



annual report 09

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GROUP LIMITED



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# Corporate Directory

Directors	<i>Q B Jones BA LLB</i> <i>Chairman</i>
	<i>A B McDonald BComm LLB</i> <i>Managing Director</i>
	M N Campbell CPA FPS
	R Dhawan BComm CA MBA
	J J Nunan BComm LLB (Hons)
Secretary	C F Scarcella BComm FCPA
Principal registered office in Australia	Snowball Group Limited 70-76 Yarra Street Heidelberg VIC 3084 Telephone: (03) 8458 0000
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Telephone: 1300 850 505
Auditor	PricewaterhouseCoopers Chartered Accountants Freshwater Place Level 19 2 Southbank Boulevard Southbank VIC 3006
Solicitors	Baker & McKenzie AMP Centre Level 27 50 Bridge Street Sydney NSW 2000
Bankers	St. George Bank Limited 367 Bell Street Preston VIC 3072
Stock exchange listing	Snowball Group Limited shares are listed on the Australian Stock Exchange ("ASX").
Website address	<a href="http://www.sno.com.au">www.sno.com.au</a>

# Chairman's Letter to Shareholders

To our Shareholders,

Against the background of the 2009 financial year's very challenging conditions (both with markets and trading conditions generally), we are pleased to report that Snowball has delivered a solid result. It will always be disappointing to deliver results which do not eclipse those of the previous period. However, Snowball's results for 2009 show the strength of our business fundamentals, built organically and through acquisition, as well as our ability to contain costs. It was a year when all businesses were tested and the 2009 result evidenced our resilience. Importantly, we believe that your company's operating model is very well structured to continue to deliver profitable growth in a reformed financial services industry. We welcome regulatory initiatives when executed with one eye on fostering a transparent, robust and openly competitive financial services industry.

## Solid financial performance exceeded guidance

Whilst the All Ordinaries Index declined by 26% over the course of the year, Snowball Group's net profit after tax (NPAT) attributable to equity holders of \$5.299 million (equivalent to a fully diluted earnings per share of 3.45 cents) was a reduction of 9% compared with the 2008 year. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) result of \$10.001 million exceeded guidance originally provided at the November 2008 Annual General Meeting (AGM), thanks to our active cost containment initiatives, diversified investment portfolios and business lines, coupled with the contribution to our result from the businesses we acquired in 2008 as well as during the 2009 year. We believe the result compared very favourably to our listed peers.

The Board has resolved to pay a final fully franked dividend of 2.0 cents per share, taking to 3.0 cents the full year's dividend payment, compared with 3.5 cents for the 2008 year. The Board considered it prudent to reduce the final dividend in light of the uncertainties of the current economic environment and will re-invest funds withheld from the final dividend payment into the company during 2010.

## 2010 and beyond

The financial services industry is undergoing a number of contemporaneous challenges, including:

- Proposed regulatory and pricing reform;
- Structural changes to investment markets;
- Shaken consumer sentiment, with customers seeking more transparency and better value for money; and
- Increased competition.

We believe that these pressures will result in a significantly changed landscape over the next few years. Many smaller, as well as a number of larger, providers may fail to adapt or emerge successfully from these challenges.

However we are confident that Snowball is extremely well placed to capitalise on the opportunities generated from these changes. The Managing Director's report provides more detail on these changes and how we have, for some time, been working on initiatives that will ensure Snowball is well placed to benefit from the changes.

# Chairman's Letter to Shareholders (continued)

## Unity

We recently staged our annual launch of the 2010 business plan to our management, financial advisers and staff generally. At this series of presentations we canvass our performance metrics, the needs of our customers and staff, the key strategic and operational initiatives for 2010, as well as holding various forums to discuss continuous improvement programs. At the main launch all advisers and management were present and it was exciting to experience the level of energy, commitment and unity across the entire Snowball Group. Our people, across all business units, are focused on driving highly valuable advice solutions to our customers, while also delivering profitable growth for your company.

On behalf of all shareholders the Board would like to thank all of Snowball's management, advisers and staff for their tenacity during 2009 and their energetic commitment to the company's future.



Quentin Jones  
Chairman  
Sydney  
25 September 2009

# Managing Director's Report

This year's Managing Director's Report represents a slight departure from previous years. In addition to commentary regarding last year's results (FY09) and our strategy for this year (FY10), we will spend some time discussing various fundamental changes to our industry. More importantly, we will touch on our responses to those changes.

But before we cover those points, it's worth re-iterating who we are and what we do. Interestingly, in an environment where parts of our industry are being brought to account, it's also worth pointing out what we're not.

## ***We are specialist wealth advisers***

We see ourselves as being specialist wealth advisers first and foremost, serving both individual and corporate clients. We provide strategic advice and on-going advice to retirees, pre-retirees, accumulators and employees (via their workplace superannuation arrangements), from beginning to end.

We advise on superannuation and non-super, tax and accounting services, as well as insurance. We implement the advice through the careful selection and offering of portfolio investment management and administration systems that suit our clients' needs and which deliver productivity and efficiency gains. Scale counts and we strive to achieve scale benefits to the benefit of our clients.

We are directed by our clients. They can turn services on and off, from strategic advice, to on-going advice; from packaged portfolio management and administration services, to highly individualised and tailored product solutions.

Our diversified suite of advice services, and the accompanying portfolio management and administration solutions that give effect to our advice, served us well in FY09 and will continue to deliver for clients and shareholders alike.

We are not owned by a bank, life company or, for that matter, an industry fund. In a situation where approximately 85% of Australia's financial planners are associated with what we refer to as "institutional product suppliers", we aim to be a leader among the 15% that provide non-aligned advice without this association. Our well documented "core values" also ensure that we deliver advice this way and in the interests of our clients. They permeate everything we do.

## ***Our FY09 results - the year in review***

Despite the difficult trading conditions, Snowball's diversified advice business and conservatively positioned investment portfolios, together with our proven acquisition strategy and ability to contain costs, stood your company in good stead in FY09.

Snowball's EBITDA result of \$10.001 million for FY09 was 91% of the FY08 reported result of \$10.989 million, exceeding market guidance. Operating EBITDA (being EBITDA excluding the \$0.770m profit on the merger of our accounting business) was down 16%, reflecting the fall in revenue due to market declines.

NPAT decreased by 9% compared to FY08 (i.e. down from \$5.823 million to \$5.299 million). Earnings per share (excluding amortisation) decreased by 8% from 4.88 cents per share to 4.49 cents per share. Both results were very pleasing against a backdrop of market turmoil and negative customer sentiment. We are also pleased with the results relative to our peers.

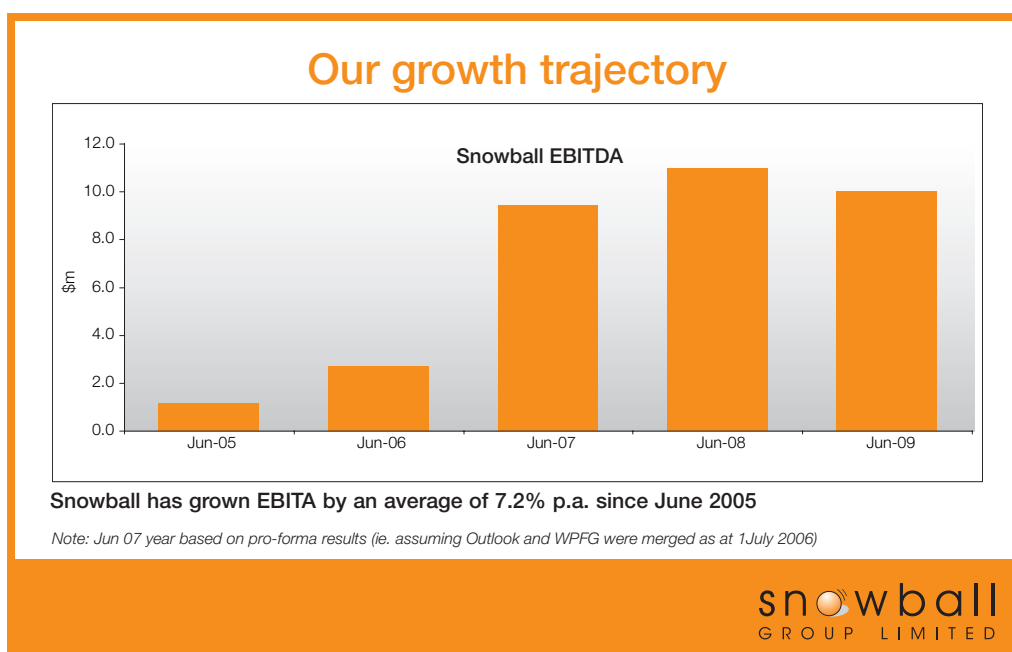
The results reflect the benefit of judicious cost containment as well as protection from the full effect of market declines due to our diversified advice business and investment portfolios.

As noted above, Snowball responded to market conditions with cost containment measures. Costs inclusive of those associated with acquired businesses were up 2%, but excluding acquired businesses' operating costs, they decreased by 6%.

# Managing Director's Report (continued)

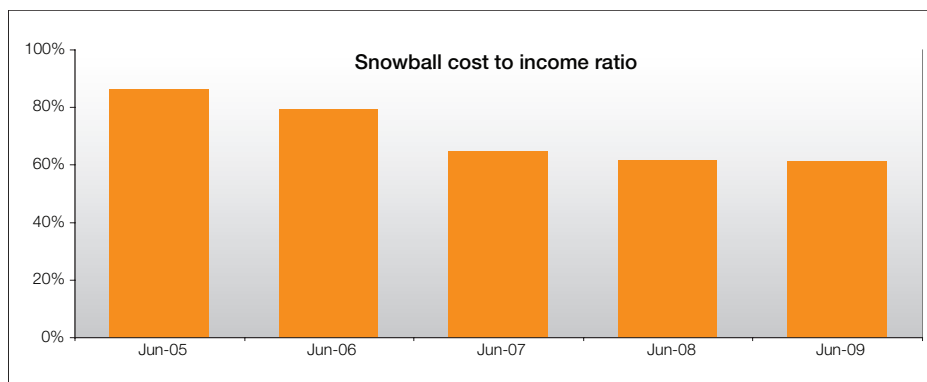
Snowball's funds under advice (FUA) did not suffer to the same extent as the fall in investment markets, due to the diversified nature of our recommended investment portfolios and acquired FUA. By way of illustration, at the end of June 2009 the All Ordinaries Index was 26% below its level at the end of the prior year, whereas Snowball's closing FUA at the end of the reporting period of \$4.05 billion was in line with levels at the end of June 2008. Further, we saw no material deterioration in client numbers, an important factor as markets and customer sentiment improves over time.

The following graphs track our progress over recent periods and highlight the resilience of your company against the market downturn.



# Managing Director's Report (continued)

## A measure of Snowball's efficiency

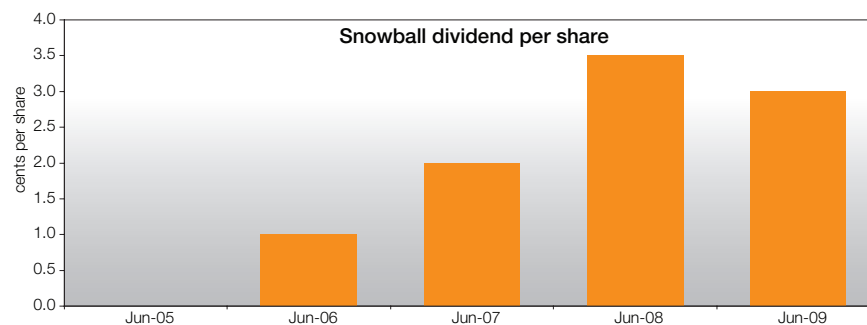


Snowball's cost to income ratio has improved by an average of 6% p.a. since June 2005

*Note: Jun 07 year based on pro-forma results (ie. assuming Outlook and WPPG were merged as at 1 July 2006)*

snowball  
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## A history of increasing returns to shareholders



Snowball's dividend per share has increased by an average of 54% p.a. since maiden dividend in June 2006

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# Managing Director's Report (continued)

## **The year ahead**

The operating environment taken into account for our FY10 planning includes the following factors:

- **Regulatory change**
  - Greater scrutiny of those selling financial products, particularly around conflicts that inappropriately skew advice towards certain product solutions;
  - The removal of various pricing models such as commissions;
  - Heightened demand for disclosure, with an emphasis on professional standards and the transparency of the offer and pricing; and
  - Pressure on fees and costs generally, particularly around superannuation.
- **Investment markets**
  - Significantly changed investment markets and the likelihood of return dispersion among the asset and sub-asset classes; and
  - Emphasis on risk management, capital protection and income products for retirees.
- **Consumer sentiment**
  - More emphasis on value for money and liquidity;
  - Less trusting, more wary consumers, with a greater emphasis on transparency and simplicity;
  - Wariness of an over-crowded, overly complex supply chain;
  - A leaning towards greater self-direction among some consumer segments (e.g. higher net worth consumers and Generations X and Y);
  - Continuing baby-boomer demand for retirement advice; and
  - Greater awareness of personal insurance as a wealth protection strategy.
- **Industry dynamics**
  - Increased competition from the banks and industry funds, with the resulting need to clearly differentiate our non-aligned, advice-centric offer;
  - Continued growth of self-managed super funds;
  - Greater segmentation of consumer offers (e.g. simple, limited advice for accumulators and more self directed offers for the higher net worth pre-retirees);
  - Industry consolidation and rationalisation;
  - Margin pressure, particularly at the portfolio management and administration end of the supply chain; and
  - Changing dynamics in relation to administration platforms, with concentration among platform suppliers (and the rise of industry funds as recognised, retail platforms) and the emergence of alternative technology "platforms" and portfolio administration services.

Our response to this operating environment in FY10 includes the following:

- Enhancing our internal fund of fund management and investment research capability, to deliver more effective investment solutions and reduce costs for our clients whilst maintaining our margins;
- Improving our traditional portfolio management and administration offerings, to deal with all aspects of mooted regulatory change;
- Evaluating and deploying new administration platform technologies, also to enhance the range of available investment options and reduce costs for our clients whilst maintaining our margins;
- Continuous improvement by rolling out incremental enhancements to the existing "core business", to further reduce our expense ratio; and
- Enhancing our internal insurance capability, to meet the growing demands of our clients whilst further growing and diversifying our revenue base.

# Managing Director's Report (continued)

During the course of FY10 we will also be looking at ways in which we can develop:

- Our branding strategy;
- Our long term funding requirements to support greater growth levels over time; and
- Increased liquidity of the company's share register.

We will also continue to pursue our proven acquisition strategy including highly selective opportunities to expand our accounting and self-managed superannuation capability in the major capital cities.

## **Fundamental changes and industry reform**

### *Reform is needed*

It's worth commenting this year on mooted regulatory reform. Reform of the wealth management industry is needed. The industry enjoys mandated growth via compulsory superannuation and consumers should participate in the resulting scale benefits. This hasn't necessarily been the case in some sectors of the industry. Further, the consumer must be able to readily identify who is doing what in the supply chain, which providers are getting paid for what, and what parts to turn off if they are not getting value. Obfuscation and confusion has been a feature in parts of the industry and there are instances where advice is inappropriately skewed towards certain products.

The regulators have recently noted the need for scale benefits to be passed on in the form of lower prices, particularly around compulsory super. They have also commented on the sometimes unhealthy connection between product suppliers, who often set the remuneration terms for financial planners, and the advice given to clients.

Non-aligned planner groups such as Snowball, with critical mass and the scale to drive through cost efficiencies, would like nothing better than to break the nexus and move to more sustainable arm's length arrangements with product suppliers. It's in everyone's interests to do so. Snowball has been working towards such a position for some time. Irrespective of the regulatory outcome, we will continue on this path.

Our key request to the regulators is that they assist us in the process by using a very sharp instrument to give effect to any reform, in light of the full extent of advice solutions. Reform should aim to foster a vibrant and sustainable industry for advice, coupled with a level playing field where consumers have access to the advice they need when they need it and the flexibility to choose the way in which they want to pay for that advice.

### *Reform and the nature of advice*

In our quest to constantly improve our services, and when formulating industry reform, it's vital to fully consider the full extent of advice, ranging from strategic advice to implementation around portfolio management and administration.

The best outcome for consumers starts with strategy and risk assessment, **not product**, and is also on-going.

Even in the case of limited advice, where a specific one-off financial issue needs to be addressed, advice should start with working out the appropriate strategy for that person in the context of that issue, with a mechanism for that advice to be updated or expanded over time. As for affordable limited advice pricing, it can be done with smart systems and technology solutions underpinning the provision of limited advice. Market forces and innovation can and will deliver limited advice models, forged from a level playing field.

# Managing Director's Report (continued)

Implementation is the second core, but least understood, component of true advice. Without being able to deliver the best way of achieving the appropriate strategy (which necessarily includes product recommendations), it just isn't complete advice. This is the part that gets lost in the debate over separation of advice from product. True, the consumer should be able to sever the strategic advice from the product. But at some point the financial planner needs to be able to recommend a product implementation strategy that goes hand-in-glove with the strategic advice, and which delivers scale benefits.

Implementation covers both "investment" and "administration". Best practice financial planners have to be involved in parts of the investment and administration solutions, if only to keep the product suppliers honest. They also need to put together and package the building blocks of the investment and administration solutions to suit their customers' needs. Very importantly, these solutions will be enhanced if there is the ability for the financial planner to oversee the performance of product suppliers and to hire and fire suppliers who provide designated parts of the solution.

Product suppliers, including the big super funds, have to understand that they need to manufacture products that fit into the initial strategic advice, and facilitates on-going advice, not the other way round. They also need to recognise that financial planners will implement via "packaged" product solutions for different client segments. Necessarily, the financial planners (or more particularly their dealer group) are taking on part of the responsibilities and costs associated with investments and administration and should be paid for it.

In short, it's not the category or type of advice fees and charges that are important in this overall mix. It's whether the customer can readily see who's who and the planner can hire and fire at the direction of a fully informed customer.

There is no doubt that reform can be made sharp enough to render the supply chain and its fees more transparent, including the juxtaposition of strategic advice, on-going advice, "investment" and "administration" functions appropriately delivered by the financial planner and "investment" and "administration" functions delegated to specialist product suppliers.

But if properly disclosed and identified, whether fees are asset-based or dollar-based is not the issue. The critical issue is whether the consumer (an individual or, in many cases, an employer with a default super fund) has knowledge and control over the fees and over the on/off button.

Pricing mechanisms that unduly skew advice towards certain product solutions need to go. And where participants are subsidising one part of the value chain via distorted charging in other links of the chain, then this too should be phased out. It hides the true cost to the consumer of advice, investment management or administration.

Consumers should be able to readily ascertain, and turn off, those parts they don't value, or where there is an unnecessary connection between the advice and product, simply walk away.

If all this is achieved, and it can be, even within the confines of the current regulatory framework, then heated debate and posturing around fees versus commissions and asset-based versus dollar-based fees go away, and consumer confidence can be gradually restored (with a little help by not tinkering with super for a while).

## *Reform and a vibrant industry*

In conclusion, Australia's retirement incomes policy is doomed in the absence of a strong advice industry. And for that reason alone, our industry is an attractive investment opportunity in its own right. It is supported by mandated superannuation flows, innate demand for advice, low capital requirements and intensity, as well as strong cash flows. It could, however, be better organised and structured. Snowball aims to be at the forefront of that re-organisation and the process has started at your company. We are not waiting for the regulator. We know ways and means by which we can capitalise on our non-alignment, existing critical mass and strong compliance culture, to produce better outcomes for our clients and shareholders alike.

