

rebuilding protecting

over
Fifty
group

Annual Report 2009

Over Fifty Group Limited Annual Report 2009



Servicing Australian communities for over 25 Years

Over Fifty Group Limited

and Controlled Entities

ABN 22 095 454 336

Annual Report for the year ended 30 June 2009

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Meet Our People

Why are we different?

At OFG we have a highly motivated group of people with a wide set of skills.

Some of the fields covered by our team include;

- In depth knowledge of Friendly Society and Property fund products
- Detailed property investment and property management knowledge
- Customer services specialists
- Up-to-date knowledge of financial markets
- Specialised accounting teams dealing with Friendly Society, property trust and corporate accounting
- Compliance with APRA, ASIC and ASX standards
- Specialist Reverse Mortgage managers

At OFG we promote a culture of hard work and a focus on the results of a team effort. This is a direct link to the “mutual” foundations of the Friendly Society and the deep relationships existing on the property fund side of the business.

Our shareholders and policyholders like to engage with our staff on a one-to-one basis and we encourage this. Being a little bit smaller can be a big advantage when our competitors don't want to speak to their customers!

Our Services

Back to Our Core Activities

At OFG we place a special emphasis on returning to our core strengths and focussing on two main areas - our strong, stable Friendly Society management heritage and our Property Funds Management group which has significant growth potential.

How the core businesses work together

Difficult periods such as we have just experienced highlight the need for good companies to develop strong, recurring cashflows.

In addition, a progressive company will always be trying to establish complimentary growth businesses and this is exactly what the Property Funds Management divisions (Century Funds Management and Eclipse Financial Group) provide.

The funds under management of the two core businesses are split pretty evenly - \$780 million (Friendly Society) and \$878 million (Property Funds Management) so each business has significant scale and prominence in its respective niche.

Put simply, the restructuring of OFG over the past 18 months has all been aimed at eliminating wasteful spending and getting to the point where healthy profits flow from both the core businesses.

This year, for the first time, we believe our performance will show the benefits of all the hard work that has gone into making OFG more profitable and efficient as the two core businesses generate profits alongside each other.

Evolving new products for you and your family

At OFG we want to make our stable of products relevant to you, your children or your grandchildren.

Our Friendly Societies have been serving Australians for nearly 30 years and our property funds managers for over 10 years. Our challenge is to honour our traditional investments and services but in addition to bring new offers to the market.

Property Funds Management

In the 2009 period we celebrated the acquisition of the remaining shareholding in the Eclipse Property Group, bringing property funds under management between Century and Eclipse to \$880 million.

The property funds under management are all in unlisted trusts, not associated with OFG's balance sheet and the OFG property subsidiaries act as the manager of each fund and earn fees for managing the fund and success fees if property investments out-perform.

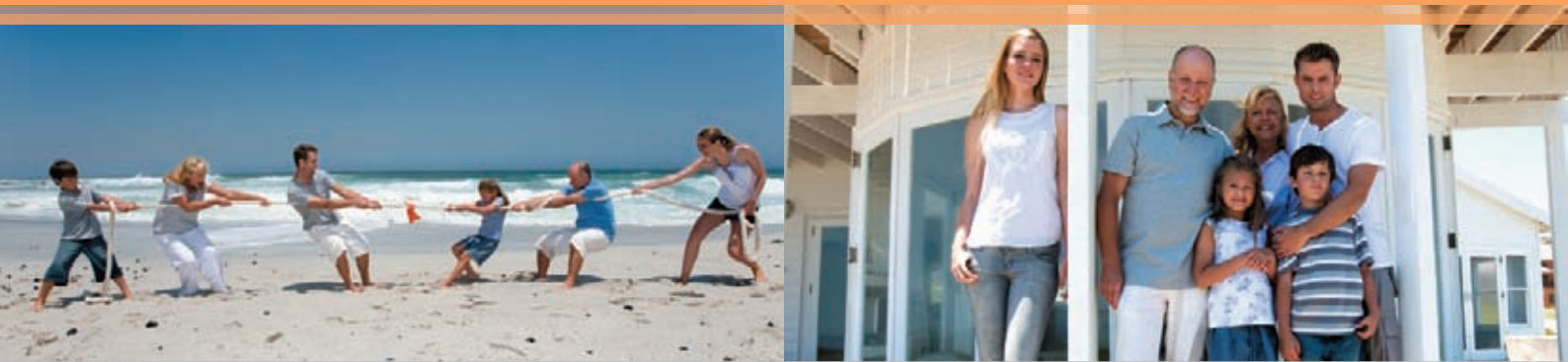
It has been a frustrating period for Century and Eclipse as there have been few well-priced quality investment properties to buy. This appears to have changed as recently our staff have reported a number of good opportunities moving into fair value range.

Future for Property Funds Management

We have benefited considerably by having fewer competitors in this space. We now need to ensure that as the recovery sets in we take advantage of our unique position. Growth in this division will come through organic direct acquisition of assets and acquisition of management rights in this space.

The medium term target is to increase property funds under management to \$2 billion by FY2012. This is an ambitious target and is good evidence of our determination to retain a prominent position in this market niche.





Friendly Societies

Funds under management are as follows;

Over Fifty Group Friendly Society	\$580 million
Guardian Friendly Society	\$200 million
Total	\$780 million

The traditional OFG Friendly Society has managed a range of capital guaranteed and unitised friendly society bonds on behalf of our policyholders since 1980.

The Guardian Friendly Society is run in cooperation with listed funeral care provider, Invocare, and is responsible for investing funds invested through various pre-paid funeral agreements.

Three important areas of focus

- 1 Introducing our investments to a range of generations and ensuring everybody on the 110,000 contact list throughout the group is aware of these offers.
- 2 Encouraging loyalty with existing policyholders by introducing more relevant / tax effective investments.
- 3 Increasing funds under management by introducing new products and services and marketing them to current and new potential customers.

Education Bonds

We are in the final stages of preparing an application to the regulator in respect of an OFG Education Bond.

This bond will permit, for example, grand parents or parents to save in a tax sheltered environment specifically for a child's education. Initial response from our policyholders has been encouraging and we believe it is a very complementary offer.

Imputation Bond

The next bond to be lodged for approval will be an imputation bond which will only invest in high quality Australian shares in very large companies which have good dividend yields and a high level of franking credits. This product is a direct result of requests from policyholders who want us to invest in stable cashflows with the ability to minimise tax payable to even below Friendly Society thresholds.

Policyholder Information Sessions

We intend to run regular policyholder information sessions throughout the year after the first successful briefings in Sydney and Melbourne in July 2009, when 140 policy holders attended.

At these briefings, new products, investment switching and general questions will be covered. In addition the General Manager of the Friendly Society – Terry Reid and our Investment Manager – Sean Webster addresses policyholders directly.

Sean gives an economic briefing which is relevant to our members and it is a unique opportunity to question an extremely well qualified economic specialist.



Other business areas

Reverse Mortgages

OFG currently holds a book of \$220 million of reverse mortgages with 2900 borrowers. New reverse mortgages are no longer issued and the existing mortgage book is trading profitably with an extremely low loan-to-value ratio around 20% which means there is minimal risk.

Over Fifty Insurance

This division now has over 30,000 policyholders who hold general, travel or vehicle insurance. Insurance is offered under a white-label agreement with multi national insurer Allianz.

We have eliminated several unnecessary expenses from the division and expect its performance to continue to improve this year.

Mortgageport

We hold a 50% interest in money manager and mortgage broker – Mortgageport Management Limited.

Mortgageport is professionally managed and operates in the residential mortgage manager market. It has a high quality \$820 million mortgage book and enjoys in-house credit approval authority from two leading finance providers – Interstar and Adelaide Bank.

Mortgageport exceeded its budget in the 2009 financial period.

Our Call Centre

Always ready to help

Our call centre is the “face” of our company

One of the most frequent comments we receive from our policyholders is how accessible OFG is.

Corey Adkins leads a team of highly motivated staff who are genuinely interested in outcomes for clients.

Once a query comes through every attempt is made to ensure that the policyholder has one single, unchanging point of contact for his or her query until it is resolved.

Ever sat on the phone for hours trying to speak to a person?

We know many of our policyholders are seniors, that does not mean they have forgotten what service means... neither have we.

Getting large seems to mean customers have to sit on the phone pushing digits and speaking to call centres all over the world who have no idea about the investment or product you wish to query.

At OFG you speak to a person who is trained to handle most of your likely queries and whom you can meet at policyholder briefings or when you visit our office!



Our friendly Call Centre staff - 1300 50 50 50

“People get a surprise when they get one of our people straight away and their query can be answered generally without the call being diverted to another member of staff”.



Corey Adkins

Investor Services Team Leader

CHAIRMAN'S LETTER

Dear Shareholders

In my letter to you last year I said that the 2008 financial year had been challenging. Well, the 2009 financial year was even more challenging for the Over Fifty Group of companies.

During the last year, your board of directors and senior executives have been focused on restructuring the group and we have had to make some difficult decisions, including letting go many of our staff and closing down or downsizing parts of the business. We have closely scrutinised every element of the group's operations, dramatically reduced expenses and, I am very pleased to say, have the group well positioned to take advantage of what we expect to be improved economic conditions in Australia. Indeed for the first time since I joined the board of Over Fifty Group in late 2007, our board meetings are now primarily focused on looking at ways and opportunities to profitably expand our business and there is a real sense of optimism and excitement about the future for the group.

I wish to take this opportunity to thank my fellow directors, and especially John McBain and the rest of the senior executive team and all of our staff, for their absolute commitment and determination in getting the group through a difficult period. It is hard for me to imagine a more dedicated team of people and it really is particularly pleasing to see the turnaround in the group that has been achieved over the last year through their efforts. I expect that turnaround to become evident to you as this year progresses.

I look forward to seeing you at our annual general meeting in Melbourne on Thursday 29 October 2009.



ROGER DOBSON

Chairman

CHIEF EXECUTIVE'S OVERVIEW

for year ended 30 June 2009

Dear Shareholder,

I have pleasure in reporting on the Over Fifty Group Limited, "OFG", performance for the year ended 30 June 2009.

It has been a year of rebuilding and re-focussing on our core strengths against the backdrop of a difficult global economic climate. Our team has made good, measurable progress towards our goals despite the prevailing economic conditions and whilst these conditions have been a distraction there has never been any doubt that the underlying revenue streams from core activities will see OFG through, and this is precisely what has occurred.

The prevailing economic conditions have affected all businesses and have impacted OFG, particularly the property division. However, because we believe financial markets have stabilised and because shareholders wish us to be forward-looking you will not find repeated references to the global downturn in this report. You want to know what we are doing to improve OFG's performance.

During the year there have been numerous examples of balance sheet measures taken to make the group more efficient but the one action that stands out in my mind relates to our staff. Staff numbers have dropped sharply from 100 to around 50 as we suspended or sold loss making activities and in May 2009 all the core 50 staff agreed to reduce salaries by 7.5% to 10% and cap increases until June 2010. I doubt if there is a better example of an executive team aligning its interests with shareholders and putting their shoulder to the wheel and I am extremely proud of the manner in which they have all conducted themselves.

In addition to the individual efforts of all our staff, I also want to thank divisional heads Jason Huljich and Terry Reid as well as our Chief Financial Officer, Matthew Coy for their dedication and hard work during what has been a testing period for everyone.

Financial Performance

I must repeat how accounting standards require the statutory accounts to consolidate the financial results of the Friendly Society benefit funds with the results of the parent company.

As usual we have split out the affairs of the OFG parent company on page 10 of this report and it is these results which we believe are of most relevance. A more detailed version of these parent company results is available as a results briefing on our website www.overfifty.com.au or you can request a mailed copy by calling the share registry on 1800 11 29 29.

The consolidated statutory accounts disclose a loss attributable to equity holders of the parent, of \$12.854 million for the period but this included non-cash write downs and adjustments, the true underlying profit of the company was \$7.189 million.

Some of the key features of the current year's financial performance are;

- A 75% increase in underlying profit after tax between the first and second half year periods in FY 09 (\$2.5 million rising to \$4.7 million)
- A strong result from the Friendly Society management division (\$10.3 million pre-tax)
- Corporate expenses reduced by 28%
- Corporate debt reduced by \$4.3 million to \$19.8 million (targeted to reduce to \$10 million by end of FY10)

The group's property division made a minor loss of \$0.3 million for the first time ever and it is anticipated that this division will be a strong profit contributor in the current financial period as it has recommenced property investment activities on behalf of its loyal investor base.

The Reverse Mortgage and Insurance divisions made meaningful contributions to profit and our 50% investment in money manager and mortgage broker Mortgageport Management came in ahead of budget for the year.

I want to touch on share price. Our share price fell substantially along with the whole market. Small listed companies fell further than larger companies such as those on the ASX 200 index. We have seen the OFG share price approximately double between April 2009 and early September 2009 and we are seeing higher trading volumes in the stock as the market begins showing an interest in how the OFG restructure takes shape. Clearly we believe the market undervalues OFG shares and part of our job is to explain the upside in the company to the analysts, fund managers and the public.

The Year Ahead

The major objective of the OFG board and management team is to have strong recurring profits from both the core businesses - Friendly Society management and the Property Funds Management. This year is the first time that the market will see the benefits of this strategy as the two revenue streams begin to support each other and the large reduction in recurring company expenses effectively becomes extra profit.

We are beginning to receive more favourable reporting by the press and with market analysts and we have ensured that the market is aware of the progress we have made towards achieving our restructuring goals.

This additional exposure has assisted in a modest increase in share price and I want to confirm that the reinstatement of profit guidance and dividend payments is a major priority of the board. We have undertaken to offer profit guidance at or prior to this year's AGM. The financial report for the 6 months to December 2009 is very important as it will disclose for the first time the benefits we have listed above.

Shareholders who are Friendly Society Policyholders

A great many of you are both shareholders and policyholders.

We know the stress that the current market turmoil has created and we have started what is to be a regular series of policyholder briefings in Sydney and Melbourne to inform and assist you in relation to market trends, new products and detail the ongoing benefits of Friendly Society bonds – particularly the ability to switch between different types of bonds completely tax effectively.

I believe many policyholders have welcomed the conservative approach to managing your funds and very easy access to our senior executives and our investor services and investment management teams. Our first seminars were attended by 140 policyholders and it was good to have a chance to discuss pure investment issues with you.

I have one very important message to you.

Now that financial markets are stabilising and we are seeing upturns for example in the share markets, can I ask you to continue to consider your Friendly Society investment as long term as best you can. This has two important benefits;

- Redeeming now in a 30 year low in investment markets is unlikely to maximise your return. Providing the recovery we see emerging takes hold, waiting will be to your advantage.
- Maintaining the largest pool of funds within the Friendly Society increases returns to the OFG parent which will positively impact OFG's bottom line and speed the return to normal dividend distributions, for example.

In other words, we would like you to think of your shareholding and your policy investment as having a linkage where both investments make a separate return to you in a different but complementary way.

In closing, I want to thank our chairman and my fellow directors for their support over a most arduous year. Our independent directors, Roger Dobson (Chairman), Deepak Gupta and Peter Done have given their time to me unstintingly over the year and it is in difficult periods such as those we have just experienced that the calibre and depth of experience of these individuals stands out.



JOHN McBAIN

Chief Executive Officer

STAND ALONE CORPORATE PERFORMANCE

Financial results

In accordance with current Australian accounting standards, the audited financial results, including Income Statement, Balance Sheet and Cash Flow Statement, of the Over Fifty Friendly Society benefit funds are included in the consolidated results of the corporate entities of the Over Fifty Group Limited. The following table provides an analysis of the Consolidated OFG Profit and Loss attributable to shareholders, with the results of the benefit funds stripped out.

The table demonstrates the strength of the group's underlying Net Profit After Tax ("NPAT") during the last two financial periods via the spread of strong recurring income streams from the Friendly Society, Reverse Mortgages and the other smaller divisions. The achievement is particularly important given that Property Funds Management had its first recorded trading loss in the ten year history of the division.

Shareholders can receive the more detailed results presentation by calling the registry on freecall 1800 11 29 29 or visiting the company website www.overfifty.com.au.

Stand Alone Corporate Performance (excluding Friendly Society Benefit Funds)

	2009 \$000's	2008 \$000's	% Change
Normalised by major division			
Property Funds Management	(271)	4,304	-106.3%
Property Investments	774	319	142.6%
Reverse Mortgages	3,673	(1,456)	352.3%
Friendly Society	10,324	11,709	-11.8%
Commercial Mortgages	450	4,213	-89.3%
Corporate	(5,265)	(5,978)	11.9%
Other divisions	826	1,625	-49.2%
Underlying EBIT	10,511	14,736	-28.7%
Finance costs Corporate Debt	(1,671)	(1,526)	
Tax (expense) reported	6,938	(1,882)	
Tax (expense) on one off adjustments	(8,589)	(3,311)	
Underlying NPAT	7,189	8,017	-10.3%

EBIT - Earnings before Interest and Tax. NPAT - Net Profit after Tax

Key points from the above table are:

- In a period which has just witnessed the Property Funds Management division return its first Underlying EBIT loss result of \$271K (which on average over the past 3 financial years 2006 – 2008 has been profit of \$5.458 million), the group's Underlying NPAT of \$7.2 million (being a reduction of \$828,000 from the corresponding period) is a very pleasing result to the OFG Executive.
- As a result of the suspension of issuing new reserve mortgage loans, the division has been restructured to appropriately manage the existing book of loans which should continue to produce a solid accounting profit going forward.
- The Friendly Society continues to be a solid profit generator for the group.
- During the period, the executive team examined and instigated many cost saving initiatives which will not have the impact of the full benefit until 2009/2010 financial year. These initiatives include consultants, marketing, outsourced services, staffing, personnel and staff remuneration reductions and freezing of remunerations until 30 June 2010.

Whilst many of the above expenses are significant to the group result, they are as a result of an extensive nine months program of review and ensuring adequate levels of reserving and write-offs reflected at balance date.

The following table provides a reconciliation between the underlying NPAT and the reported NPAT, with the latter reflecting one-off impairments and write-offs that have been incurred during the reporting period.

Reconciliation of OFG Profit and Loss (excluding Friendly Society Benefit Funds)

	2009 \$000's	2008 \$000's	% Change
Underlying NPAT	7,189	8,017	-10.3%
Loss on property revaluations (after Tax)	(4,785)	(2,513)	
Impairment in respect of parent company guarantee (after Tax)	(5,090)	-	
Net provision for doubtful debt on commercial mortgages (after Tax)	(4,360)	(4,398)	
Ineffective fair value of financial derivatives (after Tax)	(1,934)	-	
Impairment of investment in unlisted property trust (after Tax)	(1,623)	-	
Equity accounting for investment held in unlisted property trust (after Tax)	(2,251)	-	
Expenses of a one off corporate nature (after Tax)	-	(813)	
Write down of investment in Associate (after Tax)	-	(3,000)	
Reported NPAT	(12,854)	(2,707)	-374.9%

The significant one off adjustments and impairments include:

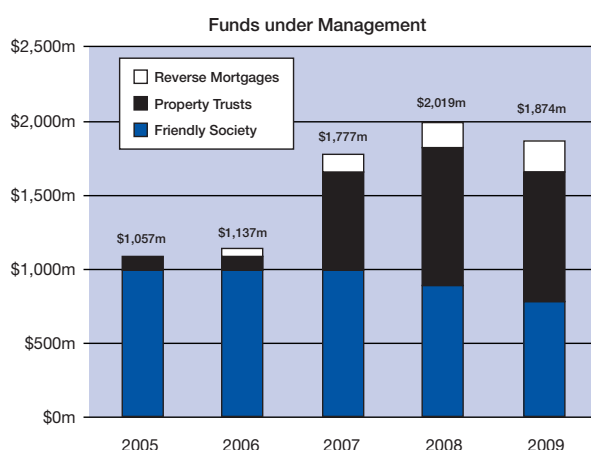
- The write-down of the three on-balance sheet property assets of \$4.8 million after tax.
- An impairment in respect to a parent company guarantee provided to a group of "cash-out" unit holders in one of the property funds. This guarantee has been capped and there will be no further impairments in respect to this particular guarantee.
- A further write-off of \$4.4 million after tax for bad debts was recorded in respect to the commercial loans. This practice of lending from the OFG group has been discontinued for the past 2 years and management is working through the remainder of loans to be collected.
- A non-cash expense in respect to an ineffective portion of a financial instrument hedge was incurred during the period of \$1.9 million after tax. These non-cash adjustments are effectively written back over time, as the hedge runs its full life.
- Impairments and adjustments in respect to units held by the group in an unlisted property trust were recorded during the period amounting to \$3.8 million after tax.

Funds under Management

Funds under management for the group reduced from \$2.019 billion to \$1.874 billion (\$145 million or 7.2%) during the period as a result of:

- Property disposals \$16.0 million.
- Property devaluations at 30 June 2009 by \$27.0 million, reflecting a reduction of 3.0%.
- In the Friendly Society, a combination of redemptions (which was exacerbated also by the announcement by the Rudd Government's guarantee on bank accounts in August 2008) and impairments on investment values in funds investing in Australian shares, managed funds and fixed interest investments at 30 June 2009.

Considering the write-down in the major investment indices, the group result of a reduction of just 7.2% of Funds Under Management reflects the stability and quality of the group's underlying asset portfolio.



In recent months there has been a significant rally in growth assets with Australian equities up 45%, US equities up 57.6% and Australian Real Estate Investment Trusts increasing 64.7%, all from their lows in March this year. This price appreciation has gone a long way to restoring the value of funds under management in the Friendly Society.

Forward looking

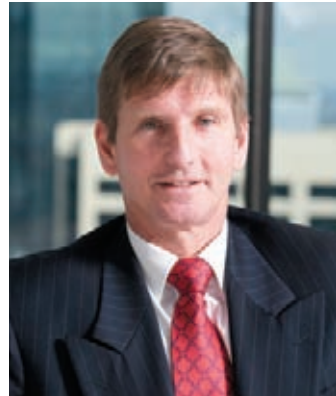
There are some very encouraging signs emerging, across all divisions, from the hard work performed by the OFG executive team over the past 12 months. In addition to the property acquisitions that are reappearing in the market, the core operation of the OFG group, over the six months to 30 June 2009, demonstrated a robust recurring earnings capability that will only be complimented once the Property Funds Management division begins acquiring property.

DIRECTORS' REPORT

The Directors of Over Fifty Group Limited (Company) submit herewith the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:



Roger Dobson



John McBain

Roger Dobson

Appointed 28 November 2007
LL.B, LL.M

Chairman, joined the Board in November 2007 in a non-executive capacity and is a senior partner of the law firm Henry Davis York. Roger is also the chairman of the nomination and remuneration committee. He is one of Australia's leading banking and finance lawyers and acts primarily for the major Australian banks and other financial institutions. He has extensive legal knowledge of the property funds management and financial services industries, as well as corporate governance and regulatory issues.

