

Annual Report 2010

Guild Group Holdings Limited



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Chairman's Report

In these fragile times following the financial crisis of 2008 and 2009 the Guild Group has embarked upon a new era of leadership and growth. Pleasingly in 2009/10 revenue increased by \$19.8 million to \$208.6 million, after tax profit rose by \$7.8 million to \$10.1 million, with net assets of \$82.9 million, up from \$74.3 million. Importantly, the Guild Group will pay dividends to the Pharmacy Guild of Australia of \$5.0 million.

We are cognisant that the world economy remains volatile, with uncertainties in a number of economies. However, Australia continues to provide a stable environment in which the Company can grow, building on these solid results of 2009/10.

Our new Managing Director, Mario Pirone, has brought strategic acumen to the Group with a focus on our insurance business, which represents 86 per cent of revenues. In 2009/10 gross written premiums rose from \$133.8 million to \$142.7 million and the Board has embraced a growth strategy into new markets and products, centring on insurance.

The Board warmly welcomes Mario to the Guild Group Family. He brings with him a formidable 25 plus years of experience in general insurance and financial services. He comes to us from his previous role as CEO of CGU within the Insurance Australia Group, with former positions with SGIO Insurance. The Board is supremely confident in Mario's skills and insights and have high expectations that he will deliver considerable long-term value for the company, our clients and our shareholder.

I would like to pay tribute to the ten years of leadership of former Managing Director Brian Bengler, who retired during this year. Brian rebuilt a troubled company by developing a unique and profitable business model, providing high quality professional services to Australia's pharmacy and allied health professions. Brian's absolute focus on values, culture and staff engagement meant he was highly regarded by many. We wish him all the best in his future endeavours and congratulate him on his appointment by the State Government to the Board of the Victorian Managed Insurance Authority.

The Guild Group will retain and enhance the deep relationships we have built with our clients and professional associations, as well as the strong organisational culture of our staff. We have maintained high staff engagement levels, which are currently at 88 per cent, even in a significant change period. The Board continues to build and refine its strong relations with the reshaped senior management team, which now has an increased skills base and focus.

It continues to be a great honour and privilege to lead the Board team of the Guild Group made up of very talented, insightful and dedicated directors. The Board has reached new heights in critical evaluation and development through an intensive board and director assessment process this year. This has further strengthened an already strong board team dynamic.

Our regulator, the Australian Prudential Regulation Authority, continues to respond to global concerns around issues such as independence and executive remuneration by establishing stricter prudential standards in these and other areas. The Group continues to aim for the excellence in governance and are incorporating these new standards and other measures.

The Guild Group will retain and enhance the deep relationships we have built with our clients and professional associations, as well as the strong organisational culture of our staff. We have maintained high staff engagement levels, which are currently at 88 per cent, even in a significant change period.

The Guild Group remains a stable and secure company, with a strong capital adequacy ratio of 177.3 per cent that underpins our ability to pay claims and secure our future. Our clients and shareholder can be confident of high standards in the setting of risk appetite and risk management in the company. The Board remains actively engaged in the strategic and risk setting processes of the organisation.

From this solid base the Company now looks to the future, under the innovative and challenging plans of our new Managing Director. These plans will deliver a strong and stable company for policyholders and a rewarding work environment for our staff, enhanced, quality services to our clients, significant and sustainable returns to our shareholder, the Pharmacy Guild of Australia, to Australian Pharmacy and to our partners in other professions.

I commend this year's Annual Report to you and trust that you will be as excited as we are about the future of the Guild Group.

H.D Zafer

Chairman of Directors
Melbourne, 6 September 2010



Managing Director's Report

YEAR UNDER REVIEW

Market and economic conditions improved considerably during the period that said the same head winds from the GFC that first occurred during 2008/9 started to return in the later part of the current financial year. This had a significant negative impact on the Group's investment portfolio and accordingly to investment earnings. However despite this set back, effective underwriting, expense management, good returns from the Group's broader offering of financial, investments and legal services came together to produce a solid result.

Our focus during the year has been on customer service and business development through building organisational capability and people talent; living our values of customer centricity, learning, enjoyment, respect, personal best, integrity and trust.

Our vision is to maintain and attract high quality people and provide them the opportunity to foster their talents in a growing and innovative environment for the benefit of our customers and shareholders.

Insurance

Our insurance operations continued to develop strong working relationships with our key customers to ensure we meet their insurance needs, and look to add value through our award winning risk management program.

Total insurance products issued now exceed 90,000; pleasingly while operating in a highly competitive environment our client retention remained high at 88%.

Despite two extreme weather events significantly impacting the Australian insurance industry, Guild has been able to achieve a relatively positive claims outcome. Our staff provided our clients excellent claims service ensuring we managed their claims in a timely and effective manner.

New initiatives during the period include:

- Establishing two new sources of distribution in personal lines direct and commercial intermediary. These channels will be developed further during the course of the year ahead;
- Introduction of "ClaimCenter", our new industry leading claims management system to all of our product lines. This system will improve our capacity to manage our client's claims more effectively and provide them with exceptional service;
- Improvements to our Reinsurance Programme in its design and structure which also included attracting a panel of leading reinsurers, that Guild will partner with in developing the business; and
- Introducing on-line professional indemnity and risk tools (Risquequip) across a number of clients and markets.

Financial Services

The Group provides a broad range of financial and professional services to our clients, this includes, superannuation, financial planning, finance and life insurance.

A considerably improved result was achieved in terms of earnings and growth in funds under management through the year.

New initiatives during the period include:

- Combining superannuation funds under one trustee and implementing a new investment strategy for the long term benefit of our members;
- Launching a direct life offering to new and existing clients; and
- Implementing new systems with the view of improving our client reporting and interaction.

Legal

We provide exceptional legal services to the insurance sector and in addition specialised commercial services to specific market segments in the allied health sector.

We have built a talented group of lawyers that have exceptional expertise and a focus on customer service.

Investments

Guild's investments are managed by our in-house investment team. We continue our low risk approach to managing our

Our vision is to maintain and attract high quality people and provide them the opportunity to foster their talents in a growing and innovative environment for the benefit of our customers and shareholders.

investment portfolio. Our investment funds are divided into two portfolios; Policy Holders Funds which represent those assets matched to our insurance liabilities and Shareholder Funds which represent the Group's capital.

Our investment strategy focuses on:

- Policy Holder Funds comprising high quality cash and fixed interest matched to the duration of our insurance claims liability; and
- Shareholder Funds comprising of quality long dated fixed interest and Australian equities managed to deliver superior performance over the medium term.

The Group enjoyed a strong period of out performance to the market with Australian fixed interest/loans achieving 1.2% / 2.2% and Australian equities achieving 2.2% of out performance.

OUTLOOK

We are very positive about the prospects for the Group and our focus for the year ahead will be centered on three key objectives:

Customers

We are looking to expand our customers through several avenues namely:

- The continued focus on our current and longstanding relationships with Pharmacy and Associations; seeking to improve our service offering across our range of professional services and products;
- Relaunch our Personal Lines product - Home and Car to the "Pharmacy Family" and Associations; and

- Develop a quality and unique commercial insurance service offering to selective Broker relationships in well defined markets.

People

We look to continue to retain our people through providing them an environment where they can excel in and be rewarded for their achievements. We will actively seek to attract new talent into the Group as we build our Business.

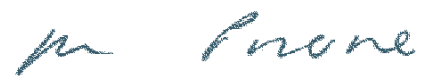
Financial Performance

We will continue to strive to meet our earnings and growth targets while ensuring we retain a conservative, well capitalised position.

In conclusion I would like to thank our people and the Board for their considerable support, in particular given this is my first year as Managing Director. I look forward to working with the Guild team in further developing the organisation for the benefit of all our stakeholders.

M.J. Pirone

Managing Director
Melbourne, 6 September 2010



Report of Directors

Harry Denis Zafer

MRPharms, FAICD, FAIPM (Non-Executive Chairman)

Chairman Guild Shield Chemists Cooperative, Vice President Pharmacy Guild W.A.Branch. National Councillor of Pharmacy Guild of Australia and Chairman of Pharmacy Foundation W.A.

Silas Bell Banks

Phc, FAICD (Non-Executive Director and Deputy Chairman)

Practising pharmacist for over 40 years, President of the NSW Branch and National Councillor of the Pharmacy Guild of Australia.

Your Directors present their report on the consolidated Group consisting of Guild Group Holdings Limited and the entities it controlled at the end of the year ended 30 June 2010.

1. DIRECTORS

The names and details of the company's directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



John Michael Barrington

LL.B.B.Com (Melb), FAICD (Non-Executive Director)

Principal of Barrington Legal with over 30 years in practice specialising in insurance law, superannuation and banking and finance. Formerly Chief Executive of CUNA Mutual Limited and Mutual Community Limited. Chairman of Intrinsic Value Investments Limited and Albert Court Aged Care Edgecliff Sydney.



Mario J Pirone

B.Bus, Grad.Dip. Bus, FCPA (Managing Director)

Mario Pirone has over 20 years experience as a senior executive and Director in large and complex organisations in the areas of general insurance, funds management and financial services. Mr Pirone was formerly the CEO of CGU and Executive with Insurance Australia Group (1999-2008). He has held a number of non-executive Directorships over the past 10 years. Mr. Pirone was appointed as Managing Director on 19 October 2009.



Brian Garfield Benger

B. Ec (Hons)(Adel), FAICD (Managing Director – Retired)

Extensive experience with Ford Australia and National Mutual (now AXA). Wide variety of senior line management roles with National Mutual and GIO Australia. Mr. Benger retired as Managing Director of Guild Group Holdings Limited and as a Director from all Guild Group company boards on 7 October 2009.