# Managing Director's Report (continued)

The last word for this year's Annual Report is saved for our practitioners, staff and support crew. FY09 was a very tough year. Our staff hung tough. Their resilience and capacity to step up in the face of adversity is the single largest factor in making Snowball an attractive place in which to either invest or to seek advice on a diversified range of consumer financial needs. On behalf of the Board and management, we are purely and simply grateful to them all.



A B McDonald  
Managing Director  
Sydney  
25 September 2009

# Directors' Report

30 June 2009

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Snowball Group Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

## DIRECTORS

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

Q B Jones  
A B McDonald  
M N Campbell  
R Dhawan

J J Nunan was appointed a director on 24 November 2008.

D M Guy was a director from the beginning of the financial year until his resignation on 20 November 2008.

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of the provision of financial education and advice. In the prior year, the Group also provided accountancy services through its subsidiary Outlook Tax and Accounting Solutions Pty Ltd (OTAS) which was disposed of on 1 July 2008 by way of merger into Duncan Dovico Holdings Pty Ltd (DDH) (refer below for further detail of this transaction), in which the Group retains an interest.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group announced on 29 July 2008 a merger of its accounting arm, OTAS, with NSW-based accounting business Duncan Dovico Pty Ltd, effective 1 July 2008. The Group owns 31.8% of the merged entity, DDH, and the contribution to the Group's consolidated profit after income tax from DDH is similar to that provided by the Group's interest in OTAS as a stand-alone entity prior to the merger.

Adoption of different accounting treatment is required in respect of the Group's interest in the merged entity. Upon application of the terms of Australian Accounting Standards, the merger:

- Is deemed to be a disposal of OTAS from the Group (from which the Group realised a significant pre-tax profit of \$0.770m); and
- Requires the investment in the merged entity (ie. an 'associate') to be 'equity-accounted' (ie. consistent with the treatment of the Group's investment in QTCU Financial Planning Pty Ltd) as the terms of the agreement effectively give the Group the power to exert 'significant influence', but not 'control', over the merged entity. Thus, DDH does not form part of the Group and, as such, its revenue and expenses are not 'consolidated' into the financial statements of the Group.

# Directors' Report (continued)

30 June 2009

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

Accordingly, the impact of the application of Australian Accounting Standards on the consolidated financial statements of the Group is as follows:

- For the year ended 30 June 2009:
  - The consolidated balance sheet details the Group's investment in DDH (ie. share of assets and liabilities) in the single line item 'Investments accounted for using the equity method'.
  - The consolidated income statement details the results of the Group with its share of post acquisition profits from the investment in DDH 'equity-accounted' – that is, the Group's share of 'profit after income tax' from DDH is included in the single line item 'Share of net profits of associates accounted for using the equity method' in the consolidated income statement.
- For the year ended 30 June 2008:
  - The consolidated balance sheet details the Group with all of the individual assets and liabilities of OTAS included in each of the various classes of assets and liabilities.
  - The consolidated income statement details the results of the Group with revenue and expenses from OTAS accounted for on a consolidated basis – that is, OTAS generated revenue, expenses, interest, depreciation, amortisation and income tax expense are included in each of these separate line items in the consolidated income statement.

## DIVIDENDS – SNOWBALL GROUP LIMITED

Dividends paid to members during the financial year were as follows:

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Final ordinary dividend for the year ended 30 June 2008 of 2.5 cents (2007 – 2 cents) per fully paid share paid on 20 October 2008	<b>3,819</b>	2,976
Interim ordinary dividend for the year ended 30 June 2009 of 1 cent (2007 – 1 cent) per fully paid share paid on 30 April 2009	<b>1,529</b>	1,495
	<b>5,348</b>	4,471

In addition to the above dividends, since the end of the financial year the directors have resolved to pay a final fully franked ordinary dividend of 2 cents per share, to be paid on 30 October 2009. The record date for determining the entitlement to this dividend is 30 September 2009.

## REVIEW OF OPERATIONS

The revenue from continuing operations for the 2009 financial year is \$24.646m, a decrease of \$3.864m (14%) on the prior corresponding period.

EBITDA for the 2009 financial year is \$10.001m, a decrease of \$0.988m (9%) on the prior corresponding period.

The profit after income tax attributable to equity holders of the Company for the 2009 financial year is \$5.299m, a decrease of \$0.524m (9%) on the prior corresponding period.

# Directors' Report (continued)

30 June 2009

## REVIEW OF OPERATIONS (CONTINUED)

The above results include the favourable impact of a one-off after-tax profit on the disposal of OTAS of \$0.732m (\$0.770m pre-tax).

The results for the current period, and the commentary on those results in the above paragraphs, comprise 12 months of the Group with its share of profits from the investment in DDH 'equity-accounted' (in accordance with AASB128), with the comparatives for the corresponding prior period comprising 12 months of the Group with revenue and expenses from OTAS accounted for on a consolidated basis.

Given the differing accounting treatment required to record the Group's profit share from its 'Accountancy Services' segment following the merger of OTAS with Duncan Dovico, the directors are of the view that the provision of additional comparatives for the prior corresponding period (the 're-classified comparatives') will assist users of the Annual Report to better assess the performance of the combined group. The re-classified comparatives do not change the reported profit after income tax in respect of the comparative period.

### Re-classified comparatives

The re-classified comparatives for the 12 months to 30 June 2008 (as shown in column (5) below) have been calculated by taking the Consolidated Income Statement presented on page 55 of the Group's Annual Report for the year ended 30 June 2008 (as shown in column (1) below), and adjusting for:

- 'Equity-accounting' the Accountancy Services segment (ie. OTAS) result, as presented on page 16 of the Group's Annual Report for the year ended 30 June 2008 (as shown in column (2) below);
- 'Equity-accounting' the interest, tax, depreciation and amortisation associated with the Accountancy Services segment (as shown in column (3) below); and
- A change in accounting treatment presentation in respect of the amortisation of separately identifiable intangible assets associated with investments in associates (as shown in column (4) below);

as set out in the following table:

# Directors' Report (continued)

30 June 2009

## REVIEW OF OPERATIONS (CONTINUED)

	(1)	(2)	(3)	(4)	(5)
	12 mths to 30 Jun 08 \$'000	Accounting Services EBITDA 12 mths to 30 Jun 08 \$'000	Accounting Services ITDA <sup>(1)</sup> 12 mths to 30 Jun 08 \$'000	Change in accounting treatment presentation 12 mths to 30 Jun 08 \$'000	Re-classified comparatives 12 mths to 30 Jun 08 \$'000
Revenue from continuing operations	28,510	(2,710)	–	–	<b>25,800</b>
Total operating costs	(17,712)	2,143	–	–	<b>(15,569)</b>
Share of associates' profit	191	567	(222)	50	<b>586</b>
Operating EBITDA	10,989	–	(222)	50	<b>10,817</b>
Interest, Tax, Depr'n and Amort'n	(5,080)	–	222	(50)	<b>(4,908)</b>
Profit after income tax	5,909	–	–	–	<b>5,909</b>
Profit attributable to:					
Equity holders of Snowball Group Limited	5,823	–	–	–	<b>5,823</b>
Minority interest	86	–	–	–	<b>86</b>
Profit after income tax	5,909	–	–	–	<b>5,909</b>

<sup>(1)</sup> Interest, tax, depreciation and amortisation associated with the Accountancy Services segment.

# Directors' Report (continued)

30 June 2009

## REVIEW OF OPERATIONS (CONTINUED)

### Comparison of current period results to re-classified comparatives

The table below compares the Group's results for the current reporting period to the re-classified comparatives so as to facilitate an assessment of the combined group on a 'like for like' basis.

	12 mths to 30 Jun 09 \$'000	Re-classified comparatives 12 mths to 30 Jun 08 \$'000	% (Decrease)/ increase
Revenue from continuing operations	24,646	25,800	(4)%
Share of associates' profit	503	586	(14)%
Total operating costs	(15,918)	(15,569)	2%
Operating EBITDA	<b>9,231</b>	<b>10,817</b>	<b>(15)%</b>
Profit on disposal of OTAS	770	–	n/a
EBITDA	<b>10,001</b>	<b>10,817</b>	<b>(8)%</b>
Interest, Tax, Depr'n and Amort'n	(4,702)	(4,908)	(4)%
Profit after income tax	<b>5,299</b>	<b>5,909</b>	<b>(10)%</b>
Profit attributable to:			
Equity holders of Snowball Group Limited	5,299	5,823	(9)%
Minority interest	–	86	(100)%
Profit after income tax	<b>5,299</b>	<b>5,909</b>	<b>(10)%</b>
Basic earnings per share – cents <sup>(1)</sup>	3.47	3.90	(11)%
Earnings (excl. amortisation) per share – cents <sup>(1)</sup>	4.49	4.88	(8)%
EBITDA per share – cents	6.55	7.24	(10)%
Operating cost to income ratio <sup>(2)</sup>	63%	59%	
Cost to income ratio <sup>(3)</sup>	61%	59%	

<sup>(1)</sup> Calculations are based on profit attributable to equity holders of Snowball Group Limited.

<sup>(2)</sup> Calculated as 'total operating costs' divided by 'revenue from continuing operations' plus 'share of associates' profit'.

<sup>(3)</sup> Calculated as 'total operating costs' divided by 'revenue from continuing operations' plus 'share of associates' profit' plus 'profit on disposal of OTAS'.

# Directors' Report (continued)

30 June 2009

## REVIEW OF OPERATIONS (CONTINUED)

The commentary below provides an analysis of the results for the year ended 30 June 2009 compared to the re-classified comparatives for the year ended 30 June 2008, as set out in the table above.

### EBITDA

EBITDA has decreased by \$0.816m (8%) compared to the re-classified 2008 financial year.

Operating EBITDA (EBITDA excluding the impact of the pre-tax profit on the disposal of OTAS) has decreased by \$1.586m (15%) compared to the re-classified 2008 financial year. Operating EBITDA in the second half of the year (excluding the contribution from acquisitions made during this period) increased by 14%, compared to the first half.

The operating EBITDA result for the 2009 financial year reflects:

- The adverse impact on the Group's funds under advice (FUA), and consequently revenue, from the continued downturn in investment markets (refer below);

partly offset by:

- The benefit of judicious cost containment;
- Protection from the full effect of market declines due to the Group's diversified business (financial advice, insurance, corporate superannuation and accounting) and conservatively managed portfolios; and
- An EBITDA contribution from businesses acquired during the second half of the year (refer page 18 below for further detail of acquisitions made in the 2009 financial year).

### *Achievement of market guidance*

At the Company's AGM on 24 November 2008, guidance was provided that the Group expected to achieve EBITDA in 2009 that was at least 90% of the reported result in 2008.

The Group's EBITDA result for the 2009 financial year of \$10.001m is 91% of the reported result achieved in 2008 of \$10.989m, and 92% of the re-classified result in 2008 of \$10.817m, thus exceeding market guidance originally provided.

### *Impact of downturn in investment markets on FUA*

As a result of the downturn in investment markets that commenced in November 2007, the All Ordinaries index at the end of June 2009 was 26% below its level at the end of the prior year. However, the Group's FUA did not suffer to the same extent due to its diversified portfolios and contribution from acquisitions, and, at the end of the reporting period, was in line with levels at the end of June 2008. Further, whilst the All Ordinaries index for the current reporting period was, on average, 32% below levels experienced during the 2008 financial year, the Group's average FUA for the current period (excluding additional FUA from acquisitions) was only 18% lower than in the prior corresponding period.

### *Revenue from continuing operations*

As a large proportion of the Group's revenue remains directly linked to FUA, the impact of adverse market conditions on the Group's FUA has resulted in a decrease in FUA-based revenue. However, the additional contribution to revenue of \$2.781m from acquisitions, together with the benefit of continued strong performances from insurance and corporate super (which, combined, contribute around 25% of the Group's revenue), has helped cushion the effects of unfavourable markets. As a result, the Group's revenue from continuing operations has only fallen 4%, or \$1.154m, compared to the re-classified 2008 financial year. Excluding the contribution from acquisitions, the Group's revenue decreased by 15% year on year.

# Directors' Report (continued)

30 June 2009

## REVIEW OF OPERATIONS (CONTINUED)

### Share of associates' profit

Contribution to the Group result from investments in associates is \$0.503m, a decrease of \$0.083m (14%) compared to the re-classified 2008 financial year. This reflects:

- A reduced contribution from QTCU Financial Planning, reflecting the impact of the downturn in investment markets on average levels of FUA;

partly offset by:

- An increased contribution from the Group's Accountancy Services 'segment', primarily due to: (1) the contribution from a newly acquired accounting business (ie. Yarra Consulting Group) in the second half of the 2008 financial year; and (2) a continued focus on increasing the level of strategic and business advisory work provided to clients, in addition to the provision of standard compliance-related services.

### Operating costs

The Group responded to the deterioration in investment market conditions, and resulting unfavourable impact on revenue, by increasing cost control. Total operating costs for the period were \$15.918m, of which \$1.335m related to newly acquired businesses. Therefore:

- Total operating costs, including expenses relating to newly acquired businesses, increased by 2%, or \$0.349m; and
- Total operating costs, excluding expenses relating to newly acquired businesses, decreased by 6%, or \$0.986m.

The decrease in total operating costs, excluding expenses relating to acquisitions, reflects:

- Operating efficiencies, which have enabled the non-replacement of some vacated positions and other resulting cost savings;
- A reduction in the at-risk component of staff remuneration; and
- The impact of one-off expenditure incurred in the 2008 financial year, relating to the integration of the Outlook and WPFPG businesses.

On the back of increased efficiency and continued focus on expense reduction, operating costs for the second half of the year were 9% less than those in the first half. As a result, the Group's cost to income ratio reduced from 63% in the first half to 61% for the full year, notwithstanding average FUA in the second half being 6% below levels in the first six months.

The increase in the Group's cost to income ratio from 59% in the 2008 financial year is a direct result of the downturn in investment markets adversely impacting on levels of revenue. Given the Group's proven ability to leverage its scale and contain costs, it is well positioned to benefit from the resumption of favourable investment market conditions.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

### Dividends

Subsequent to the end of the financial year, the directors have resolved to pay a fully franked dividend of 2 cents per ordinary share. The record date for determining the entitlement to this dividend is 30 September 2009.

# Directors' Report (continued)

30 June 2009

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

Except for the matter discussed above, no other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

### *Recent acquisitions*

During the 2008 financial year, the Group completed a number of acquisitions in respect of financial planning, corporate superannuation and accountancy businesses. In the 2009 financial year, the Group has benefited from a contribution to performance by each of these businesses for the full period (except Yarra Financial Planning, which has contributed since 1 August 2008).

During the 2009 financial year, the Group completed the following acquisitions:

- Effective 1 February 2009, acquisition of the business assets of a financial planning business, Money Mentors (QLD) Pty Ltd;
- Effective 1 March 2009, acquisition of the corporate superannuation business of Hood Sweeney Securities Pty Ltd; and
- Effective 1 March 2009, acquisition of the corporate superannuation business of Thornton Group (SA) Pty Ltd.

The abovementioned acquisitions have performed in line with expectations, with expense savings partly reducing the adverse impact of investment markets.

In addition, through:

- The merger of the OTAS and Duncan Dovico businesses into a single merged entity, Duncan Dovico Holdings Pty Ltd (effective 1 July 2008); and
- The joint venture between Outlook Financial Solutions and Big Sky Credit Union, called Big Sky Financial Solutions (effective 1 October 2008),

further revenue-generating opportunities (both financial planning and accounting) are expected to be created, as the Group extends provision of its integrated financial service offering to a wider range of customers.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe that it would be likely to result in unreasonable prejudice to the Group.

## ENVIRONMENTAL REGULATION

The Group is not subject to significant environmental regulation.

# Directors' Report (continued)

30 June 2009

## INFORMATION ON DIRECTORS

**Quentin B Jones BA LLB.** *Chairman – Non-Executive Director. Age 41.*

Mr Jones has been in office as a non-executive director since December 2001 and Chairman since October 2007.

### Experience and expertise

Mr Jones has been working in the Australian private equity and venture capital industry since 1994, when he joined the private equity investment division of AIDC Limited. Prior to that he worked as a lawyer in the insolvency and corporate divisions of Deacons.

He is a Partner of Equity Partners, a private equity investment manager. In addition to Snowball Group Limited, Mr Jones represents Equity Partners as a director on the boards of a number of other companies in which Equity Partners has an interest. Mr Jones served as a director on the Board of the Australian Private Equity & Venture Capital Association (AVCAL) from 2002 to 2007, including as its Chairman in 2006.

### Current directorships of other listed companies

None.

### Former directorships of other listed companies in the last 3 years

None.

### Special responsibilities

Chairman of the Remuneration Committee.

Member of the Audit Committee.

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

Mr Jones is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 ordinary shares in the Company. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Jones is also a director of Equity Partners Management Pty Limited (EPM), the registered holder of 30,488 ordinary shares in the Company and, as at the date of this report, entities associated with him own 50% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in the Company held by EP2.

# Directors' Report (continued)

30 June 2009

## INFORMATION ON DIRECTORS (CONTINUED)

**Anthony B McDonald BComm LLB.** *Managing Director. Age 50.*

Mr McDonald has been in office as an executive director since December 2001.

### Experience and expertise

Mr McDonald started his career as a commercial lawyer, working with two of the major international law firms in Australia, London and New York.

Mr McDonald joined the financial services industry as General Manager for Pacific Mutual Australia Limited in 1989. During this period he was also a director of the Investment Funds Association and the Chairman of its Electronic Commerce Sub-Committee.

In 1996, he joined Jardine Fleming Holdings Limited in Hong Kong and returned to Australia in 1999 as a director of Spencer Stuart, the global executive search firm.

Mr McDonald joined the Company in 2000 as Managing Director.

### Current directorships of other listed companies

None.

### Former directorships of other listed companies in the last 3 years

None.

### Special responsibilities

Managing Director.

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

2,043,872 ordinary shares in the Company.

1,500,000 options in the Company.

# Directors' Report (continued)

30 June 2009

## INFORMATION ON DIRECTORS (CONTINUED)

**Maxwell N Campbell CPA FPS.** *Executive Director. Age 63.*

Mr Campbell has been in office as an executive director since December 2001.

### Experience and expertise

Mr Campbell is a senior financial planner and Proper Authority holder with the Group's wholly owned subsidiary, Outlook Financial Solutions Pty Ltd. He has over 30 years' experience in the financial services industry.

Mr Campbell commenced his career as an accountant with Esso and Containers Limited. He started his own public accounting practice in 1977 and joined the financial planning industry in 1989. Mr Campbell is one of the founding partners of both the financial planning and accountancy businesses which are the foundation of the Group.

### Current directorships of other listed companies

None.

### Former directorships of other listed companies in the last 3 years

None.

### Special responsibilities

None.

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

2,239,083 ordinary shares in the Company.

# Directors' Report (continued)

30 June 2009

## INFORMATION ON DIRECTORS (CONTINUED)

**Rajeev Dhawan BComm CA MBA.** *Non-Executive Director. Age 43.*

Mr Dhawan has been in office as a non-executive director since June 2006.

### Experience and expertise

Mr Dhawan is a Partner of Equity Partners.

Mr Dhawan has 16 years' venture capital and private equity experience. Prior to joining Equity Partners in 2005, he worked at Hambro-Grantham Management/CFSPE from 1993, where he focused on mid size expansion capital and buyouts.

Prior to the private equity industry, Mr Dhawan was a Manager in the Financial Consulting Practice of Arthur Andersen.

### Current directorships of other listed companies

FlexiGroup Limited (since November 2005) – non-executive director.

Traffic Technologies (since January 2009) – non-executive director.