John McBain

Appointed 4 April 2008 as CEO
Dip. Urban Valuation

John was appointed CEO in April 2008. John is the founder of property funds manager, Century Funds Management, which was acquired by Over Fifty Group Limited in 2006. John is a director of subsidiaries Eclipse Property Group Limited, Century Funds Management and Over Fifty Mutual Friendly Society Limited and a director of an associated company Mortgageport Management.

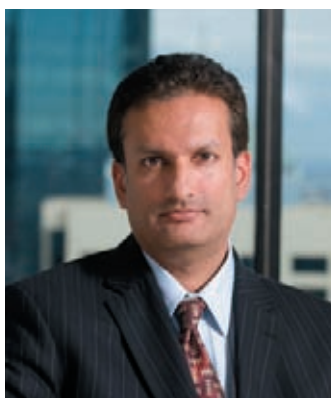
In addition, John serves on the Investment Committees of both the Over Fifty Mutual Friendly Society and the Guardian Friendly Society. John originally qualified in property valuation in New Zealand and from 1990 to 2006 was heavily involved in both commercial property consulting and the growth of the unlisted property fund market in Australia. Prior to 1990 John spent four years as managing director of a specialist commercial property investment company based in the United Kingdom.



Jason Huljich



Peter Done



Deepak Gupta

Jason Huljich

Appointed 28 November 2007
B.Comm

Executive Director and General Manager, Property for Over Fifty Group, joined the Board in November 2007. He is also the Chief Executive Officer of Century Funds Management. Jason has been involved in investment property syndication in Australia since 1996 and has developed considerable expertise in investment property selection, syndicate feasibility and syndicate management.

Peter Done

Appointed 28 November 2007
B.Comm, FCA

Chartered Accountant, joined the Board in November 2007 in a non-executive capacity. Peter is the chairman of the audit committee of the Over Fifty Group Limited, Over Fifty Mutual Friendly Society Limited and the Over Fifty Guardian Friendly Society Limited, and is a member of the Friendly Society Investment Committees.

Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and board processes through his many senior roles.

Deepak Gupta

Appointed 28 November 2007
BCA, MBA, Cert. Investment Analysis

Executive Director of Trustees Executors Limited, joined the Board in November 2007 in a non-executive capacity. He previously held various senior management positions in financial services companies and is currently a director of Tourism Holdings Limited (NZ). Trustees Executors is New Zealand's largest corporate trustee and fund services company with assets under supervision, management and administration of over A\$36 billion.

Deepak is also a founding director of the Institute of Finance Professionals NZ Inc (INFINZ), the industry body for finance and investment professionals in New Zealand. Deepak worked at senior management level for major institutional investors in funds management and private equity investment and has been involved in a variety of private equity transactions.

Murray Grant (not pictured)

Appointed 4 April 2001
Resigned 29 October 2008
BVSc, MBA, FAICD

Chairman of the Investment and lending committees of the Over Fifty Group Limited, Over Fifty Mutual Friendly Society and the Over Fifty Guardian Friendly Society, joined the Board in April 2001 in a non-executive capacity. Murray is also an executive director of Chemvet Australia Pty Ltd, and holds or previously held various senior management positions in veterinary, pharmaceutical, rural and water industries. Mr Grant resigned from the Board in October 2008.

DIRECTORS' REPORT (CONT.)

The previous named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Murray G. Grant - appointed 4 April 2001, resigned 29 October 2008.

Directors' shareholdings

The following table sets out each director's relevant interest in shares in OFG as at 30 June 2009.

Directors	Over Fifty Group Limited
	Fully paid ordinary shares Number
R.W. Dobson	66,501
J.E. McBain	4,146,917
J.C. Huljich	2,189,524
P.J. Done	51,494
D.K. Gupta	-

Directors hold ordinary interests, with equal rights to other shareholders.

Remuneration of directors and senior management

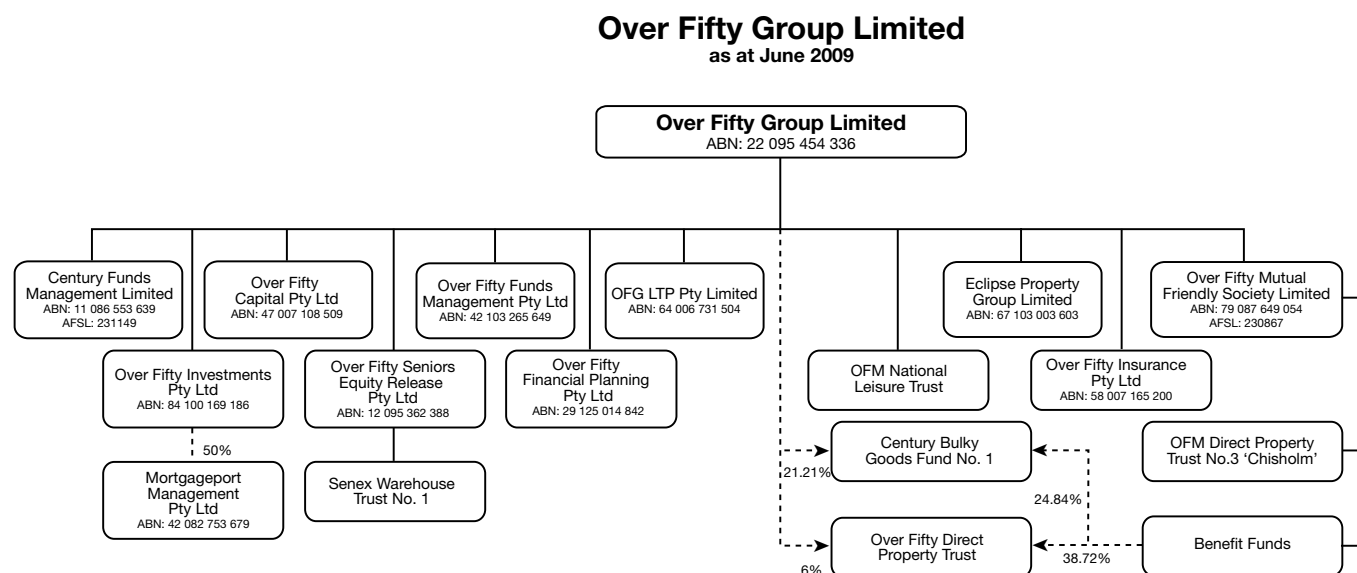
Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, which is on pages 20-32.

Company secretary

Mr Terry Reid, Chartered Accountant, has been the Company Secretary since December 2007. He is a member of the Institute of Chartered Accountants in Australia.

Corporate Structure

Over Fifty Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure. All entities are 100% owned unless otherwise stated.



Note: "-----" represents partial ownership, "—————" represents 100% ownership.

Principal activities

The consolidated entity's principal activities being the Over Fifty Group Limited ("OFG") as the parent entity, and of its controlled entities, in the course of the financial year, were the marketing and management of investment products (including Friendly Society investment bonds and property investment funds), general insurance through agency arrangements, mortgage lending and management, property investment and management of Over Fifty Guardian Friendly Society Limited.

DIRECTORS' REPORT (CONT.)

Review of Operations

The consolidated net loss for the year is \$12,413,000 (2008: loss \$2,707,000) after providing for an income tax benefit relating to shareholders of \$6,938,000 (2008: income tax expense \$1,882,000).

The consolidated net profit after tax for the year from ordinary earnings (before write offs and impairments) is \$7,189,000 (2008: \$8,017,000).

The main sources of revenue were from the operations of the Over Fifty Mutual Friendly Society, Reverse Mortgages and the Property Funds Management divisions contributing up to 88% of the Group's revenue.

Funds under management declined by 11% during the year to approximately \$1.9 billion (2008: \$2.1 billion).

Operational highlights for the financial year were as follows:

Friendly Society

- As at 30 June 2009, Over Fifty Mutual Friendly Society administered \$781 million of Friendly Society benefit funds and has continued to be a core activity of the Group since 1980. Over the past 2 years the OFG Executive and Management has strengthened its investment and operational staff strategically aimed at improving investment management capability and member communication and services.
- The Friendly Society is in the process of providing a range of further investment products aimed at facilitating specific investment capability for rollover superannuation funds and education savings plans. A new PDS will shortly be available from the OFG website or by calling our Investor Services Team on 1300 50 50 50.

Property Funds Management

- Property Funds Management (being the combination of both Century Funds Management Limited and Eclipse Property Group Limited) continue to be a major revenue contributor for the Group's revenue and manages a portfolio of approximately \$878 million. During the last financial period, as a result of the downturn in the investment market, the division did not make any acquisition revenue which typically has always been a contributor to the Group's revenue.

- OFG continues to hold three properties on balance sheet, being part of the accommodation resort, Peppers The Sands Resort, in Torquay for \$16.0 million, Moonah Links for \$11.0 million and Chisholm Shopping Centre in Canberra for \$19.0 million. All three assets have been impaired as at 30 June 2009 by a total of \$6.837 million; being \$2.068 million, \$2.603 million and \$2.166 million respectively. The Chisholm Shopping Centre has exchanged contracts at a selling price of \$19.0 million and remains conditional as at 30 June 2009.
- On 30 June 2009, OFG acquired the remaining 49% of Eclipse Property Group Ltd, thereby holding 100% as at balance date. The eventual final purchase price will be determined at the completion of the Group financial statements in September 2010, as the determinant is based upon the average of three years profits ending 30 June 2010. The Eclipse business manages funds with an aggregate \$219 million funds under management.

Mortgage Businesses

- Following the Board's decision to suspend lending for new loans in July 2008, the Reverse Mortgages division has significantly reduced its employed resources and is managing the existing portfolio of approximately 3,000 loans aggregating \$215 million in value. As a result of the significant reduction in operation and sales personnel, the division is contributing profitably to the Group's results. Financing from ANZ has been rolled over to March 2010.
- 50% associate Mortgageport continued to contribute profitably to the Group's result for the year. It has been impacted by the credit downturn, and subsequently its profit contribution is down year on year with a decrease 45% to \$374,000 (2008: \$684,000).
- In April 2007, OFG announced the closure of its commercial mortgage lending unit and continued to wind down its book.

Insurance/Financial Planning

- The company has continued to successfully operate its insurance agency during the year. The company is committed to further growing this business which is demonstrating a strong and reliable reoccurring income stream with consistent annual growth.

Significant expenses/adjustments incurred

- Specific provisions and write-offs totalling \$6.2 million to cover the expected non-recovery of mortgage advances relating to the commercial mortgage division which is currently being wound down.
- Impairment for investment in unlisted property trust \$2.3 million.
- Ineffective fair value of financial derivatives \$2.8 million.
- Fair value adjustments to the investment properties held on balance sheet that required a write-down of \$6.8 million.
- Equity accounted loss in unlisted property trust investments \$3.2 million.
- Impairment in respect to parent company guarantee \$7.2 million.

Corporate governance practices

- The Directors have, in striving to achieve the highest standards of corporate behaviour and accountability, complied with the principles and practices set out in the corporate governance statement contained in this annual report.

Other matters

- In July 2007 the company was included in the ASX Equity Research Scheme. The program aims to deliver higher levels of stock liquidity in companies taking part in the program by creating higher levels of both retail and institutional investor awareness.
- Further comments on the operations of the consolidated entity during the financial year and of the results of its activities are set out elsewhere in the Annual Report.

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year other than as described in the notes to the financial statements.

Subsequent events

OFG had provided a cash out performance guarantee to unit holders in a trust managed by its subsidiary company, Century Funds Management Limited, as part of the stapling of 3 unlisted property trusts into one Fund (Century Bulky Goods Fund No.1), that guaranteed the redemption of up to 11.3 million units at a face value of \$1.00 per unit. In exchange for cancelling this guarantee, the company entered into a Notes Subscription Deed, which these subject unit holders, whilst still maintaining their original units in the Fund, received a note that has a

face value that represents the difference between \$1.00 per unit and an agreed written down value per unit of \$0.36, as at 30 June 2009. The holders of the Notes are not entitled to request a conversion to equity (subsequent to shareholder approval), or otherwise receive cash, until February 2012.

OFG has entered into a conditional exchange of contracts for the sale of Chisholm Shopping Centre for a price of \$19.0 million. The settlement date is set to occur by 15 October 2009, with OFG providing Vendor finance of \$2.3 million for a period of 2 years. The condition precedent of the contract is the purchaser's ability to raise equity by 28 August 2009.

Future developments

After a series of senior management personnel changes during the 12 month period, the Group has implemented both recurring cost saving initiatives as well as strategic key personnel appointments. The appointments include Mr Matthew Coy, to the position of Chief Financial Officer of OFG, previously Chief Financial Officer of OFG subsidiary company, Century Funds Management Limited (CFML); Mr Terry Reid to the position of General Manager Friendly Society and Company Secretary for OFG, previously Chief Financial Officer of OFG; Mr Howard Schmiede to Head of Finance at CFML, previously held the position of Chief Financial Officer at Austcorp; Mr Tom Power to Head of Retail Distribution at OFG and CFML, previously State Manager Sales, Qld - MLC, and Mr Sean Webster of OFG, previously an investment manager with over 15 years experience in the investment fraternity.

These are specifically aimed at improving the Group's ability to capitalise upon the current dynamic investment market and the Group's equity raising capability through a greater spread of larger sources from the investment community that will benefit both the Friendly Society and property funds management businesses.

With a strong mix of business income derived from reliable recurring income streams, the board and senior management have growing optimism about the Group's future performance. This is dependant upon a return to acquiring quality assets by Century Funds Management after a period of 2 years whereby the conditions were not suitable for acquisition, the introduction of a suite of new products within the Friendly Society aimed at providing its members greater flexibility and choice, plus the strengthening of communication and education with its members, plus a significant reduction of corporate debt, which is forecasted to occur during the subsequent period from a combination of operations and realisation of outstanding commercial mortgages.

DIRECTORS' REPORT (CONT.)

Dividends

In respect of the financial year ended 30 June 2008, a final dividend of 3 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 3 October 2008.

In respect of the financial year ended 30 June 2009 no dividends were paid, declared or recommended.

Indemnification of officers and auditors

OFG has agreed to indemnify all current and former Directors and Executive Officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a Director or Executive Officer unless the liability relates to conduct involving a lack of good faith. OFG has agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' Liability and Legal Expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts.

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of directors		Audit, risk management & compliance committee		Investment & lending committee		Nomination & remuneration committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R.W. Dobson	12	9	7	4	-	-	3	3
J.E. McBain	12	12	-	-	12	12	-	-
J.C. Huljich	12	12	-	-	-	-	-	-
P.J. Done	12	11	7	7	12	10	3	3
M.G. Grant	4	3	2	2	4	4	-	-
D.K. Gupta	12	11	7	6	8	6	3	3

Note: J.E. McBain and J.C. Huljich are not members of the Audit, risk management & compliance committee.

R.W. Dobson and J.C. Huljich are not members of the Investment & Lending committee.

J.E. McBain and J.C. Huljich are not members of the Nomination & remuneration committee.

M.G. Grant was a member of the Nomination & remuneration committee, however resigned from office before any meetings took place.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit, risk management and compliance committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 102 of the annual report.

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 directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Over Fifty Group Limited's ("the Company") directors and its senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr R.W. Dobson
(Chairman)

Mr P.J. Done
(Independent director)

Mr M.G. Grant BVSc
(Independent director, resigned 29 October 2008)

Mr D.K. Gupta
(Independent director)

Mr J.C. Huljich
(Executive director)

Mr J.E. McBain
(Chief Executive Officer and Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr M.J. Coy
(Chief Financial Officer)

Mr D.B. Govey
(Head of Assets)

Mr S.E. Harding
(Head of Reverse Mortgages, resigned 30 June 2009)

Mr A.S. Bali
(Development Executive)

Mr H.J. Schmiede
(Head of Finance - Property, appointed 1 December 2008)

Mr T.D. Reid
(Company Secretary and General Manager - Friendly Societies, appointed 1 October 2008)

Remuneration policy

OFG recognises the important role people play in the achievement of its long-term objectives and as a key source of competitive advantage. To grow and be successful, OFG must be able to attract, motivate and retain capable individuals.

To this end, the company embodies the following principles in its remuneration framework:

- Competitive rewards are provided to attract and retain executive talent;
- Remuneration is linked to performance so that higher levels of performance attract higher rewards;
- Rewards to all staff but particularly executives are linked to the creation of value to shareholders;
- The criteria used to assess and reward staff include financial and non-financial measures of performance;
- The overall cost of remuneration is managed and linked to the ability of the company to pay; and
- Severance payments due to the Chief Executive Officer on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

Relationship between the remuneration policy and company performance

The main objective in rewarding the company executives for their performances is to ensure that shareholders' wealth is maximised through the company's continued growth moving forward. It is necessary to structure and strengthen this focus to drive this strategy so that they are aligned with the company's objectives and successes.

Under the Remuneration policy, senior management's remuneration includes a fixed remuneration component and short-term and long-term incentive arrangements. The long-term incentives are based on OFG's performance for the year in reference to specific Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") hurdles being met. The short-term incentives are based on the individual's performance in the preceding 12 months compared to pre-agreed goals.

Where senior management are remunerated with securities, the Remuneration Policy places no limitations to their exposure to risk in relation to the securities.

The targeted annual remuneration mix of each executive director and senior management personnel is outlined below;

	% of total target annual remuneration		
	fixed remuneration %	short term incentive remuneration %	long term incentive remuneration %
Executive director			
Mr J.C. Huljich	74%	7%	19%
Mr J.E. McBain	74%	7%	19%
Senior management			
Mr M.J. Coy	74%	7%	19%
Mr D.B. Govey	77%	8%	15%
Mr A.S. Bali	77%	8%	15%
Mr H.J. Schmiede	77%	8%	15%
Mr T.D. Reid	77%	8%	15%

Target incentive remuneration refers to the incentive pay provided for meeting performance requirements. Actual incentive remuneration can vary for executive directors and senior management depending on the extent to which they meet performance requirements.

In accordance with the company's corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

REMUNERATION REPORT (CONT.)

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. Clause 63.2 of the Constitution provides an aggregate maximum amount of not more than \$750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the fees paid to non-executive Directors of comparable companies when undertaking the annual review process and, where considered appropriate, advice from external consultants.

Each Director receives a fee for being a Director of Group companies and an additional fee is paid to the Chairman and to the Chairman of each Board Committee. The payment of the additional fees to each Chairman recognises the additional time commitment and responsibility associated with the position.

Senior Management and Executive Director Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of stakeholders;
- link rewards with the strategic goals and performance of the company ; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Chief Executive Officer seeks independent advice regarding market levels of remuneration for comparable executive roles.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives. The proportion of fixed and variable remuneration is established for each executive by the Chief Executive Officer after consultation with the Remuneration Committee. Table 2 details the fixed and variable components for each executive.

Fixed Remuneration

Objective

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. This is reviewed annually by the Chief Executive Officer and the process consists of a review of company, business unit and individual performance as well as relevant comparative remuneration in the market. The same process is used by the Remuneration Committee when reviewing the fixed remuneration of the Chief Executive Officer.

The Chief Executive Officer and senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and salary sacrifice items such as motor vehicles, motor vehicle allowances and/or additional superannuation contributions. It is intended that the manner of payment chosen will be optimal without creating undue cost for the Group but always contained in their respective fixed total remuneration.

Variable Remuneration

Under OFG's Senior Management Remuneration Policy, long and short term performance incentives may be made under the Group's bonus plans.

Short-term Incentives ("STI")

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators ("KPIs") covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, product management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for delivering long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPIs, an overall performance rating of each individual business unit and the individual performance of each executive is rated and these are taken into account when determining the amount, if any, of the short term incentive pool that is to be allocated to each executive. This process is normally completed within 2 months after the reporting date.

The aggregate of annual STI payments available to executives across the group is subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period.

REMUNERATION REPORT (CONT.)

Short Term Incentive Employee Share Plan (the Plan)

In the 2006 financial year, the Board approved the establishment of the OFG Short Term Incentive Employee Share Plan (the Plan) to establish a method by which eligible employees may participate in the future growth and profitability of the Company, and to assist in the recruitment, reward, retention and motivation of employees of the Company and its subsidiaries. The Plan and issue of shares under the Plan were approved at the 2006 AGM. This plan is separate to OFG's Performance Rights Plan.

Under the Plan, there are no performance conditions, which allows the Board, in its discretion, to offer eligible employees fully paid ordinary shares in the Company (**Shares**) with a market value of up to \$1,000 per employee per financial year. Eligible employees include permanent full-time and part-time employees of OFG and its subsidiaries. Directors (whether executive or non-executive) cannot participate in the Plan unless specific approval is given by shareholders. Where Shares are issued under the plan during a year, their value is taken up in the financial statements in employee benefits expense. There were no Shares issued under this plan during the current year.

Participants are restricted from selling, disposing of, encumbering or otherwise dealing with Shares issued under the Plan for a period of three years from the date the Shares were provided (**Restriction Period**). If a participant ceases to be an employee of OFG or its subsidiaries during the Restriction Period, the restrictions on disposal will cease.

Under ASX Listing Rule 7.1 the Company may not issue or agree to issue equity securities which in aggregate exceed 15% of the Company's fully paid issued share capital in any 12 month period without obtaining shareholder approval, unless an exception applies. ASX Listing Rule 7.2 exception 9 (as an exception to ASX Listing Rule 7.1) provides that issues of equities securities under an employee incentive scheme, such as the Plan, are not included when calculating this 15% limit if, no more than three years before the date of issue, shareholders approved the issue of securities under the employee incentive scheme as an exception to ASX Listing Rule 7.1.

Long-term Incentives ("LTI")

At the 2003 AGM, OFG shareholders approved a Performance Rights Plan to which the long-term incentives relate. Under this plan, the Board has been given discretion in granting to employees rights to receive, in the future, a specified number of ordinary shares. The number of shares to be delivered pursuant to the rights is subject to satisfying performance hurdles and time-related vesting conditions as detailed in Table 4 on page 29. If OFG achieves a target growth in EPS, or a TSR which matches or exceeds that of the ASX (excluding Property Trusts) Financial Accumulation index, the performance rights will convert into shares at the target date in the future as set out in Table 4. Performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years. The LTI plan was set up to reward all employees in a manner that aligns the elements of remuneration with the creation of shareholder wealth. Senior management have the potential to earn up to 15% or 19% of their total fixed compensation in the form of a long term incentive.