Dipak Rajnikant Sanghvi

B.Sc. Pharmacy (UK) FACPPM, FAICD (Non-Executive Director)

A Pharmacist with over 30 years experience, Chairman of IM Medical Ltd, Board Member of ACCI, Member of National Small Business Forum and Small Business Coalition, President Pharmacy Guild Vic. Branch, National Councillor of Pharmacy Guild of Australia and National Vice President of Pharmacy Guild of Australia. Also, Chairman of Pharmacy Incorporation Working Group, Chairman of Return of Unwanted Medicines (RUM) Project and Chairman of Gold Cross Products & Services Pty Ltd.



George Venardos

BCom, FCA, FCIS, FTIA, FAICD (Non-Executive Director)

A Chartered Accountant with more than 30 years experience in Financial Services with senior executive roles in Finance, Tax, IT, Funds Management, Reinsurance and Corporate Services at Insurance Australia Group (IAG.ASX), Legal & General Group (Australia) and Price Waterhouse in Australia.



George is Non-Executive Director of IOOF Holdings Ltd (IFL.ASX), BluGlass Ltd (BLG.ASX), Sunnyfield Association, Miclyn Express Offshore Ltd (MIO.ASX) and Ardent Leisure Limited (AAD.ASX).

Stephen Somogyi

MSc (Melb), SM(MIT), FIAA, MAICD (Non-Executive Director)

Chief Operating Officer and Vice President Resources at RMIT University. Extensive experience in the financial services and health care industries, including 27 years with National Mutual and as Executive Member of the Australian Prudential Regulation Authority for 3 years to June 2006.

Steve holds a Master of Science from the University of Melbourne in Physics and a Master of Science from the Massachusetts Institution of Technology in Management. He is a Fellow of the Institute of Actuaries in Australia. Steve is a Commissioner of the Safety, Rehabilitation and Compensation Commission, Director of ING Australia, VERNet and RMIT Foundation.



Alice Joan Williams

B. Comm, FCPA, FAICD, CFA, ISFA (Non-Executive Director)

Over 25 years of senior management and Board level experience in investment banking, corporate and government sectors. A Director of Djerrivarrh Investments, Equity Trustees, Victorian Funds Management Corporation and Defence Health. Former Director of Aircservices Australia, V/Line Passenger Pty Limited, Telstra Sale

Corporation, State Trustees and Western Health, former Commissioner to the Victorian Competition & Efficiency Commission and Council Member of Cancer Council of Victoria.



Report of Directors

LEADERSHIP TEAM

Paul Rutledge Baker

LLB (Solicitor Director – Guild Lawyers Limited)

Practising lawyer of more than 20 years experience in the areas of insurance, commercial and administrative law. A former senior litigation partner of Ebsworth & Ebsworth lawyers and former legal member of Consumer Medicines Information Commonwealth Task Force and the South Eastern Sydney Area Health Ethics Committee.



Paul Mark Harding

BA (HRM), AAHRI (Acting Group Human Resources Manager)

Practising certified human resources professional with over 9 years extensive experience in Human Resources including senior human resources roles within General Electric Australia.



David Keith Brown

ANZIIF (Snr Assoc), CIP, MBA (General Manager- Guild Insurance Limited)

General Manager of Guild Insurance Limited since 1996. Certified insurance professional with extensive general insurance experience spanning some 34 years, incorporating a variety of senior management roles. Current Vice President of the Australian Insurance Association and an active member on various Insurance Council of Australia (ICA) committees and working groups.



Samuel Mark Horskins

B. Comm, FCA, (Chief Financial Officer)

A qualified accountant with extensive experience in the insurance and financial services industry. Previously held senior management roles with OAMPS and Ernst & Young.



Theresa P Mills

General Manager – Guild Financial Services

Theresa brings over 20 years of financial services experience to her position at the Guild Group. Her professional background includes roles across business strategy, business coaching, business growth and distribution, covering banking, financial planning, stockbroking funds management and superannuation. Theresa has been a Certified Financial Planner for twelve years and is a member of the Financial Planning Association.

**Kingsley James Bibby**

CFA, (Chief Investment Officer (CIO))

CIO of the Guild Group investment division and Guild Capital Asset Management on 1 October 2007, after 6 years as portfolio manager of the Guild Group investment division. Prior to this various financial services roles were held over a 3 year period with AXA Australia.



Karen Symes

M. App. Sc. (Chief Information Officer)

An Information Technology professional of twenty five years within the financial services industry. Most recent senior management roles held at Equity Trustees and ANZ Banking Group. Mrs. Symes joined the Guild Group on 26 July 2010.



Report of Directors

2. PRINCIPAL ACTIVITIES

The principal activities during the year within the consolidated Group were:

- general insurance underwriting;
- providing personal financial planning advice and superannuation;
- providing legal services;
- providing accounting and tax services;
- management of investments.

3. CONSOLIDATED RESULTS

	2010
	\$'000
Profit attributable to members	10,148

4. DIVIDENDS

Dividends recommended and paid in the 2010 year:

-on ordinary shares	1,150
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5. REVIEW OF OPERATIONS

Market and economic conditions improved considerably during the period that said the same head winds from the GFC that first occurred during 2008/9 started to return in the later part of the current financial year. This had a significant negative impact on the Group's investment portfolio and accordingly to investment earnings. However despite this set back, effective underwriting, expense management, good returns from the Group's broader offering of financial, investments and legal services came together to produce a solid result.

Our focus during the year has been on customer service and business development through building organisational capability and people talent; living our values of customer centricity, learning, enjoyment, respect, personal best, integrity and trust.

Our vision is to maintain and attract high quality people and provide them the opportunity to foster their talents in a growing and innovative environment for the benefit of our customers and shareholders.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- On 30 June 2009 Guild Group Holdings Limited signed a two year facility agreement with Commonwealth Bank Australia. This agreement will see the transfer of all loan and transactional banking facilities for the consolidated Group.
- On 6 August 2009 Guild Group Investments executed the sale of the 3 Sisters property to Guild Financial Services Ltd as the responsible entity for the GuildGrape Project No. 1. The sale value of the land and water licence is \$485,000 and \$175,000 respectively. A deposit of \$50,000 was received in August 2010 and settlement was received on 1 July 2010.
- On 1 September 2009 NetFin Pty Limited changed its company name to Guild Commercial Finance Pty Limited.
- A dividend of \$1,150,000 was declared by the Directors at the Board meeting held on 8 September 2009.
- On 8 September 2009 Guild Commercial Finance Pty Limited (formerly NetFin Pty Limited) issued 249,000 ordinary shares at a cost of \$1 per share to its parent entity, Guild Group Holdings Limited.
- On 10 November 2009 the Guild Financial Services Limited was replaced as Responsible Entity for GuildGrape Project No. 1 and Guild Property Trust by Food and Beverage Australia Limited.
- On 22 December 2009 the Guild Capital Asset Management Limited was replaced as Responsible Entity for Guild Capital Australian Equities Fund by Equity Trustees Limited.

7. SIGNIFICANT EVENTS AFTER BALANCE DATE

- On 30 July 2010 Guild Group Investments Limited signed a contract of sale for the investment property held at 1721 Malvern Road, Glen Iris. Settlement of \$6,450,000 is was made on 1 September.
- A dividend of \$5,000,000 was declared by the Directors at the Board

meeting held on 6 September 2010, payable 4 October 2010.

- On 6 September 2010 Guild Commercial Finance Pty Limited (formally NetFin Pty Limited) issued 100,000 ordinary shares at a cost of \$1 per share to its parent entity, Guild Group Holdings Limited.
- On 21 July 2010 Guild Group Holdings Limited was authorised as a Non-Operating Holding Company under the Insurance Act 1973.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

We are very positive about the prospects for the Group and our focus for the year ahead will be centered on three key objectives:

Customers

We are looking to expand our customers through several avenues namely:

- The continued focus on our current and longstanding relationships with Pharmacy and Associations; seeking to improve our service offering across our range of professional services and products;
- Relaunch our Personal Lines product - Home and Car to the "Pharmacy Family" and Associations; and
- Develop a quality and unique commercial insurance service offering to selective Broker relationships in well defined markets.

People

We look to continue to retain our people through providing them an environment where they can excel in and be rewarded for their achievements. We will actively seek to attract new talent into the Group as we build our Business.

Financial Performance

We will continue to strive to meet our earnings and growth targets while ensuring we retain a conservative, well capitalised position.

9. OUTSTANDING CLAIMS PROVISION IN CONTROLLED GROUP (GUILD INSURANCE LIMITED)

The provision for outstanding claims for a controlled Group (Guild Insurance Limited) is determined after consultation with an actuary. The outstanding claims assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, recoveries and future interest and inflation factors. The directors consider that adequate risk margins are required in addition to actuarial central estimates to cover uncertainties such as changes in interest rates and superimposed inflation. APRA issued new prudential standards for all Insurance Companies effective 1 July 2002.

These standards provide that outstanding claims must be set at a level that provides a probability of at least 75% that the provision for outstanding claims will be adequate to settle claims as they become payable in the future. The directors have satisfied themselves that the Group's outstanding claims provision exceed this requirement.

10. CAPITAL ADEQUACY OF CONTROLLED GROUP (GUILD INSURANCE LIMITED)

	2010	2009
	\$'000s	\$'000s
Capital Base	100,103	70,889
Minimum Capital Requirement (MCR)	56,411	40,431
Capital Adequacy Ratio	177.5%	175.3%

11. ENVIRONMENTAL REGULATIONS

The operations of the controlled Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

The Directors are not aware of any breaches of significant environmental regulations during the period covered by this report that are likely to result in a material impact on the Group or the environment.

Report of Directors

12. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Group's directors (including meetings of committees of directors) held during the year ended 30 June 2010, and the numbers of meetings attended by each director.

