets of the consolidated Group.

### 8. Auditors' remuneration

	Year ended 30/06/11 \$	Year ended 30/06/10 \$
<b>Auditor of the parent entity</b>		
<b>Audit services</b>		
Audit or review of the financial reports	119,000	119,000
	119,000	119,000
<b>Non-audit services</b>		
Taxation services	12,000	12,000
Total remuneration for assurance and non-assurance services to the auditor of the entity	131,000	131,000

The auditor of the parent entity is Deloitte Touche Tohmatsu.

### 9. Dividends

A 0.5 cents per share unfranked dividend totaling \$1.132 million (2010: \$1.184 million) was declared during the year ended 30 June 2011 (refer Note 21). The adjusted franking account balance as at 30 June 2011 is \$109,159 (2010: \$109,159).

### 10. Earnings per share

#### a. Basic earnings per share

	Year ended 30/06/11 Cents per share	Year ended 30/06/10 Cents per share
From continuing operations	0.21	(0.79)
Total basic earnings per share	0.21	(0.79)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
<b>Earnings</b>		
From continuing operations	476	(1,626)
Total earnings	476	(1,626)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares	230,273,706	205,039,737

## Notes to the Financial Statements

### b. Diluted earnings per share

	Year ended 30/06/11 Cents per share	Year ended 30/06/10 Cents per share
From continuing operations	0.21	(0.79)
Total diluted earnings per share	0.21	(0.79)

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
<u>Earnings</u>		
From continuing operations	476	(1,626)
Total earnings	476	(1,626)
	No.	No.
Weighted average number of ordinary shares and potential ordinary shares	230,273,706	205,039,737

- Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.
- The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2011 No.	2010 No.
Options	287,250	287,250
Share options	15,000,000	17,500,000
	15,287,250	17,787,250

## 11. Cash and cash equivalents

	30/06/11 \$'000	30/06/10 \$'000
Cash at bank	96	304
Cash on hand	5	3
Short term deposits	639	318
	740	625

Cash and cash equivalents have a weighted average effective interest rate of 3.78% (2010: 2.93%). Cash on hand is non interest bearing.

## 12. Trade and other receivables at amortised cost

### Current

	30/06/11 \$'000	30/06/10 \$'000
Trade receivables (i)	313	260
Allowance for doubtful debts	(58)	(33)
	255	227
Other receivables (ii)	-	286
	255	513

- The average credit period on rendering of services is approximately 30 days (2010: 30 days). No interest is charged on trade receivables. The consolidated Group has provided fully for non-recoverable amounts. Included in trade receivables are debtors with a carrying amount of \$0.019 million (2010: \$0.104 million) which are past due at the reporting date which have not been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The consolidated Group does not hold any collateral over these balances although has a corresponding credit balance payable to the debtor of \$nil million (2010: \$0.104 million) – refer Note 19.
- The average age of these receivables is nil days (2010: 438 days).

## Notes to the Financial Statements

### 12. Trade and other receivables at amortised cost cont.,

#### Ageing of past due but not impaired

	30/06/11 \$'000	30/06/10 \$'000
60 to 90 days	12	7
90 to 120 days	2	10
Over 120 days	5	87
Total	19	104

#### Movement in the allowance for doubtful debts

Balance at the beginning of the year	(33)	(171)
Amounts written off during the year as uncollectible	-	138
Impairment losses recognised on receivables	(25)	-
Balance at the end of the year	(58)	(33)

In determining the recoverability of a trade receivable, the consolidated Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

#### Ageing of impaired trade receivable

More than 120 days	58	33
Total	58	33

### 13. Other current assets

	30/06/11 \$'000	30/06/10 \$'000
Deposits	127	87
Available for sale investments (i)	159	1,173
Prepayments	39	83
	325	1,343

(i) Available for sale investments at 30 June 2011 are shares in a listed company, RUN Corporation Limited (2010: Vesture Limited) and are recorded at fair value at year end. They had an original cost of \$0.218 million (2010: \$0.955 million). The Consolidated Group holds approximately 3% of the ordinary share capital of RUN Corporation Limited, a company involved in property management. The Vesture Limited investment was sold in the year ended 30 June 2011 for \$1.676 million (2010: \$nil). The consolidated Group held approximately 18.3% of the ordinary share capital of Vesture Limited, a company involved in strata plan management. Refer also to Note 30 (i (ii)).

## Notes to the Financial Statements

### 14. Plant and equipment

	30/06/11 \$'000	30/06/10 \$'000
<b>Plant and equipment</b>		
At cost	1,255	2,921
Accumulated depreciation	(1,090)	(2,681)
Written down value	165	240
<b>Leasehold improvements</b>		
At cost	349	968
Accumulated depreciation	(284)	(869)
Written down value	65	99
<b>Total</b>		
At cost	1,604	3,889
Accumulated depreciation	(1,374)	(3,550)
Written down value	230	339
<b>Plant and equipment reconciliation</b>		
Carrying amount at beginning of financial year	240	315
Additions	46	158
Disposals	(6)	(13)
Depreciation expense	(115)	(220)
Carrying amount at end of financial year	165	240
<b>Leasehold improvements reconciliation</b>		
Carrying amount at beginning of financial year	99	134
Additions	36	47
Depreciation expense	(70)	(82)
Carrying amount at end of financial year	65	99
<b>Total reconciliation</b>		
Carrying amount at beginning of financial year	339	470
Additions	83	205
Disposals	(7)	(13)
Depreciation expense	(185)	(323)
Carrying amount at end of financial year	230	339
<b>Aggregate depreciation expensed during the year</b>		
Plant and equipment	115	220
Equipment under finance	-	21
Leasehold improvements	70	82
Total depreciation	185	323

#### Contractual commitments to acquire plant and equipment

There were no contractual commitments to acquire any plant and equipment as at 30 June 2011.