### Former directorships of other listed companies in the last 3 years

Alternate director of Portland Orthopaedics Limited from May 2006 to December 2008.

### Special responsibilities

Member of the Remuneration Committee.

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

Mr Dhawan is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 ordinary shares in the Company. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan is also a director of Equity Partners Management Pty Limited (EPM), the registered holder of 30,488 ordinary shares in the Company and, as at the date of this report, entities associated with him own 50% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in the Company held by EP2.

# Directors' Report (continued)

30 June 2009

## INFORMATION ON DIRECTORS (CONTINUED)

**John J Nunan LLB (Hons) B.Comm** *Non-Executive Director. Age 37.*

Mr Nunan has been in office as a non-executive director since November 2008.

### Experience and expertise

Mr Nunan is the Chief Executive Officer and a director of Officium Group Pty Ltd (formerly Western Pacific Group Holdings Pty Ltd) and Managing Director of Officium Capital Ltd (a wholly-owned subsidiary of Officium Group Pty Ltd engaged in funds management). Mr Nunan has worked in the financial sector since 1997, primarily in structured finance and funds management. Mr Nunan completed his Commerce Degree in 1994 and his Bachelor of Laws degree in 1996.

### Current directorships of other listed companies

None.

### Former directorships of other listed companies in the last 3 years

None.

### Special responsibilities

Chairman of the Audit Committee.  
Member of the Remuneration Committee.

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

Mr Nunan is the Chief Executive Officer and director of Officium Group Pty Ltd, and entities associated with him beneficially own 4.71% of that company's shares at the date of this report. Officium Group Pty Ltd and its wholly owned subsidiaries hold 94,577,384 ordinary shares in the Company.

# Directors' Report (continued)

30 June 2009

## COMPANY SECRETARY

The Company Secretary and Chief Operating Officer is Mr Carl F Scarcella BComm FCPA, who commenced employment with the Company in 2000.

Mr Scarcella has been in office as company secretary since December 2001.

Mr Scarcella commenced his career in chartered accounting. In 1987, he joined Advance Asset Management Limited where he held senior finance and operations roles. Following the acquisition of Advance by St George Bank, Mr Scarcella was responsible for strategic planning as well as mergers and acquisitions for the funds management division, and in 1999 he was appointed a Director of Advance, a position he resigned from in 2000. During this time, Mr Scarcella served on a number of sub-committees for the Investment Funds Association.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2009, and the number of meetings attended by each director, were:

Director	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Q B Jones	11	11	3	3	5	5
A B McDonald	10	11	-	-	-	-
M N Campbell	10	11	-	-	-	-
R Dhawan	10	11	-	-	4	5
J J Nunan	8	8	1	1	1	1
D M Guy	2	3	2	2	4	4

## REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### A Principles used to determine the nature and amount of remuneration

The Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for the Managing Director and the Chief Operating Officer, having regard to their performance, relevant comparative information, and if appropriate, independent expert advice.

As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits. The Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the Chief Operating Officer. These objectives are consistent with the Group's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and the Chief Operating Officer against the predetermined quantitative and qualitative objectives.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees, as a part of their individual package, or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

### B Details of remuneration

#### Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out in the following tables.

#### Directors

The remuneration of directors disclosed is in respect of directors of Snowball Group Limited, the parent entity of the Group.

#### Other Key Management Personnel

The remuneration of other key management personnel disclosed is in respect of those persons who had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and include:

Name	Position
C Scarcella	Chief Operating Officer
S Quirk	Group Executive – Business Services
N Collett	Group Executive – Sales
E Roles *	Group Executive – Customer Solutions

\* E Roles commenced employment on 1 July 2008.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### B Details of remuneration (continued)

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated Group executives:

Name	Position
D Raits	Senior Financial Planner
L Rodda	Senior Financial Planner

Key management personnel of the Group

2009	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment	Total
	Cash salary	Bonus	Director fees	Super-annuation	Termination	Long service leave	Options/Share Grant	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
Q Jones	-	-	60,000	-	-	-	-	60,000
R Dhawan	-	-	30,000	-	-	-	-	30,000
J Nunan (from 24/11/08)	-	-	18,077	-	-	-	-	18,077
D Guy (to 20/11/08)	-	-	11,583	-	-	-	-	11,583
<b>Sub-total non-executive directors</b>	<b>-</b>	<b>-</b>	<b>119,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,660</b>
<b>Executive directors</b>								
A McDonald	320,092	67,000	-	13,745	-	8,962	50,309	460,108
M Campbell	196,217	91,771	-	13,745	-	4,718	-	306,451
<b>Other key management personnel</b>								
C Scarcella	255,673	54,000	-	13,745	-	5,932	50,309	379,659
S Quirk	236,178	57,000	-	13,745	-	-	14,702	321,625
N Collett	186,217	33,333	-	13,745	-	-	14,702	247,997
E Roles *	185,539	25,000	-	13,745	-	-	-	224,284
D Raits	196,217	55,320	-	13,745	-	5,609	500	271,391
L Rodda	196,140	10,191	-	13,745	-	9,377	500	229,953
<b>Totals</b>	<b>1,772,273</b>	<b>393,615</b>	<b>119,660</b>	<b>109,960</b>	<b>-</b>	<b>34,598</b>	<b>131,022</b>	<b>2,561,128</b>

\* E Roles commenced employment on 1 July 2008.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### B Details of remuneration (continued)

Key management personnel of the Group

2008	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payment	Total
	Cash salary \$	Bonus \$	Director fees \$	Super-annuation \$	Termination \$	Long service leave \$	Options/Share Grant \$	
<b>Non-executive directors</b>								
Q Jones	-	-	50,000	-	-	-	-	50,000
R Dhawan	-	-	30,000	-	-	-	-	30,000
D Guy	-	-	30,000	-	-	-	-	30,000
A Brown (to 9/10/07)	-	-	15,000	-	-	-	-	15,000
<b>Sub-total non-executive directors</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,000</b>
<b>Executive directors</b>								
A McDonald	294,093	206,611	-	13,129	-	5,923	107,957	627,713
M Campbell	186,130	118,784	-	13,129	-	5,961	-	324,004
<b>Other key management personnel</b>								
C Scarcella	243,050	188,628	-	13,129	-	4,852	107,957	557,616
S Quirk	216,871	81,000	-	13,129	-	-	33,002	344,002
N Collett	176,871	42,222	-	13,129	-	-	33,002	265,224
D Raits	186,130	69,789	-	13,129	-	7,858	-	276,906
L Rodda	166,871	36,009	-	13,129	-	2,765	-	218,774
<b>Totals</b>	<b>1,470,016</b>	<b>743,043</b>	<b>125,000</b>	<b>91,903</b>	<b>-</b>	<b>27,359</b>	<b>281,918</b>	<b>2,739,239</b>

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2009	2008	2009	2008	2009	2008
<b>Executive directors of Snowball Group Limited</b>						
A McDonald	74%	50%	15%	33%	11%	17%
M Campbell	70%	63%	30%	37%	-	-
<b>Other key management personnel of the Group</b>						
C Scarcella	73%	46%	14%	34%	13%	20%
S Quirk	78%	67%	18%	23%	4%	10%
N Collett	81%	72%	13%	16%	6%	12%
E Roles	89%	-	11%	-	-	-
D Raits	80%	74%	20%	26%	-	-
L Rodda	95%	83%	5%	17%	-	-

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### C Service agreements

Remuneration and other terms of employment for the two executive directors and each of the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits, and participation, when eligible, in the Snowball Group Limited Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

#### A McDonald, Managing Director

- Commenced 29 May 2000 for an indefinite term under current employment conditions.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$335,000, to be reviewed annually by the remuneration committee.

#### M Campbell, Executive Director

- Employment contract commenced 1 July 1983 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$210,000, to be reviewed annually by the Group Executive – Sales.

#### C Scarcella, Chief Operating Officer

- Commenced 6 November 2000 for an indefinite term under current employment conditions.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$270,000, to be reviewed annually by the remuneration committee.

#### S Quirk, Group Executive – Business Services

- Employment contract commenced 7 May 2007 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$250,000, to be reviewed annually by the Managing Director and Chief Operating Officer.

#### N Collett, Group Executive – Sales

- Employment contract commenced 10 April 2006 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$200,000, to be reviewed annually by the Managing Director and Chief Operating Officer.

#### E Roles, Group Executive – Customer Solutions

- Employment contract commenced 1 July 2008 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$200,000, to be reviewed annually by the Managing Director and Chief Operating Officer.

#### D Raits, Senior Financial Planner

- Employment contract commenced 21 June 1993 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$210,000, to be reviewed annually by the Group Executive – Sales.

#### L Rodda, Senior Financial Planner

- Employment contract commenced 1 November 1994 and has an indefinite term.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$210,000, to be reviewed annually by the Group Executive – Sales.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### *D Share-based compensation*

#### Options

The establishment of the Snowball Group Limited Employee Option Plan was approved by shareholders at a general meeting of shareholders on 21 December 2001.

On 2 July 2004, 3,500,000 options were issued to 21 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. The options were divided equally among three tranches, and on the vesting date for each tranche, those options vested if the listed price was greater than the target price. Partial vesting of the options occurred if, on the vesting date, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.20, and the options expire five years after the vesting date for each of the tranches. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 219,927 fully vested.

On 26 October 2005, 3,600,000 options were issued to 20 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. There were two vesting periods – the early vesting window and the normal vesting window. The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.40, and the options expire five years after the vesting date. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 1,445,000 fully vested.

On 7 February 2007, a total of 3,000,000 options were issued to Tony McDonald and Carl Scarcella, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 3,000,000 with 1,200,000 fully vested.

On 27 March 2007, a total of 1,000,000 options were issued to Simon Quirk and Nick Collett, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 1,000,000 with 400,000 fully vested.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### D Share-based compensation (continued)

#### Options (continued)

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested and exercisable	Expiry Date	Exercise Price	Value per option at grant date
2 July 2004	Tranche 1: 31 December 2004 Tranche 2: 30 June 2005 Tranche 3: 30 June 2007	Tranche 1: 31 December 2009 Tranche 2: 30 June 2010 Tranche 3: 30 June 2011	\$0.20	Tranche 1: Executive: \$0.022; Non-Executive: \$0.020 Tranche 2: Executive: \$0.020; Non-Executive: \$0.019 Tranche 3: Executive: \$0.037; Non-Executive: \$0.035
26 October 2005	14 April 2007	14 April 2012	\$0.40	Executive \$0.069; Non-Executive: \$0.065
7 February 2007	Tranche 1: 31 December 2007 Tranche 2: 31 December 2008 Tranche 3: 31 December 2009 Tranche 4: 31 December 2010 Tranche 5: 31 December 2011	Tranche 1: 31 December 2011 Tranche 2: 31 December 2012 Tranche 3: 31 December 2012 Tranche 4: 31 December 2013 Tranche 5: 31 December 2013	Tranche 1: \$0.69 Tranche 2: \$0.79 Tranche 3: \$0.91 Tranche 4: \$1.05 Tranche 5: \$1.21	Tranche 1: \$0.243 Tranche 2: \$0.227 Tranche 3: \$0.198 Tranche 4: \$0.173 Tranche 5: \$0.136
27 March 2007	Tranche 1: 31 December 2007 Tranche 2: 31 December 2008 Tranche 3: 31 December 2009 Tranche 4: 31 December 2010 Tranche 5: 31 December 2011	Tranche 1: 31 December 2011 Tranche 2: 31 December 2012 Tranche 3: 31 December 2012 Tranche 4: 31 December 2013 Tranche 5: 31 December 2013	Tranche 1: \$0.83 Tranche 2: \$0.93 Tranche 3: \$1.04 Tranche 4: \$1.16 Tranche 5: \$1.30	Tranche 1: \$0.202 Tranche 2: \$0.189 Tranche 3: \$0.162 Tranche 4: \$0.143 Tranche 5: \$0.122

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### D Share-based compensation (continued)

#### Options (continued)

Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the other key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of the Company. Further information on the options is set out in Note 42 to the Financial Statements.

	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
<b>Executive directors of Snowball Group Limited</b>				
A McDonald	-	-	300,000	300,000
M Campbell	-	-	-	-
<b>Other key management personnel of the Group</b>				
C Scarcella	-	-	300,000	300,000
S Quirk	-	-	100,000	100,000
N Collett	-	-	100,000	100,000
E Roles	-	-	-	-
D Raits	-	-	-	-
L Rodda	-	-	-	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### D Share-based compensation (continued)

#### Options (continued)

No options were granted during the year ended 30 June 2009 or the year ended 30 June 2008.

#### Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of the Company and other key management personnel of the Group are set out below.

There were no options exercised by directors or other key management personnel during the year ended 30 June 2009.

	Date of exercise of options	Amount paid per share on exercise of options	Number of ordinary shares issued on exercise of options during year	
			2009	2008
<b>Executive directors of Snowball Group Limited</b>				
A McDonald	n/a	\$0.20	–	545,160
A McDonald	n/a	\$0.40	–	625,000
M Campbell	n/a	\$0.20	–	75,860
M Campbell	n/a	\$0.40	–	475,000
<b>Other key management personnel of the Group</b>				
C Scarcella	n/a	\$0.20	–	540,540
C Scarcella	n/a	\$0.40	–	625,000
D Raits	n/a	\$0.20	–	365,000
L Rodda	n/a	\$0.20	–	369,600

No amounts are unpaid on any shares issued on the exercise of options.

#### Employee incentive plan

An employee incentive plan under which shares may be issued by the company to employees for no cash consideration was approved by directors at a meeting held on 17 December 2008. All Australian resident full-time and permanent part-time employees (excluding executive directors, the company secretary, and members of the Group Executive Committee) who were employed by the Company or any of its related bodies corporate as at 18 December 2008 were eligible to participate in the plan. Employees may elect not to participate in the plan.

Under the rules of the plan, eligible employees may be granted fully paid ordinary shares in the Company annually for no cash consideration. On 31 March 2009, the Company issued shares to the value of \$500 to eligible employees. David Raits and Lynne Rodda were eligible to participate under the plan and were issued with shares worth \$500 based on the prevailing market price on 31 March 2009 of \$0.40.

The directors of the Company, the company secretary and members of the Group Executive Committee are not eligible to participate in the company's employee incentive plan.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### E Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the objectives of the Group over the short to longer term. Accordingly, all senior executives have an at-risk component of their remuneration which is subject to that person achieving pre-determined performance conditions set in consideration of the objectives of the Group as a whole. In addition, some senior executives participate in a longer term incentive scheme in the form of equity based compensation, which has historically consisted of options. The options have vesting conditions which are tied to increases in the share price of the Company and / or continuity of employment.

### Details of remuneration: cash bonuses and options

For each bonus and grant of options included in the tables on pages 27 and 28, 31 and 32, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, the percentage that was forfeited because the person did not meet the services and performance criteria, and the amount that is payable in future years, is set out below. The options vest when the vesting conditions are satisfied (see page 30). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has assumed that the target price is met for those options and/or the continuity of employment (see page 31).

Name	Cash Bonus		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Min. total value of grant yet to vest \$	Max. total value of grant yet to vest \$
A McDonald	100%	–	2007	40%	–	2009 to 2012	Nil	38,905
M Campbell	100%	–	–	–	–	–	–	–
C Scarcella	100%	–	2007	40%	–	2009 to 2012	Nil	38,905
S Quirk	100%	–	2007	40%	–	2009 to 2012	Nil	11,422
N Collett	100%	–	2007	40%	–	2009 to 2012	Nil	11,422
E Roles	100%	–	–	–	–	–	–	–
D Raits	100%	–	–	–	–	–	–	–
L Rodda	100%	–	–	–	–	–	–	–

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### E Additional information (continued)

Details of remuneration: cash bonuses and options (continued)

Further details relating to options are set out below:

	A	B	C	D	E
	Remuneration consisting of options	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total of columns B-D
Name	%	\$	\$	\$	\$
A McDonald	10.93%	-	-	-	-
M Campbell	-	-	-	-	-
C Scarcella	13.25%	-	-	-	-
S Quirk	4.57%	-	-	-	-
N Collett	5.93%	-	-	-	-
E Roles	-	-	-	-	-
D Raits	-	-	-	-	-
L Rodda	-	-	-	-	-

A = The percentage of the value of remuneration consisting of options, based on the value at grant.

B = The value at grant date, calculated in accordance with AASB 2 Share-based Payment, of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

# Directors' Report (continued)

30 June 2009

## REMUNERATION REPORT (CONTINUED)

### *E Additional information (continued)*

#### Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

<b>Date options granted</b>	<b>Expiry Date</b>	<b>Exercise price of options</b>	<b>Number under option</b>
2 July 2004	Tranche 1: 31 December 2009	\$0.20	50,000
	Tranche 2: 30 June 2010	\$0.20	32,167
	Tranche 3: 30 June 2011	\$0.20	137,760
26 October 2005	14 April 2012	\$0.40	1,445,000
7 February 2007	Tranche 1: 31 December 2011	\$0.69	600,000
	Tranche 2: 31 December 2012	\$0.79	600,000
	Tranche 3: 31 December 2012	\$0.91	600,000
	Tranche 4: 31 December 2013	\$1.05	600,000
	Tranche 5: 31 December 2013	\$1.21	600,000
27 March 2007	Tranche 1: 31 December 2011	\$0.83	200,000
	Tranche 2: 31 December 2012	\$0.93	200,000
	Tranche 3: 31 December 2012	\$1.04	200,000
	Tranche 4: 31 December 2013	\$1.16	200,000
	Tranche 5: 31 December 2013	\$1.30	200,000
			5,664,927

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

#### Shares issued on the exercise of options

There were no options exercised during the year ended 30 June 2009.

## INSURANCE OF OFFICERS

During the financial year, the Group paid a premium to insure the directors, the secretary and executive officers of the Company and its Australian-based controlled entities. In accordance with normal commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

# Directors' Report (continued)

30 June 2009

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2009	2008
	\$	\$
<b>Non-audit services</b>		
PricewaterhouseCoopers Australian firm		
Accounting advice	–	70,000
<b>Total remuneration for non-audit services</b>	<b>–</b>	<b>70,000</b>
<b>Taxation services</b>		
PricewaterhouseCoopers Australian firm		
Tax consolidation advice	–	7,000
Other taxation advice	55,850	20,800
<b>Total remuneration for taxation services</b>	<b>55,850</b>	<b>27,800</b>
<b>Total remuneration for non-audit services</b>	<b>55,850</b>	<b>97,800</b>

# Directors' Report (continued)

30 June 2009

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

## ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Q B Jones  
Chairman  
Sydney  
25 September 2009

# Auditor's Independence Declaration



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331  
MELBOURNE VIC 3001  
DX 77  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999  
Website: www.pwc.com/au

## Auditor's Independence Declaration

As lead auditor for the audit of Snowball Group Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Snowball Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
25 September 2009

# Corporate Governance Statement

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these objectives in the best interests of the Group as a whole. The focus of the Board of Directors (referred to hereafter as the Board) is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Company is committed to maintaining high standards of corporate governance appropriate to the size and operations of the Company and the Company complies with all Australian Stock Exchange ("ASX") Corporate Governance Council Best Practice Recommendations ('ASX Recommendations'), unless otherwise stated. This statement incorporates the required recommendations of the ASX Corporate Governance Council issued in August 2007. All corporate governance documents noted in this Statement are available on the Company's website [www.sno.com.au](http://www.sno.com.au).

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the Managing Director and the senior management team.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals and responsibilities for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Remuneration Committee.

Whilst there is ongoing interaction between the Board and Management, the Board functions independently of management to establish the policy framework of the Company from which management works to perform the daily functions of the business.