The Group uses TSR and EPS as performance hurdles as it ensures an alignment between comparative shareholder return and reward for executives.

The performance rights will vest after 4 years as in Table 4 subject to meeting the performance hurdles described.

The allocation of rights under the plan is approved by the Board after recommendations by the Chief Executive Officer. The first allocations under the Plan were granted in May 2006 (refer to page 30 of the remuneration report for details of the rights granted and the vesting dates if the performance hurdles are met).

The rights granted are valued by an external consultant in line with the requirements of Accounting Standard AASB 2. The Company then applies an estimation of the tenure risk associated with employees still being employed at the time the rights vest for those subject to TSR and EPS performance hurdles, and the probability of OFG attaining the required increase in EPS. The resultant value is charged to the profit and loss evenly across the vesting period. The amounts calculated above relating to the executives are included in Table 2.

Group Performance

The financial services industry, and the companies that operate in this sector, has been the most significantly impacted by the global credit crisis, with OFG being no exception to that decline. OFG's resultant share price has fallen from \$0.91 cents per share at 30 June 2008, to a low of \$0.26 cents per share on 20 March 2009, to recover to \$0.42 cents per share at 30 June 2009. OFG's consolidated statutory loss after tax for 2009 is \$12.4 million and no dividends were paid or proposed for the year ended 30 June 2009.

Whilst the Group's operating earnings remained encouraging, the adversely impacted statutory result has resulted in the OFG directors, senior management and staff not being paid any short term incentives and not being granted any performance rights during the year. In addition to this, executive directors and senior management salaries have been decreased by 10%, with all other staff receiving a 7.5% decrease, during the later part of the 2009 financial year. These cost saving measures, along with others implemented during the financial year, were taken as a reflection of OFG's need to reduce fixed costs during the current difficult financial market.

The tables below show the performance of the Group (as measured by its TSR) as compared to the ASX Financial (excluding Property Trusts) Accumulation Index and the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

	TSR				EPS		
	OFG	ASX Financial (ex Property Trusts)	LTI vesting conditions met/ not met		OFG cents/share	% Movement	LTI vesting conditions met/not met
30/06/05	1.42%	23.67%	Not met	30/06/05	14.1	-26.56%	Not met
30/06/06	16.18%	24.49%	Not met	30/06/06	14.0	-0.71%	Not met
30/06/07	9.73%	24.86%	Not met	30/06/07	11.0	-21.43%	Not met
30/06/08	-54.05%	-33.61%	Not met	30/06/08	-4.6	-141.82%	Not met
30/06/09	-54.40%	-11.71%	Not met	30/06/09	-21.4	-365.22%	Not met

OFG's overall objective is to reward senior management based on the company's performance and build on shareholder's wealth but this is subject to market conditions for the year. Table 1 below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

Table 1: Summary of earnings:

	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	64,480	94,909	147,062	117,604	31,765
Net profit/(loss) before tax *	(19,527)	(1,065)	11,378	10,904	9,287
Net profit/(loss) after tax	(12,413)	(2,707)	6,514	7,305	7,222

* Inclusive of discontinued operations.

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	\$0.91	\$2.22	\$2.26	\$2.04	\$2.12
Share price at end of year	\$0.42	\$0.91	\$2.22	\$2.26	\$2.04
Interim dividend (1)	0.0cps	5.0cps	5.0cps	5.0cps	5.0cps
Final dividend (1) (2)	0.0cps	3.0cps	6.0cps	6.0cps	6.0cps
Basic earnings per share	(21.4)cps	(4.6)cps	11.0cps	14.0cps	14.0cps
Diluted earnings per share	(21.4)cps	(4.6)cps	11.0cps	14.0cps	14.0cps

(1) Fully franked at 30% corporate income tax rate.

(2) Declared after the balance sheet date and not reflected in the financial statements.

REMUNERATION REPORT (CONT.)

Remuneration of directors and senior management

Table 2: Remuneration for the year ended 30 June 2009:

	Short-term employee benefits					
	Salaries \$	Fees \$	Bonus \$	Car allowance \$	Non-monetary benefits \$	
Directors						
R.W. Dobson (<i>non exec.</i>)	-	107,500	-	-	-	
J.E. McBain (<i>exec. dir</i>)	348,006	-	34,000	20,000	-	
J.C. Huljich (<i>exec. dir</i>)	248,458	-	15,000	20,000	-	
P.J. Done (<i>non exec.</i>)	-	74,000	-	-	-	
M.G. Grant * (<i>resigned</i>)	-	24,667	-	-	-	
D.K. Gupta (<i>non exec.</i>)	-	49,000	-	-	-	
Sub total	596,464	255,167	49,000	40,000	-	
Senior management						
M.J. Coy **	252,599	-	25,000	-	-	
T.D. Reid ***	197,188	-	28,000	-	-	
D.B. Govey	197,675	-	15,000	-	-	
S.E. Harding ****	116,334	-	-	-	-	
A.S. Bali	196,175	-	37,968	-	-	
H.J. Schmiede *****	107,735	-	-	-	-	
Sub total	1,067,706	-	105,968	-	-	
Grand total	1,664,170	255,167	154,968	40,000	-	

* M.G. Grant resigned on 29 October 2008.

** M.J. Coy was appointed as the Chief Financial Officer of OFG on 1 October 2008.

*** T.D. Reid was appointed as the General Manager of Over Fifty Mutual Friendly Society on 1 October 2008.

**** S.E. Harding resigned on 30 June 2009.

***** H.J. Schmiede was appointed as the Head of Finance - Property on 1 December 2008.

No directors or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses

Cash bonuses granted during the 30 June 2008 financial year, to the above senior management, were paid on 28 August 2008 except for T.D. Reid and J.E. McBain which were paid on 1 December 2008.

The performance conditions attached to the bonus incentives for the financial year ended 30 June 2009 were not met. This resulted in 100% of the bonus amount being forfeited by each executive director and senior management personnel for the current financial year.

Valuation of options and participating rights

There were no rights granted to senior management during 2009.

Directors fees (including Directors Retirement Fund)

The aggregate directors fees paid in 2009 were \$263,272 (2008: \$381,177).

The past practice of providing for a directors retirement fund, in addition to directors fees, has been discontinued during the period.

All OFG staff

During the period all OFG staff received a minimum of 7.5% reduction in their remuneration as well as forfeiting all performance bonuses, with senior management receiving a 10% reduction in their remuneration. In addition, all staff remuneration has been frozen until 30 June 2010.

	Post employment benefits		Share-based payment		Termination benefits	Total
	Superannuation \$	Directors Retirement Fund \$	Participating rights \$	Options \$	Termination Payments \$	\$
	9,675	-	-	-	-	117,175
	36,180	-	-	-	-	438,186
	25,511	-	-	-	-	308,969
	6,660	-	-	-	-	80,660
	2,220	8,105	-	-	-	34,992
	-	-	-	-	-	49,000
	80,246	8,105	-	-	-	1,028,982
	24,984	-	-	-	-	302,583
	19,060	-	3,355	-	-	247,603
	17,659	-	-	-	-	230,334
	10,117	-	-	-	-	126,451
	21,073	-	-	-	-	255,216
	9,622	-	-	-	-	117,357
	102,515	-	3,355	-	-	1,279,544
	182,761	8,105	3,355	-	-	2,308,526

REMUNERATION REPORT (CONT.)

Table 3: Remuneration for the year ended 30 June 2008:

	Short-term employee benefits					
	Salaries \$	Fees \$	Bonus **** \$	Car allowance \$	Non-monetary benefits \$	
Directors						
R.W. Dobson	-	63,682	-	-	-	
J.E. McBain	301,102	-	-	20,000	-	
J.C. Huljich	230,457	-	-	20,000		
P.J. Done	-	43,837	-	-	-	
M.G. Grant	-	74,000	-	-	-	
D.K. Gupta	-	29,027	-	-	-	
M.G. Chessell	-	44,473	-	-	-	
C.R. Martin *	207,913	-	37,500	-	-	
W.J. Forster	-	26,477	-	-	-	
M.A. Gray	-	23,994	-	-	-	
R.R. Officer	-	23,994	-	-	-	
Sub total	739,472	329,484	37,500	40,000	-	
Senior management						
T.D. Reid	185,675	-	20,000	-	-	
D.B. Govey	140,950	-	-	-	-	
S.E. Harding *****	30,463	-	-		-	
M.J. Coy	178,003	-	-	-	-	
A.S. Bali	174,167	-	-	-	-	
C.A. Jones **	123,199	-	30,000	-	-	
A. Nicu **	146,716	-	20,000	-	-	
Sub total	979,173	-	70,000	-	-	
Grand total	1,718,645	329,484	107,500	40,000	-	

* C.R. Martin resigned on 1 February 2008 but under his contractual employment obligation, was required to give 6 months notice. Remuneration from 1 February to 30 June 2008 - \$148,509 - not included in amount above. Upon his resignation, all eligible options had not met their hurdles and lapsed.

** C.A. Jones resigned on 30 November 2007. A. Nicu resigned on 24 April 2008.

*** Participating rights granted as part of remuneration have been valued using an adjusted form of the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation analysis. The Monte Carlo simulation option pricing model has been modified to incorporate an estimate of the probability of achieving the TSR hurdle.

**** The short-term executive bonuses relate to 2007. The bonuses for 2008 have not been paid or allocated.

***** S.E. Harding was appointed on 23 April 2008.

Bonuses

Cash bonuses granted during the year to the above senior management were paid on 13 September 2007. This was relating to the annual performance appraisal for the 2007 year.

Valuation of options and participating rights

The value of rights granted at the grant date in 2008 to T. Reid and C. Jones are \$116,250.

The participating rights and options lapsed during the year for C. Martin, C. Jones and A. Nicu. Had these not lapsed/ forfeited, the fair value would have been \$211,500 for C.Martin, \$21,597 for C. Jones and nil for A. Nicu. Because the vesting conditions would not have been met at the time of lapsing, the fair value of the options/participating rights would be nominal.

	Post employment benefits		Share-based payment		Termination benefits	Total
	Superannuation \$	Directors Retirement Fund \$	Participating rights *** \$	Options \$	Termination Payments \$	\$
5,731	-	-	-	-	-	69,413
25,617	-	-	-	-	-	346,719
23,593	-	-	-	-	-	274,050
3,945	-	-	-	-	-	47,782
6,660	22,463	-	-	-	-	103,123
-	-	-	-	-	-	29,027
4,003	10,388	-	-	-	-	58,864
22,087	-	(17,362)	(161,748)	-	-	88,390
2,383	6,360	-	-	-	-	35,220
2,160	5,804	-	-	-	-	31,958
2,160	6,678	-	-	-	-	32,832
98,339	51,693	(17,362)	(161,748)	-	-	1,117,378
16,848	-	3,744	-	-	-	226,267
12,686	-	-	-	-	-	153,636
2,742	-	-	-	-	-	33,205
16,020	-	-	-	-	-	194,023
15,675	-	-	-	-	-	189,842
11,140	-	(16,747)	-	-	145,600	293,192
13,605	-	(6,486)	-	-	-	173,835
88,716	-	(19,489)	-	145,600	-	1,264,000
187,055	51,693	(36,851)	(161,748)	145,600	2,381,378	

REMUNERATION REPORT (CONT.)

Share-based payments granted as compensation for the current financial year

Performance Rights plan

Details to the plan are set out above under "Long-term Incentives (LTI)".

The proportion of Rights that vest is cumulative over the vesting period disclosed in Table 5 which will be determined by the Company's performance measured in terms of EPS and TSR, ranked against the ASX Financial (excluding Property Trusts) Accumulation Index.

Table 4:

Earnings Per Share (EPS) performance criteria

EPS is based on normalised operating earnings before tax. The EPS performance hurdle and subsequent percentages of the Rights that become exercisable depend on the following vesting scale:

- If OFG achieves less than 10% growth in EPS per annum, no Rights vest.
- If OFG achieves 10% growth in EPS or greater, 70% of Rights vest.
- If OFG achieves 11% growth in EPS or greater, 80% of Rights vest.
- If OFG achieves 12% growth in EPS or greater, 90% of Rights vest.
- If OFG achieves 13% growth in EPS or greater, 100% of Rights vest.

Total Shareholders Return (TSR) Performance criteria

The TSR performance hurdles and percentages of the Rights that become exercisable upon meeting the performance hurdle are as follows:

- If TSR rank is less than the index, no Rights vest.
- If TSR rank is equal to or greater than the index, all Rights vest.

Fair market value

Fair market value is the price that would be negotiated at the valuation dates in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

During the financial year, the following share-based payment arrangements granted under the Performance Rights plan were in existence. The fair market value of the Rights at the valuation dates are set out below:

Tranche	Grant date	Rights fair value including market hurdle (TSR)	Rights fair value (EPS)	Vesting date	Expiry date
1	26 May 2006	\$1.32	\$2.22	30 June 2007	26 May 2011
2	26 May 2006	\$1.27	\$2.12	30 June 2008	26 May 2011
3	26 May 2006	\$1.18	\$2.03	30 June 2009	26 May 2011
4	1 July 2006	\$1.13	\$1.88	30 June 2010	30 June 2011
5	1 July 2007	\$1.11	\$1.85	30 June 2011	30 June 2012

The valuation approach employed is an adjusted form of the Black–Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation analysis that incorporates an estimate of the probability of achieving the TSR hurdle.

The Monte Carlo model is based on the assumption that share price movements are log normally distributed, a similar assumption that underpins the BSM.

The BSM takes into account the following factors:

- The Rights have no exercise price;
- The time to expiry for the Rights accords with their respective vesting dates;
- The price of the underlying shares at grant date (\$2.22);
- The expected volatility of the share price (25%);
- The dividend yield expected on the shares (4.7%); and
- The risk-free interest rate for the life of the Rights (6.43%).

Table 5: During the current year, the following performance rights were on issue :

Name	Tranche	No. granted		Grant date	Rights fair value EPS	Rights fair value including market hurdle TSR	Vested		% of grant forfeited	% of compensation for the year consisting of options
		EPS	TSR				No.	%		
T.D. Reid	Tranche 2	10,141	10,141	26 May 2006	\$2.12	\$1.27	nil	nil	100%	
	Tranche 3	10,723	10,723	26 May 2006	\$2.03	\$1.18	nil	nil	100%	
	Tranche 4	6,637	6,637	1 July 2006	\$1.88	\$1.13	-	-	-	
	Tranche 5	10,511	10,511	1 July 2007	\$1.85	\$1.11	-	-	-	2%
Total		38,012	38,012							

Table 6: During the current year, the following rights were held as part of remuneration:

Name	Tranche	No. at beginning	No. Granted		Exercised	Lapsed/ forfeited	Balance at end	Exercisable	Not vested
			EPS	TSR					
T.D. Reid	Tranche 2	20,282	-	-	-	(20,282)	-	-	-
	Tranche 3	21,446	-	-	-	(21,446)	-	-	-
	Tranche 4	13,274	-	-	-	-	13,274	-	13,274
	Tranche 5	21,022	-	-	-	-	21,022	-	21,022
Total		76,024	-	-	-	(41,728)	34,296	-	34,296

REMUNERATION REPORT (CONT.)

Key terms of employment contracts

Current CEO

Mr John McBain, was appointed as CEO of Over Fifty Group Limited (OFG) on 4 April 2008. He is also an executive director of OFG. Mr McBain is employed under contract and no changes have been made on the employment contract since his appointment as CEO. The current employment contract commenced on 10 July 2006 and terminates on 9 July 2010, at which time OFG may choose to commence negotiations to enter into a new employment contract with Mr McBain.

During the period, Mr McBain received a 10% reduction in his remuneration as well as forfeiting all his performance bonuses. His remuneration has been frozen at its current level until 30 June 2010.

The summary of the major terms and conditions of Mr McBain's employment contract are as follows:

- Mr McBain receives Fixed Compensation plus Superannuation contributions.
- Mr McBain is entitled to a motor vehicle allowance and can elect to apply a portion of his salary as a motor vehicle allowance. For the year ending 30 June 2009, Mr McBain elected to allocate from his total salary amount \$20,000 (2008: \$20,000) to his motor vehicle allowance.
- Mr McBain is entitled to car parking within close proximity to OFG's office.
- Mr McBain is eligible to participate in the bonus program which will be determined at the discretion of the company. This is calculated as a percentage of the total fixed compensation for the previous financial year. To be eligible he must remain in office following the end of the relevant financial year.
- OFG may terminate this employment contract by providing 6 months written notice or provide payment in lieu of the notice period. Any payment in lieu of notice will be based on the Total Fixed Compensation Package.
- OFG may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the CEO is only entitled to remuneration up to the date of termination.

Other executives (standard contracts)

During the period all OFG staff received a minimum of 7.5% reduction in their remuneration as well as forfeiting all performance bonuses, with senior management receiving a 10% reduction in their remuneration. In addition, all staff remuneration has been frozen until 30 June 2010.

All executives are employed under contract. The company may terminate the executive's employment agreement by providing 1- 6 months written notice or providing payment in lieu of the notice period (based on the Total Fixed Compensation package).

Upon a participant's termination of employment with OFG, the unvested and vested performance rights of the participant will be dealt with as specified in the table below.

Type of termination	Unvested rights	Vested rights
Redundancy or retrenchment	Lapse after 12 months from date of termination of employment. Rights retain ability to be tested and if they become vested, exercisable.	Lapse after 60 days from the date termination of employment takes effect.
Special circumstances (Death or disability)	Lapse	Lapse after 180 days from the date termination of employment takes effect.
Dismissal for serious misconduct (eg. Fraud)	Lapse	Lapse from the date termination of employment takes effect.
Termination in any other instance (eg. Resignation)	Lapse	Lapse from the date termination of employment takes effect.

On behalf of the Board



R.W. DOBSON
Chairman

Sydney
20 August 2009



P.J. DONE
Director
Chairman - Audit, Risk Management and Compliance Committee

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The Board of Directors
Over Fifty Group Limited
367 Collins Street
Melbourne VIC 3000

20 August 2009

Dear Board Members

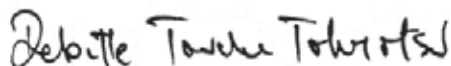
Over Fifty Group Limited

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

As lead audit partner for the audit of the financial statements of Over Fifty Group Limited for the financial year ended 30 June 2009, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Stephen Gustafson
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

CORPORATE GOVERNANCE STATEMENT

This statement sets out the eight core principles identified by the ASX Corporate Governance Council (the Council) as underlying good corporate governance and outlines the approach of Over Fifty Group Limited (OFG) to each of the principles.

As recognised by the Council, corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. At OFG, corporate governance will evolve with our changing circumstances and will be tailored to meet those circumstances.

PRINCIPLE 1: Lay solid foundations for management and oversight

The role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of OFG. It is responsible for overseeing the financial position, and for monitoring the business and affairs of OFG on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues relating to internal controls and approaches to risk management. It ensures that there are processes in place to conform to legal requirements and corporate governance standards and that risk exposures are adequately managed.

For full details of the role of the Board please refer to our Board Charter, a link to which is contained under the Corporate Governance page of our website.

Delegation to Senior Executives

The role of the Chief Executive Officer (CEO) and Senior Executives is to manage OFG in accordance with the direction given by the Board.

The CEO's responsibilities include:

- formulating and reviewing, with the Board, the vision and strategy for OFG;
- developing actions and plans to achieve the vision and implement the strategy and to report to the Board on the progress against those plans;
- appointing a management team and negotiating terms and conditions of their employment; and
- approving the remuneration levels of all staff.

Performance Review of Senior Executives

The performance of the CEO is reviewed periodically by the Nomination and Remuneration Committee and the Board. This assessment is made against pre-determined criteria including Key Performance Indicators relating to OFG's performance as determined in OFG's Strategic Plan.

Performance reviews of Senior Executives are carried out by the CEO who reports the findings to the Nomination and Remuneration Committee. The CEO conducts the reviews each year by comparing performance against agreed measures, evaluating any efficiencies or improvements during the course of the year and deciding upon targets for next year.

PRINCIPLE 2: Structure the board to add value

Directors

The Directors' Report in the Annual Report contains details of the directors' skills, experience and education. It also states the date the individual director was appointed to the board, their status as non-executive or executive directors and the committees on which they sit. The directors seek to ensure the Board consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate OFG's business with excellence. The number of directors is limited by OFG's constitution to a minimum of 5 and a maximum of 13. The Board considers that the ideal size is 5 to 8 directors.

Currently the Board consists of 5 directors. Three of the five directors, namely Roger Dobson, Peter Done and Deepak Gupta are considered to be independent as per independence criteria set out in the Board Charter. The three independent directors do not have relationships with OFG which affect their independent status, such as substantial shareholdings or direct employment.

They do not provide material professional consultancy services, they are not a material supplier or customer and they do not have a material contractual relationship with OFG or other group member except as a director. Our CEO, John McBain and Jason Huijich are executive directors. Directors are required to disclose at each Board meeting any interests that may affect their independence. Independent directors reconfirm their independent status to the board by way of a written confirmation on an annual basis.

Directors are selected and appointed in accordance with documented procedures. For full details on the procedures for the selection and appointment of directors please see our policy, a link to which is contained under the Corporate Governance page of our website.

Chairman

OFG's chairman, Roger Dobson is considered to be an independent director for the reasons given above. There is a clear division of responsibility at the head of the company as the roles of chairman and the CEO are not performed by the same person. The Board Charter also provides that the chairman shall be an independent non-executive director. A Statement of Position Authority is in place for the CEO which details the responsibilities and authorities for that position.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee formulates criteria for appointment of directors to the Board, identifies potential candidates and recommends remuneration of directors and senior management. Appointments to the Board are made on the understanding that a minimum of one term of three years and a maximum of three terms (9 years) will be served. A link to the charter of the Nomination and Remuneration Committee can be found on the Corporate Governance page of our website.

Specific activities include:

- Annual review of Board composition to ensure that the necessary skills are represented, together with the appropriate continuity and balance;
- Assessment of the effectiveness and composition of Board committees;
- Regular evaluation of the performance of the CEO;
- Recommending remuneration for non-executive directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs, are in place.

The Nomination and Remuneration Committee consists of 3 directors, all of whom are independent and is chaired by an independent director. Details of membership of the Nomination and Remuneration Committee including meeting attendance are set out at the end of the Corporate Governance Statement. Each director's skills, experience, expertise and period of service is contained in the Directors' Report.

Board Performance

The Board reviewed and assessed its performance for the 2008/09 financial year. Detailed consideration was given to the following areas:

- The Board's composition;
- The operations and effectiveness of the Board and its Committees;
- Decision making processes, including agendas, frequency of meetings and content of papers;
- Communications between the Board and executives;
- Determination of company strategy; and
- The Board's policies for board renewal.