	Full Meeting of Directors	Meetings of Investment Committee	Meetings of Remunerations & Nominations Committee	Meetings of Audit & Compliance Committee (GGHL)	Meetings of Audit & Compliance Committee (GIL)	Meetings of Audit & Compliance Committee (GTS)	Meetings of GuildGrape Compliance Committee (Terminated)	Meetings of Reinsurance Committee	Meetings of Guild Capital Asset Management Compliance Committee (Terminated)
Number of meetings held	5	5	3	3	3	3	2	2	2
Number of meetings attended by:									
H.D. Zafer	4		3	3	3	3	2		2
S.B. Banks	5	5	3				2	2	2
J.M. Barrington	5	5	3				2	2	2
B.G. Benger*	1	2	1					2	
M. J. Pirone*	4	3	2					2	
D. Sanghvi*	4								
S. Somogyi	5			3	3	3			
G. Venardos*	5		3	3	3	3		1	
A.J. Williams	5	5	1	3	3	3	2		2

* These Directors were not members of the above committees for the full year, due to being appointed as a Director, resigning from a committee or retiring as a Director during the year.

13. DIRECTORS' BENEFITS

No Director of the Group has received or become entitled to receive a benefit because of a contract made by the Group or a related body corporate with the Director or a firm of which they are a member, or with a Group in which they have a substantial financial interest.

14. COMMITTEE MEMBERSHIP

As at the date of this report, the Group had an Investment, Remuneration & Nominations, an Audit & Compliance and a Reinsurance Committee of the Board of Directors.

Members acting on the committees of the board during the year were:

Investment	Remuneration & Nominations	Audit & Compliance (GGHL)	Audit & Compliance (GIL)	Audit & Risk Management (GFS)	GuildGrape Compliance	Reinsurance	Guild Capital Asset Management Compliance
A.J. Williams ©	G. Venardos © (appointed)	S. Somogyi ©	S. Somogyi ©	S. Somogyi ©	J.M. Barrington ©	G. Venardos © (appointed)	J.M. Barrington ©
S.B. Banks	S.B. Banks	G. Venardos	G. Venardos	G. Venardos	A.J. Williams	S.B. Banks	A.J. Williams
J.M. Barrington	J.M. Barrington	A.J. Williams	A.J. Williams	A.J. Williams	H.D. Zafer	J.M. Barrington	H.D. Zafer
B.G. Benger (retired)	B.G. Benger (retired)	H.D. Zafer	H.D. Zafer	H.D. Zafer		B.G. Benger (retired)	
M.J. Pirone (appointed)	M.J. Pirone (appointed)					M.J. Pirone (appointed)	
	H.D. Zafer						
	A.J. Williams (appointed)						

15. INSURANCE OF OFFICERS

During the financial year, Guild Group Holdings Limited paid a premium in respect of a contract insuring the directors, company secretary and officers of the Group against a liability incurred as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

16. NUMBER OF EMPLOYEES

The workforce of the Group stands at 332 equivalent full time employees at 30 June 2010. The consolidated Group is expecting a modest increase in staff numbers over the next twelve months to ensure that there are adequate staffing resources to manage the anticipated revenue growth.

17. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Group is a company to which the Class Order applies.

18. DECLARATION FROM AUDITORS

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.


H.D. Zafer

Chairman
Melbourne, 6 September 2010



M.J. Pirone

Director
Melbourne, 6 September 2010



Independent Auditor's Report

to the Directors of Guild Group Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Guild Group Holdings Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 the 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 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 and International Standards on Auditing. 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independent Auditor's Report

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Guild Group Holdings Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

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8 Exhibition Street,
Melbourne VIC 3000, Australia
GPO Box 67, Melbourne VIC 3001
Tel +61 3 9288 8000
Fax +61 3 8650 7777



T.M. Dring

Partner
Melbourne, 6 September 2010



Auditor's Independence Declaration

In accordance with a resolution of the directors of Guild Group Holdings Limited, I state that:

In relation to our audit of financial report of Guild Group Holdings Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

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8 Exhibition Street,
Melbourne VIC 3000, Australia
GPO Box 67, Melbourne VIC 3001
Tel +61 3 9288 8000
Fax +61 3 8650 7777



T.M. Dring

Partner
Melbourne, 6 September 2010



Directors' Declaration

In accordance with a resolution of the directors of Guild Group Holdings Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
- c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

H.D. Zafer

Chairman
Melbourne, 6 September 2010



M.J. Pirone

Director
Melbourne, 6 September 2010



Statement of Financial Position

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Cash and cash equivalents	9	9,771	9,639
Trade and other receivables	10	46,978	44,337
Reinsurance and other recoveries receivable	11	19,917	20,746
Income tax receivable		2,277	2,875
Financial assets	12	205,409	180,596
Prepayments and inventories	13	6,902	6,112
Deferred acquisition costs	14	12,685	14,027
Investment properties	15	31,436	31,160
Property, plant and equipment	16	9,241	10,165
Deferred tax assets	7	7,490	8,239
Intangible assets and goodwill	17	13,207	16,723
TOTAL ASSETS		365,313	344,619
LIABILITIES			
Trade and other payables	18	25,453	24,147
Premium liabilities	19	61,207	58,141
Interest-bearing loans and borrowings	20	53,840	59,534
Provisions	21	5,831	4,740
Deferred tax liabilities	7	3,401	2,096
Claims liabilities	22	132,723	121,606
TOTAL LIABILITIES		282,455	270,264
NET ASSETS		82,858	74,355
EQUITY			
Contributed equity	23	5,585	5,585
Retained earnings	23	77,246	68,248
Non-controlling interest	24	27	522
TOTAL EQUITY		82,858	74,355

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Premium revenue	6 (a)	146,993	137,134
Outwards reinsurance premium expense		(22,745)	(22,501)
Net premium revenue		124,248	114,633
Claims expense	6 (g)	(69,430)	(64,935)
Reinsurance and other recoveries revenue	6 (b)	11,708	8,988
Net claims expense		(57,722)	(55,947)
Other insurance income	6 (c)	3,924	3,510
Acquisition costs	6 (h)	(24,974)	(25,538)
Underwriting expenses	6 (i)	(32,620)	(27,194)
Underwriting result		12,856	9,464
Investment revenue on assets backing insurance liabilities	6 (d)	9,250	9,117
Insurance trading result		22,106	18,581
Investment revenue on equity holder's funds	6 (e)	12,416	(1,764)
Fee and other income	6 (f)	24,272	23,200
Other operating expenses		(40,330)	(33,647)
Finance costs	6 (j)	(3,395)	(3,780)
PROFIT BEFORE INCOME TAX EXPENSE		15,069	2,590
Income tax (expense)/credit	7	(5,416)	(379)
NET PROFIT FOR THE PERIOD		9,653	2,211
Profit for the period is attributable to:			
Owners of the parent		9,653	2,211
Non-controlling interest		495	97
		10,148	2,308
Other comprehensive income for the period is attributable to:			
Owners of the parent		9,653	2,211
Non-controlling interest		495	97
		10,148	2,308

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2010

	Attributable to equity holders				Total Equity \$'000
	Ordinary Shares \$'000	Preference Shares (Guild) \$'000	Retained Earnings \$'000	Minority Interest \$'000	
2010					
Balance at start	3,585	2,000	68,248	522	74,355
Dividends provided or paid	-	-	(1,150)	-	(1,150)
Minority Interest	-	-	-	-	-
Changes in equity during the period					
Net profit	-	-	10,148	(495)	9,653
Total recognised income and expense for the period	3,585	2,000	77,246	27	82,858
Issue of share capital	-	-	-	-	-
Balance at year end	3,585	2,000	77,246	27	82,858
Number of shares	3,585,434	20,000			3,605,434
2009					
Balance at start	3,585	2,000	70,984	906	77,475
Dividends provided or paid	-	-	(5,005)	-	(5,005)
Minority Interest	-	-	(39)	(287)	(326)
Changes in equity during the period					
Net profit	-	-	2,308	(97)	2,211
Total recognised income and expense for the period	3,585	2,000	68,248	522	74,355
Issue of share capital	-	-	-	-	-
Balance at year end	3,585	2,000	68,248	522	74,355
Number of shares	3,585,434	20,000			3,605,434

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

Statement of Cash Flows

for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Premiums received		149,219	139,375
Outwards reinsurance paid		(22,779)	(22,422)
Claims paid		(63,023)	(61,022)
Reinsurance and other recoveries received		12,829	13,012
Acquisition costs paid		(25,254)	(24,323)
Other underwriting expenses paid		(58,262)	(50,989)
Reinsurance commission received		1,037	1,919
Sundry income received		26,217	23,734
Interest and other costs of finance paid		(3,395)	(3,854)
Income tax paid		(3,451)	(8,198)
Rentals received		3,355	2,882
Net cash flows from operating activities	9(a)	16,493	10,114
Cash flows from investing activities			
Dividends received		2,129	2,554
Interest received		8,770	9,014
Payments for property, plant and equipment		(904)	(3,099)
Proceeds from sale of property, plant and equipment		4	729
Payments for financial assets		(49,193)	(38,875)
Proceeds from financial assets		30,812	23,279
Payments for investment properties		(31)	(24)
Payment for intangible assets		(1,311)	(1,639)
Net cash flows (used in) investing activities		(9,724)	(8,061)
Cash flows from financing activities			
Dividends paid		(1,150)	(5,005)
Proceeds from borrowings		212	-
Repayment of borrowings		(5,700)	(300)
Loan from related entity		-	305
Net cash flows (used in) financing activities		(6,638)	(5,000)
Net increase / (decrease) in cash and cash equivalents		131	(2,947)
Cash and cash equivalents at the beginning of the period		9,639	12,586
Cash and cash equivalents at the end of the period	9(b)	9,771	9,639

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

Notes to the Financial Statement

for the year ended 30 June 2010

1. CORPORATE INFORMATION

The financial report for Guild Group Holdings Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 6 September 2010.