### *The Board's Responsibilities*

The Board formalised its roles, responsibilities and general operations through the adoption of a formal Board Charter. The primary responsibilities of the Board are outlined in the Board Charter and include:

- Setting the criteria for Board membership and reviewing the composition of the Board;
- Establishing the long term goals of the Group, and working with management to develop strategic and business plans to achieve those goals;
- Monitoring implementation of the Group's strategic and business plans and its financial performance;
- Appointing, and assessing the performance of, the Managing Director and the Chief Operating Officer, ensuring a clear relationship between performance and executive remuneration;
- Ensuring there is an effective internal control environment and appropriate monitoring activities in place to identify and manage any significant risks facing the Group;
- Approving major corporate initiatives;
- Approving the Group's annual and half-year financial reports;
- Enhancing and protecting the reputation of the organisation;
- Reporting to shareholders and the market; and
- Conducting an annual review of the Board Charter.

The Charter also includes details of:

- Its performance review process;
- The procedure for directors to seek independent professional advice at the Company's expense; and
- The responsibilities of the Chair, Managing Director and Company Secretary.

# Corporate Governance Statement (continued)

## *Board Meetings*

The Board holds at least ten formal meetings a year. Additional meetings are held as required. A meeting is held in July each year to review and approve the strategy and financial plan for the next financial year. The Board also meets with Executive Management to consider matters of strategic importance to the Group.

## *Management's Responsibilities*

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial position and operational results. Clear lines of communication between the Chair and the Managing Director are established and the Managing Director consults with the Chair, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The role of the senior management team is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

## *Performance of Key Executives*

Principles used to determine the nature and amount of remuneration and the relationship between remuneration and company performance are outlined on page 34 of the Remuneration report.

The performance of the Company's most senior executives has been assessed this year in accordance with the process adopted by the Board.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### *The Board*

The Board's aim is to ensure the Company has an appropriate mix of executive and non-executive directors with relevant expertise and experience to enable the Board to perform its duties with an effective understanding of the business and the operating environment. Currently the Board comprises two executive directors, one of which is the Managing Director, and three non-executive directors, one of which is the Chair.

The three non-executive directors of the Board (Mr Quentin Jones, Mr Rajeev Dhawan and Mr John Nunan) are directly associated with substantial shareholders in the Company. Thus the Board does not comply with ASX Recommendation 2.1. Furthermore, the Chair does not satisfy the test of independence. The substantial shareholders that the non-executive directors are associated with represent the largest shareholders in the Company and it is therefore appropriate that these Directors are members of the Board. However, the Company has commenced a targeted search process, with a view to appointing at least one independent non-executive director.

Whilst the composition of the Board does not have any independent directors, the Board believes that its composition has been appropriate to enable it to discharge its duties in the best interests of shareholders and the Company, particularly given the expertise, skills and experience that the non-executive directors bring to the Board. The skills, experience and expertise of each member of the Board is set out in the Directors' Report as is the period in office of each of the directors as at the date of this report.

It is the Board's policy to consider the appointment and retirement of non-executive directors on a case by case basis. In doing so, the Board will take into account the requirements of the ASX Listing Rules and the *Corporations Act 2001*.

# Corporate Governance Statement (continued)

Currently all directors other than the Managing Director are required to be re-elected by shareholders at least every three years and at least one-third of such directors must retire at each annual general meeting. Due to the requirement for shareholder re-election, directors are not appointed for a fixed term.

## *Board Meetings*

Each director must declare any potential conflict of interest in relation to any matter for Board consideration, and must not participate in discussions or resolutions pertaining to any matter in which that director has a material personal interest.

## *Nomination Committee*

There was no Nomination Committee at year end. The Board Members decided that due to the size and composition of the Board, no efficiencies would be achieved by establishing a separate Nomination Committee. The whole Board carries out the functions which would otherwise be undertaken by the Nomination Committee.

## *Access to Information*

Directors are encouraged to access members of senior management at any time to request relevant information in their role as Director.

In fulfilling their duties, each director and each committee of the Board may obtain independent professional advice at the Group's expense on matters relating to their role as director, subject to prior written approval of the Chair of the Company.

## *Board Performance review*

The Board undertakes a formal performance assessment review at least biennially. The assessment encompasses the Board, Board Committees and individual Board members. A performance assessment review of the Board, its committees and individual directors took place during the 2008 financial year and was in accordance with the prescribed process.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

### *Integrity and Accountability*

During the year the Company had a Code of Conduct in place which set out principles and practices to promote integrity and accountability and documented the underlying values of the Group which apply to all its business dealings. In addition, the Company has adopted a set of core values which serves as a constant reference point for assessing the way in which individuals and the Company operate.

Due to its close knit and compliance-focused culture, the Company has also been able to promote integrity in its dealings and accountability of individuals for reporting unethical practices through the ability of its Board, the Managing Director and the senior management team to oversee the Company's operations. The Company has an ongoing commitment to promoting its Code of Conduct by:

- Providing ongoing guidance on the Company's principles and practices;
- Outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;
- Confirming the Board and Senior Executive's commitment to the Code; and
- Providing assistance to employees to understand and comply with the Code.

# Corporate Governance Statement (continued)

The Code applies to all employees, directors and officers of the Company and its subsidiary companies and references other Group policies and procedures to provide further guidance where necessary.

## *Ethical Standards*

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The Company's ethical standards and expected ethical behaviour are discussed in the Code of Conduct, and cover the following general areas:

- Compliance with and respect of applicable laws;
- Respectful treatment of others;
- Honesty, fairness and integrity in dealings with others;
- Confidentiality of information;
- Responsible use of the Group's property;
- Personal accountability for actions and their consequences;
- Conflicts of interest; and
- Gifts and benefits.

## *Trading in Company Securities*

Under the Company's share trading policy, directors, officers and employees may trade in the Company's securities during the following periods:

- 6 weeks after the announcement of half-year and annual profit results;
- 6 weeks after the Annual General Meeting; or
- Any other period declared by the Board, or in exceptional circumstances, the Chair.

Further, all directors and employees must satisfy themselves that they are not in possession of any price sensitive information, which is not generally available to the public prior to trading in securities and the Company regulates trading by directors and employees through the abovementioned trading windows.

Compliance with these policies is reviewed through the Quarterly Management Compliance Questionnaire and any significant issues are reported to the Board.

Specific procedural steps required prior to trading are set for directors, the Managing Director and Chief Operating Officer, Executive Managers (or equivalent) and all other employees which reflect their differing roles and potential exposure to inside information.

For example, directors must consult the Chair (who confers with all Board members) prior to trading and must not trade unless in a specific trading window and until approval has been given.

This system also provides for a yearly review and audit procedure to ensure that:

- The system is compliant with existing legal obligations;
- Key staff have complied with obligations under the system; and
- The system is meeting its purpose and is appropriate to the circumstances of the Company.

# Corporate Governance Statement (continued)

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### *Financial Reports*

The Group Executive – Business Services and Executive Manager – Finance ensure that the Company's financial reports are prepared in accordance with relevant accounting standards and that monthly financial reports are distributed to the Board. The annual and half yearly financial reports, and any other financial reports for release to the market, are presented for review by the Audit Committee prior to their adoption by the Board.

All annual and half-yearly financial reports presented to the Board have been reviewed by the Managing Director and Chief Operating Officer who confirm in writing to the Board that the relevant report represents a true and fair view of the Company's financial position in all material respects and is in order for adoption by the Board.

### *Audit Committee*

The Audit Committee, established in February 2002, currently consists of the following directors of the Company:

- Mr John Nunan (Non-Executive Director)
- Mr Quentin Jones (Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 19 to 24 of the Directors' Report. Mr John Nunan was Chair of the Audit Committee from December 2008.

At 30 June 2009, the composition of the Audit Committee did not comply with ASX Recommendation 4.2 in that there were no independent directors and that there were only two members.

Although there was not strict compliance with ASX Recommendation 4.2 as noted previously under Principle 2, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Audit Committee had the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board and will be reviewed when the Board composition changes.

The roles, responsibilities and general operations of the Audit Committee were formalised through the adoption of an Audit Committee Charter in September 2006. The main responsibilities of the Audit Committee include:

- Review and report to the Board on the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- Consider the appropriateness of the Group's accounting policies and principles and any changes and methods of application;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment and oversee the operation of the risk management system;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Referring matters of significant concern to the board; and
- Conducting a regular review of the Committee Charter.

# Corporate Governance Statement (continued)

The Charter also includes details of:

- Committee composition;
- Meetings;
- Role and objectives; and
- Reporting to the Board.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year, or more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Committee also receives technical input and experience from the Chief Operating Officer, Group Executive – Business Services, and Executive Manager – Finance, who attend all meetings by invitation.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### *Continuous Disclosure*

As a company listed on the ASX, the Company is a disclosing entity under the *Corporations Act 2001*. As such, it has regular reporting and disclosure obligations to the ASX. In particular, the Company is required to disclose to the ASX information of which it is, or becomes, aware which concerns the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exceptions apply.

During the year the Company had in place a continuous disclosure compliance program which required timely disclosure through the ASX companies' announcement platform of information that could reasonably be expected to have a material effect on a person's consideration of whether to buy, hold, or sell the Company's shares. Under this program the Managing Director was the nominated continuous disclosure officer for the Company and reported directly to the Board on disclosure matters as well as consulting with directors and senior executives concerning these matters.

Through an internal review process, the Company ensures that ASX company announcements are presented in a factual and balanced manner to keep the market fully informed. The disclosure of financial results is usually accompanied by a commentary, which provides further detail to assist investors.

The Company also uses the services of an external supplier of corporate secretarial services, Red Consulting International Pty Ltd, to assist in the implementation and monitoring of the Company's continuous disclosure compliance program. The external supplier is engaged on a monthly retainer.

As part of the corporate governance review the Company has adopted a Continuous Disclosure System which applies to all employees and comprises policies and procedures and an audit system.

The policy outlines:

- The Company's continuous disclosure obligations under the ASX Listing Rules;
- A procedure for the notification of potential disclosure information to the Continuous Disclosure Manager (Managing Director) or Continuous Disclosure Officer (Company Secretary);
- Authorised persons to handle media and shareholder enquiries; and
- The accountabilities of employees, executives, senior management and the Continuous Disclosure Manager and Officer.

# Corporate Governance Statement (continued)

The audit system provides for:

- The completion of a statement confirming an understanding of, and compliance with, the Continuous Disclosure Policy by targeted employees; and
- The monitoring of procedures to ensure compliance with the Policy and the ASX Continuous Disclosure requirements by way of an annual audit and review of the system (similar in purpose and conduct to the review of the Securities Trading System).

A separate Handling Shareholder Enquiries Policy for guidance to front-line staff has also been adopted by the Board.

In addition, the Board determines whether there is a disclosure requirement in respect of each item of business considered at Board and Committee meetings.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

### *Communications Strategy*

The Company is committed to providing shareholders and the market with relevant and timely information concerning its operations with a view to assisting shareholders assess the Company's performance and encouraging their effective participation at general meetings. It does this by:

- Continuously reporting developments through the ASX companies' announcements platform;
- Reporting through the Annual Report;
- Releasing appropriate information on its website, [www.sno.com.au](http://www.sno.com.au);
- Providing shareholders with the opportunity to correspond by phone, in writing, as well as over the Internet; and
- Requesting the attendance of a representative from the Company's external auditor at the Annual General Meeting to answer questions about the audit and the preparation and content of the auditors' report.

A summary of this communications strategy is provided on the Company's website. The Company plans to enhance its website to facilitate further electronic shareholder communication and to this end will make Annual Reports to shareholders available electronically. Hard copy reports will continue to be distributed to shareholders who elect to receive them.

### *General Meetings*

The Company holds its AGM in November of each year. Shareholders are encouraged to participate in general meetings. The Company's auditor is required to attend each AGM and be available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

An Explanatory Memorandum accompanies each Notice of General Meeting. The Explanatory Memorandum seeks to explain the nature of business of the meeting in a clear and accurate manner. The full Notice of General Meeting and the Explanatory Memorandum are placed on the Company website, [www.sno.com.au](http://www.sno.com.au).

All holders of fully paid ordinary shares are able to vote on all resolutions unless specifically stated otherwise in the Notice of Meeting. Shareholders who are unable to attend a General Meeting in person are encouraged to vote on the proposed motions by appointing a proxy.

# Corporate Governance Statement (continued)

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### *Risk Assessment and Management*

Risk management is an integral part of good business practice and the Board is committed to the highest standards of risk management. The Board is responsible for identifying and monitoring areas of significant business risks, with assistance from the Management Compliance Committee. Internal control measures include:

- A documented risk management system, a compliance manual and a Statement Regarding Systems Control;
- Notification, recording and monitoring of complaints and exceptions;
- Quarterly questionnaires to management seeking confirmation of compliance with Group policies and relevant law, including insider trading and continuous disclosure obligations;
- Regular reporting to the Board in respect of operations and the Group's financial position, with a monthly comparison of actual results against budget; and
- Reports to the Board by appropriate members of the senior management team, the external auditors and/or independent advisers, outlining the nature of particular risks.

The abovementioned Statement Regarding Systems Control was adopted in July 2005 and integrates existing compliance systems within the Company. The Board believes the Statement is still appropriate for the Company.

The Board will ensure that any identified risks are properly assessed and that action is taken to implement any required enhancements to the internal control environment.

### *Financial Reporting*

At the time of confirming the integrity of financial reports to the Board in compliance with Principle 4, the Managing Director and Chief Operating Officer confirm in writing that the reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. In addition, they confirm in writing that the Company's risk management and control system is operating efficiently and effectively in all material aspects.

Written confirmation that the 2009 reports are founded on a sound system of risk management, internal compliance and control has been submitted to the Board by the Managing Director and the Chief Operating Officer.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### *Remuneration committee*

The Remuneration Committee currently consists of the following directors:

- Mr Quentin Jones (Non-Executive Director)
- Mr John Nunan (Non-Executive Director)

Details regarding the directors' qualifications, the number of meetings held and attendance at those meetings are contained on pages 19 to 24 of the Directors' Report. Mr Quentin Jones was Chair of the Remuneration Committee during the course of the year.

Although there was not strict compliance in terms of the independence of directors and only having two members, as noted above under Principle 2, the Board considers that given the composition of the Board, and qualifications and availability of Board members, the existing Remuneration Committee had the best and most suitable composition to effectively carry out its functions. This situation is regularly reviewed by the Board and will be reviewed when the Board composition changes.

# Corporate Governance Statement (continued)

The Remuneration Committee advises the Board on remuneration policies and practices generally. It makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, the Managing Director and the Chief Operating Officer, having regard to an individual's performance, relevant comparative information, and if appropriate, independent expert advice. As well as a base salary, remuneration packages may include retirement and termination entitlements, performance-related incentives and fringe benefits.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

The Board has adopted a Remuneration Committee Charter which outlines the roles and responsibilities, composition, authorities and operation of the Committee.

## *Executive Remuneration*

The Remuneration Committee sets quantitative and qualitative objectives to be achieved by the Managing Director and the Chief Operating Officer. The aim of these objectives is to assist successful delivery on the Company's strategic objectives and therefore, these objectives are consistent with the Company's strategic objectives and are linked to the at-risk component of the executives' remuneration. The Committee is responsible for assessing the performance of the Managing Director and the Chief Operating Officer against the predetermined quantitative and qualitative objectives. The Remuneration Committee annually reviews whether the remuneration structure has been successful in achieving its aim and takes this into account in setting objectives.

Further information on Board and Executive Management remuneration is contained in the Remuneration Report on pages 25 to 36.

The Remuneration Committee is also responsible for making recommendations to the Board in relation to the terms of any issue of equity-based remuneration to employees as a part of their individual package or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

## *Non-Executive Director Remuneration*

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

# Annual Financial Statement

30 June 2009

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### FINANCIAL REPORT

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This financial report covers both the separate financial statements of Snowball Group Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Snowball Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Snowball Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Snowball Group Limited  
70-76 Yarra Street  
Heidelberg VIC 3084

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 12 to 38, which are not part of this financial report.

This financial report was authorised for issue by the directors on 25 September 2009. The directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available via the Investor Relations page on our website: [www.sno.com.au](http://www.sno.com.au).

# Income Statements

For the year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue from continuing operations</b>	5	24,646	28,510	12,111	9,206
Other income	6	770	–	–	–
Amortisation expense		(2,220)	(2,062)	–	–
Commission expense		(149)	(285)	–	–
Depreciation expense		(321)	(339)	(110)	(38)
Employee benefits expense		(11,260)	(12,554)	(3,081)	(3,514)
Finance costs	7	(285)	(154)	–	–
General administration expense		(896)	(958)	(107)	(123)
Occupancy expense		(829)	(922)	(172)	(165)
Professional fees		(1,207)	(1,131)	(369)	(402)
Impairment of investments in subsidiaries	7	–	–	(6,942)	–
Reversal of prior impairment of amounts owing from controlled entities	7	–	–	1,057	1,538
Other expenses		(1,577)	(1,862)	(279)	(362)
Share of net profits of associates accounted for using the equity method		503	191	–	–
<b>Profit before income tax</b>		7,175	8,434	2,108	6,140
Income tax (expense)/revenue	8	(1,876)	(2,525)	3,240	1,355
<b>Profit for the year</b>		5,299	5,909	5,348	7,495
Profit is attributable to:					
Equity holders of Snowball Group Limited		5,299	5,823	5,348	7,495
Minority interest		–	86	–	–
		5,299	5,909	5,348	7,495
		Cents	Cents		
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>					
Basic earnings per share	41	3.47	3.90		
Diluted earnings per share	41	3.45	3.84		

The above income statements should be read in conjunction with the accompanying notes.