Continuing education to update and enhance director knowledge is seen as an important factor in ensuring optimum performance by each director. This year, continuing education opportunities included training sessions in a subsidiary company's bond products.

Clause 5 of the Board Charter gives directors the authority to seek professional advice as considered necessary in the performance of its duties at OFG's expense. The directors also have full access to the company secretary to assist them to carry out their role.

Re-election of Directors

The Company's constitution stipulates that a number of directors not exceeding one-third of their number should retire by rotation at each annual general meeting (AGM). A director must offer themselves for re-election at the third AGM since their election or re-election, unless they have served three terms at which time the director must retire from the board. The CEO, if also a director, is not subject to the retirement by rotation process, and is not included when calculating the number of directors required to retire by rotation.

PRINCIPLE 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has established a Directors and Employee Code of Conduct that sets the standard by which all officers and employees of the Company are to conduct themselves in the course of their duties. Potential breaches of the Code of Conduct can be reported to management, the Audit, Risk Management & Compliance Committee or an external auditor using the guide outlined in OFG's Whistleblower Policy. A link to the Code of Conduct can be found under the Corporate Governance page of our website.

Trading in OFG's Securities

The Board has established a policy concerning trading in the Company's securities by directors, officers and employees. The policy prohibits Directors and employees trading in OFG shares if they are aware of any price sensitive information regarding the shares and also, at nominated times when a 'black-out period' is imposed. A link to OFG's Directors & Staff Share Trading Policy can be found under the Corporate Governance page of our website.

CORPORATE GOVERNANCE STATEMENT (CONT.)

PRINCIPLE 4: Safeguard integrity in financial reporting

Audit, Risk Management and Compliance Committee

Our Audit, Risk Management & Compliance Committee consists of three non-executive directors, has a majority of independent directors and is chaired by an independent chair who is not the chair of the OFG Board. All members are financially literate holding financial or accounting qualifications and have professional experience in a financial or accounting related field. The Committee chairman, Peter Done is a chartered accountant with over 40 years of experience. Deepak Gupta has 20 years experience in the financial services and investment management industry. The third member of the committee, Roger Dobson is the senior partner in the banking and finance practice at the legal firm in which he works. The Committee meets quarterly with the external and internal auditors of the Group present. Detail of the Audit, Risk Management & Compliance Committee members names, appointment date, status, qualifications and meeting attendance is set out at the end of this Corporate Governance Statement.

Charter

The Board has formulated an Audit, Risk Management & Compliance Committee Charter, a link to which is contained under the Corporate Governance page of our website.

PRINCIPLE 5: Make timely and balanced disclosure

The Board has established written policies and procedures on information disclosure. The focus of these procedures is to effect OFG's commitment to:

- Comply with the general and continuous disclosure principles contained in the ASX Listing Rules and the Corporations Act;
- Prevent the selective or inadvertent disclosure of price sensitive information;
- Ensure that shareholders and the market are provided with full and timely information about its activities; and
- Ensure that all market participants have equal opportunity to receive externally available information issued by OFG.

A summary of our Continuous Disclosure Policy can be found under the Corporate Governance page of our website.

Responsibility for compliance with OFG's continuous disclosure obligations rests with the Company Secretary. Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the Group. Information is posted on OFG's website as soon as reasonably practicable after the stock exchange confirms an announcement has been made, with the aim of making the information accessible to the widest audience.

PRINCIPLE 6: Respect the rights of shareholders

OFG aims to provide prompt, accurate and accessible information to its shareholders. It has established a Communications Policy detailing steps to be taken to achieve this objective, a copy of which can be viewed under the Corporate Governance page of our website. The main mechanisms through which OFG communicates with its shareholders are:

- The Annual and Half-year Financial Reports;
- Announcements made to the ASX;
- Notices and explanatory memoranda of annual general meetings (AGMs);
- The Annual General Meeting; and
- OFG's website www.overfifty.com.au

OFG's website forms an important part of the strategy for communicating with shareholders. OFG's website has a shareholders page which includes share details, company reports, company announcements and press releases (including copies of any significant presentations made to analysts or a template of such presentations), and items relating to AGMs.

In designing notices and explanatory statements/ memoranda of AGMs, OFG gives consideration to the guidelines given by the ASX Corporate Governance Council in its Principles of Good Corporate Governance and Best Practice Recommendations.

At the time of providing a notice of meeting and explanatory memoranda for the AGM a form is provided for shareholders to mail back to OFG if they wish to raise any issues. At the AGM, the Company will, where appropriate, endeavour to address issues raised by shareholders in these forms. During the course of the AGM the floor is opened for questions.

PRINCIPLE 7: Recognise and manage risk

The OFG Board has established a Risk Management Framework for the Group, a summary of which can be viewed under the Corporate Governance page of our website. Risk management is an integral part of the governance of OFG and is one of the main responsibilities of the Board and Senior Management. The Board is ultimately responsible for approving and reviewing OFG's Risk Management Framework. The monitoring and management of risk on an ongoing basis is the responsibility of management as represented by the heads of the respective business units of OFG.

At OFG, managing risk is a continuous process for both Management and the Board. OFG's comprehensive risk management framework requires a detailed annual business risk review, which seeks to define all the major risks that could prevent or impact the Company from achieving its objectives. This review has been completed for this financial year and the Board has accepted management's report that material business risks have been managed effectively.

The management of risk is then continually addressed during the year at the business unit level. Periodically, an external audit firm is engaged to review the effectiveness of OFG's risk management framework. Combined with this, is an embedded compliance culture to ensure OFG meets the requirements of the Australian Securities and Investments Commission for conducting a financial services business and operating managed investment schemes. A robust compliance framework has been implemented which requires the business to monitor its activities and those of its outsourced service providers. The compliance function at OFG reports directly to the Audit, Risk Management & Compliance Committee and the Board.

An internal audit function has also been established with a focus on OFG's control environment. The annual internal audit plan is determined having regard to the risk profile of the business arising from the annual business risk review.

The Audit, Risk Management & Compliance Committee has the following risk management responsibilities:

- Assessing risks arising from the Group's operations and ensuring the adequacy of measures taken to moderate those risks;
- Reviewing and assessing the effectiveness of the Group's Risk Management Framework and internal control practices and ensure there is a continuous process for the management of significant risks throughout the Group; and
- Monitoring compliance with the Company's Risk Management Framework.

Quarterly risk management reporting is provided to the Audit, Risk Management and Compliance Committee by management.

The CEO and CFO have declared in writing to the Board for both the half-year and full-year financial statements that

the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: Remunerate fairly and responsibly

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three directors, all of whom are independent and is chaired by an independent director. Detail of membership of the Nomination and Remuneration Committee including meeting attendance is set out at the end of this Corporate Governance Statement.

Remuneration related responsibilities of the Nomination and Remuneration Committee include:

- Recommending fees for directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs and incentive schemes, are in place.

OFG recognises the important role people play in the achievement of its long-term objectives and as a key determinant of competitive advantage. To grow and be successful, OFG must be able to attract, motivate and retain capable individuals.

Senior Executive remuneration structure

The key principles that underpin OFG's Senior Executive Remuneration Policy are:

- competitive rewards are provided to attract and retain executive talent;
- remuneration is linked to performance so that higher levels of performance attract higher rewards;
- rewards to all staff but particularly executives are linked to the creation of value to shareholders;
- the criteria used to assess and reward staff include financial and non-financial measures of performance;
- the overall cost of remuneration is managed and linked to the ability of the company to pay, and
- severance payments due to the CEO on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

The remuneration policy assists OFG to achieve its business strategy and objectives. OFG recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. OFG values and its ability to provide interesting and challenging career opportunities, also play an important role.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Non-executive director remuneration structure

The Board has established a policy relating to the remuneration of non-executive directors. OFG pays non-executive directors fees at a level which is sufficient to attract individuals with the appropriate skills, and to fairly reimburse those directors for services provided. Non-executive directors' remuneration does not include incentive schemes or performance related payments.

Executive directors are paid a salary commensurate with their position and responsibilities and at a level which attracts high calibre executives with appropriate skills and experience. Executive directors also participate in OFG's long-term and short-term incentive plans.

Further information regarding director and senior executive remuneration can be found in the remuneration Report.

Addendum : Board Committee detail

Nomination and Remuneration Committee

Changes during 2008/09 year: Murray Grant retired as a committee member and Mr Deepak Gupta was appointed to the Committee.

Current member name	appointment date	Status	Qualifications	Meetings held	Meetings attended
Roger Dobson	22-Jan-08	Independent Chair	LLB, LLM	3	3
Peter Done	22-Jan-08	Independent	B.Comm(Accntg), FCA	3	3
Deepak Gupta	25-Nov-08	Independent	BCA, MBA	3	3

Audit, Risk Management & Compliance Committee

Changes during 2008/09 year: Murray Grant retired as a committee member.

Current member name	appointment date	Status	Qualifications	Meetings held	Meetings attended
Peter Done	17-Dec-07	Independent Chair	B.Comm(Accntg), FCA	7	7
Roger Dobson	17-Dec-07	Independent	LLB, LLM	7	4
Deepak Gupta	17-Dec-07	Independent	BCA, MBA	7	6

DIRECTORS' DECLARATION

for the year ended 30 June 2009

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 giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Board



R.W. DOBSON

Chairman

Sydney
20 August 2009



P.J. DONE

Director

Chairman - Audit, Risk Management and Compliance Committee

INCOME STATEMENT

for the financial year ended 30 June 2009

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations					
Revenue	3(i)	79,298	106,808	6,902	23,787
Applications for bonus funds		15,259	11,219	-	-
Other income	3(ii)	3,078	2,822	378	-
Other expenses	3(ii)	(30,315)	(26,624)	4	5
Share of (loss) / profit in associate	12	(2,840)	684	-	-
Employee benefits expense	5(a)	(7,431)	(8,331)	(2,192)	(1,445)
Finance costs	4	(21,546)	(15,454)	(2,018)	(1,966)
Administration and management fees	5(b)	(18,565)	(22,488)	(4)	-
Redemption expense	5(c)	(100,114)	(92,528)	-	-
Net movement in policy liabilities - benefit funds	5	91,910	74,000	-	-
Mortgage advance provisioning	5(b)	(9,335)	(11,724)	(56)	-
Depreciation expense		(546)	(348)	(243)	(268)
Advertising and marketing expense		(1,141)	(1,915)	(216)	(295)
Rental expense - operating leases		(707)	(585)	(481)	(436)
Consulting and professional fees		(2,720)	(4,271)	(989)	(2,897)
Impairment of investments in subsidiaries		-	-	-	(2,598)
Impairment in respect of parent company guarantee		(7,271)	-	(7,271)	-
Impairment of investments in associates	12	(2,318)	(3,000)	-	-
Impairment of investments in associates - carried at cost		-	-	(7,425)	-
Impairment for the non recoverable loans in subsidiaries		-	-	(2,425)	(11,132)
Revaluation of investment property assets	5(b)	(6,837)	(3,590)	-	-
General and administration expenses	5(b)	(3,074)	(4,225)	(1,426)	(655)
(Loss) / profit before tax		(25,215)	450	(17,462)	2,100
Income tax benefit/(expense) relating to shareholders		6,938	(1,882)	6,122	2,239
Income tax benefit/(expense) relating to benefit funds		5,706	(721)	-	-
Total income tax benefit/(expense)	6	12,644	(2,603)	6,122	2,239
(Loss) / profit for the year from continuing operations		(12,571)	(2,153)	(11,340)	4,339
Discontinued operations					
Profit / (loss) for the year from discontinued operations	26	158	(554)	-	(782)
(Loss) / profit for the year from continuing and discontinuing operations		(12,413)	(2,707)	(11,340)	3,557
Attributable to:					
Equity holders of the parent		(12,854)	(2,707)	(11,340)	3,557
Minority interest		441	-	-	-
		(12,413)	(2,707)	(11,340)	3,557
Earnings per share					
From continuing and discontinued operations:					
Basic (cents per share)	7	(21.4)	(5.0)	-	-
Diluted (cents per share)	7	(21.4)	(5.0)	-	-
From continuing operations:					
Basic (cents per share)	7	(21.6)	(4.0)	-	-
Diluted (cents per share)	7	(21.6)	(4.0)	-	-

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).
The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 June 2009

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets					
Cash and cash equivalents	25	28,285	20,472	526	2,647
Trade and other receivables	8	5,792	13,980	40,999	50,799
Income tax receivable	6	13,560	-	1,682	2,050
Financial assets at fair value through profit and loss	9	556,767	687,636	127	2,666
Derivative financial assets	9	-	2,147	-	-
Other financial assets	9	224,118	220,946	61,757	60,068
Investment property	11	27,000	51,278	-	-
Investment property - held for sale	11	19,000	-	-	-
Investment in associates - equity method	12	13,162	5,602	-	-
Plant & equipment	13	1,345	1,745	1,003	1,154
Deferred tax assets	6	16,088	9,365	4,200	393
Intangible assets	14	52,571	47,182	-	-
Other assets	10	2,651	2,512	46	395
Total Assets		960,339	1,062,865	110,340	120,172
Liabilities					
Trade and other payables	15	6,097	7,940	342	399
Borrowings	16	254,991	251,172	19,830	24,000
Policyholders funds	19	594,022	700,599	-	-
Derivative financial liabilities	18	12,409	6,305	-	-
Income tax payable	6	-	2,056	-	-
Other liabilities	17	14,382	2,139	8,121	1,029
Total Liabilities		881,901	970,211	28,293	25,428
Net Assets		78,438	92,654	82,047	94,744
Equity					
Contributed equity	20	89,045	88,511	89,045	88,511
Reserves	20	(3,984)	755	8	103
Retained earnings/(Accumulated losses)	20	(6,623)	8,027	(7,006)	6,130
Equity attributable to equity holders of the parent		78,438	97,293	82,047	94,744
Minority interest		-	115	-	-
Put option held by minority interest		-	(4,754)	-	-
Total Equity		78,438	92,654	82,047	94,744

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).
The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2009

	CONSOLIDATED			
	Issued capital	Retained earnings	Cash flow hedge reserve	Long term incentive plan reserve
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	87,783	16,418	229	292
Benefit earned from share transfer	-	792	-	-
Gain/(loss) on cash flow hedges	-	-	422	-
Net income recognised directly in equity	-	792	422	-
Profit for the period	-	(2,707)	-	-
Total recognised income and expense	-	(1,915)	422	-
Shares issued for purchase of Eclipse Property Group Limited	728	-	-	-
Minority interest share of Eclipse Property Group Limited	-	-	-	-
Put option held by minority interest	-	-	-	-
Executive share-based incentives	-	-	-	(189)
Payment of dividends (note 21)	-	(6,476)	-	-
Balance at 30 June 2008	88,511	8,027	651	103
Balance at 1 July 2008	88,511	8,027	651	103
Benefit earned from share transfer	-	-	-	-
Gain/(loss) on cash flow hedges	-	-	(4,643)	-
Net income recognised directly in equity	-	-	(4,643)	-
Profit for the period	-	(12,854)	-	-
Total recognised income and expense	-	(12,854)	(4,643)	-
Issue of share capital Dividend Reinvestment Plan	534	-	-	-
Acquisition of minority interest share of Eclipse Property Group Limited	-	-	-	-
Expiry of put option held by minority interest	-	-	-	-
Executive share-based incentives	-	-	-	(95)
Payment of dividends (note 21)	-	(1,796)	-	-
Balance at 30 June 2009	89,045	(6,623)	(3,992)	8

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).
The above Statement of Changes of Equity should be read in conjunction with the accompanying notes.

				PARENT				
	Attributable to equity holders of the parent	Minority interest	Total	Issued capital	Retained earnings	Cash flow hedge reserve	Long term incentive plan reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	104,722	-	104,722	87,783	8,259	-	292	96,334
	792	-	792	-	792	-	-	792
	422	-	422	-	-	-	-	-
	1,214	-	1,214	-	792	-	-	792
	(2,707)	-	(2,707)	-	3,557	-	-	3,557
	(1,493)	-	(1,493)	-	4,349	-	-	4,349
	728	-	728	728	-	-	-	728
	-	115	115	-	-	-	-	-
	-	(4,754)	(4,754)	-	-	-	-	-
	(189)	-	(189)	-	-	-	(189)	(189)
	(6,476)	-	(6,476)	-	(6,476)	-	-	(6,476)
	97,292	(4,639)	92,653	88,511	6,130	-	103	94,744
	97,292	(4,639)	92,653	88,511	6,130	-	103	94,744
	-	-	-	-	-	-	-	-
	(4,643)	-	(4,643)	-	-	-	-	-
	(4,643)	-	(4,643)	-	-	-	-	-
	(12,854)	441	(12,413)	-	(11,340)	-	-	(11,340)
	(17,497)	441	(17,056)	-	(11,340)	-	-	(11,340)
	534	-	534	534	-	-	-	534
	-	(115)	(115)	-	-	-	-	-
	-	4,754	4,754	-	-	-	-	-
	(95)	-	(95)	-	-	-	(95)	(95)
	(1,796)	(441)	(2,237)	-	(1,796)	-	-	(1,796)
	78,438	-	78,438	89,045	(7,006)	-	8	82,047

CASH FLOW STATEMENT

for the financial year ended 30 June 2009

Note	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

Cash flows from operating activities

Interest received	14,155	44,428	116	211
Dividends received	654	-	459	23,254
Rent, Trust distributions and other income received	29,464	48,605	1,293	1,824
Management fees received	27,767	25,201	-	-
Redemption paid from bonus funds	(100,114)	(92,528)	-	-
Redemption paid from unit linked funds	(17,810)	(18,724)	-	-
Applications received by unit linked funds	3,143	8,133	-	-
Applications received by bonus funds	15,259	11,219	-	-
Payments to suppliers and employees	(44,604)	(74,964)	122	2,744
Income tax paid	(11,629)	(15,578)	(2,108)	(954)

Net cash provided by/(used in) operating activities	25	(83,715)	(64,208)	(118)	27,079
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Cash flows from investing activities

Interest payments on mortgage loans	(11,487)	(10,732)	-	-
Payments for investment properties	(1,558)	(19,795)	-	-
Payments for plant and equipment	(135)	(1,558)	(92)	(1,977)
Proceeds from disposal of plant and equipment	1	-	-	-
Proceeds from sale of investments	158	-	-	-
Acquisition of subsidiaries net of cash acquired	29	128	(2,877)	(100)
Proceeds from investment in other financial assets	16,355	37,112	-	(1,204)
Payment for investment in associated entities	(350)	-	(350)	-
Other investments	84,664	(73,602)	-	(19,729)

Net cash (used in)/provided by investing activities	87,776	(71,452)	(542)	(22,910)
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Cash flows from financing activities

Proceeds from issue of equity securities	-	728	-	728
Loans from/(to) related entities	2,423	1,875	4,505	(8,397)
Proceeds from borrowings	26,112	109,850	-	11,200
Repayment of borrowings	(22,987)	-	(4,170)	-
Dividends and distributions paid	(1,796)	(6,480)	(1,796)	(6,480)

Net cash provided by/(used in) financing activities		3,752	105,973	(1,461)	(2,949)
Net increase/(decrease) in cash and cash equivalents		7,813	(29,687)	(2,121)	1,220
Cash and cash equivalents at the beginning of the financial year		20,472	50,159	2,647	1,427
Cash and cash equivalents at the end of the financial year	25	28,285	20,472	526	2,647

The Consolidated result aggregates the financial results of the Over Fifty Mutual Friendly Society Benefit Funds and the Over Fifty Group corporate entities (refer to Note 2(a)).

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

1. General information

Over Fifty Group Limited (the Company) is a public company listed on the Australian Stock Exchange (trading under the symbol 'OFG'), incorporated in Australia and operating in Australia.

Over Fifty Group Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Level 30, 367 Collins Street Melbourne VIC 3000 Tel: 1300 50 50 50	Level 30 367 Collins Street Melbourne VIC 3000 Tel: 1300 50 50 50

2. Significant accounting policies

The entity's principal activities are the marketing and management of investment products, general insurance through agency arrangements, mortgage lending and management and property investment.

Statement of compliance

The financial report is a general purpose financial report which 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 separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 20 August 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for investment properties and those financial assets and financial liabilities which have been valued at fair value through the income statement. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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.

Where appropriate the prior year's figures have been restated to be consistent with the current year's reclassification.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

Going concern

The Directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2009, the Group incurred a consolidated net loss after tax of \$12,413,000 (2008: loss \$2,707,000) mainly as a result of the provision for the redemption guarantee provided to unit holders of Century Bulky Goods Fund No.1 (CBGF#1), property revaluation decrements, unrealised loss on fair value of financial derivatives and impairments on the commercial loan book.

The following table summarises key reconciling items between net (loss)/profit after tax attributable to equity holders of OFG, and operating after tax profit before non-cash and significant items.

	Consolidated		
	2009 \$'000	2008 \$'000	2007 \$'000
Net (loss) / profit attributable to equity holders of OFG Limited	(12,854)	(2,707)	6,514
Specific non-cash items and significant items:			
Loss on property revaluations	6,837	3,590	(3,856)
Impairment in respect of parent company guarantee	7,271	-	-
Net provision for doubtful debt on commercial mortgages	6,228	6,284	3,786
Ineffective fair value of financial derivatives	2,763	-	-
Impairment of investment in unlisted property trust	2,318	-	-
Equity accounting for investment held in unlisted property trust	3,215	-	-
Expenses of a one off corporate nature	-	1,161	1,000
Write down of investment in Associate	-	3,000	-
Tax effect on specific non-cash and significant items	(8,589)	(3,311)	(279)
Operating after tax profit (before non-cash and significant items)	7,189	8,017	7,165

Management has renewed OFG's working capital facility with the National Australia Bank to 28 February 2010. During the year ended 30 June 2009, OFG has reduced its working capital facility by \$4.1 million. OFG management are currently in discussions with National Australia Bank to refinance the facility by a further 12 months.

Management has, subsequent to 30 June 2009, entered into a Notes Subscription Deed with the Unit Holders that held Cash Out Units that were guaranteed by OFG for \$1.00 per unit. There were 11.1 million units that have a guarantee provided at a face value per note of \$0.64. Management has agreed with these unit holders to satisfy its guarantee obligation through the issuance of a convertible note for a term of 3 years with a quarterly coupon payable at 7.82% p.a.