Guild Group Holdings Limited is a company limited by shares incorporated in Australia. The ultimate parent entity of Guild Group Holdings Limited is The Pharmacy Guild of Australia.

The nature of the operations and principal activities of the Group are general insurance underwriting, providing personal financial planning advice and superannuation, providing legal, accounting and tax services and management of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board.

The financial report has been prepared on a historical cost basis, except for investments, property, plant and equipment and investment properties, which are measured at fair value amounts. The accounting policies adopted are consistent with those of previous years, except where noted below.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise stated.

a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

Notes to the Financial Statements

For the year ended 30 June 2010

b) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows;

The following standards and interpretations would have been applied for the first time for entity's with years ending 30 June 2010:

Reference	Title	Application date of standard*	Application date for Group*
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	1 July 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	1 July 2009

Notes to the Financial Statements

For the year ended 30 June 2010

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below;

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 3.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income.

The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present one statement.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- AASB 101 Presentation of Financial Statements: assets and liabilities classified as held for trading in accordance with AASB 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the Statement of Financial Position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the Statement of Financial Position.
- AASB 116 Property, Plant and Equipment: replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- AASB 136 Impairment of Assets: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".
- AASB 138 Intangible Assets: expenditure on computer software and product development activities is recognised as an expense when the Group either has the right to access the goods or has provided the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 108 Accounting Policies, Change in Accounting Estimates and Error
- AASB 110 Events after the Reporting Period
- AASB 117 Leases
- AASB 118 Revenue
- AASB 119 Employee Benefits
- AASB 138 Intangible Assets
- AASB 140 Investment Property

Notes to the Financial Statements

For the year ended 30 June 2010

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010 are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter to apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> – two categories for financial assets being amortised cost or fair value – removal of the requirement to separate embedded derivatives in financial assets – strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows – an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition – reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes – changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income 	1 January 2013	1 July 2013
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	<p>The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.</p> <p>Specifically, the amendments:</p> <ul style="list-style-type: none"> – exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets – exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result. 	1 January 2010	1 July 2010

Notes to the Financial Statements

For the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> – has primary responsibility for providing the goods or service; – has inventory risk; – has discretion in establishing prices; – bears the credit risk 	1 January 2010	1 July 2010

Notes to the Financial Statements

For the year ended 30 June 2010

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.		
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).	1 January 2011	1 July 2011

* Designates the beginning of the applicable annual reporting period unless otherwise stated

Adoption of new accounting standard

The Group has early adopted IFRS 8 Operating Segments: Disclosures and all consequential amendments which became applicable on 1 January 2010. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit or loss or the financial position of the Group.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Guild Group Holdings Limited (the parent company) and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line

any dissimilar accounting policies that may exist.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by the Group are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate Statement of Comprehensive Income of the parent entity, and do not impact the recorded cost of the investment.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves

recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Financial Statements

For the year ended 30 June 2010

Prior to 1 January 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 January 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated Statement of Comprehensive Income and within equity in the consolidated Statement of Financial Position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

d) Revenue recognition

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

Premium income

Direct premium comprises amounts charged to the policyholder or other insurers, including fire service levies, but excluding stamp duties and other amounts collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue.

Premium is treated as earned from the date of attachment of risk. Where material, premiums on unclosed business are brought to account by reference to the previous year's premium processing delays with due allowance for any changes in the pattern of new business and renewals.

The pattern of recognition of income over the policy or indemnity periods is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written in the year, using the 365ths method based on date of attachment of risk. The portion not earned, as determined by the above method, is classified in the Statement of Financial Position as unearned premium.

Rendering of services

Revenue from legal and accounting services is recognised by reference to the stage of completion of the legal case file or accounting matter. Stage of completion is measured by the labour hours incurred valued at chargeable hourly rates, less allowance for any amounts expected not to be recovered, to date compared to that expected on completion.

Fee revenue

Fees earned and Commission income are recognised when the Group's right to receive the payment is established.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental revenue

Rental revenue from investment properties is accounted for on a straight line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

e) Management fee income and related expenses

Management fee income and related fees payable to contractors are recognised by reference to the estimated percentage completion of the services involved, based on the relevant contracts entered into. When the percentage completion cannot be reliably estimated, revenue is only recognised to the extent of the expenses recognised that are recoverable.

f) Fire brigade and other charges

A liability for fire brigade and other charges is recognised on business written to the reporting date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

g) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Guild Group Holdings Limited and its Australian subsidiaries is Australian dollars (\$). The New Zealand functional currency is New Zealand Dollars, which is translated to the presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the

Notes to the Financial Statements

For the year ended 30 June 2010

exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the New Zealand transactions are translated into Australian Dollars (presentation currency) using the weighted average exchange rate for the year. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the Statement of Comprehensive Income.

h) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax

credits and unused tax losses can be utilised except when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax consolidation legislation

Guild Group Holdings Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Guild Group Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Guild Group Holdings Limited also recognises the current 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 the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 7.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise of cash at bank and in hand and short term deposits with an original maturity 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.

For purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements

For the year ended 30 June 2010

j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less any allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts greater than trade terms are considered objective evidence of impairment.

k) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable in relation to "long-tail" classes are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of discount and inflation rates applied are included in note 11.

l) Outwards reinsurance

The Group cedes insurance risk in the normal course of business. Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of premium written.

m) Inventories

Work in progress on amounts ultimately owed to Guild Group Holdings Limited are valued at the lower of cost and net realisable value, as fees are not rendered on matters until either the completion of a particular task or time period.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs

necessary to make the sale. The following methodologies are used in determining the value of work completed.

Time Recording

For general and commercial accounting and law matters, time spent by a professional is recorded against the matter at an agreed hourly rate.

Estimated Fees Earned

Work in progress reflects the time recorded against each matter as at a particular date and is used as a guide in determining the professional and other fees that will ultimately be rendered to the relevant client, which is accrued and held as a provision on the Statement of Financial Position.

n) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through the profit or loss or held-to-maturity investments, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are initially recognised they are measured at fair value.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of assets within the period established generally by regulation or convention in the market place.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Gains or losses on financial assets held for trading are recognised in the profit or loss and the related assets are classified as current and non-current assets in the Statement of Financial Position.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held to maturity are measured at fair value.

The fair value of investments that are actively traded in organised financial markets are determined by reference to the quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques.

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Notes to the Financial Statements

For the year ended 30 June 2010

p) Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

p) Property, plant and equipment

Cost and valuation

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Buildings are measured at fair value, based on periodic valuations by external independent valuers who apply the International Valuations Standards Committee International Valuation Standards, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation

Depreciation is calculated on a straight-line or reducing balance basis so as to write off the net cost of each item of plant and equipment over its estimated useful life.

The estimated useful lives for plant and equipment are;

Leasehold improvements	Over the terms of the various leases
Fixtures and fittings	2-13 years
Buildings	40 years

The assets' residual values, useful lives, impairment and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

Revaluations of buildings

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is able to be restated proportionately with the change in the gross carrying amount of the asset so that the net carrying amount of the asset after revaluation equals its revalued amount.

De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

q) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices adjusted if necessary, for any difference in the nature, location

or condition of the specific asset at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases transfer to the Group substantially all risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Notes to the Financial Statements

For the year ended 30 June 2010

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

s) Intangible assets and goodwill

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8, and includes:

- Financial Services products;
- Superannuation fund;
- Guild Commercial Finance Pty Limited; and
- Guild Accountants Pty Limited.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating

units) to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to

be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and thus accounted for on a prospective basis.

Development costs

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Development costs arisen from internal development have a finite life and will be amortised over the period of expected future benefit from the related project on a straight line basis.

t) Impairment of non financial assets other than goodwill

The Group conducts an annual internal review of asset values which is used as a source of information to assess for any indication of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Notes to the Financial Statements

For the year ended 30 June 2010

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. The non financial assets relate to computer software and internally generated development costs.

u) Outstanding claims liability

Claims expense represents payment for claims and the movement in outstanding claims liabilities and they are recognised in respect of direct business.

The central estimate of outstanding claims liabilities is the best estimate of the present value of future projected claim payments and associated claim handling costs in respect of claims reported but not yet paid and claims incurred but not reported (IBNR).

Standard actuarial methods are applied to all classes of business to assess the net central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected. Projected future payments include an allowance for inflation and superimposed inflation and are discounted to present values by applying risk free discount rates.

A risk margin at 95% level of sufficiency (2009 – 80%) is added to the net central estimate in determining the net outstanding claims liabilities. The risk margin increases the probability that the net outstanding claim liabilities ultimately prove to be adequate.

The liability for outstanding claims for "long-tail" classes is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period

to settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at the reporting date. The details of rates applied are included in note 22.

The liability for outstanding claims for "short-tail" classes is measured using the Incurred Development and Projected File Estimate Methods. The assumptions are that the future development of claim costs will be similar to that which has arisen in the past, and that claims inflation in the next one to two years will be similar to that over the past one to two years.

Claims expense excludes claims discount expense, being the portion of the increase in the liability for outstanding claims arising from the passage of time as the claim payments discounted in the prior year come closer to settlement.

v) Assets backing general insurance liabilities

As part of its investment strategy the Group actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

With the exception of property, plant and equipment, share investments, hire purchase and loans the Group has determined that all Guild Insurance Limited assets are held to back general insurance liabilities and their accounting treatment is described below. As these assets are managed under the Group's Risk Management Strategy on a fair value basis and are reported to the Board on this basis, they have been valued at fair value through the profit or loss.