# Balance Sheets

As at 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	2,280	4,412	–	–
Trade and other receivables	10	4,679	6,601	638	660
<b>Total current assets</b>		<b>6,959</b>	<b>11,013</b>	<b>638</b>	<b>660</b>
<b>Non-current assets</b>					
Receivables	11	86	–	16,348	14,360
Investments accounted for using the equity method	12	5,548	2,231	–	–
Other financial assets	13	–	–	61,970	68,912
Property, plant and equipment	14	1,156	1,318	516	482
Deferred tax assets	15	–	–	2,143	52
Intangible assets	16	69,672	62,087	–	–
<b>Total non-current assets</b>		<b>76,462</b>	<b>65,636</b>	<b>80,977</b>	<b>83,806</b>
<b>Total assets</b>		<b>83,421</b>	<b>76,649</b>	<b>81,615</b>	<b>84,466</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	17	2,834	3,848	–	–
Borrowings	18	800	400	–	–
Current tax liabilities		753	2,891	753	3,453
Provisions	19	882	970	–	–
Deferred consideration	20	3,868	2,379	–	–
<b>Total current liabilities</b>		<b>9,137</b>	<b>10,488</b>	<b>753</b>	<b>3,453</b>
<b>Non-current liabilities</b>					
Trade and other payables	21	–	–	839	1,166
Borrowings	22	7,800	710	–	–
Deferred tax liabilities	23	8,317	7,566	–	–
Provisions	24	71	129	–	–
Deferred consideration	25	886	–	–	–
<b>Total non-current liabilities</b>		<b>17,074</b>	<b>8,405</b>	<b>839</b>	<b>1,166</b>
<b>Total liabilities</b>		<b>26,211</b>	<b>18,893</b>	<b>1,592</b>	<b>4,619</b>
<b>Net assets</b>		<b>57,210</b>	<b>57,756</b>	<b>80,023</b>	<b>79,847</b>
<b>EQUITY</b>					
Contributed equity	26	56,489	56,180	107,767	107,457
Reserves	27	(4,522)	(4,389)	910	1,044
Retained profits / (accumulated losses)	27	5,243	5,292	(28,654)	(28,654)
Capital and reserves attributable to equity holders of Snowball Group Limited		57,210	57,083	80,023	79,847
Minority interest	28	–	673	–	–
<b>Total equity</b>		<b>57,210</b>	<b>57,756</b>	<b>80,023</b>	<b>79,847</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# Statements of changes in equity

For the year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at the beginning of the year		57,756	53,230	79,847	73,641
Profit for the year		5,299	5,909	5,348	7,495
Total recognised income and expense for the year		5,299	5,909	5,348	7,495
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	26	310	3,310	310	3,310
Dividends paid to company's shareholders	29	(5,348)	(4,471)	(5,348)	(4,471)
Dividends paid to minority interest in subsidiaries		–	(92)	–	–
Employee share options	27	130	329	130	329
Movement in reserves for shares issued upon exercise of options under the Snowball Group Limited Employee Option Plan		–	(195)	–	(195)
Movement in reserves for shares to be issued as deferred consideration for the acquisition of a business		(264)	(264)	(264)	(264)
Movement in minority interest share of equity		(673)	–	–	–
		(5,845)	(1,383)	(5,172)	(1,289)
Total equity at the end of the year		57,210	57,756	80,023	79,847
Total recognised income and expense for the year is attributable to:					
Equity holders of Snowball Group Limited		5,299	5,823	5,348	7,495
Minority Interest		–	86	–	–
		5,299	5,909	5,348	7,495

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

# Cash Flow Statements

For the year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		28,375	29,956	–	–
Payments to suppliers and employees (inclusive of goods and services tax)		(19,299)	(18,768)	(2,147)	(4,146)
		9,076	11,188	(2,147)	(4,146)
Interest received		107	313	–	57
Interest paid		(285)	(154)	–	–
Income taxes paid		(4,378)	(1,961)	(4,378)	(1,221)
<b>Net cash inflow/(outflow) from operating activities</b>	39	4,520	9,386	(6,525)	(5,310)
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(263)	(786)	(144)	(518)
Payments for intangible assets - software		(245)	(206)	–	–
Payments for intangible assets - other		(8,407)	(3,373)	–	–
Loan to associates		(86)	–	–	–
Proceeds from sale of property, plant and equipment		–	1	–	–
Dividends received		207	222	12,017	9,096
<b>Net cash (outflow)/inflow from investing activities</b>		(8,794)	(4,142)	11,873	8,578
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		–	1,203	–	1,203
Proceeds from borrowings		7,990	–	–	–
Repayments of borrowings		(500)	(1,388)	–	–
Dividends paid to company's shareholders		(5,348)	(4,471)	(5,348)	(4,471)
Dividends paid to minority interest in subsidiaries		–	(92)	–	–
Repayments of finance lease		–	(8)	–	–
<b>Net cash inflow/(outflow) from financing activities</b>		2,142	(4,756)	(5,348)	(3,268)
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		(2,132)	488	–	–
Cash and cash equivalents at the beginning of the financial year		4,412	3,924	–	–
<b>Cash and cash equivalents at the end of the financial year</b>	9	2,280	4,412	–	–
Financing arrangements	22(b)				
Non-cash financing and investing activities	40				

The above cash flow statements should be read in conjunction with the accompanying notes.

# Notes to the financial statements

30 June 2009

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# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Snowball Group Limited (referred to hereafter as the Company) as an individual entity and the consolidated entity consisting of Snowball Group Limited and its subsidiaries (referred to hereafter as the Group).

### *(a) Basis of preparation*

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

### *Compliance with IFRS*

The financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at valuation.

### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### *(b) Working capital management*

As at 30 June 2009, the Group had a technical working capital deficiency of \$2,178,000 which reflects the 'current' classification of its liability for deferred consideration associated with recent business acquisitions (refer note 35). The Group will draw on available funds from its existing \$14.7m financing facility, principally established to fund such acquisitions, to discharge the deferred consideration obligations.

### *(c) Principles of consolidation*

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Snowball Group Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Snowball Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(c) Principles of consolidation (continued)*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Snowball Group Limited.

### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 37).

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *(d) Segment reporting*

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(e) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### *(i) Advice fee revenue*

Advice fee revenue is recognised on an accrual basis to the extent that it is probable that the benefit will flow to the group and the revenue can be reliably measured.

#### *(ii) Accounting fees*

Accounting fees are recognised as revenue when the service has been performed.

#### *(iii) Interest revenue*

Interest revenue is recognised on a time proportion basis using the effective interest method, see note 1(l).

#### *(iv) Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

### *(f) Income tax*

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(e) Income tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### *Tax consolidation legislation*

Snowball Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Snowball Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Snowball Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

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

### *(g) Leases*

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(h) Business combinations*

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)(i)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Refer to note 35 for further details of the business combinations effected during the current financial year.

### *(i) Impairment of assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### *(j) Cash and cash equivalents*

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(k) Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

### *(l) Investments and other financial assets*

#### *Classification*

The Group and parent entity classifies its financial assets in the following categories: investments in subsidiaries, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

#### *(i) Investment in subsidiaries*

The parent entity determines the classification of its investments at initial recognition, depending on the purpose for which the investments were acquired, and re-evaluates this designation at each reporting date. At this reporting date, the parent entity has continued to carry investments in subsidiaries at cost less impairment write-downs.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables (note 11) in the balance sheet.

#### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(l) Investments and other financial assets (continued)*

#### *Subsequent measurement*

Loans and receivables are carried at amortised cost using effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

#### *Impairment*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

### *(m) Property, plant and equipment*

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on all property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, being between 5 and 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing the proceeds from disposal with the asset's carrying amount and are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### *(n) Intangible assets*

#### *(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity are calculated after taking into consideration the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment (note 4).

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(n) Intangible assets (continued)*

#### *(ii) Separately identifiable intangible assets arising from business combinations*

Separately identifiable intangible assets arising from business combinations, comprising of customer contracts and related customer relationships, have a finite useful life not exceeding thirteen years and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of separately identifiable intangible assets over their estimated useful lives.

#### *(iii) Other separately identifiable assets*

Other separately identifiable intangible assets comprise directly attributable costs incurred to purchase software, or to develop the Group's Green Game and website, which each have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost over the estimated useful lives, which is generally 2.5 years. Costs which are incurred to maintain or update these assets do not meet the recognition criteria and are recognised as an expense when incurred.

### *(o) Trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### *(p) Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised on a straight-line basis over the term of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### *(q) Borrowing costs*

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(r) Provisions*

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### *(s) Employee benefits*

#### *(i) Wages and salaries, and annual leave*

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *(ii) Long service leave*

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

#### *(iii) Share based payments*

Share based compensation benefits are provided to employees via the Snowball Group Limited Employee Option Plan and the Snowball Group Limited Employee Incentive Plan. Information relating to these schemes is set out in note 42.

The fair value of options granted under the Snowball Group Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(s) Employee benefits (continued)*

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

### *(iv) Bonus plans*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### *(v) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

### *(t) Contributed equity*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### *(u) Dividends*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### *(v) Earnings per share*

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(v) Earnings per share (continued)*

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### *(w) Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### *(x) Rounding of amounts*

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### *(y) New accounting standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

#### *(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. There will be no impact on the financial report of the Group as the Group already adopts a "management approach" to segment reporting.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(y) New accounting standards and interpretations (continued)*

*(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)*

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group or the parent entity as they already capitalise borrowing costs relating to qualifying assets.

*(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)*

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. The Group and the parent entity intend to apply the revised standard from 1 July 2009.

*(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive that same accounting treatment. The Group and the parent entity will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's or the parent entity's share-based payments.

*(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(h) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(c)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interest from 1 July 2009.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(y) New accounting standards and interpretations (continued)*

*(vi) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)*

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group and the parent entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

## NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Executive Manager – Finance, in conjunction with the Group Executive – Business Services, under policies approved by the Board of Directors.

### *(a) Market risk*

The Group earns Financial Planning revenue based on the level of its Funds Under Advice (which varies between platforms and fund managers). This revenue is primarily in the form of advice fees and rebates from administration platform providers and fund managers, based on levels of Funds Under Advice. The Funds Under Advice is subject to market risk in that, all other things being equal, the base will increase during periods of market growth, but decrease during periods of market decline.

### *(b) Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that services are performed for customers with an appropriate credit history.

### *(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### Financing arrangements

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Variable rate</b>				
- Expiring within five years (bank overdraft facility)	1,080	350	-	-
- Expiring within five years (bill facility)	4,700	-	-	-
	<u>5,780</u>	<u>350</u>	<u>-</u>	<u>-</u>

The bank overdraft facility may be drawn at any time and is reviewed annually by the bank. The secured bill facility is made available for funding of deferred consideration payments on acquisitions completed during the years ended 30 June 2008 and 30 June 2009. The drawdown of funds under this facility will be at contracted dates.

#### Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The parent entity does not have any material financial liabilities at 30 June 2009 or 30 June 2008.

Group	Less	6–12	Between	Between	Over	Total	Carrying
	than 6		1 and 2	2 and 5			
At 30 June 2009	months	months	years	years	5 years	cashflows	(assets)/
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	liabilities
Non-interest bearing	2,834	-	-	-	-	2,834	2,834
Floating variable rate *	628	613	1,198	7,852	-	10,291	8,600
<b>Total</b>	<u>3,462</u>	<u>613</u>	<u>1,198</u>	<u>7,852</u>	<u>-</u>	<u>13,125</u>	<u>11,434</u>

\* Includes interest payments calculated at the interest rate being charged to the Group as at 30 June 2009.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### Maturities of financial liabilities (continued)

Group At 30 June 2008	Less than 6 months \$'000	6–12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cashflows \$'000	Carrying amount (assets)/ liabilities \$'000
Non-interest bearing	3,848	–	–	–	–	3,848	3,848
Floating variable rate *	246	236	444	317	–	1,243	1,110
<b>Total</b>	<b>4,094</b>	<b>236</b>	<b>444</b>	<b>317</b>	<b>–</b>	<b>5,091</b>	<b>4,958</b>

\* Includes interest payments calculated at the interest rate being charged to the Group as at 30 June 2008. Note that comparative information has been restated from that reported in the 2008 Annual Report to include interest payments as contractual cashflows.

### (d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's main interest-rate risk arises from long-term borrowings. Borrowings issued at floating variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at the reporting date, the Group has the following floating variable rate borrowings outstanding:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	7.16	8,600	8.48	1,110
Total exposure to cash flow interest rate risk		8,600		1,110

#### Group sensitivity

For the year ended 30 June 2009, if average interest rates had changed by +/- 10%, assuming all other variables held constant, post-tax profit for the year would have been \$28,000 lower/higher (2008 - \$12,000 lower/higher).

### (e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses estimated discounted cash flows to determine fair value for these financial instruments.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

### *(e) Fair value estimation (continued)*

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

## NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### *(a) Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *(i) Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

## NOTE 4. SEGMENT INFORMATION

### *(a) Description of segments*

#### *Business segments*

The consolidated entity is organised into the following divisions by service type:

- Financial education and advice

#### *Geographical segments*

The consolidated entity operated only in Australia during the reporting period.

### *(b) Primary reporting format – business segments*

In the prior corresponding period, the consolidated entity also provided accountancy services through its subsidiary Outlook Tax and Accounting Solutions Pty Ltd (OTAS). Effective 1 July 2008, OTAS merged with a NSW-based accounting business Duncan Dovico Pty Ltd. Upon application of the terms of Australian Accounting Standards, the merger is deemed to be a disposal of OTAS from the Snowball Group Limited group of entities.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 4. SEGMENT INFORMATION (CONTINUED)

(b) Primary reporting format – business segments (continued)

2009	Financial Education & Advice \$'000	Accountancy Services \$'000	Unallocated \$'000	Consolidated \$'000
<b>Segment revenue</b>				
<b>Total segment revenue</b>	<b>24,374</b>	<b>-</b>	<b>272</b>	<b>24,646</b>
Intersegment elimination				-
<b>Consolidation revenue</b>				<b>24,646</b>
<b>Segment result</b>				
<b>Segment result</b>	<b>11,528</b>	<b>-</b>	<b>(4,353)</b>	<b>7,175</b>
Profit before income tax				7,175
Income tax expense				(1,876)
<b>Profit for the year</b>				<b>5,299</b>
<b>Segment asset and liabilities</b>				
<b>Segment assets</b>	<b>73,803</b>	<b>-</b>	<b>9,618</b>	<b>83,421</b>
<b>Total assets</b>				<b>83,421</b>
<b>Segment liabilities</b>	<b>10,546</b>	<b>-</b>	<b>15,665</b>	<b>26,211</b>
<b>Total liabilities</b>				<b>26,211</b>
<b>Other segment information</b>				
Investments in associates	-	-	5,548	5,548
Share of net profits of associates	-	-	503	503
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	13,241	-	147	13,388
Depreciation and amortisation expense	1,196	-	1,345	2,541
Recovery of impairment of trade receivables (note 10)	(2)	-	-	(2)

# Notes to the financial statements (continued)

30 June 2009

## NOTE 4. SEGMENT INFORMATION (CONTINUED)

(b) Primary reporting format – business segments (continued)

	Financial Education & Advice	Accountancy Services	Unallocated	Consolidated
2008	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>				
<b>Total segment revenue</b>	<b>25,491</b>	<b>2,710</b>	<b>337</b>	<b>28,538</b>
Intersegment elimination				(28)
<b>Consolidation revenue</b>				<b>28,510</b>
<b>Segment result</b>				
<b>Segment result</b>	<b>14,198</b>	<b>495</b>	<b>(6,259)</b>	<b>8,434</b>
Profit before income tax				8,434
Income tax expense				(2,525)
<b>Profit for the year</b>				<b>5,909</b>
<b>Segment asset and liabilities</b>				
<b>Segment assets *</b>	<b>63,926</b>	<b>4,997</b>	<b>7,726</b>	<b>76,649</b>
<b>Total assets</b>				<b>76,649</b>
<b>Segment liabilities *</b>	<b>7,449</b>	<b>1,565</b>	<b>9,879</b>	<b>18,893</b>
<b>Total liabilities</b>				<b>18,893</b>
<b>Other segment information</b>				
Investments in associates	–	–	2,231	2,231
Share of net profits of associates	–	–	191	191
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	6,814	1,631	593	9,038
Depreciation and amortisation expense	555	72	1,774	2,401
Impairment of trade receivables (note 10)	82	19	–	101

\* Apportionment of assets and liabilities between the operating segments and "unallocated" for the year ended 30 June 2008 have been revised from that reported in the 2008 Annual Report to reflect a more accurate allocation in accordance with the stated accounting policy (refer note 1(d)) and Accounting Standard AASB 114 Segment Reporting. Segment assets totalling \$35,527,000 and segment liabilities totalling \$5,260,000 have been reallocated from "unallocated" to the Financial Education & Advice segment. Segment assets totalling \$689,000 have been reallocated from "unallocated" to the Accountancy Services segment and segment liabilities totalling \$2,346,000 have been reallocated from the Accountancy Services segment to "unallocated". There is no impact on the Group's comparative balance sheet as at 30 June 2008 as a result of this revision.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 4. SEGMENT INFORMATION (CONTINUED)

### (c) Notes to and forming part of the segment information

#### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include income taxes.

#### (ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

#### (iii) Equity-accounted investments

The Group owns 25% of QTCU Financial Planning Pty Ltd, a financial planning company, 31.8% of Duncan Dovico Holdings Pty Ltd, an accounting services company, and 49% of Big Sky Financial Solutions Pty Ltd, a financial planning company. These investments have not been allocated to a business segment. QTCU Financial Planning Pty Ltd, Duncan Dovico Holdings Pty Ltd and Big Sky Financial Solutions Pty Ltd are all accounted for using the equity method.

## NOTE 5. REVENUE

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>From continuing operations</b>				
<i>Sales revenue</i>				
Financial education and advice	24,367	25,491	–	–
Accountancy services	–	2,682	–	–
	24,367	28,173	–	–
<i>Other revenue</i>				
Interest	157	313	50	57
Dividends	–	–	12,017	9,096
Other	122	24	44	53
	24,646	28,510	12,111	9,206

# Notes to the financial statements (continued)

30 June 2009

## NOTE 6. OTHER INCOME

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net gain on disposal of subsidiary (refer to note (a) below)	770	-	-	-
	770	-	-	-

### (a) Net gain on disposal of subsidiary

The Group announced on 29 July 2008 a merger of its accounting arm, OTAS, with NSW-based accounting business Duncan Dovico Pty Ltd, effective 1 July 2008. Upon application of the terms of Australian Accounting Standards, the merger is deemed to be a disposal of the subsidiary from the consolidated group from which the Group realised a pre-tax gain on disposal of \$770,000.

## NOTE 7. EXPENSES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	615	628	123	98
Total rental expense relating to operating leases	615	628	123	98
<i>Finance Costs</i>				
Interest and finance charges paid/payable	285	154	-	-
Finance costs expensed	285	154	-	-
<i>Impairment losses/(recoveries)</i>				
Trade receivables	(2)	101	-	-
Impairment of investments in subsidiaries	-	-	6,942	-
Reversal of prior impairment of amounts owing from controlled entities	-	-	(1,057)	(1,538)
Total impairment losses/(recoveries)	(2)	101	5,885	(1,538)

# Notes to the financial statements (continued)

30 June 2009

## NOTE 8. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<i>(a) Income tax expense/(revenue)</i>				
Current income tax expense/(revenue)	2,435	3,139	(1,149)	(1,303)
Deferred tax revenue	(559)	(614)	(2,091)	(52)
	1,876	2,525	(3,240)	(1,355)
Income tax expense/(revenue) is attributable to:				
Profit from continuing operations	1,876	2,525	(3,240)	(1,355)
Aggregate income tax expense/(revenue)	1,876	2,525	(3,240)	(1,355)
<i>(b) Numerical reconciliation of income tax expense to prima facie income tax payable</i>				
Profit from continuing operations before income tax expense	7,175	8,434	2,108	6,140
Tax at the Australian tax rate of 30% (2008: 30%)	2,152	2,530	632	1,842
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Dividends received from members of tax consolidated group	-	-	(3,560)	(2,662)
Gain on sale of subsidiary	(193)	-	-	-
Employee share options	39	40	35	23
Reversal of prior impairment of amounts owing from controlled entities	-	-	(317)	(463)
Share of net profit of associates	(143)	(57)	(45)	(67)
Other	21	12	15	(28)
<b>Income tax expense/(revenue)</b>	1,876	2,525	(3,240)	(1,355)
<i>(c) Amounts recognised directly in equity</i>				
Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity				
Current tax - credited directly to equity (note 26 (a), (b))	(4)	-	(4)	-
	(4)	-	(4)	-

# Notes to the financial statements (continued)

30 June 2009

## NOTE 8. INCOME TAX EXPENSE (CONTINUED)

### (d) Tax losses

There are no unused tax losses for which a deferred tax asset has been recognised.

### (e) Tax consolidation legislation

Snowball Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Snowball Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Snowball Group Limited for any current tax payable assumed and are compensated by Snowball Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Snowball Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

## NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	2,230	4,362	–	–
Term deposits	50	50	–	–
	2,280	4,412	–	–

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	2,280	4,412	–	–
Balances per statement of cash flows	2,280	4,412	–	–

### (b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	360	1,070	11	–
Provision for impairment of receivables (note (a))	(15)	(102)	–	–
	345	968	11	–
Work in progress	–	540	–	–
Provision for non-recovery of work in progress	–	(54)	–	–
	–	486	–	–
Accrued income	3,079	3,916	–	–
Loans to other related parties	616	575	616	575
Other receivables (note (c))	579	361	–	68
Prepayments	60	295	11	17
	4,679	6,601	638	660

Further information relating to loans to other related parties is set out in note 34.