# Notes to the Financial Statements

## 15. Goodwill

	30/06/11 \$'000	30/06/10 \$'000
Goodwill	13,264	13,264
Less accumulated impairment losses	(3,463)	(3,088)
	9,801	10,176
<b>Reconciliation</b>		
Carrying amount at beginning of financial year	10,176	10,176
Impairment expense charged to profit or loss	(375)	-
Carrying amount at end of financial year	9,801	10,176

### (i) Impairment testing of Goodwill (and Other Intangible Assets)

During the financial year, the consolidated Group assessed the recoverable amount of goodwill (and Other Intangible Assets), and determined that goodwill, which is wholly associated with the Group's real estate business, was impaired by \$0.375 million (2010: \$nil). The impairment loss is included as an expense in the consolidated statement of comprehensive income in line item 'Impairment of goodwill'.

The recoverable amount of the property management operations was assessed by reference to the fair value less costs to sell for each cash-generating unit (CGU). The fair value of the property management operations has been estimated using:

- annualised commission income as at 30 June 2011; and
- a multiple for each business.

Annualised commission income was used to estimate the fair value of each CGU as it reflects the expected future commission income at balance date based on the conditions of the market and the CGU at the time of impairment testing.

The multiples used to calculate fair value were obtained from the following sources:

- Management's estimates (determined based on the multiples used to originally acquire the respective businesses, allowing for any changes that have occurred in each business and/or the market subsequently); and
- Management's knowledge of potential offers received for the assets of the consolidated Group and the multiples being offered.

Estimated selling costs include professional fees of 0.5% (2010: 3.0%) of the sales proceeds, based on industry standards and historical experience.

No other assets in the CGUs, subject to impairment, were impaired.

Goodwill has been allocated (post impairment) to each CGU for impairment testing purposes on the following bases:

Cash-Generating Unit	30/06/11 \$'000	30/06/10 \$'000
Brighton (Victoria)	2,984	3,132
Albert Park –previously St Kilda (Victoria)	2,224	2,236
Frankston Commercial (Victoria)	981	1,196
Frankston Residential (Victoria)	1,099	1,099
New South Wales	1,316	1,316
Western Australia	1,197	1,197
	9,801	10,176

## Notes to the Financial Statements

### 16. Other intangible assets

	30/06/11 \$'000	30/06/10 \$'000
<b>Property rights</b>		
At cost	21,234	21,308
Accumulated amortisation	(15,231)	(12,342)
	6,003	8,966
<b>Property rights reconciliation</b>		
Carrying amounts at beginning of financial year	8,966	11,379
Adjustment to purchase price of acquisition due to retention	(75)	
Additions – refer Note 1(w)	-	443
Amortisation expense (i)	(2,888)	(2,856)
Carrying amount at end of financial year	6,003	8,966

#### i. Amortisation

Amortisation expense is included in 'depreciation and amortisation expense' in the consolidated statement of comprehensive income. A useful life of 7 years (2010: 7 years) was used in the calculation of amortisation for property management rights (stand alone rent rolls & rent rolls and sales operations acquired). Intangible assets are amortised on a straight line basis over their useful lives which have been estimated based upon the expected attrition rates of the property management rights. Attrition rates are based on historical experience, future expectations and by reference to business models prepared by an independent valuer.

#### ii. Intangible assets pledged as security for liabilities

All property management rights have been pledged as security against borrowings of the consolidated Group.

#### iii. Significant intangible assets

The consolidated Group holds property management rights for 8,291 properties as at 30 June 2011 (2010: 8,922 properties), acquired as part of business combinations. The carrying amount of these property management rights after amortisation was \$6.003 million (2010: \$8.966 million). Based on current amortisation rates, it is expected that property management rights will be fully amortised in approximately 2 years (2010: 3 years).

#### iv. Contractual commitments to acquire intangible assets

There were no contractual commitments to acquire any intangible assets as at 30 June 2011.

#### v. Impairment testing of Other Intangible Assets

Details of impairment testing are provided at Note 15.

### 17. Other financial assets

<b>Non-current</b>	30/06/11 \$'000	30/06/10 \$'000
<b>Unlisted investment at cost (shares in other corporations)</b>		
Opening balance	4	4
	4	4

# Notes to the Financial Statements

## 18. Controlled entities

### a. Investments in subsidiaries

			2011	2010
	Country	Class of share	Holding %	Holding %
<b>Parent entity</b>				
Wentworth Holdings Limited	Australia			
<b>Subsidiary</b>				
Wentworth Services Pty Ltd	Australia	Ord	100	100
Wentworth Mutual Investment Management Pty Ltd	Australia	Ord	100	100
Aliquot Property Management Pty Ltd	Australia	Ord	100	100
Key 2 Rental Management Limited	Australia	Ord	100	100
PPRE Pty Ltd	Australia	Ord	100	100
Compliance Admin Services Pty Ltd	Australia	Ord	100	100
Wentworth Beach Houses & Country Homes Pty Ltd	Australia	Ord	100	100
Grandview Asset Pty Limited	Australia	Ord	100	100
Wentworth Property Management Pty Ltd	Australia	Ord	100	100
Wentworth Property Management QLD Pty Ltd	Australia	Ord	100	100
Wentworth Property Management Vic Pty Ltd	Australia	Ord	100	100
Wentworth Management Services (Vic) Pty Ltd	Australia	Ord	100	100
Wentworth Management Services (NSW) Pty Ltd	Australia	Ord	100	100
Wentworth Management Rights Pty Ltd	Australia	Ord	100	100
Wentworth Group Properties Pty Ltd	Australia	Ord	100	100
Amrites Pty Ltd	Australia	Ord	100	100
NSW Rights Operators Pty Ltd	Australia	Ord	100	100
QLD Rights Operators Pty Ltd	Australia	Ord	100	100
Wentworth Trinity Links Pty Ltd	Australia	Ord	100	100
Wentworth Bridgewater Pty Ltd	Australia	Ord	100	100
Wentworth Regal Pty Ltd	Australia	Ord	100	100
Wentworth Horton Pty Ltd	Australia	Ord	100	100
Wentworth Real Estate Pty Ltd	Australia	Ord	100	100
Wentworth Real Estate QLD (SE) Pty Ltd	Australia	Ord	100	100
Ansham Holdings Pty Ltd	Australia	Ord	100	100
Wentworth Real Estate VIC Pty Ltd	Australia	Ord	100	100
Ward Trew & Laver Pty Ltd	Australia	Ord	100	100
Budster Pty Ltd	Australia	Ord	100	100
Flannagan's Real Estate Pty Ltd	Australia	Ord	100	100
Wilson Pride Ellison Hearnden Pty Ltd	Australia	Ord	100	100
John Crowders & Sons Pty Ltd	Australia	Ord	100	100
Pabfram Pty Ltd	Australia	Ord	100	100
Wentworth Franchisors Pty Ltd	Australia	Ord	100	100
Wentworth Holidays Pty Ltd	Australia	Ord	100	100