Financial assets

Financial assets classified as held for trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Gains or losses on financial assets held

for trading are recognised in the profit or loss and the related assets are classified as current and non current assets in the Statement of Financial Position.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held to maturity are measured at fair value.

The fair value of investments that are actively traded in organised financial markets are determined by reference to the quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques.

Trade and other receivables

Amounts due from policyholders and intermediaries are initially recognised at cost, being the amounts due.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The impairment charge is recognised in the Statement of Comprehensive Income.

w) Unearned premium liability

Unearned premium liability is determined by apportioning the premium written over the period from date of attachment of risk to the expiry of the policy term.

Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of Comprehensive Income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

Notes to the Financial Statements

For the year ended 30 June 2010

The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free discount rate) plus an additional fair value risk margin to reflect the inherent uncertainty of those estimated cash flows.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

x) Trade and other payables

Trade payables and other payables are carried at amortised costs due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

y) Provisions and employee benefits

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

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 resulting from the passage of time is recognised in finance costs.

Make good provisions have been provided against the capitalised asset.

Employee leave benefits Wages, 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 respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised 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. 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.

z) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. 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.

The Group held no derivatives at 30 June 2010.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, equity investments at fair value, cash and short term deposits.

Risk Exposures and Responses

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

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

Primary responsibility for identification and control of risks rests with the Risk Management Committee under the authority of the Board.

Notes to the Financial Statements

For the year ended 30 June 2010

Interest rate risk

Financial instruments with floating rate interest expose the Group to cash flow interest rate risk, whereas fixed interest rate financial instruments expose the Group to fair value interest rate risk.

The Group's exposure to market interest rates relates primarily to the Group's long term debt obligations. The level of debt is disclosed in note 20.

At the reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2010 \$'000	2009 \$'000
Financial Assets		
Cash and cash equivalents	9,771	9639
Fixed Deposits	143,297	113,026
Loans	17,620	18,947
	170,688	141,612
Financial Liabilities		
Bank loans	(37,000)	(42,700)
Loans to ultimate parent entity	(16,840)	(16,834)
	(53,840)	(59,534)
Net exposure	116,848	82,078

The Group's approach to minimise interest rate risk is by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk, which falls under the Group Investment Policy. The Group invests in high quality, liquid fixed interest securities and cash and actively manages the duration of the fixed interest portfolio and its interest rate exposure. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

	Post Tax Profit	
	2010 \$'000	2009 \$'000
+1% (100 basic points)	818	575
+0.5% (50 basic points)	(409)	(287)

The affect of basis point movement would be consistent whether the movement in interest rates was up or down across all maturities, having the same positive or negative effect on profits, therefore varying movements have been shown. The movements in profit are due to higher/lower interest costs from variable rate debt and cash and fixed interest balances.

The movement in other comprehensive income is due to an increase/decrease in the fair value of derivative instruments designated as cash flows. The sensitivity is lower in 2010 than in 2009 because of a reduction in outstanding borrowings that has occurred due to the repayment of debt.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecaster's expectations.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.
- The effect on other comprehensive income is the effect on fair value movements.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and financial assets.

The Group's exposure to credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. Through monitoring of the Group Investment policy all exposures and breaches are reported to the Group Investment Committee.

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

Notes to the Financial Statements

For the year ended 30 June 2010

The credit quality is assessed and monitored as follows:

2010	A+ and Above	BBB and below	Internally Rated			Total
			New Customers	Closely Monitored Customers	No default customers	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9,771	-	-	-	-	9,771
Interest bearing investments	141,298	1,999	4,792	225	12,603	160,917
Trade and Other Receivables	-	-	4,435	547	40,133	45,115
Net exposure	151,069	1,999	9,227	772	52,736	215,803

2009	A+ and Above	BBB and below	Internally Rated			Total
			New Customers	Closely Monitored Customers	No default customers	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9,639	-	-	-	-	9,639
Interest bearing investments	102,556	10,470	5,469	240	13,238	131,973
Trade and Other Receivables	-	-	4,178	236	37,418	41,832
Net exposure	112,195	10,470	9,647	476	50,656	183,444

The Group only trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. The aging of Trade Debtors can be seen in Note 10.

Price risk

The Group is exposed to equity securities price risk. Equity securities price risk arises from investments in equity securities. To limit this risk the Group diversifies its portfolio in accordance with limits set by the board. The majority of the equity investments are of a high quality and are publicly traded on either the ASX 200 Index.

The following sensitivity is based on the price risk exposures in existence at the reporting date.

At 30 June 2010, had the ASX 200 Index moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2010	2009
	\$'000	\$'000
Financial Assets	44,380	47,368

Judgments of reasonably possible movements:

	Post Tax Profit	
	2010	2009
	\$'000	\$'000
+10% (1000 basic points)	3,107	3,316
-5% (500 basic points)	(1,553)	(1,658)

The effect of basis point movement would be consistent whether the movement in the ASX 200 Index was up or down, having the same positive or negative effect on profits, therefore varying movements have been shown. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

Foreign currency risk

As a result of operations in New Zealand the Group's Statement of Financial Position can be affected by movements in the NZ\$/A\$ exchange rates. The Group has transactional currency exposures. Such exposures arise from sales or purchases by an operating entity in currencies other than the functional currency. It is the Group's policy to use the weighted average exchange rate for transactions in the Statement of Comprehensive Income and the month end rate for all transactions in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 30 June 2010

At 30 June 2010, the Group had the following exposure to NZ\$ foreign currency:

	Consolidated	
	2010 \$'000	2009 \$'000
Financial Assets		
Cash and cash equivalents	640	454
Trade and other receivables	111	79
Property, plant and equipment	20	23
Deferred acquisition costs	38	-
Other	122	-
	931	556
Financial Liabilities		
Claim Liabilities	74	11
Premium liabilities	167	59
Trade and other payables	406	402
Provisions	81	-
	728	472
Net exposure	203	84

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2010, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

	Post Tax Profit		Equity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
AUD / NZD +10% (1000 basis points)	13	5	26	26
AUD / NZD -5% (500 basis points)	(7)	(3)	(15)	(15)

The affect of basis point movement would be consistent whether the movement in foreign exchange rates was up or down, having the same positive or negative effect on profits, therefore varying movements have been shown.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the NZD spot rate as at reporting date, moving this spot rate by the reasonably possible movements and then re-converting the NZD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions and ensure that all insurance and investment obligations are met.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. This will limit the risk of any mismatches in claims payments and receipts of claims recoveries. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

At reporting date, the Group has available approximately \$8 million of unused credit facilities for its immediate use.

Notes to the Financial Statements

For the year ended 30 June 2010

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (eg. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk to monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks.

Year ended 30 June 2010	< 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	> 5 Years \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	9,771	-	-	-	9,771
Trade and other receivables	46,634	344	-	-	46,978
Financial assets	20,141	15,548	95,937	73,783	205,409
	76,546	15,892	95,937	73,783	262,158
Financial Liabilities					
Trade and other payables	17,820	6,179	1,454	-	25,453
Interest bearing loans and borrowings	-	-	-	53,840	53,840
	17,820	6,179	1,454	53,840	79,293
Net maturity	58,726	9,713	94,483	19,943	182,865
Year ended 30 June 2009					
	< 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	> 5 Years \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	9,639	-	-	-	9,639
Trade and other receivables	44,337	-	-	-	44,337
Financial assets	-	29,111	81,691	69,794	180,596
	53,976	29,111	81,691	69,794	234,572
Financial Liabilities					
Trade and other payables	16,714	5,571	1,862	-	24,147
Interest bearing loans and borrowings	-	-	-	59,534	59,534
	16,714	5,571	1,862	59,534	83,681
Net maturity	37,262	23,540	79,829	10,260	150,891

Notes to the Financial Statements

For the year ended 30 June 2010

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2010	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total \$'000
Financial Assets					
Share investments - fair value		44,380	-	-	44,380
Fixed interest deposits - fair value		142,891	-	406	143,297
Agricultural investment		-	-	112	112
Finance lease/ hire purchase		-	-	9,952	9,952
Other loans		-	-	7,668	7,668
		187,271	-	18,138	205,409

	Year ended 30 June 2009	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non market observable inputs (Level 3) \$'000	Total \$'000
Financial Assets					
Share investments - fair value		47,368	-	-	47,368
Fixed interest deposits - fair value		112,624	-	402	113,026
Agricultural investment		-	-	1,255	1,255
Finance lease/ hire purchase		-	-	11,850	11,850
Other loans		-	-	7,097	7,097
		159,992	-	20,604	180,596

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

Notes to the Financial Statements

For the year ended 30 June 2010

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable.

Reconciliation of Level 3 fair value movements

	2010 \$'000	2009 \$'000
Opening Balance	20,604	23,074
Total gains and losses	(1,224)	(239)
New business / purchases	6,075	6,937
Exiting business / sales	(7,318)	(9,168)
Closing Balance	18,137	20,604
Total gains or losses stated in the table above for assets held at the end of the period	(1,224)	(239)

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks.

The Group has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS 220 Risk Management for General Insurers and GPS 230 Reinsurance Arrangements for General Insurers issued by the Australian Prudential Regulation Authority (APRA), the Group and GIL Board and senior management have developed, implemented and maintained a sound and prudent Risk Management

Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The Group RMS and REMS identify the Group and GIL's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group. Annually, the Group and GIL Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Group and GIL has systems in place to ensure compliance with legislative and prudential requirements and that the Group and GIL Board has satisfied itself as to the compliance with the RMS and REMS.