### (a) Impaired trade receivables

As at 30 June 2009 current trade receivables of the Group with a nominal value of \$14,755 (2008 – \$101,956) were impaired. The amount of the provision was \$14,755 (2008 – \$101,956). The individually impaired receivables mainly relate to retail clients, which are in unexpectedly difficult economic situations. There were no impaired trade receivables for the parent in 2009 or 2008.

The ageing of these receivables is as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
3 to 4 months	8	10
Over 4 months	7	92
	15	102

Movements in the provision for impairment of receivables are as follows:

At 1 July	102	80
Provision for impairment recognised during the year	–	101
Recovery of provision for impairment during the year	(2)	–
Unused amount reversed	(85)	(79)
	15	102

# Notes to the financial statements (continued)

30 June 2009

## NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Impaired trade receivables (continued)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### (b) Past due but not impaired

As of 30 June 2009, trade receivables of \$75,506 (2008 – \$251,562) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
1 to 3 months	64	76	–	–
Over 3 months	12	175	–	–
	76	251	–	–

### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

### (d) Interest Rate Risk

Information about the Group's and parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in note 2.

### (e) Fair value and credit risk

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

There is no significant concentration of credit risk, as the Group has a large number of clients. Refer to note 2 for more information on the risk management policy of the Group.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 11. NON-CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loan to subsidiaries	–	–	16,348	15,417
Provision for impairment of receivables *	–	–	–	(1,057)
Loans to other related parties	86	–	–	–
	<b>86</b>	<b>–</b>	<b>16,348</b>	<b>14,360</b>

\* The movement in the provision has been recorded to adjust the carrying value of the receivables to their recoverable amount.

Further information relating to loans to subsidiaries and other related parties is set out in note 34.

### (a) Impaired receivables and receivables past due

No non-current receivables of the Group or the parent entity are impaired or past due but not impaired.

### (b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2009		2008	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Group</b>				
Loan to other related parties	86	86	–	–
	<b>86</b>	<b>86</b>	<b>–</b>	<b>–</b>
<b>Parent entity</b>				
Loans to subsidiaries	16,348	16,348	15,417	15,417
Provisions for impairment of receivables	–	–	(1,057)	(1,057)
	<b>16,348</b>	<b>16,348</b>	<b>14,360</b>	<b>14,360</b>

The fair value of non-current receivables equals their carrying amounts as the impact of discounting is not considered significant.

### (c) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk and interest rate risk is provided in note 2.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Shares in associates (note 37)	5,548	2,231	–	–
	<u>5,548</u>	<u>2,231</u>	<u>–</u>	<u>–</u>

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer to note 13).

## NOTE 13. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Shares in subsidiaries (note 36)*	–	–	87,091	87,091
Provision for diminution in value **	–	–	(26,343)	(19,401)
Shares in associates (note 37)*	–	–	1,222	1,222
	<u>–</u>	<u>–</u>	<u>61,970</u>	<u>68,912</u>

\* These financial assets are carried at cost.

\*\* The provision has been recorded to adjust the carrying value of the investment to recoverable amount.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

<b>Consolidated</b>	Furniture and fittings \$'000	Office equipment \$'000	Total \$'000
<b>At 1 July 2007</b>			
Cost	1,095	1,563	<b>2,658</b>
Accumulated depreciation	(604)	(1,178)	<b>(1,782)</b>
Net book amount	491	385	<b>876</b>
<b>Year ended 30 June 2008</b>			
Opening net book amount	491	385	<b>876</b>
Additions	569	260	<b>829</b>
Disposals	(47)	(1)	<b>(48)</b>
Depreciation charge	(73)	(266)	<b>(339)</b>
Closing net book amount	940	378	<b>1,318</b>
<b>At 30 June 2008</b>			
Cost	1,561	1,810	<b>3,371</b>
Accumulated depreciation	(621)	(1,432)	<b>(2,053)</b>
Net book amount	940	378	<b>1,318</b>
<b>Year ended 30 June 2009</b>			
Opening net book amount	940	378	<b>1,318</b>
Additions	77	186	<b>263</b>
Disposals	(57)	(47)	<b>(104)</b>
Depreciation charge	(35)	(286)	<b>(321)</b>
Closing net book amount	925	231	<b>1,156</b>
<b>At 30 June 2009</b>			
Cost	1,522	1,867	<b>3,389</b>
Accumulated depreciation	(597)	(1,636)	<b>(2,233)</b>
Net book amount	925	231	<b>1,156</b>

# Notes to the financial statements (continued)

30 June 2009

## NOTE 14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent entity	Furniture and fittings \$'000	Office equipment \$'000	Total \$'000
<b>At 1 July 2007</b>			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
<b>Year ended 30 June 2008</b>			
Opening net book amount	–	–	–
Additions	419	101	<b>520</b>
Depreciation charge	(17)	(21)	<b>(38)</b>
Closing net book amount	402	80	<b>482</b>
<b>At 30 June 2008</b>			
Cost	419	101	<b>520</b>
Accumulated depreciation	(17)	(21)	<b>(38)</b>
Net book amount	402	80	482
<b>Year ended 30 June 2009</b>			
Opening net book amount	402	80	<b>482</b>
Additions	12	132	<b>144</b>
Depreciation charge	(31)	(79)	<b>(110)</b>
Closing net book amount	383	133	<b>516</b>
<b>At 30 June 2009</b>			
Cost	431	233	<b>664</b>
Accumulated depreciation	(48)	(100)	<b>(148)</b>
Net book amount	383	133	<b>516</b>

### (a) Leased assets

Furniture and fittings includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Leased plant and equipment</b>				
Cost	–	86	–	–
Accumulated depreciation	–	(86)	–	–
Net book amount	–	–	–	–

# Notes to the financial statements (continued)

30 June 2009

## NOTE 15. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Employee benefits	–	–	53	50
Accrued expenses	–	–	10	7
Impairment of investments	–	–	2,083	–
Total deferred tax assets	–	–	2,146	57
Set-off of deferred tax liabilities pursuant to set-off provisions:				
Prepayments	–	–	(3)	(5)
Net deferred tax assets	–	–	2,143	52

# Notes to the financial statements (continued)

30 June 2009

## NOTE 16. NON-CURRENT ASSETS – INTANGIBLE ASSETS

<b>Consolidated</b>	Goodwill \$'000	Brand names and other rights \$'000	Software and website \$'000	Client contracts and related client relationships \$'000	Total \$'000
<b>At 1 July 2007</b>					
Cost	33,238	1,020	2,560	22,065	<b>58,883</b>
Accumulated amortisation	–	(151)	(2,331)	(472)	<b>(2,954)</b>
Net book amount	<u>33,238</u>	<u>869</u>	<u>229</u>	<u>21,593</u>	<b>55,929</b>
<b>Year ended 30 June 2008</b>					
Opening net book amount	33,238	869	229	21,593	<b>55,929</b>
Additions - acquisition	5,550	403	206	2,061	<b>8,220</b>
Amortisation charge	–	(93)	(144)	(1,825)	<b>(2,062)</b>
Closing net book amount	<u>38,788</u>	<u>1,179</u>	<u>291</u>	<u>21,829</u>	<b>62,087</b>
<b>At 30 June 2008</b>					
Cost	38,788	1,424	2,766	24,126	<b>67,104</b>
Accumulated amortisation	–	(245)	(2,475)	(2,297)	<b>(5,017)</b>
Net book amount	<u>38,788</u>	<u>1,179</u>	<u>291</u>	<u>21,829</u>	<b>62,087</b>
<b>Year ended 30 June 2009</b>					
Opening net book amount	38,788	1,179	291	21,829	<b>62,087</b>
Additions - acquisition	6,879	1,648	245	4,351	<b>13,123</b>
Disposal of subsidiary	(2,114)	(128)	(55)	(1,021)	<b>(3,318)</b>
Amortisation charge	–	(407)	(172)	(1,641)	<b>(2,220)</b>
Closing net book amount	<u>43,553</u>	<u>2,292</u>	<u>309</u>	<u>23,518</u>	<b>69,672</b>
<b>At 30 June 2009</b>					
Cost	43,553	2,943	2,915	27,141	<b>76,552</b>
Accumulated amortisation	–	(651)	(2,606)	(3,623)	<b>(6,880)</b>
Net book amount	<u>43,553</u>	<u>2,292</u>	<u>309</u>	<u>23,518</u>	<b>69,672</b>

# Notes to the financial statements (continued)

30 June 2009

## NOTE 16. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below.

	2009 \$'000	2008 \$'000
Financial education and advice - Western Pacific Financial Group sub-unit	18,475	18,469
Financial education and advice - Outlook Financial Solutions sub-unit	25,078	18,205
Accountancy services	–	2,114
	43,553	38,788

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

### (b) Key assumptions used for value-in-use calculations

	Revenue growth*		Expense growth*		Discount rate**	
	2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
Financial education and advice	7.5	7.5	3.0	3.1	17.0	16.5
Accountancy services	–	6.0	–	3.1	–	16.5

\* These growth rates were assumed for subsequent years in order to extrapolate cash flows beyond the budget period.

\*\* In performing the value-in-use calculations for each CGU, which covered a five year period with terminal values, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The increase in the discount rate used for the value-in-use calculations for the 2009 financial year reflects the uncertain conditions existing in the current economic environment.

The value-in-use calculations concluded that the recoverable amount of the goodwill for each CGU exceeds the carrying amount of goodwill.

### (c) Impact of possible changes in key assumptions

Given the reasonable basis on which the value-in-use calculations for each CGU were prepared, management does not consider a change in any of the key assumptions to be likely.

### (d) Impairment charge

There was no impairment in the carrying amount of goodwill for any of the CGUs in both the 2008 and 2009 financial years.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	379	439	–	–
Other payables	510	736	–	–
Accrued expenses	1,945	2,673	–	–
	<u>2,834</u>	<u>3,848</u>	<u>–</u>	<u>–</u>

## NOTE 18. CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Secured</b>				
Bills payable	800	400	–	–
Total secured current borrowings	<u>800</u>	<u>400</u>	<u>–</u>	<u>–</u>
Total current borrowings	800	400	–	–

### (a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 22.

### (b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

## NOTE 19. CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits - annual leave	516	605	–	–
Employee benefits - long service leave (a)	366	365	–	–
	<u>882</u>	<u>970</u>	<u>–</u>	<u>–</u>

# Notes to the financial statements (continued)

30 June 2009

## NOTE 19. CURRENT LIABILITIES – PROVISIONS (CONTINUED)

### (a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave or require payment within the next twelve months. The following amounts reflect leave that is not expected to be taken or paid within the next twelve months.

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave obligation expected to be settled after 12 months	348	305	–	–

## NOTE 20. CURRENT LIABILITIES – DEFERRED CONSIDERATION

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred consideration - acquisition of goodwill and other separately identifiable intangible assets	3,868	2,279	–	–
Deferred consideration - acquisition of net tangible assets	–	100	–	–
	3,868	2,379	–	–

## NOTE 21. NON-CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loans from related parties	–	–	839	1,166
	–	–	839	1,166

Further information relating to loans from subsidiaries and other related parties is set out in note 34.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Secured</b>				
Bills payable	7,800	710	–	–
Total secured non-current borrowings	7,800	710	–	–
Total current non-current borrowings	7,800	710	–	–

### (a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bills payable	8,600	1,110	–	–
Total secured liabilities	8,600	1,110	–	–

The bills payable of the Group are secured by:

- (i) a first registered fixed and floating charge over all the assets and undertakings of the Group\*;
- (ii) unlimited guarantee and indemnity given by all members of the Group\*;
- (iii) a registered equitable mortgage over encumbered assets of the Group\*; and
- (iv) a negative pledge over all assets of the Group\*.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated		Parent entity	
	2009 \$'000	2008* \$'000	2009 \$'000	2008* \$'000
<b>Current</b>				
<i>Fixed and floating charge</i>				
Cash and cash equivalents	2,280	4,289	–	–
Receivables	4,679	4,652	638	660
Total current assets pledged as security	6,959	8,941	638	660
<b>Non-current</b>				
<i>Fixed and floating charge</i>				
Receivables	86	–	16,348	14,360
Investments accounted for using the equity method	5,548	2,231	–	–
Other financial assets	–	–	61,970	68,912
Property, plant and equipment	1,156	1,028	516	482
Intangible assets	69,672	59,405	–	–
Total non-current assets pledged as security	76,462	62,664	78,834	83,754
Total assets pledged as security	83,421	71,605	79,472	84,414

\* The Group completed the legal acquisition of Western Pacific Financial Group Pty Ltd on 7 February 2007. As at 30 June 2008, Western Pacific Financial Group Pty Ltd was not party to the above and its assets were excluded from those pledged as security. As at 30 June 2009, Western Pacific Financial Group Pty Ltd is a party to the security arrangements for all bank facilities.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

### (b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Credit standby arrangements</b>				
Total facilities				
Temporary bank overdraft facility	1,080	350	–	–
	1,080	350	–	–
Used at balance date				
Temporary bank overdraft facility	–	–	–	–
	–	–	–	–
Unused at balance date				
Temporary bank overdraft facility	1,080	350	–	–
	1,080	350	–	–
<b>Bill acceptance facilities</b>				
Total facilities	13,300	1,110	–	–
Used at balance date	8,600	1,110	–	–
Unused at balance date	4,700	–	–	–

The bank loan facilities are subject to periodic reviews and compliance certificates, and the continuance of satisfactory credit ratings. The unused bill facility is made available for funding of deferred consideration payments on acquisitions completed during the years ended 30 June 2008 and 30 June 2009.

### (c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2009		2008	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Group</b>				
<b>On-balance sheet (i)</b>				
<i>Non-traded financial liabilities</i>				
Bills payable	8,600	8,600	1,110	1,110
	8,600	8,600	1,110	1,110

#### (i) On-balance sheet

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 22. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

### (d) Risk exposures

Information about the Group's and parent entity's exposure to interest rate changes is provided in note 2.

## NOTE 23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Intangible assets	7,743	6,904	–	–
Accrued income	924	1,193	–	–
Work in progress	–	146	–	–
Prepayments	18	88	–	–
<b>Total deferred tax liabilities</b>	<b>8,685</b>	<b>8,331</b>	<b>–</b>	<b>–</b>
Set-off of deferred tax assets pursuant to set-off provisions:				
Accrued expenses	(35)	(404)	–	–
Employee entitlements	(286)	(330)	–	–
Provision for impairment of receivables	(4)	(31)	–	–
Other	(43)	–	–	–
<b>Net deferred tax liabilities</b>	<b>8,317</b>	<b>7,566</b>	<b>–</b>	<b>–</b>

<b>Movements - Consolidated</b>	Intangible assets \$'000	Accrued income \$'000	Work in progress \$'000	Other \$'000	Total \$'000
<b>At 1 July 2007</b>	6,729	1,714	104	29	8,576
Charged/(credited) to the income statement	–	(521)	42	59	(420)
Acquisition of a business	175	–	–	–	175
<b>At 30 June 2008</b>	<b>6,904</b>	<b>1,193</b>	<b>146</b>	<b>88</b>	<b>8,331</b>
Charged/(credited) to the income statement	(766)	(260)	–	(63)	(1,089)
Acquisition of a business	1,799	–	–	–	1,799
Disposal of a subsidiary	(194)	(9)	(146)	(7)	(356)
<b>At 30 June 2009</b>	<b>7,743</b>	<b>924</b>	<b>–</b>	<b>18</b>	<b>8,685</b>

# Notes to the financial statements (continued)

30 June 2009

## NOTE 24. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits - long service leave	71	129	-	-
	<u>71</u>	<u>129</u>	<u>-</u>	<u>-</u>

## NOTE 25. NON-CURRENT LIABILITIES – DEFERRED CONSIDERATION

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred consideration - acquisition of goodwill and other separately identifiable intangible assets	886	-	-	-
	<u>886</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTE 26. CONTRIBUTED EQUITY

### (a) Parent entity

	Parent entity		Parent entity	
	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
(i) Share capital				
Ordinary shares				
Fully paid	152,891,880	152,311,391	107,767	107,457

# Notes to the financial statements (continued)

30 June 2009

## NOTE 26. CONTRIBUTED EQUITY (CONTINUED)

### (a) Parent entity (continued)

#### (ii) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue Price	\$'000
1 July 2007	Opening balance		144,985,960		104,146
31 July 2007	Exercise of options	(e)	69,300	\$0.20	14
10 August 2007	Exercise of options	(e)	50,000	\$0.40	20
10 August 2007	Exercise of options	(e)	69,300	\$0.20	14
10 August 2007	Exercise of options	(e)	369,600	\$0.20	74
5 September 2007	Exercise of options	(e)	545,160	\$0.20	109
5 September 2007	Exercise of options	(e)	625,000	\$0.40	250
5 September 2007	Exercise of options	(e)	540,540	\$0.20	108
5 September 2007	Exercise of options	(e)	625,000	\$0.40	250
14 September 2007	Exercise of options	(e)	75,860	\$0.20	15
14 September 2007	Exercise of options	(e)	475,000	\$0.40	190
20 September 2007	Exercise of options	(e)	50,000	\$0.40	20
26 September 2007	Ordinary share placement	(c)	325,276	\$0.81	263
10 January 2008	Exercise of options	(e)	69,300	\$0.20	14
21 January 2008	Exercise of options	(e)	184,800	\$0.20	37
17 March 2008	Exercise of options	(e)	69,300	\$0.20	14
17 March 2008	Exercise of options	(e)	365,000	\$0.20	73
19 March 2008	Exercise of options	(e)	69,300	\$0.20	14
1 May 2008	Ordinary share placement	(c)	2,747,695	\$0.60	1,648
					<u>107,273</u>
	Less: Transaction costs arising on share issue				(11)
	Add: Movement in reserves for shares issued upon exercise of options under the Snowball Group Limited Employee Option Plan				195
30 June 2008	Balance		<u>152,311,391</u>		<u>107,457</u>
2 September 2008	Ordinary share placement	(c)	470,489	\$0.56	264
31 March 2009	Employee incentive plan issues	(d)	110,000	\$0.40	44
					<u>107,765</u>
	Less: Transaction costs arising on share issue				(2)
	Deferred tax credit recognised directly in equity				4
30 June 2009	Balance		<u>152,891,880</u>		<u>107,767</u>

# Notes to the financial statements (continued)

30 June 2009

## NOTE 26. CONTRIBUTED EQUITY (CONTINUED)

### (b) Consolidated

	Consolidated		Consolidated	
	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
(i) Share capital				
Ordinary shares				
Fully paid	152,891,880	152,311,391	56,489	56,180

### (ii) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue Price	\$'000
1 July 2007	Opening balance		144,985,960		53,531
31 July 2007	Exercise of options	(e)	69,300	\$0.20	14
10 August 2007	Exercise of options	(e)	50,000	\$0.40	20
10 August 2007	Exercise of options	(e)	69,300	\$0.20	14
10 August 2007	Exercise of options	(e)	369,600	\$0.20	74
5 September 2007	Exercise of options	(e)	545,160	\$0.20	109
5 September 2007	Exercise of options	(e)	625,000	\$0.40	250
5 September 2007	Exercise of options	(e)	540,540	\$0.20	108
5 September 2007	Exercise of options	(e)	625,000	\$0.40	250
14 September 2007	Exercise of options	(e)	75,860	\$0.20	15
14 September 2007	Exercise of options	(e)	475,000	\$0.40	190
20 September 2007	Exercise of options	(e)	50,000	\$0.40	20
26 September 2007	Ordinary share placement	(c)	325,276	\$0.81	263
10 January 2008	Exercise of options	(e)	69,300	\$0.20	14
21 January 2008	Exercise of options	(e)	184,800	\$0.20	37
17 March 2008	Exercise of options	(e)	69,300	\$0.20	14
17 March 2008	Exercise of options	(e)	365,000	\$0.20	73
19 March 2008	Exercise of options	(e)	69,300	\$0.20	14
1 May 2008	Ordinary share placement	(c)	2,747,695	\$0.60	1,648
					56,658
	Less: Transaction costs arising on share issue				(11)
	Add: Movement in reserves for shares issued upon exercise of options under the Snowball Group Limited Employee Option Plan				195
30 June 2008	Balance		152,311,391		56,842
2 September 2008	Ordinary share placement	(c)	470,489	\$0.56	264
31 March 2009	Employee incentive plan issues	(d)	110,000	\$0.40	44
					57,149
	Less: Transaction costs arising on share issue				(2)
	Deferred tax credit recognised directly in equity				4
	Minority interest in share capital reversed on disposal of subsidiary				(662)
30 June 2009	Balance		152,891,880		56,489

# Notes to the financial statements (continued)

30 June 2009

## NOTE 26. CONTRIBUTED EQUITY (CONTINUED)

### *(b) Consolidated (continued)*

The consolidated share capital is attributable to:

	2009 \$'000	2008 \$'000
Parent entity interest in share capital	56,489	56,180
Minority interest in share capital (refer to note 28)	–	662
Consolidated share capital	56,489	56,842

### *(c) Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### *(d) Employee share scheme*

Information relating to the Snowball Group Limited Employee Incentive Plan, including details of shares issued under the scheme, is set out in note 42.