All entities are part of the tax consolidated Group.

### b. Subsidiaries

- Wentworth Holdings Limited is the head entity within the tax consolidated Group.
- As of 1 July 2003, Wentworth Holdings Limited (the head entity) and its 100% owned subsidiaries have formed a consolidated Group for Australian taxation purposes. Wentworth Holdings Limited and the 100% owned subsidiaries in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if the entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

## Notes to the Financial Statements

### 19. Trade and other payables at amortised cost

	30/06/11 \$'000	30/06/10 \$'000
Trade payables (i)	111	275
Accrued expenses (ii)	391	555
Amounts owing on acquisitions (iii)	-	473
Other payables	294	337
	796	1,640

- (i) The average credit period on purchases of certain goods and services from the Group's suppliers is 30 days (2010: 30 days). The consolidated Group has financial risk management policies in place to ensure that all payables are paid within commercially accepted terms.
- (ii) Includes \$0.177 million (2010: \$0.269 million) onerous premises lease contracts and \$0.053 million (2010: \$0.104 million) payable to Century 21 franchisees for property management authorities provided to the consolidated Group.

#### Onerous premises lease contracts analysis

Opening balance	269	429
Amounts used	(92)	(160)
Closing balance	177	269

- (iii) Amounts due to director related entity (Mr. Charles Tarbey) concerning the acquisition of the Century 21 City Apartments rent roll. This loan was interest free, unsecured and repaid in the year ending 30 June 2011 (refer notes 7 and 29). The above amount comprises the purchase price of the rent roll (\$0.430 million) plus 10% GST (\$0.043 million).

### 20. Borrowings at amortised cost

	30/06/11 \$'000	30/06/10 \$'000
<b>Current liabilities (secured)</b>		
Real estate fully drawn advance – IT Facility (i)	48	48
Real estate fully drawn advance (ii)	600	600
Total current borrowings	648	648
<b>Non-current liabilities (secured)</b>		
Real estate fully drawn advance – IT Facility (i)	49	97
Real estate fully drawn advance (ii)	2,993	3,593
Total non-current borrowings	3,042	3,690

#### a. Notes to borrowings

- (i) Real estate fully drawn advance – IT facility  
The consolidated Group has a real estate fully drawn advance - IT facility of \$0.097 million (2010: \$0.145 million), secured by fixed and floating charge over the assets of the consolidated Group. The current weighted average interest rate on the facility is 9.47% per annum (2010: 9.25%). This facility is for 3 years and expires 12 June 2013.
- (ii) Real estate fully drawn advance  
The consolidated Group has a real estate fully drawn advance of \$3.593 million (2010: \$4.193 million), secured by a fixed and floating charge over the assets of the consolidated Group. The current weighted average interest rate on the facility is 9.47% (2010: 9.25% per annum). This facility is for 5 years and expires 12 March 2015.

#### b. Finance arrangements

##### Credit standby arrangements

Total facilities:

Real estate fully drawn Advance – IT	97	145
Real estate fully drawn advance	3,593	4,193
Used at balance date:		
Real estate fully drawn Advance – IT	97	145
Real estate fully drawn advance	3,593	4,193
Unused at balance date:		
Real estate fully drawn Advance – IT	-	-
Real estate fully drawn advance	-	-

# Notes to the Financial Statements

## 21. Provisions

	30/06/11 \$'000	30/06/10 \$'000
<b>Current</b>		
Dividend – refer Notes 9	1,132	1,184
Employee benefits (i)	430	470
	<b>1,562</b>	<b>1,654</b>
<b>Non-current</b>		
Employee benefits (i)	86	78
	<b>86</b>	<b>78</b>

### Provision analysis

Opening balance	1,732	671
Additional provisions	1,627	1,689
Amounts used	(1,711)	(628)
Closing balance	<b>1,648</b>	<b>1,732</b>

(i) A provision has been recognised for employee entitlements concerning annual leave and long service leave. In calculating the present value of future cash flows concerning long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criterion concerning employee benefits has been included in Note 1 (o).

## 22. Issued capital

### a. Issued capital

	30/06/11 \$'000	30/06/10 \$'000
226,300,817 fully paid ordinary shares (2010: 236,503,068)	78,763	79,735

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. These shares have no par value. Ordinary shares entitle their holder to one vote, either in person or by proxy, at meetings of the Company.