The RMS and REMS have been approved by both the Group and GIL Board and APRA. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date and reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.
- Natural disasters such as bushfires are more challenging to manage. We monitor exposure to such risks through special modelling techniques involving the collation of data on weather patterns which support decisions on limiting exposure.
- Reinsurance is used to limit GIL's exposure to large single claims and catastrophes. When selecting a reinsurer we only consider those companies that provide high security. In order to assess this we use rating information from the public domain or gathered through internal investigations.

- In order to limit concentrations of credit risk, in purchasing reinsurance the entity has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.
- The mix of assets in which we invest is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The diversification of business over two classes of insurance, three geographical segments and large numbers of uncorrelated individual risks seeks to reduce variability in loss experience.

Notes to the Financial Statements

For the year ended 30 June 2010

Concentration of insurance risk

GIL's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into two classes of business across three territories. Specific processes for monitoring identified key concentrations are set out below.

Risk	Source of concentration	Risk management measures
Natural Catastrophes	Properties concentrated in regions that are subject to: <ul style="list-style-type: none">– Earthquakes– Bushfires– Cyclones– Hail storms	<p>GIL's underwriting strategy requires individual risk premiums to be differentiated in order to reflect the higher loss frequency in particular geographical areas.</p> <p>GIL has modeled aggregated risk by postcode using commercially available catastrophe models. The Company's exposure data across the Australian portfolio encompasses all fire risks.</p> <p>Based on the probable maximum loss per the models, the Company purchases catastrophe reinsurance cover to limit exposure to any single event.</p>

Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 22 show our estimates of total claims outstanding for each underwriting year at successive year ends.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management base its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Operating lease commitments – Group as a lessor

The Group entered into commercial property leases on its investment property portfolio. The Group has determined that it retains substantially all the significant risks and rewards of ownership of these properties primarily as the lease does not transfer ownership of the asset to the lessee at the end of the lease term. Thus the Group has classified the leases as operating leases.

Impairment of non financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technology expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Notes to the Financial Statements

For the year ended 30 June 2010

Taxation

The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised.

In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

Significant accounting estimates and assumptions

Valuation of investments

The Group has decided to classify investments in listed and unlisted securities as 'held for trading' investments and movements in fair value are recognised in profit or loss. The fair value of listed shares has been determined by

reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer.

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events giving rise to the claims has happened.

The product liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the Fire & ISR class, claims are typically reported soon after the claim event, and hence tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or

which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks
- medical and technological developments

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Group has regard to the claim circumstance as reported, any information available from loss adjusters, and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in note 5.

Notes to the Financial Statements

For the year ended 30 June 2010

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk.

Impairment is recognised where there is objective evidence that the Group may not receive amounts due to it and these amounts can be reliably measured.

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives, including sensitivity analysis, are discussed in note 17. An impairment loss of \$2,973,071 (2009: \$250,000) was recognised in respect of goodwill.

Long service leave provision

As discussed in note 2(y), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Make good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling,

closure and permanent storage of historical residues.

These future cost estimates are discounted to their present value. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the Statement of Financial Position by adjusting both the expense or the asset (if applicable) and provision. The related carrying amounts are disclosed in note 21.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for some furniture and fittings) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 16.

If the useful lives of assets were shortened by 20% for each asset, the financial effect on consolidated depreciation expense for the current financial year and the next two years would be:

	\$'000
2010	400
2011	350
2012	300

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. The impairment loss is outlined in note 10.

Inventory valuation

Work in progress on amounts ultimately owed to Guild Group Holdings Limited is

carried at cost as fees are not rendered on matters until either the completion of a particular task or time period. Cost includes both variable and fixed costs directly related to projects and those that can be attributed to project activity and that can be allocated to specific projects on a reasonable basis.

• Time Recording

For general and commercial legal, accounting and tax matters, time spent by a professional is recorded against the matter at an agreed hourly rate.

• Estimated Fees Earned

Work in progress reflects the time recorded against each matter as at a particular date and is used as a guide in determining the professional and other fees that will ultimately be rendered to the relevant client, which is accrued and held as a provision on the Statement of Financial Position.

5 ACTUARIAL ASSUMPTIONS AND METHODS

The subsidiary, Guild Insurance, writes most Australian Prudential Regulatory Authority (APRA) classes of business: professional indemnity (PI), public liability (PL), workers compensation (WC), fire and industrial special risks (ISR), householders/homeowners (HH), motor (MOT), marine (MAR) and other miscellaneous cover (OTHER). ISR, HH, MOT, MAR and OTHER insurance are short tail classes with most claims notified and settled within 12 months of the incident. Analysis of these classes indicates that case estimates are reasonable predictors of the ultimate liability. A small allowance is made for some late reporting of claims.

Claims estimates for the long tail classes are derived from analysis of the results of several different actuarial models. Parameters for each model are based on analysis of Guild Insurance's past experience with adjustments to reflect any systemic changes. In general, equal weighting is given to the methods that reflect the nature of each class of business.

Notes to the Financial Statements

For the year ended 30 June 2010

The following statistics summarise the main assumptions made in determining the outstanding claims liability:

	2010	2009
Average weighted term to settlement (gross discounted)	3.0 years	2.9 years
Weighted average claim size (settlement values)	3,268	3,093
Expense rate (gross claims cost)	3.00%	3.00%
Inflation assumption	3.00%	3.00%
Discount rate	4.75%	4.50%
Superimposed inflation:		
Long Tailed Business	2.0% to 4.0%	2.0% to 6.0%
Short Tailed Business	0.00%	0.00%
Number of IBNR claims	1,519	1,572
Risk Margin (increased to 95% for 2010, previously was 80% probability of adequacy, net diversified):		
Long Tailed Business	21.68%	10.89%
Short Tailed Business	27.23%	12.62%

Process used to determine assumptions

A description of the processes used to determine these statistics is provided below:

Average weighted term to settlement

The average weighted term to settlement is calculated as the time weighted average of projected aggregate cash flows for all classes of business (gross of reinsurance and other recoveries and discounted to the balance date).

Weighted average claim size

The claim size is calculated as the total gross incurred cost of claims averaged over the projected ultimate number of claims for all classes of business and all years.

Expense rate

A rate for claims handling expenses was calculated by reference to past experience of estimated claims handling costs as a percentage of past payments.

Inflation assumption

Economic inflation assumptions are set by reference to current economic indicators.

Discount rate

An average discount rate derived from market yields on Commonwealth Government securities as at the balance date has been adopted.

Superimposed inflation

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. An allowance for superimposed inflation was made for each underlying model, where appropriate, based on expected cost pressures to re-emerge.

IBNR claims

The projected ultimate number of claims is derived from a standard actuarial projection technique with parameters based on recent experience on the occurrence, reporting and raising of claim files.

Risk Margin

Net of reinsurance and other recoveries provisions for the discounted outstanding claims liability are now assessed at the 95% level of sufficiency. Previously, an 80% level of sufficiency was adopted. The percentage loadings for each class are based on statistical modelling of Guild Insurance's claim's data.

Sensitivity analysis

Guild Insurance conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. A movement in most variables will impact performance and equity. The tables below describe how a change in each key assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of reinsurance and other recoveries.

Notes to the Financial Statements

For the year ended 30 June 2010

Impact of changes in key variables

Variable	Movement	Gross of Recoveries \$'000	Net of Recoveries \$'000	Equity \$'000
Recognised amounts per the financial statements				
Minimum Loss Ratio / Central Estimate	+5% of 2009/10 net earned premium	8,113	7,421	(5,194)
Wage Inflation	+50 basis points	1,342	1,079	(755)
Discount Rate	+50 basis points	(1,912)	(1,640)	1,148
Claims Handling Expense	+50 basis points	632	631	(442)
Risk Margin	+50 basis points	541	461	(323)

Minimum loss ratio

Liability estimates were subject to attainment of a minimum loss ratio that is based on recent experience and known pricing changes. These acted to increase the liability above that indicated by other valuation methods. This policy was changed in recognition of the stability of the tort law reforms and the reduction in the central estimate is now held as an explicit margin. This change applied from the 2009/2010 year of account.

Inflation and superimposed inflation rates

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate an amount is superimposed to take account of non-economic inflationary factors, for example, increases in court awards. Such rates of superimposed inflation are specific to the class of business.

An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense; this impact is greater for the longer tail classes of business.

Discount rate

Projected cash flows are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate has an opposing impact on total claims expense.

Expense rate

An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption has a corresponding impact on claims expense.

Risk margin

Prudential margins to increase the probability of sufficiency to 95% are included in the outstanding claims liability. An increase/(decrease) in the risk margins act to increase/(decrease) the outstanding claims liability.