### *(e) Options*

Information relating to the Snowball Group Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 42.

### *(f) Capital risk management*

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 26. CONTRIBUTED EQUITY (CONTINUED)

### (f) Capital risk management (continued)

The gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total borrowings	18, 22	8,600	1,110	–	–
Less: cash and cash equivalents	9	(2,280)	(4,412)	–	–
Net debt		6,320	(3,302)	–	–
Total equity		57,210	57,756	80,023	79,847
Total capital		63,530	54,454	80,023	79,847
<b>Gearing ratio</b>		10%	(6%)	–	–

## NOTE 27. RESERVES AND RETAINED PROFITS

### (a) Reserves

		Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Business combination reserve	(i)	(5,225)	(5,225)	–	–
Deferred consideration reserve	(ii)	263	527	263	527
Share-based payments reserve	(iii)	439	309	647	517
		(4,522)	(4,389)	910	1,044
<b>Movements:</b>					
<i>(i) Business combination reserve</i>					
Balance 1 July		(5,225)	(5,225)	–	–
Balance 30 June		(5,225)	(5,225)	–	–
<i>(ii) Deferred consideration reserve</i>					
Balance 1 July		527	791	527	791
Issuance of shares		(264)	(264)	(264)	(264)
Balance 30 June		263	527	263	527
<i>(iii) Share-based payments reserve</i>					
Balance 1 July		309	177	517	382
Employee share options expense		130	327	130	330
Movement in reserves for shares issued upon exercise of options under the Snowball Group Limited Employee Option Plan		–	(195)	–	(195)
Balance 30 June		439	309	647	517

# Notes to the financial statements (continued)

30 June 2009

## NOTE 27. RESERVES AND RETAINED PROFITS (CONTINUED)

### (b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance 1 July	5,292	3,940	(28,654)	(31,678)
Net profit for the year	5,299	5,823	5,348	7,495
Dividends	(5,348)	(4,471)	(5,348)	(4,471)
Balance 30 June	5,243	5,292	(28,654)	(28,654)

### (c) Nature and purpose of reserves

#### (i) Business combination reserve

The business combination reserve is made up of:

- The cash paid out of the consolidated group by the accounting acquiree, Snowball Group Limited, to the ultimate parent, Officium Group Pty Ltd (formerly Western Pacific Group Holdings Pty Ltd), as part-consideration for the acquisition of Western Pacific Financial Group Pty Ltd; and
- Costs incidental to this acquisition.

#### (ii) Deferred consideration reserve

This reserve recognises the deferred consideration to be paid for business acquisitions, to be settled in Snowball Group Limited shares. For further information, refer to note 1(h).

#### (iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

## NOTE 28. MINORITY INTEREST

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest in:				
Share capital	–	662	–	–
Retained profits	–	11	–	–
	–	673	–	–

# Notes to the financial statements (continued)

30 June 2009

## NOTE 29. DIVIDENDS

### (a) Ordinary shares

Final dividend for the year ended 30 June 2008 of 2.5 cents (2007 – 2 cents) per fully paid share paid on 20 October 2008 (2007 – 22 October 2007)

Fully franked based on tax paid @ 30% - 2.5 cents (2007 – 2 cents) per share

Interim dividend for the year ended 30 June 2009 of 1 cent (2008 – 1 cent) per fully paid share paid on 30 April 2009 (2008 – 23 April 2008)

Fully franked based on tax paid @ 30% - 1 cent (2007 – 1 cent) per share

Parent entity	
2009	2008
\$'000	\$'000
3,819	2,976
1,529	1,495
5,348	4,471

As disclosed in the Statement of Changes in Equity on page 52, the consolidated group paid a dividend of \$5,348,466 in the 2009 financial year (2008 - \$4,471,756).

### (b) Dividends not recognised at year end

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of 2 cents per fully paid ordinary share (2008 – 2.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 October 2009 out of current year profits for 30 June 2009, but not recognised as a liability at year end, is

Parent entity	
2009	2008
\$'000	\$'000
3,058	3,808

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ending 30 June 2009.

Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)

Parent entity	
2009	2008
\$'000	\$'000
3,754	3,739
3,754	3,739

# Notes to the financial statements (continued)

30 June 2009

## NOTE 29. DIVIDENDS (CONTINUED)

### (c) *Franked dividends (continued)*

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1,310,502 (2008: \$1,631,908).

## NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) *Key management personnel compensation*

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	2,285,548	2,338,059	–	–
Post-employment benefits	109,960	91,903	–	–
Long-term benefits	34,598	27,359	–	–
Share-based payments	131,022	281,918	–	–
	2,561,128	2,739,239	–	–

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 25 to 29.

### (b) *Equity instrument disclosures relating to key management personnel*

#### (i) *Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on report on pages 30 to 33.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (b) Equity instrument disclosures relating to key management personnel (continued)

#### (ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Q Jones	-	-	-	-	-	-	-
A McDonald	1,500,000	-	-	-	1,500,000	600,000	900,000
M Campbell	-	-	-	-	-	-	-
R Dhawan	-	-	-	-	-	-	-
J Nunan (from 24/11/08)	-	-	-	-	-	-	-
D Guy (to 20/11/08)	-	-	-	-	-	-	-
C Scarcella	1,500,000	-	-	-	1,500,000	600,000	900,000
S Quirk	500,000	-	-	-	500,000	200,000	300,000
N Collett	500,000	-	-	-	500,000	200,000	300,000
E Roles *	-	-	-	-	-	-	-
D Raits	487,760	-	-	-	487,760	487,760	-
L Rodda	350,000	-	-	-	350,000	350,000	-

\* E Roles commenced employment on 1 July 2008.

2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Q Jones	-	-	-	-	-	-	-
A McDonald	2,670,160	-	(1,170,160)	-	1,500,000	300,000	1,200,000
M Campbell	550,860	-	(550,860)	-	-	-	-
R Dhawan	-	-	-	-	-	-	-
D Guy	-	-	-	-	-	-	-
A Brown (to 9/10/07)	-	-	-	-	-	-	-
C Scarcella	2,665,540	-	(1,165,540)	-	1,500,000	300,000	1,200,000
S Quirk	500,000	-	-	-	500,000	100,000	400,000
N Collett	500,000	-	-	-	500,000	100,000	400,000
D Raits	852,760	-	(365,000)	-	487,760	487,760	-
L Rodda	719,600	-	(369,600)	-	350,000	350,000	-

# Notes to the financial statements (continued)

30 June 2009

## NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (b) Equity instrument disclosures relating to key management personnel (continued)

#### (iii) Share holdings

The numbers of ordinary shares in the Company held during the financial year by each director of the Company and the key management personnel of the Group, including their personally related parties, are set out below:

2009	Balance at the start of the year	Granted during year as remuneration	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Snowball Group Limited</b>					
<b>Ordinary Shares</b>					
Q Jones <sup>1</sup>	-	-	-	-	-
A McDonald	2,043,872	-	-	-	2,043,872
M Campbell	2,231,083	-	-	8,000	2,239,083
R Dhawan <sup>1</sup>	-	-	-	-	-
J Nunan (from 24/11/08) <sup>2</sup>	-	-	-	-	-
D Guy (to 20/11/08) <sup>3</sup>	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
<b>Ordinary Shares</b>					
C Scarcella	1,814,040	-	-	-	1,814,040
S Quirk	-	-	-	-	-
N Collett	-	-	-	-	-
E Roles <sup>*</sup>	-	-	-	-	-
D Raits	1,087,782	1,250	-	-	1,089,032
L Rodda	1,048,600	1,250	-	20,000	1,069,850

\* E Roles commenced employment on 1 July 2008.

<sup>1</sup> Mr Dhawan and Mr Jones are directors of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 ordinary shares in the Company at 30 June 2009. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan and Mr Jones are also directors of Equity Partners Management Pty Limited (EPM), the registered holder of 30,488 ordinary shares in the Company at 30 June 2009 and, as at the date of this report, entities associated with each of them own 50% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in the Company held by EP2.

<sup>2</sup> Mr Nunan is the Chief Executive Officer of Officium Group Pty Ltd, and entities associated with him beneficially own 4.71% of that company's shares at 30 June 2009. Officium Group Pty Ltd, and its wholly owned subsidiaries, hold 94,577,384 ordinary shares in the Company at 30 June 2009.

<sup>3</sup> Mr Guy is the Chief Investment Officer of Officium Group Pty Ltd, and entities associated with him beneficially owned 16.9% of that company's shares at 20 November 2008. Officium Group Pty Ltd, and its wholly owned subsidiaries, hold 94,577,384 ordinary shares in the Company at 30 June 2009.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (b) Equity instrument disclosures relating to key management personnel (continued)

#### (iii) Share holdings (continued)

2008	Balance at the start of the year	Granted during year as remuneration	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Snowball Group Limited</b>					
<b>Ordinary Shares</b>					
Q Jones <sup>1</sup>	-	-	-	-	-
A McDonald	865,712	-	1,170,160	8,000	2,043,872
M Campbell	1,658,653	-	550,860	21,570	2,231,083
R Dhawan <sup>1</sup>	-	-	-	-	-
D Guy (from 7/02/07) <sup>2</sup>	-	-	-	-	-
A Brown (to 9/10/07)	-	-	-	-	-
<b>Other key management personnel of the Group</b>					
<b>Ordinary Shares</b>					
C Scarcella	644,000	-	1,165,540	4,500	1,814,040
S Quirk	-	-	-	-	-
N Collett	-	-	-	-	-
D Raits	722,782	-	365,000	-	1,087,782
L Rodda	679,000	-	369,600	-	1,048,600

<sup>1</sup> Mr Dhawan and Mr Jones are directors of Equity Partners Two Pty Ltd (EP2), the registered holder of 8,228,125 ordinary shares in the Company at 30 June 2008. EP2 holds those shares on trust for a number of institutional investors, being the investors in the Equity Partners 2 Fund. Mr Dhawan and Mr Jones are also directors of Equity Partners Management Pty Limited (EPM), the registered holder of 30,488 ordinary shares in the Company at 30 June 2008 and, as at the date of this report, entities associated with each of them own 50% of EPM. EPM may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of the shares in the Company held by EP2.

<sup>2</sup> Mr Guy is the Executive Chairman of Officium Group Pty Ltd, and entities associated with him beneficially owned 16.9% of that company's shares at 30 June 2008. Officium Group Pty Ltd, and its wholly owned subsidiaries, hold 94,577,384 ordinary shares in the Company at 30 June 2008.

### (c) Loans to key management personnel

No loans to directors of the Company or to the other key management personnel of the Group were made during the year, including to their personally related parties.

### (d) Other transactions with key management personnel

There were no other transactions with the directors of the Company or with the other key management personnel of the Group during the year, including with their personally related parties.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 31. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>(a) PricewaterhouseCoopers Australia</i>				
<i>Audit and other assurance services</i>				
Audit and review of financial reports	170,000	225,000	51,000	128,593
Total remuneration for audit and other assurance services	170,000	225,000	51,000	128,593
<i>Taxation services</i>				
Tax consolidation advice	–	7,000	–	7,000
Other taxation advice	55,850	20,800	55,850	20,800
Total remuneration for taxation services	55,850	27,800	55,850	27,800
<i>Other services</i>				
Accounting advice	–	70,000	–	–
Total remuneration of PricewaterhouseCoopers Australia	225,850	322,800	106,850	156,393
<i>(b) Non-PricewaterhouseCoopers audit firms</i>				
<i>Audit and other assurance services</i>				
Audit and review of financial reports	35,000	10,000	–	–
Total remuneration of non-PricewaterhouseCoopers audit firms	35,000	10,000	–	–
<b>Total auditors' remuneration</b>	<b>260,850</b>	<b>332,800</b>	<b>106,850</b>	<b>156,393</b>

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally for tax advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 32. CONTINGENCIES

### (a) *Contingent liabilities*

The parent entity and Group had contingent liabilities at 30 June 2009 in respect of:

#### *Financial guarantees*

The parent entity has given financial guarantees, secured by a fixed and floating charge over all the assets and undertakings of the Group, in respect of the following:

- (i) Australian Securities and Investment Commission for the purpose of maintaining AFSL requirements amounting to \$40,000 (2008: \$40,000);
- (ii) rental contract guarantees totalling \$399,922 (2008: \$375,904).

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees.

## NOTE 33. COMMITMENTS

### (a) *Capital and contract commitments*

There are no commitments for capital acquisitions or services contracted for at the reporting date that are not recognised as liabilities by the parent entity or the consolidated entity.

### (b) *Lease commitments: Group company as lessee*

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

The Group leases offices under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms are renegotiated.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	917	777	-	-
Later than one year but not later than five years	1,559	2,003	-	-
	<u>2,476</u>	<u>2,780</u>	<u>-</u>	<u>-</u>

#### *(ii) Finance leases*

The Group and the parent entity have no finance leases as at 30 June 2009.

## NOTE 34. RELATED PARTY TRANSACTIONS

### (a) *Parent entities*

The parent entity within the Group is Snowball Group Limited. The ultimate Australian parent entity is Officium Group Pty Ltd. As at 30 June 2009, Officium Group Pty Ltd and its wholly owned subsidiaries owned 61.90% (2008: 62.09%) of the issued ordinary shares of Snowball Group Limited.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Subsidiaries

Interests in subsidiaries are set out in note 36.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 30.

### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Sales of services</i>				
Performance fee rebate received from a subsidiary of the ultimate parent entity	–	406,875	–	–
Cost reimbursements by the ultimate parent entity	9,588	34,263	–	–
Sponsorship of conference by a subsidiary of the ultimate parent entity	20,000	30,000	–	–
IT support services provided to a subsidiary of the ultimate parent entity	24,666	46,666	–	–
IT support services provided to the ultimate parent entity	14,666	–	–	–
Cost reimbursements by a subsidiary of the ultimate parent entity	–	1,048	–	–
<i>Purchase of services</i>				
Research services provided by the ultimate parent entity	75,000	75,000	–	–
Secondment of Steven Forrest, General Counsel, from the ultimate parent entity	–	81,426	–	–
<i>Tax consolidation legislation</i>				
Current tax payable assumed from wholly-owned tax consolidated entities	–	–	1,814,307	1,833,876
<i>Dividend revenue</i>				
Subsidiaries	–	–	11,867,256	8,873,809
Associates	–	–	150,000	222,500
<i>Superannuation contributions</i>				
Contributions to superannuation funds on behalf of employees	652,674	763,422	–	–
<i>Other transactions</i>				
Dividends paid to the ultimate parent entity	2,890,208	2,402,022	2,890,208	2,402,022
Dividends paid to a subsidiary of the ultimate parent entity	420,000	360,000	420,000	360,000
Remuneration paid to directors of the ultimate parent entity	29,660	30,000	29,660	30,000

# Notes to the financial statements (continued)

30 June 2009

## NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Outstanding balances arising from sales/purchases of services

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current receivables (sales of services)</i>				
Ultimate parent entity	4,235	9,662	-	-
Subsidiaries of the ultimate parent entity	367	5,968	-	-
<i>Current payables (purchases of services)</i>				
Ultimate parent entity	6,875	6,875	-	-
Directors	-	2,500	-	-

### (f) Loans to related parties

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Loan to subsidiaries</i>				
Beginning of the year	-	-	15,416,502	9,098,157
Movements in loans during the year	-	-	931,144	6,318,345
End of the year	-	-	16,347,646	15,416,502
Provision for impairment at the beginning of the year	-	-	1,056,673	2,594,252
Reversal of prior impairment	-	-	(1,056,673)	(1,537,579)
Provision for impairment at the end of the year	-	-	-	1,056,673
Loans to subsidiaries, net of provision for impairment	-	-	16,347,646	14,359,829
<i>Loans to other related parties</i>				
Beginning of the year	574,938	518,056	574,938	518,056
Loans advanced	210,000	-	210,000	-
Loan repayments received	(218,406)	-	(218,406)	-
Interest charged	49,383	56,882	49,383	56,882
End of the year	615,915	574,938	615,915	574,938
<i>Loans to associates</i>				
Beginning of the year	-	-	-	-
Loans advanced	86,240	-	-	-
End of the year	86,240	-	-	-

# Notes to the financial statements (continued)

30 June 2009

## NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (g) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in note 8.

The loan between the parent entity and its other related parties as disclosed above was payable on 30 June 2009. The loan agreement provides for an alternative payment date agreed in writing by both parties. As at the date of this report, the parties have agreed to extend the repayment terms of the loan. Interest is applied to the outstanding portion of the loan at the 90 day bank bill rate plus 3.75% per annum. Outstanding balances are secured by guarantee and are repayable in cash.