After taking into account all available information, the Directors have concluded that there are reasonable grounds to believe:

- The refinancing as detailed above will occur at the next review date of 28 February 2010;
- The Group will be able to pay its debts as and when they fall due; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

The directors have formed this view based on a number of factors including:

- The Group's net asset position attributable to members of \$78,438,000;
- The underlying performance of the Group's business being management of the Friendly Society business, property funds management, insurance agency, the commercial loan book and the reverse mortgage business;
- There have been no defaults on the payment of interest or principal;
- Terms are set with the National Australia Bank to OFG's next review on 28 February 2010; and
- Agreement has been made with the unit holders in CBGF#1 who elected to redeem their units and they have executed a Notes Subscription Deed for settlement of the cash out guarantee.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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 other factors that are considered to be relevant. 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 period if the revision affects both current and future periods.

(i) Critical judgements in applying the entity's accounting policies

There are no critical judgements in applying the entity's accounting policies for the year ended 30 June 2009.

(ii) Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill with an indefinite useful life is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill with an indefinite useful life is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using an adjusted form of the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo Simulation analysis, using the assumptions detailed in note 32.

Useful lives of plant and equipment

As described in note 2(j), the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful lives to be 3-15 years. There has been no change in prior years.

Investment property

The Group engages an accredited valuer to fair value its property investments.

Employee entitlements

Estimation by management is applied when determining the following key assumptions used in the calculation of long service leave at balance sheet date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

Commercial mortgages

Commercial mortgages held are reviewed on an individual basis and tested for their recoverability and impaired accordingly.

Valuation of Fixed For Life loans within the reverse mortgage portfolio

Actuarial forecasts are prepared recording the fair value of fixed for life loans undertaken by borrowers within the reverse mortgage portfolio. Assumptions include future market interest rates and mortality when recording the present value of these loans.

Fair value of derivatives and other financial instruments

As described in note 27, management uses their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value for unlisted instruments includes some assumptions not supported by observable market prices or rates.

Note 27 (h) describes the assumptions used for the valuation technique in assessing the fair value of the 50 year swaps.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

Actuarial methods and assumptions

A Financial Condition Report is being prepared by the Society's Appointed Actuary, Mr Guy Thorburn. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2009.

The amount of the benefit fund liabilities has been determined in accordance with the methods and assumptions disclosed in this Financial Condition Report.

Policy liabilities for benefit funds, other than the Funeral Benefit Fund, are valued using the accumulation method and are equal to the contributions made by members, net of fees, together with bonus additions to date. The balance of the fund is the unvested policyholder benefit liabilities (or surplus). Each year's bonus declaration results in a movement from unvested policyholder benefit liabilities to the vested policy liability. The bonus rate is subject to the amount vesting being no more than the distributable portion of unvested policyholder benefit liabilities.

For the Funeral Benefit Fund, the policy liability has been taken to be the value of assets of the fund net of other liabilities less the value of the current period bonus. This liability represents the present value of guaranteed benefits (pre bonus) plus the present value of future bonuses. Following declaration of the bonus, there would then be no surplus under this arrangement. The Society currently expects to deduct 1.50% of the fund's assets from investment earnings for expense allowances. It has been assumed that interest will be earned in future years at rates after tax sufficient at least to meet this level of expense.

The main variables that determine the bonus rate for a benefit fund are the value of the net assets of each benefit fund at the end of the year, the amounts standing to the credit of each investment account through the previous year and the investment return (net of fees and taxes where applicable) earned by the fund throughout the year. The excess of the net assets of the benefit fund over the liabilities after meeting the prudential standards is the surplus that is generally able to be distributed to members as a bonus.

There is no provision in the funds' rules for any surplus to be transferred to the Management Fund. The Management Fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members. Hence there is no profit and consequently, no need for a profit carrier.

Changes in economic conditions and demographics will alter the unallocated surplus. The Capital Requirements, as set by APRA, are designed to ensure there is sufficient unallocated surplus to cover the effect of these changes.

Adoption of new and revised Accounting Standards

In the current year, the Company and Group have adopted the new and revised Standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as the 'Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

OFG as prescribed by AASB 1038 Life Insurance Contracts, in its consolidated financial statements, is required to recognise the assets, liabilities, income, expenses and equity of the benefit funds, which it manages. The assets and liabilities of the Benefit Funds do not impact the Net profit after tax of the equity holders of OFG.

The benefit fund operations of the company comprise the issue and administration of contracts governed under the Life Insurance Act 1995 (Life Act). For the purposes of the financial statements these are classified as either benefit funds with discretionary participation features (bonus funds) or benefit funds without discretionary participation features (unit linked funds).

Within the bonus funds, annual bonus rates are declared by the company with guidance of the Appointed Actuary and within the restrictions pursuant to the Life Act; this is considered a Discretionary Participation Feature (DPF) and cause these funds to meet the definition of life insurance contracts under AASB 1038 Life Insurance Contracts.

The value of policyholders funds in the unit linked funds is solely dependent on the market valuation of the underlying assets, therefore, there is no discretionary participation feature and these funds do not meet the definition of life insurance contracts under AASB 1038 Life Insurance Contracts.

The Company derives fee income from the administration of the benefit funds. For the purposes of this financial report, holders of both bonus and unit linked funds are referred to as policyholders.

Monies held in the benefit funds are subject to distribution and transfer restrictions pursuant to the Life Act.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

OFG has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited ("Guardian"). However, as Guardian is a mutual organisation, OFG has no legal rights to Guardian's net assets and therefore does not control Guardian. It is, therefore, considered inappropriate to include Guardian in the consolidation.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

(c) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

The Group's investment in Mortgageport Management Pty Ltd, Century Bulky Goods Fund No.1 and Over Fifty Direct Property Trust is accounted for using the equity method of accounting in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(d) 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.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Management fees

Management fees are recognised on an accruals basis when OFG has the right to receive payment.

Dividend and interest revenue

Dividend revenue is recognised when the shareholders' right to receive the payment is established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term.

Property acquisition income

Property acquisition income is recognised when an investment property has been acquired in an established fund.

Commission and application fee income

All commissions and application fee income is recognised on an accruals basis when OFG has the right to receive the payment.

(f) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details can be found in note 32.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

(g) Income tax (cont.)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The Benefit Funds are part of the tax consolidated group, they are allocated a share of the income tax liability attributable to the Over Fifty Mutual Friendly Society Limited equal to the income tax liability that would have arisen to the Benefit Funds had they been stand-alone.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of 1 July 2003. Over Fifty Group Limited is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'stand-alone' approach based on the allocation specified in the tax funding arrangement.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Further information about the tax funding arrangement is detailed in note 6. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(h) 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 the balance sheet.

(i) Financial assets

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 or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

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 estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit and loss

Financial assets are classified as “financial assets at fair value through profit or loss - held for trading” where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets are classified as “financial assets at fair value through profit or loss - designated at initial recognition” where the financial asset:

- is classified as such eliminates a recognition inconsistency (accounting mismatch);
- is a part of a group of assets which is managed and performance is evaluated on a fair value basis in accordance with investment strategy; or
- is a contract containing an embedded derivative.

Financial assets at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 27.

Other financial assets

Other financial assets include mortgage loans. Mortgage loans are held directly at amortised cost using the effective yield method except for mortgage loans held by the Benefit Fund's which are measured at fair value through profit and loss. An allowance for impairment loss is made at year end for specific amounts when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written-off when identified.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that have occurred after initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Loans and receivables

Trade receivables, loans and other receivables that have 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 effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided on plant and equipment and is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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.

The following useful lives are used in the calculation of depreciation:

Plant and equipment	3-15 years
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(k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise.

(m) 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 cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(n) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as a lessee

Operating leases are novated motor vehicle leases that have been provided as part of salary packaging, and lease of office premises.

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.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are granted as part of operating leases, the aggregate of such incentives are recognised as a reduction of rental income on a straight line basis over the life of the lease.

(o) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

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

(q) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Directors' retirement fund

Provisions for directors' retirement fund are recognised to compensate non-executive directors and are accrued for during their service period.

(r) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as a fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 27.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

(s) Derivative financial instruments

The Group enters into derivative financial instruments such as interest rate swaps to manage its exposure to interest rate and equity price risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking the hedge. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 27 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

2. Significant accounting policies (cont.)

(s) Derivative financial instruments (cont.)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(t) Solvency and Capital Adequacy

Friendly Societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held is laid down by the Life Insurance Act 1995 and accompanying actuarial standards. These standards are Actuarial Standard 2.03 and 3.03. These standards have been met as at 30 June 2009.

(u) Product classification

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

Insurance contracts

Insurance contracts are those containing significant risk at the inception, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a Discretionary Participation Feature ('DPF'). DPF means a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- (a) that are likely to be a significant portion of the total contractual benefits;
- (b) whose amount or timing is contractually at the discretion of the issuer; and
- (c) that are contractually based on:
 - (i) the performance of a specified pool of contracts or a specified type of contract;
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - (iii) the profit or loss of the company, fund or other entity that issues the contract.

Applications and redemptions on investment contracts with DPF are accounted for through the income statement. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is recognised in the income statement.

Applications and redemptions on investment contracts without DPF are accounted for through the balance sheet as a movement in policyholder liabilities. Distributions on these contracts are charged to the income statement as a movement in the policyholder liability. Premiums relating to the investment component are accounted for as a deposit through the balance sheet.

(v) Policyholders' funds

Assets held by the benefit funds are included in total assets in the Balance Sheet of the Group. A corresponding liability labelled "policyholders' funds" is shown in total liabilities in the Balance Sheet. Note 19 shows the movement in bonus funds (with DPF) and unit linked funds (without DPF).

The liability to bonus fund policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets after tax, on the basis charged to policyholders. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB1038 Life Insurance Contracts applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

The policyholder funds liabilities for unit linked funds are equal to the number of units held, multiplied by the unit redemption price based on market value of the fund's investments as at the valuation date. Applications to these funds are not recorded as income, redemptions from these funds are not recorded separately as expenses, but amounts distributable to policyholders are recorded as an expense. No guarantees are provided by the Society in respect of the unit linked funds.

Claims incurred in respect of the benefit funds represent investment withdrawals (redemptions) and are recognised as a reduction in policyholder liabilities. Redemptions in respect of bonus funds are also disclosed as an expense as set out above.

Amounts received in respect of the benefit funds represent investment deposits (applications) and are recognised as a increase in policyholder liabilities. Applications in respect of bonus funds are also disclosed as revenue as set out above.

Benefit fund expenses which are directly attributable to an individual policy or product are allocated directly to the benefit fund within which that class of business is conducted. The apportionment basis has been made in line with the principles set out in the Life Insurance Actuarial Standards Board (LIASB) Valuation Standard (Actuarial Standard AS1.04) and the apportionment is in accordance with Division 2 of Part 6 of the Life Act.

(w) Unit prices

Unit prices are determined in accordance with the benefit fund's rules and are calculated as the net assets attributable to unit holders of the fund, divided by the number of units on issue.

(x) Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010

There have been a number of new standards and interpretations for which the initial application is not expected to have any material impact on the financial report of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

3. Revenue

An analysis of the Group's revenue for the year, from both continuing and discontinued operations, is as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations				
(i) Revenue				
Interest revenue:				
- Parent and subsidiaries	20,099	17,424	125	212
- Benefit funds	13,733	26,996	-	-
Dividend revenue:				
- Parent and subsidiaries	17	334	6,607	23,575
- Benefit funds	19,622	29,132	-	-
Management fees from:				
- Related entity	1,707	2,483	-	-
- Policyholders of benefit funds	14,729	16,159	-	-
- Property	4,376	4,912	30	-
Rental income	4,396	2,670	140	-
Property acquisition fees	619	6,698	-	-
	79,298	106,808	6,902	23,787
(ii) Other income/(expenses)				
<i>Other expenses</i>				
Gain/(loss) on sale of unit trusts	(29,738)	(726)	-	-
Unrealised gain/(loss) on financial assets held for trading	(488)	(26,281)	4	5
Fair value gains/(losses) on interest rate swaps	-	389	-	-
Ineffectiveness of fair value hedge loss	(62)	-	-	-
Valuation fees	(27)	(6)	-	-
	(30,315)	(26,624)	4	5
<i>Other income</i>				
Share of profit in associate	-	-	365	-
Commission received	1,717	1,648	-	-
Application fees	270	878	-	-
Gain on disposal of investments	-	26	-	-
Other income	1,091	270	13	-
	3,078	2,822	378	-
	(27,237)	(23,802)	382	5
Discontinued operations				
(i) Revenue				
Interest and dividends revenue	1	7	-	-
	1	7	-	-
(ii) Other income/(expenses)				
<i>Other expenses</i>				
Impairment of loans to subsidiaries	-	-	-	(782)
	-	-	-	(782)
<i>Other income</i>				
Commission received	-	438	-	-
Other income	-	126	-	-
Profit on sale of assets	-	4	-	-
	-	568	-	-
	1	568	-	(782)

4. Finance costs

Interest expense:

- Bill facilities
- Other interest

Other

- Other finance costs
- Loss/(gain) arising on derivatives in a designated fair value hedge accounting relationship
- (Gain)/loss arising on adjustment to hedged items in a designated fair value hedge accounting relationship

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
18,196	14,746	1,709	1,525
-	-	-	-
18,196	14,746	1,709	1,525
587	708	309	441
7,114	-	-	-
(4,351)	-	-	-
3,350	708	309	441
21,546	15,454	2,018	1,966

5. Profit for the year before tax

Profit for the year includes the following expenses:

(a) Employee benefits expense

Wages and salaries	6,134	6,991	1,949	2,264
Bonus	72	494	(30)	200
Share based incentives	(95)	(188)	(95)	(188)
Superannuation	263	240	47	66
Increase/(decrease) in annual leave provision	178	(18)	40	(62)
Provision - long service leave	13	57	21	15
Termination benefits	221	278	17	146
Payroll taxes	440	418	188	185
Other associated personnel expenses	205	59	55	(1,181)
	7,431	8,331	2,192	1,445

(b) General and administration expenses

Real Estate expenses	167	280	58	61
Information systems expenses	471	543	293	12
Office administration expenses	535	599	160	42
Insurance expenses	490	430	407	313
Directors fees	510	349	510	349
Membership subscriptions	177	125	1	-
Travel expenses	215	406	119	172
Other general expenses	119	1,153	(122)	(294)
Direct operating expenses of investment properties:				
Properties generating rental income	390	340	-	-

Total other expenses

3,074	4,225	1,426	655
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Revaluation of investment property assets (i) 6,837 3,590 - -
 (i) The impairment of investment property assets relate to the write down of Peppers The Sands Resort, in Torquay by \$2.068 million, Moonah Links by \$2.603 million and Chisholm Shopping Centre, in Canberra by \$2.166 million.

Mortgage advance provisioning:

Credit related write-offs of mortgage loans at fair value through profit and loss	3,087	5,440	-	-
Impairment of Mortgage loans at amortised cost	6,248	6,284	56	-
	9,335	11,724	56	-

Management fees:

Administration and funds management expenses	5,674	6,742	4	-
Management Fees to Group by bonus funds (with DPF)	11,071	12,781	-	-
Management Fees to Group by unit linked funds (no DPF)	1,820	2,965	-	-
Total management fees	18,565	22,488	4	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

5. Profit for the year before tax (cont.)

(c) Net movement in policy liabilities - Benefit funds

		Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	
Redemptions expense bonus funds	19	(100,114)	(92,528)	-	-
Applications bonus fund	19	15,259	11,219	-	-
Undistributed profit attributed to fund members	19	4,618	17,424	-	-
Undistributed (loss)/profit attributed to fund members	19	(11,673)	(10,115)	-	-
		(91,910)	(74,000)	-	-

6. Income taxes

Income tax recognised in profit or loss

Tax expense/(income) comprises:

Current tax expense in respect of the current year	(4,973)	12,360	(2,321)	(2,247)
Adjustments recognised in the current year in relation to the current tax of prior years	(3,115)	187	6	41
	(8,088)	12,547	(2,315)	(2,206)
Deferred tax expense relating to the origination and reversal of temporary differences	(4,732)	(10,184)	(3,807)	(33)

Total tax expense/(income)

Attributable to:

Continuing operations	(12,644)	2,603	(6,122)	(2,239)
Discontinued operations (Note 26)	(176)	(240)	-	-
	(12,820)	2,363	(6,122)	(2,239)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

(Loss)/profit from continuing operations	(25,215)	450	(17,462)	2,100
(Loss)/profit from discontinued operations	(18)	(794)	-	-
(Loss)/profit from operations	(25,233)	(344)	(17,462)	2,100
Less tax relating to benefit funds included in profit before tax	5,706	(721)	-	-
Profit/(loss) before tax attributable to shareholders	(19,527)	(1,065)	(17,462)	2,100
Income tax (benefit/expense calculated at 30%)	(5,858)	(320)	(5,239)	630
Tax effect of amounts which are not deductible (taxable) in:				
-Inter-entity consolidated dividends	-	-	(1,978)	(6,976)
-Expenses relating to exempt income and non-allowable expenses	1,277	1,775	1,089	4,066
Adjustments recognised in the current year in relation to the current tax of prior years	(2,533)	187	6	41
Tax relating to benefit funds	(5,706)	721	-	-
	(12,820)	2,363	(6,122)	(2,239)

As a result of tax consolidation, OFG recognises current tax related receivables and corresponding payables from its subsidiaries and the benefit funds. The amount is the net of tax provisions, deferred tax assets and deferred tax liabilities held by the benefit funds. 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 when compared with the previous reporting period.

Income tax recognised directly in equity

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

The following current and deferred amounts were charged/(credited) directly to equity during the period:

Deferred tax

Arising on income and expenses taken directly to equity:

• Revaluations of financial instruments treated as cash flow hedge	(1,991)	181	-	-
	(1,991)	181	-	-

Current tax assets and liabilities

Current tax assets

Tax refund receivable	13,560	2,050	1,682	2,050
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Current tax liabilities

Income tax payable attributable to:

Parent entity	-	-	-	-
Entities in the tax-consolidated group	-	(4,106)	-	-

Income tax (payable)/receivable

13,560	(2,056)	1,682	2,050
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Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Consolidated					
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Recycled from equity to income \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
2009						
<i>Deferred tax asset</i>						
Post employment benefits	294	2,261	-	-	-	2,555
Deferred loss on financial assets-OFG	-	1,665	458	-	-	2,123
Deferred loss on financial assets-benefit fund	7,190	56	-	-	-	7,246
Investment properties	957	(169)	-	-	-	788
Provisions	1,546	(1,546)	-	-	-	-
Cash out guarantees	-	2,181	-	-	-	2,181
Interest rate swaps	-	1,084	1,449	-	-	2,533
Other	(204)	418	-	-	-	214
<i>Deferred tax (liability)</i>						
Deferred gain on financial assets-benefit fund	(678)	677	-	-	-	(1)
Investment properties	(75)	75	-	-	-	-
Prepayments	(190)	(1,355)	-	-	-	(1,545)
Software deduction	(2)	2	-	-	-	-
Interest rate swaps	(84)	-	84	-	-	-
Other	611	(617)	-	-	-	(6)
	9,365	4,732	1,991	-	-	16,088

Presented in the balance sheet as follows:

Deferred tax asset	17,640
Deferred tax (liability)	(1,552)
	16,088

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

6. Income taxes (cont.)

2008	Consolidated					
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Recycled from equity to income \$'000	Acquisitions/disposals \$'000	Closing balance \$'000
Temporary differences						
<i>Deferred tax asset</i>						
Deferred loss on financial assets-benefit fund	925	6,265	-	-	-	7,190
Post employment benefits	298	(4)	-	-	-	294
Investment properties	-	957	-	-	-	957
Provisions	1,951	(405)	-	-	-	1,546
Software deduction	7	(7)	-	-	-	-
Other	-	(204)	-	-	-	(204)
<i>Deferred tax (liability)</i>						
Deferred gain on financial assets-benefit fund	(2,517)	2,020	(181)	-	-	(678)
Investment properties	(1,240)	1,165	-	-	-	(75)
Prepayments	(62)	(128)	-	-	-	(190)
Software deduction	-	(2)	-	-	-	(2)
Interest rate swaps	-	(84)	-	-	-	(84)
Other	-	611	-	-	-	611
	(638)	10,184	(181)	-	-	9,365

Presented in the balance sheet as follows:

Deferred tax asset	9,783
Deferred tax (liability)	(418)
	9,365

2009	Parent					
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Recycled from equity to income \$'000	Acquisitions/disposals \$'000	Closing balance \$'000
Temporary differences						
<i>Deferred tax asset</i>						
Deferred loss on financial assets	-	1,665	-	-	-	1,665
Post employment benefits	164	(164)	-	-	-	-
Provisions	-	359	-	-	-	359
Future deductions under section 40-880	326	(326)	-	-	-	-
Cash out guarantees	-	2,181	-	-	-	2,181
<i>Deferred tax (liability)</i>						
Prepayments	(94)	90	-	-	-	(4)
Software deduction	(2)	2	-	-	-	-
Other	(1)	-	-	-	-	(1)
	393	3,807	-	-	-	4,200

Presented in the balance sheet as follows:

Deferred tax asset	4,205
Deferred tax (liability)	(5)
	4,200

2008	Parent					
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Recycled from equity to income \$'000	Acquisitions/disposals \$'000	Closing balance \$'000

Temporary differences

Deferred tax asset

Post employment benefits	256	(92)	-	-	-	164
Future deductions under section 40-880	-	326	-	-	-	326

Deferred tax (liability)

Prepayments	12	(106)	-	-	-	(94)
Software deduction	7	(9)	-	-	-	(2)
Other	-	(1)	-	-	-	(1)
	275	118	-	-	-	393

Presented in the balance sheet as follows:

Deferred tax asset	490
Deferred tax (liability)	(97)
	393

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

6. Income taxes (cont.)

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Over Fifty Group Limited.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Over Fifty Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by Over Fifty Group Limited.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

7. Earnings per share

Basic earnings per share

From continuing operations
From discontinued operations
Total basic earnings per share

Consolidated	
2009 Cents per share	2008 Cents per share
(21.6)	(3.7)
0.2	(0.9)
(21.4)	(4.6)

Diluted earnings per share

From continuing operations
From discontinued operations
Total diluted earnings per share

(21.6)	(3.7)
0.2	(0.9)
(21.4)	(4.6)

Basic earnings per share

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

	2009 \$'000	2008 \$'000
Net (loss)/profit	(12,854)	(2,707)
Earnings used in the calculation of basic EPS	(12,854)	(2,707)
Adjustments to exclude (profit)/loss for the period from discontinued operations	(158)	554
Earnings used in the calculation of basic EPS from continuing operations	(13,012)	(2,153)

Weighted average number of ordinary shares for the purposes of basic earnings per share

2009 No. '000	2008 No. '000
60,142	58,870

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2009 \$'000	2008 \$'000
Net (loss)/profit	(12,854)	(2,707)
Earnings used in the calculation of basic EPS	(12,854)	(2,707)
Adjustments to exclude (profit)/loss for the period from discontinued operations	(158)	554
Earnings used in the calculation of basic EPS from continuing operations	(13,012)	(2,153)

	2009 \$'000	2008 \$'000
Weighted average number of ordinary shares used in the calculation of basic EPS	60,142	58,870
Weighted average number of ordinary shares used in the calculation of diluted EPS	60,142	58,870

8. Trade and other receivables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Amount owing by - related entities (i)	921	1,790	51,220	61,827
Provision for non recoverable loans (ii)	-	-	(10,221)	(11,132)
Sundry debtors	4,871	12,190	-	104
	5,792	13,980	40,999	50,799

(i) Terms and conditions of amounts owing by controlled entities and related parties are set out in Note 24. Included is management fees receivable from the benefit funds where no interest is charged.