Notes to the Financial Statements

For the year ended 30 June 2010

6. REVENUE AND EXPENSES

	2010	2009
	\$'000	\$'000
Revenue		
(a) Premium revenue	146,993	137,134
(b) Reinsurance and other recoveries revenue		
Reinsurance recoveries	7,958	6,406
Other recoveries	3,750	2,582
	11,708	8,988
(c) Other insurance income		
Instalment billing	3,924	3,510
(d) Investment revenue on assets backing insurance liabilities		
Interest	9,250	9,117
(e) Investment revenue on equity holder's funds		
Interest	1,602	1,847
Rental	3,405	3,592
Realised losses on financial assets	3,846	(885)
Fair value revaluation of investment properties	9	(2,991)
Net fair value gains on financial assets at fair value	1,349	(5,667)
Dividends	2,205	2,340
	12,416	(1,764)
(f) Fee and other income		
Management fees	164	324
Commission, fees and brokerage	14,378	13,747
Professional services revenue	6,098	6,817
Other revenue	3,632	2,312
	24,272	23,200
Total revenue	208,563	180,185
Expenses		
(g) Direct Claims Expense	69,430	64,935
(h) Acquisition costs		
Referral fees	10,694	10,349
Reinsurance commission	(1,341)	(1,601)
Other acquisition costs	15,621	16,790
	24,974	25,538
(i) Other underwriting expenses		
Underwriting expenses	24,631	19,717
Fire service levy expense	7,989	7,477
	32,620	27,194
(j) Finance costs		
- interest expenses - parent entity	1,236	1,079
- interest expenses - other corporations	2,159	2,701
	3,395	3,780
(k) Other expenses		
Loss on sale of property, plant and equipment	(125)	(56)
Depreciation - property, plant and equipment	1,698	1,665
Depreciation - investment properties	68	68
Amortisation of intangible assets	973	439
Impairment of intangible assets	709	-
	3,323	2,116
(l) Provisions:		
Doubtful debts - trade debtors and other receivables	22	118
Doubtful debts - loans and receivables	(15)	240
Make good provisions	175	27
Employee entitlements	917	245
Total provisions	1,099	630

Notes to the Financial Statements

For the year ended 30 June 2010

7. INCOME TAX

The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	3,059	3,248
Adjustments in respect of current income tax of previous years	303	(149)
Tax credits and adjustments	-	(39)
Deferred income tax		
Relating to origination and reversal of temporary differences	2,396	(2,736)
Adjustments in respect of current income tax of previous years	(342)	55
Income tax expense reported in the income statement	5,416	379
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:		
Accounting profit before tax from continuing operations	15,069	2,590
At the company's statutory income tax rate @ 30% (2009:30%)	4,521	777
Adjustments in respect of current income tax of previous year	32	(95)
Rebateable dividends	(607)	(640)
Expenditure not allowable for income tax purposes	839	105
Other	631	232
Income tax expense reported in the income statement	5,416	379

	Balance Sheet		Income Statement	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Revaluations of investment properties to fair value	(631)	(594)	37	39
Revaluations of land and buildings to fair value	(1,260)	(101)	1,159	(514)
Revaluations of available-for-sale investments to fair value	(596)	(491)	105	(253)
Receivables	(542)	(530)	12	(79)
Prepayments	(97)	(94)	3	17
Other	(275)	(286)	(11)	(38)
	(3,401)	(2,096)		
Deferred tax assets				
Provisions	3,834	3,786	(48)	(731)
Revaluations of land and buildings to fair value	212	421	209	(421)
Revaluations of available-for-sale investments to fair value	887	1,654	767	(1,654)
Other	2,557	2,378	(179)	953
	7,490	8,239		
Deferred tax income/(expense)			2,054	(2,681)

Notes to the Financial Statements

For the year ended 30 June 2010

7. INCOME TAX Continued

The deferred tax asset is \$185,645 (2009 - \$252,015) for the consolidated entity relating to tax losses brought to account. This benefit for tax losses will only be obtained if:

- (a) the subsidiary entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (b) the subsidiary entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (c) no changes in tax legislation adversely affect the subsidiary entity in realising the benefit from the deductions for the losses.

Unrecognised temporary differences

At 30 June 2010, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2009 – \$nil).

Tax consolidation

Members of the tax consolidated group and the tax sharing arrangement:

Guild Group Holdings Limited and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 July 2003. Guild Group Holdings Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for all allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of defaults is remote at reporting date. Guild Group Holdings Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime when lodging its 30 June 2004 consolidated return.

Tax effect accounting by members of a tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting:

The head entity and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises 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.

Nature of the tax funding agreement:

Members of the tax consolidation group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052. The tax funding agreement requires payments to/ from the head entity to be recognised via an inter-entity receivable/(payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require

payment of interim funding amounts to assist with its obligations to pay tax instalments.

Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements. The Group has assessed the potential impact of these changes on the Group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2010 (2009: \$Nil).

Notes to the Financial Statements

For the year ended 30 June 2010

8. DIVIDENDS PAID AND PROPOSED

	2010 \$'000	2009 \$'000
The Board declared a fully paid Interim Dividend on its Ordinary Shares out of its 2008/09 profits in the sum of \$1.15 million, payable to PGA, with payment made on 15th September 2009.		
Declared and paid during the year		
Dividends on ordinary shares:	1,150	5,005
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2009: 30%)	44,019	41,149
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from the receipt of income tax receivable as at the end of the financial year	(2,276)	(2,875)
	41,743	38,274

The tax rate at which paid dividends have been franked is 30% (2009: 30%).

9. CASH AND CASH EQUIVALENTS

(a) Reconciliation of the net profit after tax to the net cash flows from operations

Net profit	9,653	2,211
Adjustments for:		
Depreciation and amortisation	2,739	2,292
Provisions for doubtful debts & impairment losses	2,980	14
Changes in fair value of financial assets	(7,192)	7,494
Movement in interest/interest receivable	(8,771)	(8,950)
Movement in dividend/dividends receivable	(2,105)	(2,545)
Loss on sale of property, plant and equipment	125	47
Movement in intangible assets	873	(14)
Changes in assets and liabilities		
Decrease in inventories	45	80
Increase in premiums receivable	(2,301)	(2,204)
Decrease in reinsurance and other recoveries receivable	829	2,930
(Increase) / Decrease in deferred acquisition costs	1,343	(530)
Increase in outstanding claims	11,117	8,117
Increase in unearned premiums	3,140	3,849
Increase in amounts payable to reinsurers	1,415	2,087
Increase in trade and other payables	11	1,766
Increase in provisions	1,091	2,126
Increase / (Decrease) in current tax liabilities	597	(5,100)
Increase / (Decrease) in deferred tax liabilities	1,304	(827)
(Increase) / Decrease in deferred tax assets	749	(1,853)
Increase / (Decrease) in amount payable to ultimate parent entity	75	(5)
Increase in trade and other receivables	(205)	(351)
Increase in prepayments	(836)	(758)
(Increase) / Decrease in investment receivables	(183)	238
Net cash inflow from operating activities	16,493	10,114

(b) Reconciliation of cash

Cash balance comprises:		
Cash at bank and on hand	9,771	9,639

Notes to the Financial Statements

For the year ended 30 June 2010

9. CASH AND CASH EQUIVALENTS (con't)

	2010 \$'000	2009 \$'000
(c) Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities		
- Bank loans	45,000	58,809
- Leasing / hire purchase / credit cards	3,200	120
- Bank guarantees	3,500	2,630
	51,700	61,559
Facilities used at reporting date		
- Bank loans	37,000	42,700
- Leasing / hire purchase / credit cards	8	-
- Bank guarantees	3,040	1,500
	40,048	44,200
Facilities unused at reporting date		
- Bank loans	8,000	16,109
- Leasing / hire purchase / credit cards	3,192	120
- Bank guarantees	460	1,130
	11,652	17,359

10 TRADE AND OTHER RECEIVABLES

(a) Trade debtors		
Premiums receivable	45,115	41,832
Allowance for impairment loss	(140)	(118)
	44,975	41,714
(b) Other debtors		
Other amounts receivable	2,003	2,623
	46,978	44,337

(c) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$140,000 (2009: \$118,000) has been recognised by the Group. No individual amount within the impairment allowance is material.

d) Maturity

	Consolidated				PDNI* 91+	CI* 91+
	Total \$'000	0-30 \$'000	30-60 \$'000	60-90 \$'000		
2010	45,115	42,410	1,584	457	524	140
2009	41,832	39,821	1,405	245	243	118

* Past due not impaired ('PDNI') * Considered impaired ('CI')

Other debtor balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

e) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the entity's policy to transfer (on-sell) receivables to special purpose entities.

Notes to the Financial Statements

For the year ended 30 June 2010

11 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	Notes	2010 \$'000	2009 \$'000
(a) On outstanding claims			
Expected future recoveries (undiscounted)		23,273	24,065
Discount to present value		(3,356)	(3,319)
Reinsurance and other recoveries receivable		19,917	20,746
(b) Maturity			
Expected to be realised within 12 months		9,827	8,660
Expected to be realised after 12 months		10,090	12,086
		19,917	20,746
(c) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of recoveries			
For the succeeding and subsequent years			
Inflation rate		3.50%	3.00%
Superimposed inflation rate - liability		2.00%	2.00%
Superimposed inflation rate - workers compensation		3.10%	4.50%
Discount rate		4.75%	4.50%
(d) The weighted average expected term to settlement of the recoveries from the balance date is estimated to be 3.0 years for liability and workers' compensation (2009 - 2.9 years for liability and workers' compensation).			

12. FINANCIAL ASSETS

(a) Fixed interest deposits - fair value		143,297	113,026
(b) Investments listed on prescribed stock exchanges			
Share investments - fair value		44,380	47,368
(c) Agricultural investments		112	1,255
(d) Amounts receivable (at amortised cost) in respect of:			
Finance lease and hire purchase arrangements	25	9,952	11,850
Investment loans	25	7,668	7,097
		17,620	18,947
		205,409	180,596
(e) Listed shares			
The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.			
(f) Agricultural Managed Investment			
A Directors valuation has been used to value the agricultural managed investment held in South Australia and Western Australia at 30 June 2010. This is based on the value of the cash call requested in December 2009.			
(g) Maturity			
Expected to be realised within 12 months		35,689	29,111
Expected to be realised after 12 months		169,720	151,485
		205,409	180,596

Notes to the Financial Statements

For the year ended 30 June 2010

13. PREPAYMENTS AND INVENTORIES

	2010 \$'000	2009 \$'000
Inventories - work in progress	340	398
Impairment provision - work in progress	(26)	(38)
Prepayments	6,588	5,752
	6,902	6,112

14. DEFERRED ACQUISITION COSTS

Carrying amount at the beginning of the period	14,027	13,497
Acquisition costs (expensed) / deferred	(1,342)	530
Carrying amount at the end of the period	12,685	14,027

15. INVESTMENT PROPERTIES

(a) Land and Buildings - Revalued	31,436	31,160
(b) Reconciliation		
Carrying amount at the beginning of the period	31,160	33,949
Additions	31	25
Disposals	(728)	(68)
Net gain/(loss) from fair value adjustment	1,237	(2,746)
Less costs to sell	(264)	-
Carrying amount at the end of the period	31,436	31,160
(c) Maturity:		
Expected to be realised within 12 months	31,436	660
Expected to be realised after 12 months	-	30,500

The National Pharmacy Building was made available for sale on 25 May 2010, with Colliers International. It is anticipated that the property will be sold within the next twelve month period.