### b. Movements in issued capital

Details	2011		2010	
	No.	\$'000	No.	\$'000
Balance at beginning of the financial year	236,503,068	79,735	115,256,085	72,995
Shares Issued:				
Share based remuneration (i) – see Note 24	2,500,000	138	5,000,000	275
Financing (ii) – see Note 24	-	-	4,837,635	305
'1 for 1' Rights Issue (iii)	-	-	115,543,335	6,932
Other	1,053	-	-	-
Share issues cost (iii)	-	-	-	(409)
Shares cancelled:				
Share buy back (iv)	(12,703,304)	(1,085)	(4,133,987)	(334)
Share buy back costs (iv)	-	(25)	-	(29)
Balance at the end of the financial year	226,300,817	78,763	236,503,068	79,735
Treasury shares – employee share plan (v)	287,250	-	287,250	-
Total shares on issue	<b>226,588,067</b>		<b>236,790,318</b>	

- During the year, a share based payment of 2,500,000 (2010: 5,000,000) shares, at a cost of \$0.138 million (2010: \$0.275 million) was made to an entity related to Mr Charles Tarbey, as resolved at the company's 2008 annual general meeting on 19 December 2008.
- In 2010, in consideration for a shareholder related entity lending the consolidated Group \$1.000 million, 4,837,635 shares were issued with a value of \$0.305 million to this entity being the interest cost, at the rate of 10,000 shares/day in the company.
- On 31 August 2009, the company announced a '1 for 1' Fully Underwritten, Non Renounceable Rights Issue at \$0.06 per share. This was completed and all shares issued in October 2009. The purpose of the rights issue was to capitalise the company and to strengthen its balance sheet by the repayment of borrowings.

## Notes to the Financial Statements

### b. Movements in issued capital cont.,.

- (iv) On 29 April 2010, the company announced its intention to undertake an on market share buy back. As part of the company's capital management program, the company's intention was to buy back up to 10% of its shares over a 12 month period. This buy back ceased 19 October 2010 with a total of 12,446,125 shares being acquired at a cost of \$1.075 million.

On 19 October 2010, as approved by shareholders at the 2010 Annual General Meeting held 18 October 2010, the company announced its intention to undertake a further on market share buy back. As part of the company's capital management program, the company's intention is to buy back up to 10% of its shares over a 12 month period. At 30 June 2011, 4,390,827 shares had been bought back under this programme at a cost of \$0.342 million.

- (v) Shares are issued to plan members under a non-recourse loan arrangement and are subject to a trading lock of three years from the date the shares are issued during which time the shares may not be sold or encumbered or otherwise dealt with. The shares vest after the expiry of the trading lock period and after agreement has been reached regarding the repayment of the associated loans. Employee Share Plan shares are considered to be in substance options due to the existence of the trading lock and non-recourse loan features (refer note 23(c))

### c. Share options

#### Employee share plan

The movement in share options on issue during the year ended 30 June 2011:

Type of options	Exercise price (cents)	Trading lock expiry date	Options at beginning No.	Option issued during year No.	Options exercised No.	Options lapsed No.	Options on issue at end of year No.
1	1.26	13/05/2006	6,667	-	-	6,667	-
2	1.80	1/07/2006	50,000	-	-	50,000	-
3	2.62	19/02/2008	33,333	-	-	33,333	-
4	3.00	30/06/2008	11,916	-	-	11,916	-
5	2.37	31/12/2008	2,000	-	-	2,000	-
6	3.00	4/11/2009	166,667	-	-	166,667	-
7	3.00	12/12/2009	16,667	-	-	16,667	-
Total			287,250	-	-	287,250	-

The movement in share options on issue during the year ended 30 June 2010:

Type of options	Exercise price (cents)	Trading lock expiry date	Options at beginning No.	Option issued during year No.	Options exercised No.	Options lapsed No.	Options on issue at end of year No.
1	1.26	13/05/2006	6,667	-	-	-	6,667
2	1.80	1/07/2006	50,000	-	-	-	50,000
3	2.62	19/02/2007	33,333	-	-	-	33,333
4	3.00	30/06/2007	11,916	-	-	-	11,916
5	2.37	31/12/2007	2,000	-	-	-	2,000
6	3.00	4/11/2008	166,667	-	-	-	166,667
7	3.00	12/12/2008	16,667	-	-	-	16,667
Total			287,250	-	-	-	287,250

The abovementioned shares issued to employees are subject to a trading lock and a non-recourse loan arrangement but are treated as options for accounting purposes. Refer Notes 1(u) and 23(c) for further details.

Refer also to note 23 for details of all share option plans.

### 23. Executive, consultant, employee and other share option plans

The consolidated Group has a Share Option Plan for executives and consultants, a Share Plan for employees approved by shareholders at an annual general meeting. Issues of shares or options under the plans is at the discretion of the Board to reward staff and consultants for services to the consolidated Group based on the weighted average share price over the five trading days prior to the issue date subject to regulatory requirements. The main features of the plans are set out below.

#### a. Executive share option plan

The Executive Share Option Plan is an ownership based remuneration scheme that covers persons who are employed by the consolidated Group or a Director of the consolidated Group and who the board determines is eligible to participate in the Options Scheme.

It was resolved at the Company's 2009 annual general meeting (AGM) held on 16 December 2009, to issue up to 15 million options to subscribe for fully paid ordinary shares (Options) to Charles Michael Tarbey (Executive Director of the Company) or his nominee. The Options were issued to Mr. Tarbey or his nominee as part of his remuneration. There is no issue price for these Options as the Options were granted for no consideration.

## Notes to the Financial Statements

### 23. Executive, consultant, employee and other share option plans (continued)

#### b. Executive share option plan (continued)

The key terms of the Options are:

- the exercise price of each Option is \$0.06;
- the Options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 3 years from the date of issue;
- each Option shall entitle Charles Michael Tarbey or his nominee to acquire one share in the capital of the Company;
- each Option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to above stating the intention of Charles Michael Tarbey or his nominee to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining;
- all shares issued on exercise of the Options will rank pari passu in all respects with the Company's then issued shares. These Options will be unlisted; and
- the Options are not transferable.