## NOTE 35. BUSINESS COMBINATIONS

### (a) Summary of acquisitions

During the 2009 financial year, the Group completed the following acquisitions:

- Effective 1 July 2008, acquisition of the business assets of a specialist corporate superannuation business, Mastertek Benefit Consultants Pty Ltd.
- Effective 1 August 2008, acquisition of the business assets of a financial planning business, Yarra Financial Group Pty Ltd.
- Effective 1 February 2009, acquisition of the business assets of a financial planning business, Money Mentors (QLD) Pty Ltd.
- Effective 1 March 2009, acquisition of the corporate superannuation business of Hood Sweeney Securities Pty Ltd.
- Effective 1 March 2009, acquisition of the corporate superannuation business of Thornton Group (SA) Pty Ltd.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Mastertek Benefit Consultants \$'000	Yarra Financial Group \$'000	Money Mentors \$'000	Hood Sweeney \$'000	Thornton Group \$'000	Total \$'000
Purchase consideration						
Cash paid	1,600	1,500	2,006	1,181	437	6,724
Direct costs relating to the acquisition	175	152	86	82	7	502
Total cash consideration	1,775	1,652	2,092	1,263	444	7,226
Deferred consideration (note 20, 25)	911	1,900	785	393	236	4,225
Total purchase consideration	2,686	3,552	2,877	1,656	680	11,451
Fair value of net identifiable assets acquired (refer to (b) below)	835	1,056	1,110	828	378	4,207
Goodwill (refer to (b) below and note 16)	1,851	2,496	1,767	828	302	7,244

# Notes to the financial statements (continued)

30 June 2009

## NOTE 35. BUSINESS COMBINATIONS (CONTINUED)

### (b) Assets and liabilities acquired

The assets and liabilities arising from the acquisitions are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
<i>(i) Mastertek Benefit Consultants Pty Ltd</i>		
Intangible assets – client contracts and related client relationships	–	881
Intangible assets – other rights	–	312
Deferred tax liability	–	(358)
Net identifiable assets acquired	–	835
<i>(ii) Yarra Financial Group Pty Ltd</i>		
Intangible assets – client contracts and related client relationships	–	1,116
Intangible assets – other rights	–	393
Deferred tax liability	–	(453)
Net identifiable assets acquired	–	1,056
<i>(iii) Money Mentors (QLD) Pty Ltd</i>		
Intangible assets – client contracts and related client relationships	–	1,201
Intangible assets – other rights	–	374
Plant and equipment	14	14
Deferred tax liability	–	(472)
Provision for employee benefits	(7)	(7)
Net identifiable assets acquired	7	1,110
<i>(iv) Hood Sweeney Securities Pty Ltd</i>		
Intangible assets – client contracts and related client relationships	–	792
Intangible assets – other rights	–	391
Deferred tax liability	–	(355)
Net identifiable assets acquired	–	828
<i>(v) Thornton Group (SA) Pty Ltd</i>		
Intangible assets – client contracts and related client relationships	–	362
Intangible assets – other rights	–	178
Deferred tax liability	–	(162)
Net identifiable assets acquired	–	378

The goodwill is attributable to the profitability of the acquired businesses and synergies expected to arise after the Group's acquisition of these businesses.

The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 36. SUBSIDIARIES

The following are the entities that are the legal subsidiaries of Snowball Group Limited, the parent entity of the Group.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2009 %	2008 %
Snowball Capital Pty Ltd	Australia	Ordinary	100	100
Snowball Financial Pty Ltd	Australia	Ordinary	100	100
Snowball Investment Research Pty Ltd	Australia	Ordinary	100	100
Campbell Wallis Moule & Co Pty Ltd	Australia	Ordinary	100	100
Outlook Financial Solutions Pty Ltd	Australia	Ordinary	100	100
Outlook Tax & Accounting Solutions Pty Ltd **	Australia	Ordinary	–	83
Outlook Financial Planning Pty Ltd	Australia	Ordinary	100	100
Western Pacific Financial Group Pty Ltd	Australia	Ordinary	100	100

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* On 1 July 2008, OTAS merged with NSW-based accounting business Duncan Dovico Pty Ltd. Upon application of Australian Accounting Standards, the merger is deemed to be a disposal of OTAS from the consolidated group. The Group has a 31.8% shareholding in the merged entity, Duncan Dovico Holdings Pty Ltd (refer note 37).

## NOTE 37. INVESTMENTS IN ASSOCIATES

### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent entity	
		2009 %	2008 %	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Unlisted</i>							
QTCU Financial Planning Pty Ltd	Financial advice	25.0	25.0	2,125	2,231	1,222	1,222
Duncan Dovico Holdings Pty Ltd	Accountancy services	31.8	–	3,391	–	–	–
Big Sky Financial Solutions Pty Ltd	Financial advice	49.0	–	32	–	–	–
				5,548	2,231	1,222	1,222

The above associates are incorporated in Australia.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 37. INVESTMENTS IN ASSOCIATES (CONTINUED)

### (b) Movements in carrying amounts

	Consolidated	
	2009 \$'000	2008 \$'000
Carrying amount at the beginning of the financial year	2,231	2,262
Acquisition of ownership interest	3,215	–
Dividends received	(207)	(222)
Share of profits after income tax accrued (refer (c) & (d) below)	503	223
Dividend received in excess of accrual	–	18
Amortisation of separately identifiable intangibles arising on the acquisition of the ownership interest	(194)	(50)
Carrying amount at the end of the financial year	5,548	2,231

### (c) Share of associates' profits or losses

	Consolidated	
	2009 \$'000	2008 \$'000
Profit before income tax	709	318
Income tax expense	(206)	(95)
Profit after income tax	503	223

### (d) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>2009</b>					
QTCU Financial Planning Pty Ltd *	25.0	321	136	682	95
Duncan Dovico Holdings Pty Ltd	31.8	5,012	1,513	3,169	408
Big Sky Financial Solutions Pty Ltd **^	49.0	67	152	24	–
		5,400	1,801	3,875	503
<b>2008</b>					
QTCU Financial Planning Pty Ltd *	25.0	368	131	851	223
		368	131	851	223

\* The Group earns additional revenue from the services that it provides to these entities pursuant to a Services Agreement.

^ As this operation has only recently commenced, there has been minimal activity and, as a result, no profit or loss has been generated for the Group during the current period.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### (a) Dividends

Subsequent to the end of the financial year, the directors have resolved to pay a final ordinary dividend of 2 cents per share, fully franked. The record date for determining the entitlement to this dividend is 30 September 2009.

## NOTE 39. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008* \$'000
Profit for the year	5,299	5,909	5,348	7,495
Amortisation	2,220	2,062	–	–
Depreciation	321	339	110	38
Loss on sale of fixed assets	–	4	–	–
Dividends recognised as investing receipt *	(207)	(222)	(12,017)	(9,096)
Reversal of prior impairment of amounts owing from controlled entities	–	–	(1,057)	(1,538)
Impairment of investment in subsidiary	–	–	6,942	–
Non-cash employee benefits expense - share based payments	174	329	159	273
Gain on sale of subsidiary	(770)	–	–	–
Change in operating assets and liabilities				
Decrease (increase) in trade and other receivables	442	(268)	(3)	14
Increase in work in progress	–	(31)	–	–
(Increase) decrease in prepayments	(907)	(527)	25	(103)
Decrease in accrued income	805	938	–	–
Increase in deferred tax assets	–	–	(2,091)	(52)
Decrease in trade and other payables	(60)	(60)	(2)	–
(Decrease) increase in current tax liabilities	(1,943)	469	(2,695)	1,642
Increase in other provisions	65	32	–	–
Decrease in net intercompany balances *	–	–	(1,244)	(3,855)
(Decrease) increase in deferred tax liabilities	(563)	94	–	–
(Decrease) increase in other operating liabilities	(356)	318	–	(128)
Net cash inflow/(outflow) from operating activities	4,520	9,386	(6,525)	(5,310)

\* The prior year comparatives have been reclassified between "Dividends recognised as investing receipt" and "Decrease in net intercompany balances" by \$8,874,000 to reflect the dividends received by the parent entity from its wholly owned subsidiaries. There is no impact on the parent entity's comparative cash flow statement for the year ended 30 June 2008 as a result of this reclassification.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 40. NON-CASH INVESTING AND FINANCING ACTIVITIES

Options issued to employees under the Snowball Group Limited Employee Option Plan for no cash consideration are shown in note 42.

Shares issued to employees under the Snowball Group Limited Employee Incentive Plan for no cash consideration are shown in note 42.

## NOTE 41. EARNINGS PER SHARE

### (a) Basic earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the Company  
Profit attributable to the ordinary equity holders of the Company

Consolidated	
2009 Cents	2008 Cents
3.47	3.90
3.47	3.90

### (b) Diluted earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the Company  
Profit attributable to the ordinary equity holders of the Company

3.45	3.84
3.45	3.84

### (c) Reconciliations of earnings used in calculating earnings per share

#### Basic earnings per share

Profit from continuing operations  
Profit from continuing operations attributable to minority interests  
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share  
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share

Consolidated	
2009 \$'000	2008 \$'000
5,299	5,909
–	(86)
5,299	5,823
5,299	5,823

#### Diluted earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share  
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share  
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share

5,299	5,823
5,299	5,823
5,299	5,823

# Notes to the financial statements (continued)

30 June 2009

## NOTE 41. EARNINGS PER SHARE (CONTINUED)

### (d) *Weighted average number of shares used as the denominator*

	<b>Consolidated</b>	
	2009 Number	2008 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	152,728,398	149,442,506
Adjustments for calculation of diluted earnings per share:		
Options	259,028	1,460,624
Shares to be issued as deferred consideration for the acquisition of a controlled entity	678,037	835,863
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	153,665,463	151,738,993

### (e) *Information concerning the classification of securities*

#### (i) *Options*

Options granted to employees under the Snowball Group Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. Options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 42.

## NOTE 42. SHARE-BASED PAYMENTS

### (a) *Employee Option Plan*

The establishment of the Snowball Group Limited Employee Option Plan was approved by shareholders at a general meeting of shareholders on 21 December 2001.

On 2 July 2004, 3,500,000 options were issued to 21 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. The options were divided equally among three tranches, and on the vesting date for each tranche, those options vested if the listed price was greater than the target price. Partial vesting of the options occurred if, on the vesting date, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.20, and the options expire five years after the vesting date for each of the tranches. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 219,927 fully vested.

On 26 October 2005, 3,600,000 options were issued to 20 eligible employees of the Group under a management and staff incentive scheme, who were entitled to be granted options pursuant to the abovementioned plan. There were two vesting periods – the early vesting window and the normal vesting window. The options fully vested during the early vesting window, as the listed price was greater than the target price. Had the options not vested during the early vesting window, the options would have vested in the normal vesting window if the listed price was greater than the target price, or partial vesting of the options would have occurred if, on the vesting date for the normal vesting window, the listed price was greater than the minimum vesting price, but lower than the target price. The exercise price for these options is \$0.40, and the options expire five years after the vesting date. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 1,445,000 fully vested.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 42. SHARE-BASED PAYMENTS (CONTINUED)

### (a) Employee Option Plan (continued)

On 7 February 2007, 3,000,000 options were issued to Tony McDonald and Carl Scarcella, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.69, \$0.79, \$0.91, \$1.05 and \$1.21 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 3,000,000 with 1,200,000 fully vested.

On 27 March 2007, 1,000,000 options were issued to Simon Quirk and Nick Collett, who were entitled to be granted options pursuant to the abovementioned plan. The options are divided equally among five tranches, and on the vesting date for each tranche, those options vest if the option holder is employed by Snowball Group Limited, or a subsidiary of it, at that vesting date. The exercise price for each tranche of options is \$0.83, \$0.93, \$1.04, \$1.16 and \$1.30 respectively. The options within each tranche expire four years after vesting date for the first and second tranches, three years after vesting date for the third and fourth tranches, and two years after vesting date for the fifth tranche. The balance of un-exercised and unexpired options from this issue at 30 June 2009 is 1,000,000 with 400,000 fully vested.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Parent entity - 2009</b>								
27 Mar 2007	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.83	200,000	-	-	-	200,000	200,000
	2: 31 Dec 2012	2: \$0.93	200,000	-	-	-	200,000	200,000
	3: 31 Dec 2012	3: \$1.04	200,000	-	-	-	200,000	-
	4: 31 Dec 2013	4: \$1.16	200,000	-	-	-	200,000	-
	5: 31 Dec 2013	5: \$1.30	200,000	-	-	-	200,000	-
7 Feb 2007	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.69	600,000	-	-	-	600,000	600,000
	2: 31 Dec 2012	2: \$0.79	600,000	-	-	-	600,000	600,000
	3: 31 Dec 2012	3: \$0.91	600,000	-	-	-	600,000	-
	4: 31 Dec 2013	4: \$1.05	600,000	-	-	-	600,000	-
	5: 31 Dec 2013	5: \$1.21	600,000	-	-	-	600,000	-
26 Oct 2005	14 Apr 2012	\$0.40	1,445,000	-	-	-	1,445,000	1,445,000
2 Jul 2004	5 years after vesting	\$0.20	219,927	-	-	-	219,927	219,927
			5,664,927	-	-	-	5,664,927	3,264,927
Weighted average exercise price		\$0.79		-	-	-	\$0.79	\$0.57

# Notes to the financial statements (continued)

30 June 2009

## NOTE 42. SHARE-BASED PAYMENTS (CONTINUED)

### (a) Employee Option Plan (continued)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
<b>Parent entity - 2008</b>								
27 Mar 2007	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.83	200,000	-	-	-	200,000	200,000
	2: 31 Dec 2012	2: \$0.93	200,000	-	-	-	200,000	-
	3: 31 Dec 2012	3: \$1.04	200,000	-	-	-	200,000	-
	4: 31 Dec 2013	4: \$1.16	200,000	-	-	-	200,000	-
	5: 31 Dec 2013	5: \$1.30	200,000	-	-	-	200,000	-
7 Feb 2007	Tranche:	Tranche:						
	1: 31 Dec 2011	1: \$0.69	600,000	-	-	-	600,000	600,000
	2: 31 Dec 2012	2: \$0.79	600,000	-	-	-	600,000	-
	3: 31 Dec 2012	3: \$0.91	600,000	-	-	-	600,000	-
	4: 31 Dec 2013	4: \$1.05	600,000	-	-	-	600,000	-
	5: 31 Dec 2013	5: \$1.21	600,000	-	-	-	600,000	-
26 Oct 2005	14 Apr 2012	\$0.40	3,270,000	-	(1,825,000)	-	1,445,000	1,445,000
2 Jul 2004	5 years after vesting	\$0.20	2,647,387	-	(2,427,460)	-	219,927	219,927
			<u>9,917,387</u>	<u>-</u>	<u>(4,252,460)</u>	<u>-</u>	<u>5,664,927</u>	<u>2,464,927</u>
Weighted average exercise price			\$0.57	-	\$0.29	-	\$0.79	\$0.49

No options were forfeited during the periods covered by the above tables.

There were no options exercised during the year ended 30 June 2009. The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2008 was \$0.77.

The weighted average remaining contractual life of employee share options outstanding at the end of the period was 3.35 years (2008: 4.39 years).

#### *Fair value of options granted*

No options were granted during the year ended 30 June 2009 or the year ended 30 June 2008.

# Notes to the financial statements (continued)

30 June 2009

## NOTE 42. SHARE-BASED PAYMENTS (CONTINUED)

### b) Employee Incentive Plan

The establishment of the Snowball Group Limited Employee Incentive Plan was approved by directors on 17 December 2008. This plan replaces the previous Snowball Group Limited Employee Share Plan that was approved by shareholders on 18 April 2002.

The Employee Incentive Plan is designed to provide all eligible employees of Snowball Group Limited and its related bodies corporate with the opportunity to acquire shares in the company and share in the company's future performance. All Australian resident full-time and permanent part-time employees (excluding executive directors, the company secretary, and members of the Group Executive Committee) who are employed by Snowball Group Limited or any of its related bodies corporate as at 18 December 2008 are eligible to participate in the plan. Employees may elect not to participate in the plan.

Under the rules of the plan, eligible employees may be granted fully paid ordinary shares in the Company annually for no cash consideration. The market value of shares issued under the plan, measured as the prevailing market price on the date of issue of the shares, is recognised in the balance sheet as an issue of ordinary shares by the company (in 2009 as share capital) and in the income statement as an employee benefit cost in the period the shares are granted.

Offers under the plan are at the discretion of the company. Shares issued under the plan may not be sold until the earlier of three years after issue or cessation of employment by the Group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue (refer to note 26(c)).

The number of shares issued to participants in the plan is the offer amount divided by the prevailing market price on the date of issue of the shares.

On 31 March 2009 the Company issued shares to the value of \$500 to eligible employees based on the prevailing market price on 31 March 2009 of \$0.40.

The executive directors of the Company, the company secretary and members of the Group Executive Committee are not eligible to participate in the Company's employee incentive plan.

	Consolidated		Parent entity	
	2009	2008	2009	2008
Number of shares issued under the plan to participating employees on 31 March 2009	110,000	-	110,000	-
	110,000	-	110,000	-

Each participant was issued shares worth \$500 based on the prevailing market price of \$0.40 on 31 March 2009.

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Options issued under employee option plan	130	329	130	273
Shares issued under employee incentive plan	44	-	44	-
	174	329	174	273

# Directors' Declaration

30 June 2009

In the directors' opinion:

- (a) the financial statements and notes set out on pages 49 to 116 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) 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 financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Managing Director and the Chief Operating Officer required by section 295A of the *Corporations Act 2001*.

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



Q B Jones  
Director  
Sydney  
25 September 2009

# Independent Auditor's Report to the Members

30 June 2009



## Independent auditor's report to the members of Snowball Group Limited

### Report on the financial report

We have audited the accompanying financial report of Snowball Group Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Snowball Group Limited and the Snowball Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331  
MELBOURNE VIC 3001  
DX 77  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

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# Independent Auditor's Report to the Members (continued)

30 June 2009



## Independent auditor's report to the members of Snowball Group Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

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 Snowball 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 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 25 to 36 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 Snowball Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Charles Christie'.

Charles Christie  
Partner

Melbourne  
25 September 2009

# Shareholder information

30 June 2009

The shareholder information set out below was applicable as at 15 September 2009.

## A DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of security holders by size of holding:

	Class of equity security	
	Ordinary shares	Options
1 – 1,000	180	–
1,001 – 5,000	291	–
5,001 – 10,000	63	2
10,001 – 100,000	147	7
100,001 and over	68	10
	<b>749</b>	<b>19</b>

There were 284 holders of less than a marketable parcel of 1,282 ordinary shares.

## B EQUITY SECURITY HOLDERS

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares
1. Officium Group Pty Ltd	82,577,384	54.01
2. Officium Investments Pty Ltd	12,000,000	7.85
3. Citicorp Nominees Pty Limited	8,626,901	5.64
4. Equity Partners Two Pty Limited	8,228,125	5.38
5. National Nominees Limited	3,855,409	2.52
6. Loftus Lane Investments Pty Ltd	1,656,975	1.08
7. ANZ Nominees Limited	1,457,547	0.95
8. Mr Maxwell Norman Campbell & Mrs Lynette Jean Campbell	1,412,500	0.92
9. Jawcamb Management Services Pty Ltd	1,373,826	0.90
10. Mr Tony McDonald	1,274,732	0.83
11. Mr Carl Frank Scarcella & Mrs Roslyn Elizabeth Scarcella	1,248,500	0.82
12. Mr Philip Hedley Kelly & Mrs Elizabeth Mary Kelly	1,107,423	0.72
13. Ms Lynnette Ann Rodda	1,049,850	0.69
14. Equity Trustees Limited	993,330	0.65
15. Mr Albert Brouwer, Mrs Marilyn Brouwer & Mr Scott Brouwer	917,488	0.60
16. FNL Investments Pty Ltd	907,841	0.59
17. Pindimara Holdings Pty Ltd	895,690	0.59
18. Pindimara Holdings Pty Ltd	833,333	0.55
19. Macnab Clarke Properties Pty Ltd	719,482	0.47
20. Mr David Raits	704,406	0.46
Total ordinary shares quoted on ASX held by the top 20 holders	<b>131,840,742</b>	<b>86.22</b>

# Shareholder information (continued)

30 June 2009

## B EQUITY SECURITY HOLDERS (CONTINUED)

### Unquoted equity securities

Options	Number on Issue
Options issued under the Management and Staff Incentive Scheme	219,927
Options issued under the Employee Option Plan	<u>5,445,000</u>
	<u>5,664,927</u>
Comprising:	
Group 4	219,927
Group 7	1,445,000
Group 8	3,000,000
Group 9	<u>1,000,000</u>
Total	<u>5,664,927</u>

## C SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage
Officium Group Pty Ltd	82,577,384	54.01
Officium Investments Pty Ltd	12,000,000	7.85
Citicorp Nominees Pty Ltd	8,626,901	5.64
Equity Partners Two Pty Ltd	8,228,125	5.38

## D VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

Contents of the notes to the financial statements