(ii) This provision recognises the difference between the carrying value of the inter-company loans and the recoverable amount of the intercompany loans.

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Ageing of past due but not impaired</i>				
1 - 60 days	473	462	-	-
60 - 120 days	470	325	-	-
120 + days	1,477	507	-	-
Total	2,420	1,294	-	-

Movement in the provision for non recoverable loans

Balance at the beginning of the year	-	-	(11,132)	-
Additional provision raised on non recoverable loans	-	-	(8,988)	(11,132)
Provision reversals during the year	-	-	6,563	-
Amounts written off as uncollectible	-	-	3,336	-
Balance at the end of the year	-	-	(10,221)	(11,132)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

9. Financial assets

Financial assets at fair value through profit and loss:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Floating rate notes	98,802	142,698	-	-
Standard discounted securities	84,777	57,337	12	29
Unit trusts	326,505	424,167	115	30
Property trust units	-	2,685	-	2,607
Mortgage loans	46,683	60,749	-	-
	556,767	687,636	127	2,666

Derivatives financial instruments:

Interest rate swaps - held for trading	-	1,215	-	-
Interest rate swaps - in a hedge relationship	-	932	-	-
	-	2,147	-	-

Investments in related parties:

Investments in associates carried at cost	-	-	7,560	-
Investments in subsidiaries	-	-	54,037	53,908
Available-for-sale investments	-	6,000	-	6,000
	-	6,000	61,597	59,908

Loans carried at amortised cost:

Mortgage loans: Reverse Mortgages	214,998	200,405	-	-
Mortgage loans: Commercial Mortgages	9,120	15,227	-	-
Allowance for impairment loss (i)	-	(686)	-	-
Loans to subsidiaries	-	-	160	160
	224,118	214,946	160	160
	780,885	910,729	61,884	62,734

Disclosed in the financial statements as:

Financial assets at fair value through profit and loss	556,767	687,636	127	2,666
Derivative financial assets	-	2,147	-	-
Other financial assets	224,118	220,946	61,757	60,068
	780,885	910,729	61,884	62,734

(i) Allowance for impairment loss

An allowance for impairment loss is recognised when there is objective evidence that a mortgage receivable is impaired. The movement in the allowance for impairment loss is as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July 2008	686	4,695	-	-
Charge for the year	-	1,788	-	-
Amounts written off	(686)	(5,797)	-	-
At 30 June 2009	-	686	-	-

Mortgage loans - carried at amortised cost

Ageing of past due but not impaired

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
1 - 60 days	302	21,976	-	-
60 - 120 days	18	5,322	-	-
120 + days	43,474	30,161	-	-
Total	43,794	57,459	-	-

Although some mortgage loans have exceeded their maturity date, the directors believe that all mortgage loan balances are recoverable and not impaired.

10. Other assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Prepayments (i)	2,651	2,512	46	395

(i) Prepayments relate mainly to the upfront mortgage brokerage commissions for the reverse mortgages.

11. Investment property

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Investment properties held for sale (at fair value):				
Balance at beginning of financial year	-	-	-	-
Transferred from investment properties held at fair value (i)	19,643	-	-	-
Additions	1,523	-	-	-
Revaluation	(2,166)	-	-	-
Disposals	-	-	-	-
Balance at end of financial year	19,000	-	-	-

Investment properties held at fair value:

Balance at beginning of financial year	51,278	35,074	-	-
Additions	36	19,777	-	-
Revaluation	(4,671)	(3,573)	-	-
Disposals	-	-	-	-
Transferred to investment properties held for sale (i)	(19,643)	-	-	-
Balance at end of financial year	27,000	51,278	-	-

(i) The transfer from investment properties held at fair value to investment properties held for sale relates to the Chisholm property. Conditional exchange of contracts for sale was entered in July 2009. See subsequent events at Note 28.

Revaluations

The fair value of the Group's investment property, except Chisholm in the ACT, at 30 June 2009 has been arrived at on the basis of valuation carried out by CB Richard Ellis, independent valuers that are not related to the group. CB Richard Ellis are members of the Australian Institute of Valuers, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to Australian Standards, was arrived at by reference to capitalization of net income, discounted cash flow analysis (10 years) at a rate of 9%, and direct comparison to market evidence of transaction prices for similar properties.

Fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards. The direct operating expenses that generated the rental income during the period was \$390,000 (2008: \$340,000).

The Chisholm Shopping Centre property was valued based on the agreed sale price subsequent to the year ended 30 June 2009. OFG has entered into a conditional exchange of contracts for the sale of \$19.0 million. The settlement date is set to occur by 15 October 2009, with OFG providing Vendor finance of \$2.3m for a period of 2 years. The condition precedent of the contract is the purchaser's ability to raise equity by 28 August 2009.

Any movement in the fair value of the properties is charged directly to the profit and loss.

The effective date of the revaluation was 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

12. Investment accounted for using the equity method

	Consolidated	
	2009 \$'000	2008 \$'000
Mortgageport (i)	5,602	5,602
Century Bulky Goods Fund No.1 (ii)	5,099	-
Over Fifty Direct Property Trust (iii)	2,461	-
	13,162	5,602

Reconciliation of movement in investments accounted for using the equity method

Balance at 1 July	5,602	8,412
Share of profit/(loss) for the year	(2,840)	684
	2,762	9,096
Dividends	(739)	(494)
Additions - paid in cash	350	-
Additions - non cash	14,634	-
Impairments	(2,318)	(3,000)
Share of reserve	(1,527)	-
Balance at 30 June	13,162	5,602

(i) The Group has a 50% investment in Mortgageport Management Pty Limited, a wholesale residential mortgage origination and management company incorporated in Australia. Although the Group holds a 50% investment in Mortgageport, it does not control the company, and it is, therefore considered inappropriate to include Mortgageport as part of the consolidated group.

Summarised financial information in respect of the Group's associate is set out below:

Financial position:

Total assets	1,908	2,183
Total liabilities	(652)	(632)
Net Assets	1,256	1,552
Group's share of associate's net assets	628	776

Financial performance:

Total revenue	4,116	5,391
Total profit/(loss) for the year	749	1,949
Group's share of associate's profit/(loss)	374	684

There was no impairment relating to the investment in associate in the current year (PY: \$3,000,000) and there were no capital commitments or other commitments relating to Mortgageport (the associate).

(ii) The Group has a 46% investment in Century Bulky Goods Fund No.1 (CBGF#1), an unlisted property fund which invests in bulky goods (large format retail) centres. Although the Group holds a 46% investment in CBGF#1, it does not control the voting rights and it is, therefore, considered inappropriate to include CBGF#1 as part of the consolidated group. OFG has elected to split account its investment in CBGF#1, that is, to equity account for the consolidated group's 21% investment and fair value account for the Income Accumulation Fund's 25% investment.

Summarised financial information in respect of the Group's associate is set out below:

Financial position:

Total assets	112,850	-
Total liabilities	(88,809)	-
Net Assets	24,041	-
Group's share of associate's net assets	5,049	-

Financial performance:

Total revenue	10,603	-
Total profit/(loss) for the year	(15,734)	-
Group's share of associate's profit/(loss)	(3,336)	-

There was an impairment relating to the investment in associate of \$2,238,098 and there were no capital commitments or other commitments relating to CBGF#1 (the associate).

(iii) The Group has a 44% investment in Over Fifty Direct Property Trust (DPT), an unlisted property trust. Although the Group holds a 44% investment in DPT, it does not control the voting rights and it is, therefore, considered inappropriate to include DPT as part of the consolidated group. OFG has elected to split account its investment in DPT, that is, to equity account for the consolidated group's 5% investment and fair value account for the Income Accumulation Fund's 16% and Growth Bond Fund's 23% investment.

Summarised financial information in respect of the Group's associate is set out below:

Total assets	108,994	-
Total liabilities	(63,964)	-
Net Assets	45,030	-
Group's share of associate's net assets	2,252	-

Financial performance:

Total revenue	13,205	-
Total profit/(loss) for the year	2,191	-
Group's share of associate's profit/(loss)	122	-

There was an impairment relating to the investment in associate of \$79,445 and there were no capital commitments or other commitments relating to DPT (the associate).

Dividends received from associates

During the year, the Group received dividends of \$373,888 (2008: \$493,697) from Mortgageport Management Pty Limited, \$176,584 (2008: Nil) from CBGF#1, and \$188,542 (2008: Nil) from DPT.

13. Plant and equipment

Gross carrying amount

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at beginning of financial year	3,203	1,789	1,756	562
Additions	135	1,497	92	1,194
Disposals	(254)	(93)	-	-
Acquisitions through business combinations	11	10	-	-
Balance at end of financial year	3,095	3,203	1,848	1,756

Accumulated depreciation and impairment

Balance at beginning of financial year	(1,458)	(1,041)	(602)	(322)
Disposals	254	(69)	-	(12)
Depreciation expense	(546)	(348)	(243)	(268)
Balance at end of financial year	(1,750)	(1,458)	(845)	(602)

Net book value

	Consolidated	Parent
As at 30 June 2009	1,345	1,003
As at 30 June 2008	1,745	1,154

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

14. Goodwill

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross amount at beginning of the period	47,182	43,297	-	-
Additional amounts recognised during the year	-	148	-	-
Goodwill acquired from business combinations (i)	5,389	4,787	-	-
Derecognition on disposal of assets of subsidiary (ii)	-	(1,050)	-	-
Impairment losses	-	-	-	-
Carrying amount at end of the period	52,571	47,182	-	-

(i) Goodwill acquired in relation to the acquisition of Eclipse Property Group Limited (Note 29).

(ii) On 3 April 2008, the company completed the sale of all of the business assets of its financial planning business, OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd). As a consequence, the carrying value of the goodwill was de-recognised.

Goodwill is subject to annual impairment testing. During the financial year the Group assessed the recoverable amount of goodwill and determined that no impairment loss was to be charged for the 2009 financial year (2008:nil).

The carrying amount of goodwill allocated to cash-generating units relates to the acquisitions of Century Funds Management in financial year 2007 and Eclipse Property Group Ltd in 2008 (51%) and 2009 (49%).

Allocation of goodwill to cash-generating units

The carrying amount of goodwill was allocated to the following cash-generating units:

Property - Century Funds Management Ltd (i)	42,369	42,369	-	-
- Eclipse Property Group Limited (ii)	10,202	4,787	-	-
- Lifetime Planning	-	26	-	-
	52,571	47,182	-	-

(i) Century Funds Management Ltd

The recoverable amount of the property unit has been determined based on a value in use calculation using Funds Under Management (FUM) projections and profit and loss projections covering a five-year period.

Key assumptions

The key assumptions used in the value in use calculations for the following cash-generating units are as follows:

Carrying amount:	\$42,369,082
Funds under management growth target:	These targets are based on the anticipated growth in FUM.
Funds under advice (FUA) growth target:	A growth rate of 10% (2008:10%) has been set over the 5 years. This is based on an assessment of published market forecasted FUM.
Revenue balance:	Revenues in 2010 are based on board approved budgets and there after are assumed to increase at a rate of 6.5% (2008:10%) per annum. This target rate incorporates both anticipated growth in sums invested and the market.
Expenses balance:	Expenses are assumed to increase at a rate of 3% (2008:4%) per annum.
Pre-tax discount Rate:	Discount rates reflect management's estimates of the time value of money. A rate of 13.17% (2008:15%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to the yield on a ten year bond at the beginning of the budgeted year.
Terminal growth rate:	A growth rate of 3% (2008:2%) has been applied to the calculation of the terminal value of the asset.

(ii) Eclipse Property Group Limited

The recoverable amount of the property unit has been determined based on a value in use calculation using Funds Under Management (FUM) projections and profit and loss projections covering a five-year period.

Key assumptions

The key assumptions used in the value in use calculations for the following cash-generating units are as follows:

Carrying amount:	\$10,202,140
Funds under management growth target:	These targets are based on the anticipated growth in FUM.
Funds under advice (FUA) growth target:	A growth rate of 10% (2008:10%) has been set over the 5 years. This is based on an assessment of published market forecasted FUM.
Revenue balance:	Revenues in 2010 are based on board approved budgets and there after are assumed to increase at a rate of 6.5% (2008:10%) per annum. This target rate incorporates both anticipated growth in sums invested and the market.
Expenses balance:	Expenses are assumed to increase at a rate of 3% (2008:4%) per annum.
Pre-tax discount Rate:	Discount rates reflect management's estimates of the time value of money. A rate of 13.17% (2008:15%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to the yield on a ten year bond at the beginning of the budgeted year.
Terminal growth rate:	A growth rate of 3% (2008:2%) has been applied to the calculation of the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2009, the estimated recoverable amount of Century Funds Management and Eclipse Property Group Ltd exceeded their carrying value by \$317,386 and \$1,728,291 respectively. The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value in both cases.

	Assumptions used in value in use calculation 2011 - 2014		Change required for carrying value to equal the recoverable amount 2011 - 2014	
	Century Funds Management	Eclipse Property Group Limited	Century Funds Management	Eclipse Property Group Limited
	%	%	Percentage points	Percentage points
Revenue growth rate (average)	6.50	6.50	0.16	3.30
Pre-tax discount rate	13.17	13.17	0.08	1.61
Expenses growth rate	3.00	3.00	0.36	8.50

15. Trade and other payables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
GST payable/(recoverable) (i)	452	659	86	(101)
Sundry creditors (ii)	5,645	7,281	256	500
	6,097	7,940	342	399

(i) GST is payable or recoverable either on a monthly or quarterly basis.

(ii) Sundry creditors are non-interest bearing and payable on commercial terms 7 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

16. Borrowings

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
NAB working capital facility (i)	19,830	24,000	19,830	24,000
Hire purchase contracts	37	64	-	-
Reverse mortgage bill facilities and notes - secured (ii)	195,147	188,236	-	-
Investment property facilities - secured (iii)-(iv)	39,977	38,872	-	-
	254,991	251,172	19,830	24,000

Terms and conditions relating to the working capital facility and bill facilities above are:

Financing facilities:

- (i) The NAB floating working capital facility of \$19.8 million (2008:\$24.0 million) at BBSY variable rate plus 3.5% has been fully drawn down. The facility is an amortising facility with \$2.13 million forecasted to be amortised over the following 12 month period from operating cash flow. The facility has a renewal date of 28 February 2010.

The facility is secured by a fixed and floating charge over Over Fifty Group Limited, Over Fifty Capital Pty Ltd, Century Funds Management Ltd and Over Fifty Insurance Pty Ltd. There are also guarantees provided by Over Fifty Capital Pty Ltd, Over Fifty Mutual Friendly Society Limited (consisting of its management fund only to the extent that it does not impinge upon its APRA capital requirements), Over Fifty Senior Equity Release Pty Ltd, Over Fifty Funds Management Pty Ltd, Over Fifty Investments Pty Ltd, Over Fifty Insurance Pty Ltd and Century Funds Management Ltd.

- (ii) 195.1 million (2008: \$187.8 million) non-recourse notes on issue to ANZ secured over the mortgages held in the Senex Warehouse Trust No.1. The notes have a renewal date of 31 March 2010 or repayment of the underlying mortgage loans in the Trust. During the year, notes worth \$25.7 million (2008:\$75.0 million) were issued. The carrying amount of the mortgages are \$213.2 million (2008:\$197.9 million).

- (iii) \$15.8 million (2008:\$15.3 million) bank bill maturing March 2010 at floating rate plus 0.85% usage and line fees payable quarterly in advance. This is a non-recourse loan secured over property situated at Chisholm Shopping Centre, Halley Street Chisholm, ACT. The fair value of the investment property at 30 June 2009 is \$19.0 million (2008:\$21.6 million).

OFG was in breach of the loan to valuation ratio and interest cover ratio on the loan with CBA relating to the Chisholm property at 30 June 2009. Accordingly, this loan has been classified as current in the disclosure above and within the maturity table in Note 27. The bank has been notified of the breach and has not taken any specific action.

Further to the recorded breach of the loan covenant, OFG marketed the property for sale and subsequent to 30 June 2009 has exchanged contracts at a price of \$19.0 million. Contract will remain conditional until 29 August 2009.

- (iv) \$24.0 million (2008:\$24.0 million) bank bill maturing March 2013 with a fixed rate of 7.47% payable monthly in advance. This is secured over property at Moonah Links, Fingal, Vic and Pepper Sands Resort Torquay. The fair value of the investment property located Moonah Links is \$11.0 million at 30 June 2009 (2008:\$13.6 million). The fair value of the investment property located at Torquay at 30 June 2009 is \$16.0 million (2008:\$18.1 million).

During the period OFG's subsidiary, OFM National Leisure Trust, was in breach of the loan and valuation covenant on the loan with National Australia Bank relating to the two properties at Moonah Links and Torquay.

NAB has not taken any action as at the date of this report except for requesting OFG to place surplus funds from the properties operating cash flow, less financing costs, into a cash offset account, which has been actioned. This loan is recourse only to the two subject properties. Accordingly, this loan has been classified as a current liability in the disclosure above and within the maturity table in note 27.

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Working capital facility under guarantee, reviewed annually and payable at call:				
• amount used	19,830	24,000	19,830	24,000
• amount unused	-	-	-	-
	19,830	24,000	19,830	24,000
Secured bank bills, reviewed annually:				
• amount used	39,977	38,872	-	-
• amount unused	1,353	2,638	-	-
	240,000	275,000	-	-
Secured notes:				
• amount used	195,147	188,236	-	-
• amount unused	44,853	86,764	-	-
	240,000	275,000	-	-

17. Other liabilities

(a) Provisions

Provision for Directors' retirement fund (i)	-	126	-	126
Provision for long service leave (ii)	237	224	87	66
Provision for annual leave	319	290	165	154
Provision for impairment in respect of parent company guarantee	7,271	-	7,271	-
	7,827	640	7,523	346

(i) Provision for Directors' retirement fund

The nature of the provision is to compensate the directors for their time and effort spent over the years serving as non executive directors. The timing of any outflows is determined by when a director resigns. All non executive directors who commenced prior to 30 June 2004 are eligible for the retirement fund payment, of which at 30 June 2008 this consisted of payments accrued on behalf of Mr M.G. Grant. During the current year, Mr M.G. Grant resigned from office on 29 October 2008 and the retirement fund balance owing was paid in full. The past practice of providing for a directors retirement fund, in addition to directors fees, has been discontinued during the period.

(ii) Provision for long service leave

The liability for long service leave is measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

	Consolidated			Parent		
	Provision for Directors' retirement fund \$'000	Provision for long service leave \$'000	Provision for annual leave \$'000	Provision for Directors' retirement fund \$'000	Provision for long service leave \$'000	Provision for annual leave \$'000
Balance at 1 July 2007	488	138	405	488	52	300
Additional provision recognised	-	86	(115)	-	14	(146)
Reductions	(362)	-	-	(362)	-	-
Balance at 30 June 2008	126	224	290	126	66	154
Additional provision recognised	-	13	-	-	21	11
Reductions	(126)	-	29	(126)	-	-
Balance at 30 June 2009	-	237	319	-	87	165

The present values of employee benefits not expected to be settled within twelve months of balance date have been calculated using the following assumptions:

	Consolidated		Parent	
	2009	2008	2009	2008
Assumed rate of increase in wage and salary rates	3.0%	3.0%	3.0%	3.0%

The estimated long service leave provision has been calculated based on assumptions covering a 10 year period (2008:10 years).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

17. Other liabilities (cont.)

(b) Other

Rent incentives received
Accrual for employee bonus
Other provisions
Deferred consideration (iii)

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
485	588	485	588
-	375	-	-
537	536	113	95
5,533	-	-	-
6,555	1,499	598	683

(iii) Deferred consideration

The deferred consideration agreement relates to the acquisition of Eclipse Property Group Limited by OFG (see Note 29).

18. Derivative financial liabilities

Interest rate swaps
Put option liability (i)

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
12,409	1,399	-	-
-	4,906	-	-
12,409	6,305	-	-

(i) This is the put option agreement relating to the remaining 49% in the acquisition of Eclipse Property Group Limited by OFG (see Note 29).

Details about the entity's exposure to interest rate and credit risk can be found in Note 27 - Financial instruments.

19. Policyholders funds

Bonus Rated Benefit Funds (with DPF)

Opening balance
Current period income

Consolidated	
2009 \$'000	2008 \$'000
574,490	638,375
(80,237)	(63,885)
494,253	574,490

Closing Balance

Unitised Benefit Funds (no DPF)

Opening balance
Applications received
Redemptions paid
Current period income
Distribution

126,109	146,817
3,143	8,132
(17,810)	(18,724)
(11,673)	(8,938)
-	(1,178)
99,769	126,109
594,022	700,599

Closing Balance

Total Policyholders Funds

Under AIFRS the income, expenses, assets and liabilities of the benefit funds are included in the Group's income statement and balance sheet and statement of cash flows. As a result, the benefit funds' assets and liabilities are included in the Group's statements. The shareholders of the Group have no rights over the assets and liabilities held in the benefit funds. The composition of the assets and liabilities balance is as follows:

Assets

Attributable to shareholders	364,311	359,539
Attributable to benefit fund policyholders	596,028	703,326
Total Assets	960,339	1,062,865

Liabilities

Attributable to shareholders	285,873	266,885
Attributable to benefit fund policyholders	596,028	703,326
Total Liabilities	881,901	970,211

A detailed benefit funds segment note can be found in the financial statements of Over Fifty Mutual Friendly Society Limited.

Guarantees to benefit fund policyholders.