Should all of the Options be exercised, the Company will raise a total of \$900,000. The options were independently valued at \$531,000 by Leadenhall VRG Pty Limited on 21 December 2009.

#### c. Employee share plan

The Employee Share Plan covers staff who are employed by the Company who are either permanent full-time or permanent part-time employees who have served the Company for a minimum aggregate period (whether continuous or otherwise) of six months, or otherwise determined by the Executive Director to be eligible to participate in the Plan.

Shares are issued to plan members under a non-recourse loan arrangement and are subject to a trading lock of three years from the date the shares are issued during which time the shares may not be sold or encumbered or otherwise dealt with. The shares vest after the expiry of the trading lock period and after agreement has been reached regarding the repayment of the associated loans.

Employee Share Plan shares are considered to be in substance options due to the existence of the trading lock and non-recourse loan features. The fair value of these shares is determined at grant date with reference to the Black and Scholes Option Pricing Formula and is expensed over the vesting period.

Details	2011		2010	
	No.	\$'000	No.	\$'000
Balance at beginning of the financial year	287,250	233	287,250	233
Balance at end of the financial year	287,250	233	287,250	233

### 24. Reserves

	30/06/11 \$'000	30/06/10 \$'000
Share option reserve	531	669
<b>Movements</b>		
Balance at the beginning of the financial year	669	323
Transfer to equity (refer Note 22(b))	(138)	(580)
Shareholder related entity finance cost	-	125
Employee share-based payments (i)	-	801
Balance at the end of the financial year	531	669
Financial asset revaluation reserve	(59)	218
<b>Movements</b>		
Balance at the beginning of the financial year	218	-
Disposal of available for sale investments	(218)	
Revaluation of available for sale investment to fair value	(59)	218
Balance at the end of the financial year	(59)	218
Total reserves	472	887

# Notes to the Financial Statements

## 24. Reserves cont.,-

(i) It was resolved at the 2008 Annual General Meeting on 19 December 2008, to offer Mr. Charles Tarbey, Executive Director, the following incentive package, at no cost:

- a) 2,500 million shares (\$0.136 million issued 9 February 2009).
- b) An additional 2,500 million shares if earnings before interest, tax, depreciation and amortisation of the Company and its subsidiaries (EBITDA) for any financial year ending 30 June 2009 (FY09 EBITDA), 30 June 2010 (FY10 EBITDA) or 30 June 2011 (FY11 EBITDA) achieves a breakeven position, as reported in the Company's audited financial statements for the relevant financial year approved by the board of directors of the Company.
- c) An additional 2,500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$1.000 million.
- d) An additional 2,500 million shares if the reported FY09 EBITDA, FY10 EBITDA or FY11 EBITDA is at least \$2.000 million.

Tranches b) and c) were issued on 18 December 2009 (cost: \$0.275 million). Tranche d) were issued on 27 August 2010 (cost: \$0.138 million). As required by AASB 2 "Share Based Payments" \$nil million (2010: \$0.138 million) has been recognised in profit and loss concerning (b), (c) and (d) above.

In addition to the above, it was resolved at the Company's 2009 annual general meeting (AGM) held on 16 December 2009, to issue up to 15 million options to subscribe for fully paid ordinary shares (Options) to Charles Michael Tarbey (Executive Director of the Company) or his nominee. The Options are being issued to Mr. Tarbey or his nominee as part of his remuneration. There is no issue price for these Options as the Options were granted for no consideration. The key terms of the Options are:

- the exercise price of each Option is \$0.06;
- the Options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 3 years from the date of issue;
- each Option shall entitle Charles Michael Tarbey or his nominee to acquire one share in the capital of the Company;
- each Option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to above stating the intention of Charles Michael Tarbey or his nominee to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder's right to exercise the balance of any Options remaining;
- all shares issued on exercise of the Options will rank pari passu in all respects with the Company's then issued shares. These Options will be unlisted; and
- the Options are not transferable.

Should all of the Options be exercised, the Company will raise a total of \$900,000. The options have been independently valued at \$531,000 by Leadenhall VRG Pty Limited.

## 25. Accumulated losses

Movements in accumulated losses were as follows:

	30/06/11 \$'000	30/06/10 \$'000
Accumulated losses	(67,002)	(66,366)
Balance at the beginning of the financial year	(66,366)	(63,556)
Net profit/(loss) for the year	476	(1,626)
Dividend	(1,112)	(1,184)
Balance at the end of the financial year	(67,002)	(66,366)

## 26. Capital and leasing commitments

### Lease expenditure commitments

#### (i) Non-cancellable operating leases commitments

	30/06/11 \$'000	30/06/10 \$'000
<b>Minimum future lease payments payable:</b>		
Not later than one year	806	736
Later than one year and not later than five years	769	705
Later than five years	-	-
Aggregate lease expenditure contracted at reporting date	1,575	1,441

The operating leases relate to office facilities and plant and equipment in Victoria, West Australia, New South Wales and Queensland with variable lease terms of 1 to 4 years. The leases have varying review clause and renewal options.

#### Capital commitments

The consolidated Group has not entered into any significant capital commitments contracts as at 30 June 2011.