Over Fifty Mutual Friendly Society Limited (OFMFS) provides a guarantee to policyholders of two of its benefit funds, Over Fifty Capital Guaranteed Bond Fund and Over Fifty Income Accumulation Fund as follows: "If, when OFMFS in right of the Bonds is required under the Bond rules to pay Policy Benefits to a Policy Owner as a consequence of the termination of the Bond or the Maturity or Surrender of a Policy, and OFMFS determines that the sums to be paid to the Policy Owner from the Bonds shall be less than the amounts standing to the credit of the relevant Accumulation Account Balance, (or in the case of a partial surrender, the relevant proportion of the Accumulation Account Balance), OFMFS guarantees to take all action within its control, including making payment from its Management Fund to the Policy Owner to ensure that the total sums received by the Policy Owner as a consequence of the termination, Maturity or Surrender equal the relevant Accumulation Account Balance, (or) in the case of a partial surrender, the relevant proportion thereof."

There are \$471,953,482 (2008:\$549,410,343) of policyholder funds relating to these guarantees.

20. Issued capital and retained earnings

(a) Issued and paid up capital

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
59,670,387 fully paid ordinary shares (2008: 58,870,394)	88,511	87,783	88,511	87,783
628,486 fully paid ordinary shares issued during the year (2008: 799,993)	534	728	534	728
	89,045	88,511	89,045	88,511

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Unless otherwise stated, 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 and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

20. Issued capital and retained earnings (cont.)

(b) Movement in shares on issue

Balance at beginning of financial year

Issued during the year:

Dividend Reinvestment Plan

Share Issue (i)

Balance at end of financial year

2009		2008	
No. of Shares	\$'000	No. of Shares	\$'000
59,670,387	88,511	58,870,394	87,783
628,486	534	-	-
-	-	799,993	728
60,298,873	89,045	59,670,387	88,511

(i) On 30 June 2008, 799,993 shares were issued for the purchase of Eclipse Property Group Limited. Refer to note 29 for further details.

(c) Reserves

Cash flow hedge reserve

Long term incentive plan reserve

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(3,992)	652	-	-
8	103	8	103
(3,984)	755	8	103

Cash flow hedge reserve

Balance at beginning of financial year

Gain/(loss) recognised on cash flow hedges:

Interest rate swaps

Income tax related to gains/losses recognised in equity

Balance at end of financial year

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
652	229	-	-
(6,634)	605	-	-
1,990	(182)	-	-
(3,992)	652	-	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

Long term incentive plan reserve

Balance at beginning of financial year

Executive share-based incentives

Balance at end of financial year

Consolidated		Parent	
2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
103	292	103	292
(95)	(189)	(95)	(189)
8	103	8	103

The long term incentive plan reserve is used to record the value of share-based payments provided to employees, including the CEO, as part of their remuneration. Refer to note 32 for further details of these plans.

(d) Retained earnings/(Accumulated losses)

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at beginning of financial year	8,027	16,418	6,130	8,259
Dividends paid (Note 21)	(1,796)	(6,476)	(1,796)	(6,476)
Net profit/(loss) attributable to members of Over Fifty Group Limited	(12,854)	(2,707)	(11,340)	3,557
Benefit earned from share transfer	-	792	-	792
Balance at end of the financial year	(6,623)	8,027	(7,006)	6,130

21. Dividends**Recognised amounts**

Fully paid ordinary shares

Interim dividend:

Fully franked at a 30% tax rate

Final dividend:

Fully franked at a 30% tax rate (i)

2009		2008	
Cents per share	Total \$'000	Cents per share	Total \$'000
-	-	5.0	2,944
3.0	1,796	6.0	3,532
3.0	1,796	11	6,476

(i) The dividend paid out in 2009 relates to the Over Fifty Group Limited final dividend proposed in relation to the year ended 30 June 2008.

The amount of franking credits available for the subsequent financial year are:

	Parent	
	2009 \$'000	2008 \$'000
• franking account balance as at 1 July at 30% (2008:30%)	2,792	4,030
• increase/(decrease) in franking credits that will result from the payment of income tax payable/(refund) as at the end of the financial year	(164)	(1,238)
Franking account balance at 30 June	2,628	2,792

Retained profits and reserves of the parent entity that could be distributed as dividends and franked out of existing franking credits or out of franking credits arising from income tax payable amount to \$6,131,567.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

22. Commitments and contingencies

Operating leases

Operating lease commitments – Group as lessee

The Group has entered into 2 commercial leases for its office premises. The leases have an average life of between 4.3 years and 4.7 years with renewal options included in the contracts.

Future minimum rentals payable under operating leases are as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not longer than 1 year	770	619	-	2
Longer than 1 year and not longer than 5 years	3,034	2,714	-	-
Longer than 5 years	-	549	-	-
	3,804	3,882	-	2

Operating lease commitments – Group as lessor

Operating leases relate to the investment properties owned by the Group with remaining lease terms of between 0.5 and 14.1 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Non-cancellable operating lease receivables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not longer than 1 year	1,862	1,781	-	-
Longer than 1 year and not longer than 5 years	7,047	7,179	-	-
Longer than 5 years	9,466	1,995	-	-
	18,375	10,955	-	-

23. Remuneration of auditors

Auditor of the parent entity

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Audit and review of the financial report	544,695	319,750	345,030	167,500
Other assurance services	63,000	23,760	-	4,620
	607,695	343,510	345,030	172,120

The auditor of Over Fifty Group Limited is Deloitte Touche Tohmatsu (Australia).

24. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed below:

Name of subsidiary	Country of incorporation	Ownership interest	
		2009 %	2008 %
Over Fifty Mutual Friendly Society Limited	Australia	100%	100%
Over Fifty Capital Pty Ltd	Australia	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	Australia	100%	100%
Over Fifty Insurance Pty Ltd	Australia	100%	100%
Over Fifty Investments Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 2 "Dominion"	Australia	100%	100%
Over Fifty Funds Management Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 3 Chisholm	Australia	100%	100%
OFM National Leisure Trust	Australia	100%	100%
OFM Bluegums Leisure Trust	Australia	100%	100%
OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd)	Australia	100%	100%
Century Funds Management Ltd	Australia	100%	100%
Over Fifty Financial Planning Pty Ltd	Australia	100%	100%
Eclipse Property Group Limited (i)	Australia	100%	51%

(i) On 30 June 2008, OFG purchased 51% of Eclipse Property Group Limited and the remaining 49% was purchased on 30 June 2009.

Details of interests in associates are disclosed in note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

24. Related party transactions (cont.)

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 31 to the financial statements.

ii. Key management personnel equity holdings

Fully paid ordinary shares of Over Fifty Group Limited

	Balance at 1 July No.	Granted as Remuneration No.	Net other change No.	Balance at 30 June No.	Balance at date of resignation No.	Balance held nominally No.
2009						
R.W. Dobson	30,000	-	36,501	66,501	-	-
J.E. McBain	4,132,162	-	14,755	4,146,917	-	-
J.C. Huljich	2,104,302	-	85,222	2,189,524	-	-
P.J. Done	20,434	-	31,060	51,494	-	-
M.G. Grant	42,988	-	1,518	44,506	44,506	-
D.K. Gupta	-	-	-	-	-	-
M.J. Coy	349,082	-	16	349,098	-	-
T.D. Reid	3,482	-	-	3,482	-	-
D.B. Govey	397,984	-	6,963	404,947	-	-
S.E. Harding	-	-	-	-	-	-
A.S. Bali	-	-	-	-	-	-
H.J. Schmiede	-	-	-	-	-	-
2008						
R.W. Dobson	-	-	30,000	30,000	-	-
J.E. McBain	4,081,247	-	50,915	4,132,162	-	-
J.C. Huljich	2,104,302	-	-	2,104,302	-	-
P.J. Done	-	-	20,434	20,434	-	-
M.G. Grant	42,988	-	-	42,988	-	-
D.K. Gupta	-	-	-	-	-	-
M.G. Chessell	88,369	-	-	-	88,369	-
C.R. Martin	19,067	-	6,654	-	25,721	-
W.J. Forster	79,178	-	-	-	79,178	-
M.A. Gray	44,444	-	-	-	44,444	-
R.R. Officer	13,280	-	(13,280)	-	-	-
T.D. Reid	3,482	-	-	3,482	-	-
M.J. Coy	348,674	-	408	349,082	-	-
D.B. Govey	351,255	-	46,729	397,984	-	-
S.E. Harding	-	-	-	-	-	-
A.S. Bali	-	-	-	-	-	-
C.A. Jones	434	-	-	-	434	-
A. Nicu	434	-	-	-	434	-

All equity transactions with directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Share options of Over Fifty Group Limited

Share option holdings were only held by the former CEO, Mr C.R. Martin. All share options lapsed upon his resignation on 1 August 2008.

	Bal at 1 July No.	Granted as compensation No.	Exercised No.	Net other change No.	Bal at 30 June No.
2009					
C.R Martin	1,100,000	-	-	(1,100,000)	-
2008					
C.R Martin	1,100,000	-	-	-	1,100,000

Long term incentive Plan of Over Fifty Group Limited

Performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years. The LTI plan was set up to reward all employees in a manner that aligns the elements of remuneration with the creation of shareholder wealth.

The rights granted are valued by an external consultant in line with the requirements of Accounting Standard AASB2. The Company then applies an estimation of the tenure risk associated with employees still being employed at the time the rights vest for those subject to TSR and EPS performance hurdles, and the probability of OFG attaining the required increase in EPS. The resultant value is charged to the profit and loss evenly across the vesting period.

	Bal at 1 July No.	Granted as compensation No.	Exercised No.	Net other change No.	Bal at 30 June No.
2009					
T.D. Reid	55,742	-	-	(21,446)	34,296
2008					
C.R. Martin	50,246	-	-	(50,246)	-
C.A. Jones	73,665	31,818	-	(105,483)	-
T.D. Reid	55,002	21,022	-	(20,282)	55,742
A. Nicu	28,949	-	-	(28,949)	-

(iii) Other transactions with key management personnel of the Group

As a matter of Board policy, all transactions with Directors and Director-related entities are conducted on normal commercial or employee terms.

During the financial year, the following transactions occurred between the company and key management personnel:

- Henry Davis York, a related party of R. Dobson, was paid \$54,347 (2008:\$162,238) for legal consultancy fees.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

24. Related party transactions (cont.)

(c) Transactions with other related parties

Investments in benefit funds

Certain Directors have investments in the benefit funds of Over Fifty Mutual Friendly Society Limited and Over Fifty Guardian Friendly Society Limited.

	Consolidated	
	2009 \$	2008 \$
Aggregate investments in such funds	-	17,943
Directors holding these investments are listed below:		
M.G. Grant (i)	-	17,943

(i) M.G. Grant resigned on 29 October 2008.

Management fees are charged to benefit funds by Over Fifty Mutual Friendly Society Limited in accordance with the relevant legislation and benefit fund rules.

Aggregate amounts received from related parties:

	Consolidated	
	2009 \$	2008 \$
Management fees :		
Over Fifty Mutual Friendly Society Limited Benefit Funds	875,521	1,222,113
Over Fifty Guardian Friendly Society Limited	182,651	34,627
	1,058,172	1,256,740

Where a management agreement is in place, management fees are charged to controlled entities in accordance with such agreements.

Terms and conditions of transactions with related parties

Investments in benefit funds held by certain directors are made on the same terms and conditions as all other persons. Directors and director-related entities received the same returns on these investments as other policyholders.

The parent entity and its related entities entered into transactions, which are insignificant in amount, with Directors and their Director-related entities in their domestic dealings and are made in arm's length transactions both at normal market prices and on normal commercial terms. These are:

- receipt of general insurance premiums; and
- payment of general insurance benefits.

Over Fifty Group Limited pays some expenses on behalf of related entities and receives a reimbursement for these payments. No interest is received or paid on inter-entity balances.

Transactions between Over Fifty Group Limited and its related parties

During the financial year, the following transaction occurred between the company and its other related parties:

- Over Fifty Group Limited received dividends of \$6,613,000 (2008:\$24,800,000) from its subsidiaries.
- During the year no interest was charged on intercompany balances.

25. Notes to the cash flow statement

Under AASB 107 Cash Flow Statements, the income, expenses, assets and liabilities of the benefit funds are included in the Group's income statement and balance sheet and statement of cash flows. As a result, the benefit funds' cash is included in the Group's statements with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the benefit funds. The composition of the closing cash balance is as follows:

	Consolidated	
	30-Jun-09 \$'000	30-Jun-08 \$'000
Attributable to shareholders	8,678	13,307
Attributable to benefit fund policyholders	19,607	7,165
Total	28,285	20,472

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and cash equivalents	28,285	20,452	526	2,647
Cash and cash equivalents attributable to discontinued operations	-	20	-	-
	28,285	20,472	526	2,647

(b) Business disposed

During the previous financial year, the company disposed of its financial planning division assets. Details of the disposal are as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consideration				
Cash and cash equivalents	-	600	-	-
Book value of net assets sold				
<i>Assets</i>				
Goodwill	-	1,050	-	-
Plant and equipment	-	13	-	-
Loss on disposal	-	(463)	-	-
	-	600	-	-
Net cash inflow on disposal				
Cash and cash equivalents consideration	-	600	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

25. Notes to the cash flow statement (cont.)

(c) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit/(loss) for the year	(12,413)	(2,707)	(11,340)	3,557
Depreciation and amortisation	546	418	244	280
Movement in provision for doubtful debts	(1,379)	(3,316)	(910)	11,132
Executive share-based incentives	(103)	(188)	(103)	(188)
Unrealised income/(loss)	43,117	34,522	19,543	13,725
(Profit)/loss on sale of investments	(1)	153	-	782
Share of loss in associate	2,840	-	-	-
Fair value gain/(loss) on derivatives	(62)	-	-	-
Amortisation of borrowed costs	447	42	-	-
(Increase)/decrease in deferred income tax assets	(6,938)	(6,881)	(4,172)	(215)
(Decrease)/increase in deferred income tax liabilities	1,134	(2,873)	(93)	97
(Decrease)/increase in tax provision	(16,424)	(3,045)	(368)	(3,075)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Sundry receivables	7,257	6,356	(2,844)	1,502
Prepayments	306	(768)	163	(142)
Increase/(decrease) in liabilities:				
Trade and other payables	(2,631)	(1,330)	(152)	(376)
Provisions	7,166	-	(86)	-
(Decrease)/increase in policyholder liability	(106,577)	(84,591)	-	-
Net cash flows from/(used in) operating activities	(83,715)	(64,208)	(118)	27,079

26. Discontinued operations

Disposal of financial planning division

On 3 April 2008, the company completed the sale of all of the business assets of its financial planning business, OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd). The proceeds for these assets was \$600,000. The sale allowed the company to concentrate capital and resources on its core activities.

The combined results of the discontinued operations which have been included in the income statement are as follows. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period:

	Consolidated	
	2009 \$'000	2008 \$'000
Profit for the year from discontinued operations:		
Revenue (note 3)	1	445
Other income	-	123
	1	568
Expenses		
Loss on sale of business	-	(463)
Employee benefits expense	-	(529)
Finance costs	-	(1)
Advertising and marketing expense	-	(20)
Rental expense	-	(18)
Other expenses	(19)	(331)
	(19)	(1,362)
Profit/(loss) before tax	(18)	(794)
Attributable income tax expense	176	240
Profit/(loss) for the year from discontinued operations	158	(554)
Cash flows from discontinued operations:		
Net cash provided by/(used in) operating activities	317	(267)
Net cash provided by/(used in) investing activities	-	31
Net cash (used in)/provided by financing activities	(337)	(722)
Net cash (used in)/provided by discontinued operations	(20)	(958)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

27. Financial instruments

The OFG consolidated results comprise the assets and liabilities of both the OFG group and the benefit funds. The shareholders of OFG are subject only to the risks and rewards of assets and liabilities in OFG and not those of the assets and liabilities held in the benefit funds which are required to be aggregated in the financial report as prescribed by AASB 1038 Life Insurance Contracts. Therefore, this note only addresses the financial assets and financial liabilities held directly on OFG's balance sheet and not those assets and liabilities held by the benefit funds.

The only risk to the shareholders of OFG, in respect to the benefit funds, is limited to capital reserving. Over Fifty Mutual Friendly Society Limited (OFMFSL), being a subsidiary of OFG, acts in the capacity of manager for two capital guaranteed benefit funds. To mitigate the risk of these guarantees being called upon, the benefit funds set aside prescribed reserving which is determined upon a "1 in 400 year event" stress testing scenario. The reserving calculations are verified by an independent actuary appointed by the Friendly Society. The Benefit Funds at 30 June 2009 have set aside the requisite reserving as determined by the investment profile of the two respective funds. If the required reserving under the "Capital Adequacy Test" needs increasing, in addition to the Funds assets that OFG holds, OFMFSL would be required to inject additional seed capital. Seed capital is later repaid to OFMFSL when reserving is returned to a normal sustainable level.

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Group.

The Group employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Group.

The Investment & Lending Committee's function is to manage and oversee the Group's investments in accordance with the investment objectives and framework as set down by the Board. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Group's financial performance. These policies may include the use of certain financial derivative instruments.

The Group outsources the investment management to specialist investment managers, who provide services to the Group, co-ordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and the benefit funds product disclosure statements. The benefit funds investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

The Group uses interest rate swaps in two main areas other than the benefit funds. The first in relation to reverse mortgage fixed rate loans offered to borrowers whereby a fixed rate agreed with the swap provider at the time of entering the swap, while the Group is entitled to receive a variable rate equal to the 30-day Bank Bill Swap rate bid (BBSY) plus a facility margin. The objective of the hedge is to enter into interest rate derivative contracts to hedge fair value movements of fixed for life reverse mortgage loans attributable to the interest rate risk, as well as hedging the Group's exposure to variability in cash flows that is attributable to interest rate risk associated with its selected borrowings. Secondly in relation to borrowings for the on balance sheet investment properties to hedge against interest rate increases.

Derivative financial instruments of the benefit funds, consolidated into the financial statements of the Group under AIFRS, are used only for hedging of actual or anticipated exposures relating to investments. All financial arrangements are backed up by cash or assets (as appropriate) with a fair value of at least equal to the notional value of the asset which underlies the financial instrument. The Group does not enter into or trade financial instruments for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives.

(b) 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 revenue and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances. This overall strategy remains unchanged from 2008.

The Group's capital structure consists of debt, which includes borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings which are all disclosed in note 20.

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of the Friendly Society are regulated by APRA and the Management Fund of the Society has a minimum Management Capital Requirement ("MCR") that must be maintained at all times. It is calculated monthly and projected forward for the next six months and these results are reported to the Board each month. The current level of share capital of the Friendly Society means that for the foreseeable future the MCR will continue to be met with a substantial excess. In addition, one Group company, Century Funds Management Limited has AFSL licences so as to operate its registered property trusts. The regulations require the entity to hold a minimum net asset amount which is maintained by way of bank guarantees. Where necessary, the bank guarantees will be increased to ensure the net asset requirement is always met.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and from there decides what the most appropriate form of funding (capital raising or borrowings) which will depend on what the funding will be used for.

The capital structure of the benefit funds (and management fund) consists of cash and cash equivalents, bill facilities and mortgage assets. The benefit funds also hold a range of financial assets for investment purposes including investments in unit trusts, equity and floating rate notes. The Investment and Lending Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the benefit funds by maintaining a minimum of 15% of its total investments in cash and cash equivalents. The benefit funds have no restrictions or specific capital requirements on the application and redemption of units. The benefit fund's overall investment strategy remains unchanged from the prior year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

27. Financial Instruments (cont.)

(d) Carrying amount by category of financial instruments

The carrying amount of each category of financial assets and liabilities is as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets at fair value through the profit or loss - designated upon initial recognition	138	2,806	127	2,666
Available for sale investments	-	6,000	-	6,000
Derivatives at fair value through profit or loss - held for trading	-	1,215	-	-
Derivatives that are designated and effective as hedging instruments at fair value	-	932	-	-
Loans and receivables	237,428	249,398	37,120	55,194
Total financial assets	237,566	260,351	37,247	63,860
Financial liabilities at fair value through profit and loss - held for trading	-	6,305	-	-
Financial liabilities at fair value through profit and loss - designated upon initial recognition (i)	-	232	-	-
Derivatives that are designated and effective as hedging instruments carried at fair value	12,409	-	-	-
Financial liabilities measured at amortised cost	273,362	258,221	27,357	24,500
Total financial liabilities	285,771	264,758	27,357	24,500

(i) There has been no change during the period and cumulatively, in the fair value of financial liabilities at fair value through profit and loss that is attributable to changes in the credit risk of those liabilities. There is no difference between the carrying amount of the financial liabilities and the amount the Group would be contractually required to pay at maturity to the holders of the obligations.

Financial assets and liabilities are recognised in accordance with the accounting policies detailed in note 2 to the financial statements.

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised on the balance sheet is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties. Concentration of credit risk in relation to mortgage loans is demonstrated by the following bands:

Loan balance outstanding	2009		2008	
	Number	Balance \$'000	Number	Balance \$'000
\$ 0 - \$ 250,000	1	200	0	-
\$ 250,001 - \$ 500,000	0	-	3	900
\$ 500,001 - \$ 1,000,000	3	2,400	4	2,730
\$ 1,000,001 - plus	1	6,520	3	10,911
		9,120		14,541

There are no mortgage loans that are past due and not impaired.

Credit risk on mortgage loans

Credit risk on mortgage loans is managed through prudential lending guidelines, appropriate mortgage security arrangements and loan default credit risk insurance, and are reviewed and approved by the risk management committee annually.

Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate note, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well known rated agencies.

The exposure of credit risk in respect of financial assets is minimal.

The Group does not have any significant credit risk exposure to any single entity or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2009 or 30 June 2008.

Credit risk of the Parent

The Parent does have significant exposure to the extent that it has provided loans to its subsidiaries. This risk is covered by recourse to the assets of the subsidiaries. The parent does not have any financial assets that are past due and not impaired.

(f) Liquidity Risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The unit holders in the benefit funds are able to withdraw their units at any time and the benefit funds are therefore exposed to the liquidity risk of meeting unit holders' withdrawals at any time. The OFMFS Risk Management Statement has a requirement to maintain the benefit funds' cash holdings and liquid assets at a minimum of 15% of total assets.

The benefit fund's listed securities, listed managed investment schemes and unlisted management investment schemes are considered to be readily realisable. The benefit funds other investments included investments in unlisted investments and first mortgage loans, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the benefit funds may not be able to liquidate all of these investments at their fair value in order to meet their liquidity requirements. The benefit funds liquidity risks are managed in accordance with the funds investment strategies.

The liquidity risk is managed for the Group at a corporate level. The CFO regularly reviews the bank account balances across all entities, as well as current and future commitments and expected cash inflows. This is reviewed in even more detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated balance sheets, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows, plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- re-negotiate the repayment terms of the borrowings
- sell assets that are held on balance sheet
- undertake an equity raising

This, combined with a profitable business going forward, should ensure that the Group continues to meet its commitments, including repayments of borrowings, as and when required.