## Notes to the Financial Statements

### 27. Business and geographical segments

The Group has adopted AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards" arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Chief operating decision maker to allocate resources to the segment and to assess its performance. The reportable segments under AASB 8 have been identified as follows:

Reportable Segment
New South Wales
Western Australia
Victoria – Albert Park
Victoria – Bayside
Victoria – Frankston Commercial
Victoria – Frankston Residential
Queensland

All locations provide property management services except for Frankston and NSW, who also provides real estate sales services. The consolidated Group operates only in Australia.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Segment revenue		Segment profit/(loss)	
	Year ended		Year ended	
	30/06/11	30/06/10	30/06/11	30/06/10
	\$'000	\$'000	\$'000	\$'000
<b>Operating segments</b>				
New South Wales	1,406	1,292	144	119
Western Australia	5,748	6,173	486	519
Victoria - Albert Park	1,595	1,641	355	326
Victoria – Bayside	1,910	2,055	113	232
Victoria – Frankston Commercial	1,239	1,415	(44)	312
Victoria – Frankston Residential	1,321	1,392	124	139
Queensland	-	26	-	(71)
<b>Total operating segments</b>	<b>13,219</b>	<b>13,994</b>	<b>1,178</b>	<b>1,576</b>
Unallocated – Corporate	767	50	(702)	(3,202)
<b>Total</b>	<b>13,986</b>	<b>14,044</b>	<b>476</b>	<b>(1,626)</b>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. Segment result represents the profit/loss earned by each segment without allocation of corporate costs, interest income and income tax. This is the measure reported to the Chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Notes to the Financial Statements

### 27. Business and geographical segments (continued)

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

Segment Assets	30/06/11	30/06/10
	\$'000	\$'000
<b>Operating segments</b>		
New South Wales	2,454	2,910
Western Australia	4,527	6,342
Victoria - Albert Park	2,770	3,018
Victoria – Bayside	3,672	4,075
Victoria – Frankston Commercial	1,184	1,445
Victoria – Frankston Residential	1,659	1,976
<b>Total operating segments</b>	16,266	19,766
Unallocated – Corporate	2,677	2,200
<b>Total assets</b>	18,943	21,966

Segment liabilities	30/06/11	30/06/10
	\$'000	\$'000
<b>Operating segments</b>		
New South Wales	52	532
Western Australia	228	147
Victoria - Albert Park	57	68
Victoria – Bayside	56	78
Victoria – Frankston Commercial	189	108
Victoria – Frankston Residential	38	45
<b>Total operating segments</b>	620	978
Unallocated – Corporate	6,090	6,732
<b>Total liabilities</b>	6,710	7,710

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than available for sale investments, cash, some receivables and other current assets. Goodwill, plant and equipment and rent roll assets are allocated by reportable segments to which they relate.
- All liabilities are allocated to reportable segments other than the provision for dividend, borrowings, some employee entitlements and trade and other payables.

	Depreciation and amortisation		Addition to non-current assets	
	Year ended		Year ended	
	30/06/11	30/06/10	30/06/11	30/06/10
	\$'000	\$'000	\$'000	\$'000
<b>Operating segments</b>				
New South Wales	395	340	7	19
Western Australia	1,824	1,897	40	8
Victoria - Albert Park	210	213	-	24
Victoria – Bayside	255	260	16	6
Victoria – Frankston Commercial	100	79	1	-
Victoria – Frankston Residential	217	246	2	-
<b>Total operating segments</b>	3,001	3,035	66	57
Unallocated – Corporate	72	144	17	148
<b>Total</b>	3,073	3,179	83	205

# Notes to the Financial Statements

## 28. Notes to the Cash Flow Statement

### Reconciliation of operating loss to cash flows from operating activities

	Year ended 30/06/11 \$'000	Year ended 30/06/10 \$'000
Profit/(Loss) for the year	476	(1,626)
<i>Non-cash profit and loss items:</i>		
Depreciation and amortisation expense	3,073	3,179
Loss /(gain) on disposal	(725)	10
Employee and other share-based payments	-	801
Non cash finance costs	-	125
Impairment of goodwill	375	-
Impairment of receivables	25	26
<i>Changes in net assets and liabilities net of effects from acquisitions and disposals:</i>		
(Increase) / decrease in assets:		
Trade and other receivables	135	34
Other assets	5	169
Deferred tax assets	(1,585)	-
Increase / (decrease) in liabilities:		
Trade and other payables	(372)	(3,237)
Income tax payable	576	-
Provisions	(30)	(123)
Net cash provided by/(used in) operating activities	1,953	(642)

## 29. Related party disclosures

### a. Ultimate entity

The ultimate parent Company in the consolidated Group is Wentworth Holdings Limited.

### b. Loan disclosures

There are no Director and shareholder related entity loans in existence as at reporting date.

### c. Transactions with key management personnel

Other related parties include:

*Bell Potter Securities Limited – ‘Bell Potter’ (Hugh Robertson)*

During the financial year, the consolidated Group paid broking and consulting fees to Bell Potter totaling \$30,434 (2010: \$353,456).

*New Hollands Services Pty Limited (Ron Hollands)*

During the financial year, the consolidated Group paid consulting fees to New Hollands Services Pty. Ltd. totaling \$206,903 (2010: \$200,059).

*Ticudi Pty Limited (Charles Tarbey)*

During the financial year, the consolidated Group paid Ticudi Pty Limited consulting fees totaling \$100,000 (2010: \$100,000) and share based payments totaling \$nil (2010: \$800,825).

In the 2010 financial year, the Century 21 City Apartments rent roll was purchased by the consolidated Group from Ticudi Pty Limited for \$473,000 (inclusive of GST) using vendor finance. These loan funds were provided interest free and unsecured and were repaid in the year ended 30 June 2011 – refer Notes 7 and 19. This rent roll was independently valued by Leadenhall VRG Pty Limited.

# Notes to the Financial Statements

## 29. Related party disclosures (continued)

Century 21 Australia Pty Limited – 'C21'<sup>1</sup> (Charles Tarbey)

During the financial year, the consolidated Group had the following transactions with Century 21 Australia Pty Limited and/or Century 21 franchisees ('C21 franchisees');

Transactions
C21 provided use of the 'Century 21' name and intellectual property to the consolidated Group for \$nil (2010: \$nil) consideration.
The consolidated Group received referral commissions of \$393,690 (2010: \$454,317) when C21 franchisees sold properties from the consolidated Groups' rent rolls. Franchise fees of approximately \$85,896 (2010: \$99,000) were earned by C21 concerning such sales. The consolidated Group paid referral commissions of \$43,337 (2010: \$104,158) to C21 franchisees for property management authorities referred to the consolidated Group.
The consolidated Group rented premises and office equipment to C21 franchisees for \$29,505 (2010: \$34,328). The consolidated Group rented premises from a C21 franchisee for \$nil (2010: \$38,567).
The consolidated Group rented premises and provided IT services to C21 for \$60,712 (2010: \$65,766). The consolidated Group paid C21 \$43,711 (2010: \$23,965) for training and related services.

Note: Other than disclosed above, C21 have not earned any income from the abovementioned transactions.

## 30. Financial instruments

### a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect to each category of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The consolidated Group's principal financial instruments comprise cash, receivables, payables, bank loans and leases.

### b. Capital risk management

The consolidated Group manages its capital to ensure that entities in the consolidated Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 22, 24 and 25 respectively. The consolidated Group operates throughout Australia and none of the consolidated Group's entities are subject to externally imposed capital requirements.

In addition, the consolidated Group uses debt, comprising the borrowings disclosed in Note 20, to fund capital expenditure and working capital requirements.

### c. Categories of financial instruments

The carrying amount of each category of financial asset and financial liability is as follows:

	30/06/11 \$'000	30/06/10 \$'000
<b>Financial assets</b>		
Receivables	255	513
Cash and cash equivalents	740	625
Available for sale financial assets	163	1,177
	1,158	2,315
<b>Financial liabilities</b>		
Amortised cost	4,486	5,978
	4,486	5,978

### d. Financial risk management objectives

The consolidated Group's corporate division monitors and manages the financial risks relating to the operations of the consolidated Group. These risks include: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The consolidated Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated Group's policies approved by the Board of Directors and at this point, no approval has been given for the consolidated Group to use financial derivatives.

<sup>1</sup> Century 21 Australia Pty Limited ('C21') holds the Australia master franchise of Century 21 (a USA company). There are approximately 250 franchisees in Australia, paying franchise fees between 4% and 8% of the value of real estate sales made. Entities related to Mr Tarbey are the beneficial owners of C21. Mr Tarbey owns and operates 3 C21 franchisees.

# Notes to the Financial Statements

## 30. Financial instruments (continued)

### e. Interest rate risk management

The consolidated Group is exposed to interest rate risk as entities in the consolidated Group borrow funds at fixed and floating interest rates. The risk is managed by a maintaining an appropriate mix between fixed and floating rate borrowings. The company and the consolidated Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### f. Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure for interest rates of non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated Group's, net profit would decrease by \$0.015 million and increase by \$0.015 million (2010: decrease by \$0.019 million and increase by \$0.019 million).

The consolidated Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate debt instruments.

The Company is not exposed to any interest rate movements (2010: Nil).

### g. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated Group. The consolidated Group has a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers and are spread across diverse geographical areas. Credit risk, concerning real estate sales commissions and property management commissions, is limited as such funds are received from monies held in trust after settlement to the respective customer. Credit terms of 30 days are specified on these invoices and are rigorously monitored. Finally, credit risk, concerning referral fees, is limited as funds are received from monies held in trust (received after settlement of the respective property occurs).

The consolidated Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated Group's maximum exposure to credit risk.

### h. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the consolidated Group's short, medium and long-term funding and liquidity management requirements.

The consolidated Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities.

#### Liquidity and interest risk tables

Liquidity risk management refers to the risk that the consolidated Group will encounter difficulties in meeting obligations associated with its financial liabilities. The following table details the consolidated Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated Group can be required to pay. The table includes both interest and principal cash flows.

#### Financial liabilities

	Weighted average effective interest rate %	At call \$'000's	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	Total \$'000
<b>30 June 2011</b>							
Non-interest bearing		-	438	12	121	48	623
Variable interest rate instruments	9.47%	-	-	237	712	3,871	4,820
<b>Total</b>		-	438	249	833	3,919	5,443
<b>30 June 2010</b>							
Non-interest bearing	-	-	802	268	308	262	1,640
Variable interest rate instruments	9.25%	-	-	250	751	5,311	6,312
<b>Total</b>		-	802	518	1,059	5,573	7,952

# Notes to the Financial Statements

## 30. Financial instruments (continued)

### i. Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of financial assets and financial liabilities are determined with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

#### *Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

2011	Level 1 \$'000	Level 2 \$000	Level 3 \$'000	Total \$'000
<b>Available-for-sale financial assets</b>				
Listed company shares (i)	159	-	-	159
	159	-	-	159

- (i) In 2011, available for sale investments are shares in a listed company, RUN Corporation Limited are recorded at fair value at year end. They had an original cost of \$0.218 million. The consolidated Group holds approximately 3% of the ordinary share capital of RUN Corporation, a company involved in property management. Refer also to Note 13.

2010	Level 1 \$'000	Level 2 \$000	Level 3 \$'000	Total \$'000
<b>Available-for-sale financial assets</b>				
Listed company shares (i)	1,173	-	-	1,173
	1,173	-	-	1,173

- (ii) Available for sale investments in 2010 were shares in a listed company, Vesture Limited, recorded at fair value (ie: quoted market value) at 30 June 2010. These investments had an original cost of \$0.955 million and were sold subsequent to year end for \$1.676 million. The consolidated Group holds approximately 18.3% of the ordinary share capital of Vesture Limited, a company involved in strata plan management. Refer also to Note 13.

### j. Price risk

The consolidated Group has an investment in marketable securities (included within available-for-sale financial assets) which provides exposure to price risk. The equity investment is publicly traded on equity exchanges.