The Group's overall strategy to liquidity risk management remains unchanged from 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

27. Financial Instruments (cont.)

(f) Liquidity Risk (cont.)

The following tables summarise the maturity profile of 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 Group and the parent can be required to pay. The tables include both interest and principal cash flows.

	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	On Demand \$'000	Total \$'000
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Non-derivative financial liabilities

Consolidated

2009

Borrowings	3,513	220,154	6	-	39,978	263,651
Accounts payable	5,567	-	-	-	7,271	12,838
Total	9,080	220,154	6	-	47,249	276,489

2008

Borrowings	16,244	25,654	262,757	-	-	304,655
Accounts payable	7,281	-	-	-	-	7,281
Total	23,525	25,654	262,757	-	-	311,936

	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	On Demand \$'000	Total \$'000
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Non-derivative financial liabilities

Parent

2009

Accounts payable	256	-	-	-	7,271	7,527
Borrowings	659	20,025	-	-	-	20,684
Total	915	20,025	-	-	7,271	28,211

2008

Accounts payable	500	-	-	-	-	500
Borrowings	459	24,306	-	-	-	24,765
Total	959	24,306	-	-	-	25,265

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis. The parent does not hold any derivative instruments (2008: nil).

	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	On Demand \$'000	Total \$'000
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Derivative financial liabilities

Consolidated

2009

Interest rate swaps	262	847	2,830	17,278	-	21,217
Total	262	847	2,830	17,278	-	21,217

2008

Interest rate swaps	-	-	-	64,681	-	64,681
Total	-	-	-	64,681	-	64,681

(g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and price risk. Due to the nature of assets held by the parent and the Group (excluding the benefit funds), there is an asset and liability management process which determines the interest rate sensitivity of the balance sheet and the implementation of risk management practices to hedge the potential effects of interest rate changes. The Group manages the market risk associated with its benefit funds via outsourcing its investment management and the Investment Manager manages the financial risks relating to the operations of the benefit funds in accordance with an investment mandate set out in the benefit funds constitution and product disclosure statement. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The parent and the Group are exposed to interest rate risk as entities in the Group borrow funds at floating interest rates and lend funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The benefit funds activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the funds to cash flow risk, whereas fixed interest rate instruments expose the fund to fair value interest rate risk. Ultimately unit holders of the benefit funds are exposed to this risk.

The tables below detail the parent and the Group's interest bearing financial assets and liabilities.

2009	Consolidated				Parent			
	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000

Financial Assets

Cash and cash equivalents	3.35%	7,495	1,184	8,679	2.97%	186	340	526
Mortgage Loans	7.16%	167,926	56,192	224,118	-	-	-	-
Total financial assets		175,421	57,376	232,797		186	340	526

Financial liabilities

Borrowings	5.12%	246,869	8,122	254,991	6.65%	19,830	-	19,830
Total financial liabilities		246,869	8,122	254,991		19,830	-	19,830

Net interest bearing financial assets/(liabilities)		(71,448)	49,254	(22,194)		(19,644)	340	(19,304)
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2008	Consolidated				Parent			
	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000

Financial assets

Cash and cash equivalents	6.83%	20,472	-	20,472	6.50%	2,647	-	2,647
Discount Securities	7.94%	-	57,337	57,337	-	-	-	-
Floating Rate Notes	7.92%	142,698	-	142,698	-	-	-	-
Mortgage loans	10.68%	169,321	46,311	215,632	-	-	-	-
Total financial assets		332,491	103,648	436,139		2,647	-	2,647

Financial liabilities

Borrowings	7.87%	247,172	4,000	251,172	7.65%	24,000	-	24,000
Total financial liabilities		247,172	4,000	251,172		24,000	-	24,000

Net interest bearing financial assets/(liabilities)		85,319	99,648	184,967		(21,353)	-	(21,353)
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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

27. Financial Instruments (cont.)

(g) Market risk (cont.)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss except for those designated and effective as cash flow hedge's in which case the fair value movements will be recorded in equity.

Consolidated	Average contracted rate		Notional principal amount		Fair value	
	2009 %	2008 %	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Pay fixed for floating contracts at fair value through profit or loss						
Less than 1 year	-	7.74%	-	90,000	-	935
2 - 5 years	-	7.47%	-	24,000	-	280
50 years swaps contracts (i)	-	7.51%	-	18,505	-	(1,399)
			-	132,505	-	(184)
Pay fixed for floating contracts designated as effective in fair value hedge						
50 years swaps contracts (i)	7.50%	-	23,326	-	(8,513)	-
			23,326	-	(8,513)	-
Pay fixed for floating contracts designated as effective in cash flow hedges						
Less than 1 year	6.87%	6.87%	6,116	2,180	(194)	34
1 - 2 years	7.08%	6.85%	4,426	5,508	(289)	170
2 - 8 years	7.52%	7.47%	39,084	20,118	(3,413)	728
			49,626	27,806	(3,896)	932
			72,952	160,311	(12,409)	748

(i) Refer to Note 27(h) regarding the fair value of 50-year swap contracts

The objective of interest rate swap contracts, excluding the 50 year swap, in a hedge relationship is to match the cash flows obtained from the fixed rate book to the floating funding obligations under the warehouse trust facility. This strategy is in accordance with the OFG Treasury Policy. The hedged item (being floating funding obligation) is expected to impact profit or loss over the next six years (2008: seven years) following year-end where the Group has an interest rate exposure from fixed rate reverse mortgages from customers at a fixed rate for either the first two, four or eight years of the loan.

The hedged item cash flows are expected to occur at the end of the fixed rate loan as the floating funding obligations and fixed rate reverse loan mortgages are compounding.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the parent and the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The following table illustrates the effect on profit after tax and other equity reserves if interest rates had been 1% higher or lower and all other variables were held constant.

		Effect On				
		Change in variable	Profit after tax		Other Reserves	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated						
Interest rate risk	+ 1%	(462)	6,798	1,539	671	
Parent						
Interest rate risk	+ 1%	(135)	(149)	-	-	
	Change in variable	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Consolidated						
Interest rate risk	- 1%	443	(10,792)	(1,605)	(704)	
Parent						
Interest rate risk	- 1%	135	149)	-	-	

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analyses above take into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only.

Other price risk

Other price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The benefit funds have investments in unlisted managed investment schemes, which exposes it to price risk. Sensitivity of these amounts to other price risk impacts policyholder liabilities rather than profit and other equity reserve attributable to shareholders.

(h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The carrying amounts of financial assets and financial liabilities measured at amortised cost approximate their fair value.

The objective of 50-year interest rate swap contracts in a hedge relationship is to hedge the exposure to changes in fair value of a recognised assets, being fixed for life reverse mortgage loans, that is attributable to the interest rate risk and could affect profit or loss. This strategy is in accordance with the OFG Treasury Policy.

The fair value of the 50 year reverse mortgage loans and 50 years swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 15 years, with the yield curve at 15 years employed as the best proxy for subsequent rates due to non-observable market data.

Adjusting the yield curve after 15 years by an increase / (decrease) of 50 basis points as at 30 June 2009 would cause the fair value of the 50 year swaps to increase / (decrease) by \$631,138/(\$664,545). (2008: by \$2,372,304/(\$10,631,207)).

Additionally, the valuations have been calculated with an assumption of no deaths (as opposed to early voluntary repayment) of mortgagees during the life of the interest rate swaps. However, the swap agreements provide that in the event of death of a mortgagee there is a nil cost prepayment option. Accordingly, the assumption on the number of deaths and timing of such deaths will impact the valuation. If the assumption of the death rate changes to 10% of mortgagees 10 years after the inception of the swaps, the fair value as at 30 June 2009 would increase by \$297,000 (2008:\$85,583).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

28. Subsequent events

OFG had provided a cash out performance guarantee to unit holders in a trust managed by its subsidiary company, Century Funds Management Limited, as part of the stapling of 3 unlisted property trusts into one Fund (Century Bulky Goods Fund No.1), that guaranteed the redemption of up to 11.3 million units at a face value of \$1.00 per unit. In exchange for cancelling this guarantee, the company entered into a Notes Subscription Deed, which these subject unit holders, whilst still maintaining their original units in the Fund, received a note that has a face value that represents the difference between \$1.00 per unit and an agreed written down value per unit of \$0.36, as at 30 June 2009. The holders of the Notes are not entitled to request a conversion to equity (subsequent to shareholder approval), or otherwise receive cash, until February 2012.

OFG has entered into a conditional exchange of contracts for the sale of Chisholm Shopping Centre for a price of \$19.0 million. The settlement date is set to occur by 15 October 2009, with OFG providing Vendor finance of \$2.3 million for a period of 2 years. The condition precedent of the contract is the purchaser's ability to raise equity by 28 August 2009.

29. Acquisition of business

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
2009				
Eclipse Property Group Limited	Property funds management	30/06/09	49	5,633
2008				
Eclipse Property Group Limited	Property funds management	30/06/08	51	4,907

Net assets acquired	Eclipse Property Group Limited			
	2009		2008	
	Book value \$'000	Fair value on acquisition \$'000	Book value \$'000	Fair value on acquisition \$'000
Assets				
Cash & cash equivalents	465	465	1,030	1,030
Trade & other receivables	1,152	1,152	1,253	1,253
Property plant and equipment	11	11	10	10
Deferred tax asset	22	22	21	21
Liabilities				
Trade & other payables	(1,205)	(1,205)	(2,079)	(2,079)
Total fair value of net assets acquired	445	445	235	235
2009 : 49% thereof	218	218		
2008 : 51% thereof			120	120
Goodwill on acquisition				
		5,415		4,787
		5,633		4,907

Net cash flow on acquisition	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total purchase consideration excluding contingent consideration	5,633	4,907	100	-
Less: Non-cash consideration: Shares issued	-	(728)	-	-
Less: Deferred consideration	(5,533)	(120)	-	-
Less: contingent consideration	-	(152)	-	-
Consideration paid in cash	100	3,907	100	-
Less: cash & cash equivalents acquired	(228)	(1,030)	-	-
Total cash (inflow) / outflow	(128)	2,877	100	-

On 30 June 2009, OFG exercised its Call Option, under the Put & Call Option Deed dated 30 June 2008, over the remaining 49% of the Eclipse Property Group Limited's (EPGL). OFG acquired the initial 51% on 30 June 2008.

The exercising of the Call Option also required the parties entering into an Amending Deed, Share Sale Agreement and a Mortgage of Shares (security being EPGL).

Background

On 30 June 2008, OFG acquired 51% of EPGL for \$4,798,361. The consideration was paid by \$3,798,361 in cash and \$727,994 via an issue of 799,993 in OFG ordinary shares plus consideration in cash for 51% respective share of the net tangible assets of EPGL.

OFG had a First Call Option expiring 31 December 2008, which would have enabled OFG to acquire EPGL for \$5,201,639. Its Second Call Option gave OFG the right to acquire the remaining 49% for a calculated "share value" on or before 30 September 2010.

The "share value" is calculated as the average net profit after tax for 2008, 2009 and 2010 multiplied by 10 times less the \$4,798,361.

The Put Option granted Vendors the option to require OFG to purchase the remaining 49% of EPGL shares on or before 30 September 2010 for the "share value" as calculated above.

Amending deed

On 30 June 2009, OFG entered into an Amending Deed with the Vendors of EPGL in order to make amendments to the Initial Share Sale Agreement and Put and Call Option Deed. These amendments were made in order to enable OFG to exercise its Call Option as at 30 June 2009 as detailed below.

Share Sale Agreement

On 30 June 2009, OFG exercised its Call Option and acquired the remaining 49% of issued shares of EPGL, thereby recording its interest in EPGL at 30 June 2009 as 100%. Consideration for the remaining shares is in two components.

An Initial Payment of \$100,000 as part payment of the Purchase Price and further payments by 30 September 2010 being for both Net Tangible Assets and the Share Value less the Initial Payment as defined above.

Mortgage over Shares

As a result of the final cash consideration for the remaining 49% of EPGL shares acquired by OFG which are due by 30 September 2010, after the "share value" has been calculated, OFG mortgaged 75% of the issued ordinary shares in EPGL to the Mortgagee (Vendors) as security for the payment of the Secured Money (all moneys payable as calculated by the "Share Value" as at 30 September 2010).

The Mortgage is released upon the final cash consideration being paid to the Vendors.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

30. Segment information

Revenue is derived by the consolidated entity from the following product segments:

- (a) Funds Administration - a range of financial products, including single and multi-premium investments.
- (b) Insurances - health and general insurance agency.
- (c) Commercial Mortgages - provide funding and equity capital secured by mortgages.
- (d) Property - acquire and hold properties for income and growth.
- (e) Reverse Mortgages - provide funding and equity release.

Segment revenues and results

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

2009	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Continuing operations								
Interest, dividends and other investment income	6,732	33,493	8	772	179	18,908	(6,621)	53,471
Management, risk and establishment fees	30	14,683	-	36	6,376	306	-	21,431
Rental income	140	-	-	-	4,256	-	-	4,396
	6,902	48,176	8	808	10,811	19,214	(6,621)	79,298
Discontinued operations								
Interest, dividends and other investment income	-	1	-	-	-	-	-	1
Management, risk and establishment fees	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-
	-	1	-	-	-	-	-	1
Total revenue	6,902	48,176	8	808	10,811	19,214	(6,621)	79,298
Profit/(loss) before tax	(17,462)	5,018	470	(5,778)	(2,369)	910	(6,004)	(25,215)
Income tax benefit								12,644
Profit/(loss) on discontinued operations								158
Loss for the year								(12,413)

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

2008	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Continuing operations								
Interest, dividends and other investment income	23,787	56,235	11	2,776	99	14,231	(23,254)	73,885
Management, risk and establishment fees	-	18,148	-	2,213	9,817	75	-	30,253
Rental income	-	-	-	-	2,670	-	-	2,670
	23,787	74,383	11	4,989	12,586	14,306	(23,254)	106,808
Discontinued operations								
Interest, dividends and other investment income	-	7	-	-	-	-	-	7
Management, risk and establishment fees	-	-	-	-	-	-	-	-
Rental income	-	561	-	-	-	-	-	561
	-	568	-	-	-	-	-	568
Total revenue	23,787	74,951	11	4,989	12,586	14,306	(23,254)	107,376
Profit/(loss) before tax	2,100	10,103	547	(2,072)	1,033	(1,456)	(9,805)	450
Income tax expense								(2,603)
Profit/(loss) on discontinued operations								(554)
Profit for the year								(2,707)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment for the current year under review:

2009	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Segment assets	110,340	596,011	583	(4,411)	60,113	205,457	(7,754)	960,339
Segment liabilities	(28,293)	(595,094)	(62)	(193)	(46,494)	(213,592)	1,827	(881,901)

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the prior year under review:

2008	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Segment assets	120,172	704,038	373	(535)	60,638	189,437	(11,258)	1,062,865
Segment liabilities	(25,428)	(704,594)	(68)	(582)	(44,566)	(196,124)	1,151	(970,211)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2009

30. Segment information (cont.)

Other segment information

2009	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Carrying value of investments accounted for using the equity method	-	13,162	-	-	-	-	-	13,162
Depreciation and amortisation of segment assets	243	34	-	-	9	255	5	546
Significant other non-cash expenses	12,804	-	-	6,228	6,837	2,763	-	28,632

2008	Parent \$'000	Funds Administration \$'000	Insurances \$'000	Commercial Mortgages \$'000	Property \$'000	Reverse Mortgages \$'000	Elimination \$'000	Consoli- dated \$'000
Carrying value of investments accounted for using the equity method	-	5,602	-	-	-	-	-	5,602
Depreciation and amortisation of segment assets	268	59	-	-	9	12	-	348
Significant other non-cash expenses	1,161	-	-	9,284	3,590	-	-	14,035

Geographical information

The consolidated entity operates in one geographic region, Australia.

31. Key management personnel compensation

Details of key management personnel

- R.W. Dobson (Chairman) appointed 28 November 2007
- J.E. McBain (Director, Chief Executive Officer) appointed 4 February 2008 as CEO and Director on 10 July 2006.
- J.C. Huljich (Director, General Manager - Property division) appointed 28 November 2007
- P.J. Done (Non-executive director) appointed 28 November 2007
- M.G. Grant (Non-executive director) appointed 4 April 2001, resigned 29 October 2008
- D.K. Gupta (Non-executive director) appointed 28 November 2007
- T.D. Reid (Company Secretary, and General Manager - Friendly Societies) appointed 1 October 2008
- M.J. Coy (Chief Financial Officer)
- D.B. Govey (Head of Assets)
- A.S. Bali (Development Executive)
- S.E. Harding (Head of Reverse Mortgages) appointed 23 April 2008, resigned 30 June 2009
- H.J. Schmiede (Head of Finance - Property) appointed 1 December 2008

Key management personnel compensation

The aggregate compensation paid to key management personnel of the company and the Group is set out below:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	2,114,305	2,195,629	1,334,564	1,702,509
Post-employment benefits	190,866	238,748	123,452	194,367
Termination benefits	-	145,600	-	145,600
Share-based payment	3,355	(198,599)	-	(198,599)
	2,308,526	2,381,378	1,458,016	1,843,877

32. Share-based payments

Performance rights plan

At the 2003 AGM, OFG shareholders approved a Performance Rights Plan to which the long-term incentives relate. Under this plan, the Board has been given discretion in granting to employees rights to receive, in the future, a specified number of ordinary shares. The number of shares to be delivered pursuant to the rights is subject to satisfying performance hurdles and time-related vesting conditions as detailed in the table below. If OFG achieves a growth in Earnings Per Share ("EPS") and a Total Shareholder Return ("TSR") which matches or exceeds that of the ASX (excluding Property Trusts) Financial Accumulation index, the performance rights will convert into shares at the target date in the future as set out in the table below. Performance will be tested at the end of four years measuring the average compound performance over the preceding four financial years. The LTI plan was set up to reward all employees in a manner that aligns the elements of remuneration with the creation of shareholder wealth.

The Group uses TSR and EPS as performance hurdles as it ensures an alignment between comparative shareholder return and reward for executives.

The performance rights will vest after 2 years as in the table below subject to meeting the performance hurdles described.

EPS performance criteria

EPS is based on normalised operating earnings before tax. The EPS performance hurdle and subsequent percentages of the rights that become exercisable depend on the following vesting scale:

- If OFG achieves less than 10% growth in EPS per annum, no Rights vest.
- If OFG achieves 10% growth in EPS or greater, 70% of Rights vest.
- If OFG achieves 11% growth in EPS or greater, 80% of Rights vest.
- If OFG achieves 12% growth in EPS or greater, 90% of Rights vest.
- If OFG achieves 13% growth in EPS or greater, 100% of Rights vest.

TSR Performance criteria

The TSR performance hurdles and percentages of the Rights that become exercisable upon meeting the performance hurdle are as follows:

- If TSR rank is less than the index, no Rights vest.
- TSR rank is equal to or greater than the index, all Rights vest.

Full details of the number of performance rights issued, the vesting dates and the performance hurdles are detailed below:

Tranche	Grant date	Vesting date	No. of rights EPS hurdles	No. of rights TSR hurdles
First	29 May 2006	30 June 2007	40,251	40,251
Second	29 May 2006	30 June 2008	100,212	100,212
Third	29 May 2006	30 June 2009	169,554	169,554
Fourth	1 July 2006	30 June 2010	109,734	109,734
Fifth	1 July 2007	30 June 2011	137,948	137,948

The following reconciles the outstanding performance rights granted under the performance rights plan at the beginning and end of the financial year:

	2009	2008
Balance at beginning of the financial year	224,289	775,394
Granted during the financial year	-	275,896
Forfeited during the financial year	-	(699,253)
Expired during the financial year	(69,635)	(127,748)
Balance at end of the financial year	154,654	224,289

For assumptions used in valuing these rights refer to the Remuneration Report.

During the financial year ended 30 June 2009, no performance rights were granted (2008:\$275,896) due to the EPS and TSR performance criteria not being met.

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 9 SEPTEMBER 2009

Distribution of holders of equity securities	Number of holders	Number of ordinary shares
1 - 1,000	14,466	6,523,084
1,001 - 5,000	7,681	17,025,437
5,001 - 10,000	1,006	6,805,577
10,001 - 100,000	420	8,339,013
100,001 and over	32	21,605,762
	23,605	60,298,873
Holding less than a marketable parcel	13,292	5,439,180

Substantial shareholders

Ordinary shareholders	Number of shares held
RBC Dexia Services Australia Nominees Pty Limited	5,045,000
Resolute Funds Management Pty Ltd	4,146,917

Twenty largest holders

Ordinary shareholders	Ordinary Shares	
	Number	Percentage
1. RBC Dexia Services Australia Nominees Pty Limited	5,045,000	8.37%
2. Resolute Funds Management Pty Limited	4,146,917	6.88%
3. Paritai Pty Limited	2,189,116	3.63%
4. Prudential Nominees Pty Ltd	1,400,000	2.32%
5. Vintage Capital Pty Ltd	1,072,871	1.78%
6. Australian United Investment Company Limited	652,770	1.08%
7. Anglo American Security Fund LP	578,550	0.96%
8. Drake Associates LP	578,550	0.96%
9. Sterling Grace Capital Management LP	578,550	0.96%
10. Sterling Grace International LLC	578,550	0.96%
11. Coorong Holdings Pty Ltd *	543,502	0.90%
12. Trust Company Superannuation Services Limited	536,586	0.89%
13. HSBC Custody Nominees (Australia) Limited	480,767	0.74%
14. Ross Elsom Nominees Pty Ltd *	444,532	0.80%
15. Citicorp Nominees Pty Limited	414,449	0.69%
16. Vexdat Pty Ltd	404,496	0.67%
17. Coy & Associates Consulting Services Pty Ltd	348,674	0.58%
18. Avanteos Investments Limited <1703553 A/C>	250,000	0.41%
19. ANZ Nominees Limited	204,623	0.34%
20. Avanteos Investments Limited <2412987 A/C>	200,245	0.33%
	20,648,748	34.24%

* Restrictions on the sale of these shareholdings apply.

Voting rights

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

On-market buy-back

There is no current on-market buy back

Deloitte.

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Independent Auditor's Report to the Members of Over Fifty Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Over Fifty Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 40 to 100.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

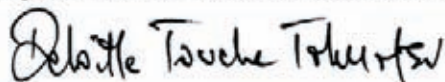
- (a) the financial report of Over Fifty Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 20 to 32 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Over Fifty Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Gustafson
Partner
Chartered Accountants
Sydney, 20 August 2009

NOTES

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