Sensitivity analysis has been determined based on the consolidated Group's exposure to equity prices. At the reporting date, if the value of marketable securities were 5% lower/higher with all other variables constant, the consolidated Group's equity would have been \$0.008 million (2010: \$0.059 million) lower/higher due to changes in the fair value of available-for-sale financial assets.

## 31. General information

Wentworth Holdings Limited ('the company') is a limited company, incorporated in Australia. Its registered office and principal place of business is 144 Church Street, Brighton, Victoria, 3186. The principal activities of the company and its subsidiaries ('the consolidated group') are real estate sales and property management in Western Australia, Victoria and New South Wales.

## Notes to the Financial Statements

### 32. Parent entity disclosure

	30/06/2011 \$'000	30/06/2010 \$'000
<b>Financial performance</b>		
Profit/(loss) for year	476	(1,626)
Other comprehensive income	(277)	218
<b>Total comprehensive income for year</b>	<b>199</b>	<b>(1,408)</b>
<b>Assets</b>		
Current Assets	159	1,173
Non Current Assets	13,169	14,224
<b>Total assets</b>	<b>13,328</b>	<b>15,397</b>
<b>Liabilities</b>		
Current liabilities	1,138	1,184
Non current liabilities	-	-
<b>Total liabilities</b>	<b>1,138</b>	<b>1,184</b>
<b>Net assets</b>	<b>12,190</b>	<b>14,213</b>
<b>Equity</b>		
Issued capital	78,763	79,735
Reserves	472	887
Accumulated losses	(67,045)	(66,409)
<b>Total equity</b>	<b>12,190</b>	<b>14,213</b>

As at 30 June 2011, there were no (2010: \$nil) contingent liabilities of the parent entity.

As at 30 June 2011, there were no (2010: \$nil) guarantees entered into by the parent entity concerning debts of its subsidiaries.

As at 30 June 2011, there were no (2010: \$nil) commitments for the acquisition of property, plant and equipment by the parent entity.

### 33. Events after balance date

The financial statements were authorised for issue by the directors on 23 September 2011.

## ***Directors' Declaration***

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and give a true and fair view of the financial position and performance of the company and consolidated entity;
- c) in the directors opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in Note 1; and
- d) the directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to section 295 (5) of the *Corporations Act 2001*.

On behalf of the directors



Charles Tarbey  
Executive Director

Melbourne  
23 September 2011

## Independent Auditor's Report to the Members of Wentworth Holdings Limited

### Report on the Financial Report

We have audited the accompanying financial report of Wentworth Holdings Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 55.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 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 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Wentworth Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Wentworth Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Wentworth Holdings Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Mark Stretton  
Partner  
Chartered Accountants  
Melbourne, 23 September 2011

## ***Shareholder Information***

**As at 22 September 2011**

### **Annual General Meeting**

The annual general meeting of the Company will be held at Level 7, 608 St Kilda Road, Melbourne at 10.00am on Friday 18 November 2011. Shareholders who are unable to attend the meeting are encouraged to complete and return their proxy form that will Company the notice of meeting.

### **Shareholder Analysis**

As at 22 September 2011 there were 775 shareholders in the Company. The voting rights are one vote for each share. The distribution of shareholders was as follows:

### **Distribution of Equity Securities**

The number of shareholders, by size of holding in each class of share is:

	Number of Holders	Number of ordinary shares
1-1,000	63	24,920
1,001 -- 5,000	73	209,379
5,001 – 10,000	164	1,282,355
10,001 – 100,000	349	10,855,726
100,001 and over	126	214,215,687
Total	775	226,588,067
The number of shareholders holding less than a marketable parcel of shares are:	267	1,194,230

# Shareholder Information

As at 22 September 2011

## Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

		Listed Ordinary Shares	
		Number of shares	Percentage of Ordinary Shares
1	UBS NOMINEES LIMITED	39,042,431	17.25
2	RUBI HOLDINGS PTY LTD	30,745,743	13.59
3	BELL POTTER NOMINEES LTD	13,748,527	6.08
4	JP MORGAN NOMINEES AUSTRALIA LIMITED	13,266,937	5.86
5	TICUDI PTY LTD	11,858,083	5.24
6	THIRTY-FIFTH CELEBRATIONS PTY LTD	10,386,446	4.59
7	AUSTIN SUPERANNUATION PTY LTD	7,259,573	3.21
8	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	7,214,323	3.19
9	INCUBATOR CAPITAL LTD	6,032,334	2.67
10	N. SHARP SUPERANNUATION FUND PTY LIMITED	5,380,724	2.38
11	GISBORNE PARK PTY LTD	4,762,367	2.10
12	BUNGEELTAP PTY LIMITED	4,147,962	1.83
13	CHAMELEON SUPER PTY LIMITED	3,358,082	1.48
14	RADIATA INVESTMENTS PTY LTD	3,000,000	1.33
15	DEASIL TRADING PTY LTD	2,500,000	1.11
16	ALEXANDER SUVOLTOS	2,500,000	1.11
17	U NO C PTY LTD	2,500,000	1.11
18	BIDAB PTY LTD	2,400,000	1.06
19	MR FRANK VILLANTE	2,193,952	0.97
20	BALLINA GROUP PTY LIMITED	1,600,000	0.71

## Substantial Shareholders

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

Name	Number of Shares	Percentage of Ordinary Shares
Thorney Holdings Pty Ltd	52,309,368	23.33%
John Rubino Superannuation Fund	30,745,743	13.59%
Ticudi Pty Limited	16,716,165	7.39%

## Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

## Registered Office and Principal Place of Business

Wentworth Holdings Limited

144 Church Street

Brighton Victoria 3186

T 03 8591 0500

F 03 9592 7607

W [www.wentworth.com.au](http://www.wentworth.com.au)

## Company Secretary

Ron Hollands

## Share Registry

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001

T 02 9290 9600

F 02 9279 0664

W [www.registries.com.au](http://www.registries.com.au)