The investment property at 1721 Malvern Road, Glen Iris was made available for sale on 19 January 2010, with Colliers International. A contract of sale for this property was signed on 30 July 2010, with settlement expected in 30 days.

Notes to the Financial Statements

For the year ended 30 June 2010

15. INVESTMENT PROPERTIES (con't)

(c) Valuation basis - National Pharmacy Building, Canberra

Investment properties are carried at fair value, which has been determined based on valuations performed by Phillip Harding - Knight Frank as at 30 June, 2010 (and as at 30 June, 2009) for the current year (and previous years). The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. In determining the fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

(d) Valuation basis - 1721 Malvern Road, Glen Iris

Investment properties are carried at fair value, which has been determined based on valuations performed by Leigh Morris - Knight Frank as at 30 June, 2010 (and Brent Lister - Colliers as at 30 June, 2009) for the current and previous years. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. In determining the fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

(e) Valuation basis - 3 Sisters property

Investment properties are carried at fair value, which has been determined based on valuations performed by Colin Pickett - Gaetjens Pickett as at 30 June, 2009. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. In determining the fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

On 6 August 2009 Guild Group Investments executed the sale of the 3 Sisters property to Guild Financial Services Ltd as the responsible entity for the GuildGrape Project No. 1. The sale value of the land and water licence is \$485,000 and \$175,000 respectively. A deposit of \$50,000 was received in August 2009 and settlement of these funds was received on 1 July 2010.

(f) Leasing arrangements

Refer to note 25 for disclosure of leasing arrangements on investment properties.

(g) Fair value

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

(h) Charges over investment properties

Guild Group Holdings Limited has given a first registered mortgage on the National Pharmacy Building in Canberra and 1721 Malvern Road, Glen Iris to secure financing arrangements. Refer to note 20.

Notes to the Financial Statements

For the year ended 30 June 2010

16. PROPERTY, PLANT AND EQUIPMENT

	\$'000	\$'000	\$'000	\$'000
	Leasehold Improvements	Fixtures & Fittings	Buildings	Total
Reconciliation 2010				
Carrying amount at the beginning of the period	568	9,597	-	10,165
Additions	177	727	-	904
Disposals	(3)	(127)	-	(130)
Depreciation charge for the year	(169)	(1,529)	-	(1,698)
Carrying amount at the end of the period	573	8,668	-	9,241

	\$'000	\$'000	\$'000	\$'000
	Leasehold Improvements	Fixtures & Fittings	Buildings	Total
Reconciliation 2009				
Carrying amount at the beginning of the period	630	9,500	480	10,610
Additions	45	1,941	-	1,986
Inter-Group Transfers	-	4	-	4
Disposals	(12)	(282)	(476)	(770)
Depreciation charge for the year	(95)	(1,566)	(4)	(1,665)
Carrying amount at the end of the period	568	9,597	-	10,165

17. INTANGIBLE ASSETS AND GOODWILL

	2010 \$'000	2009 \$'000
a) Goodwill		
Goodwill at the beginning of the year	13,655	13,231
Business combinations	(92)	674
Impairment	(2,973)	(250)
Balance at end of year	10,590	13,655

The goodwill is attributable to the Financial Services Products and Superannuation cash generating units within the subsidiary entities and also the business combination of Guild Accountants Pty Limited (now at 80% ownership) and NetFin Pty Limited (now at 100% ownership).

Key assumptions used in the fair value less costs to sell and value in use calculations

The calculations of fair value less costs to sell and value in use, respectively, are most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rate used to extrapolate cash flows beyond the budget period

Gross margins - gross margins are based on the assumed margins in the strategic plan, which were determined using an industry standard gross margin.

Discount rates - discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Growth rate estimates - growth rate estimates are based on previous trends, conservative market forecasts within the industry and the business plan focus on increasing market share.

aa) Financial Services Products

The goodwill is attributable to the Financial Services Products cash generating units within the Group. It relates to the acquisition of future revenue streams held by financial planning practices.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Notes to the Financial Statements

For the year ended 30 June 2010

17. INTANGIBLE ASSETS AND GOODWILL (con't)

Sensitivity to changes in assumptions

Growth rate assumptions - management recognises that variation in growth rates may have a significant impact on growth rate assumptions. Variation may occur in the market investment returns on funds and in the entity's market share within each unit.

A reduction of 4.2% in investment returns or an increase in client exits of 4.1% may give a value in use equal to the carrying amount of the Financial Services Product unit.

Discount rate assumptions - management recognises that actual time value of money may vary to what they have estimated. Management notes that the discount rate would have to:

- increase 6.9% for the recoverable amount of the Financial Services product unit to fall below its carrying amount.

ab) Superannuation

The goodwill is attributable to the superannuation cash generating units within the entity. It relates to the acquisition of a superannuation fund. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Sensitivity to changes in assumptions

Growth rate assumptions - management recognises that variation in growth rates may have a significant impact on growth rate assumptions. Variation may occur in the market investment returns on funds and in the entity's market share within each unit.

A reduction of 40.5% in investment returns or an increase in client exits of 38% may give a value in use equal to the carrying amount of the Superannuation unit.

Discount rate assumptions - management recognises that actual time value of money may vary to what they have estimated. Management notes that the discount rate would have to:

- increase 9.5% for the recoverable amount of the Superannuation unit to fall below its carrying amount.

ac) Guild Commercial Finance Pty Limited

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The goodwill relating to the business combination of Guild Commercial Finance Pty Limited was impaired at 30 June 2010. An impairment charge of \$646,862 (2009: \$250,000) was recognised through the profit and loss. The impairment has arisen due to reduced revenues in the entity occurring as a result of the current economic environment.

Sensitivity to changes in assumptions

Discount rate assumptions - discount rates reflect management's estimate of the time value of money and the risks specific to the cash generating unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operational performance and to evaluate future investment proposals. An increase of 5% in discount rates will generate a negative impact on the carrying amount.

Growth rate assumptions - management recognises that the ability to gain new clients and competition in pricing can have a significant impact on the growth rate assumptions. A reduction of 10% in annual fee growth rates will generate a negative impact on the carrying amount.

Notes to the Financial Statements

For the year ended 30 June 2010

17. INTANGIBLE ASSETS AND GOODWILL (con't)

ad) Guild Accountants Pty Limited (now at 80% ownership)

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The goodwill relating to the business combination of Guild Accountants Pty Limited was impaired at 30 June 2010. An impairment charge of \$2,326,209 (2009: nil) was recognised through the profit and loss. The impairment has arisen due to reduced revenues in the entity occurring as a result of the current economic environment.

Sensitivity to changes in assumptions

Gross margin assumptions - gross margins are based on the expected achievement over the forward planning period which were based on past performance, allowing for increase anticipated efficiency improvements. The margin assumption is at 47%.

Discount rate assumptions - discount rates reflect management's estimate of the time value of money and the risks specific to the cash generating unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operational performance and to evaluate future investment proposals. An increase of 10% in discount rates still maintains a positive carrying value, however the carrying value will be reduced by 6%.

Growth rate assumptions - management recognises that the ability to gain new clients and competition in pricing can have a significant impact on the growth rate assumptions. A reduction of 10% in annual fee growth rates still maintains a positive carrying value, however the carrying value will be reduced by 12%.

	2010 \$'000	2009 \$'000
b) Capitalised Development & Computer Software - at cost		
Capitalised Development	2,090	4,335
Computer software - at cost	1,173	140
Less: Accumulated amortisation	(646)	(1,407)
	2,617	3,068
Reconciliation		
Carrying amount at the beginning of the period	3,068	1,877
Additions	259	140
Capitalised development additions	972	1,490
Impairment of product development	(709)	-
Amortisation charge for the year	(973)	(439)
Carrying amount at the end of the period	2,617	3,068
The amortisation charge of \$973,000 in 2010 (\$438,808 - 2009), represents the write down of intangibles assets, relating to computer software, to the recoverable amount in Guild Insurance Limited and has been recognised in the income statement.		
Development costs are carried at cost less any applicable accumulated impairment losses.		
The intangible assets have been assessed as having a finite life and will be amortised over a 2.5 to 4 year period from the date that the software is live. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.		
Total net intangible assets	13,207	16,723

Notes to the Financial Statements

For the year ended 30 June 2010

18. TRADE AND OTHER PAYABLES

	2010 \$'000	2009 \$'000
(a) Trade payables	11,513	12,433
Amounts payable to reinsurers	2,787	1,372
Amounts payable to ultimate parent entity	1,174	1,099
Employee entitlements	9,979	9,243
	25,453	24,147
(b) Maturity		
Expected to be realised within 12 months	23,999	22,285
Expected to be realised after 12 months	1,454	1,862
	25,453	24,147
(c) Fair value		
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.		

19. PREMIUM LIABILITIES

(a) Unearned premium	60,523	57,383
Unearned commission	684	758
	61,207	58,141
(b) Carrying amount at the beginning of the period	58,141	54,292
Deferral of premiums on contracts written in the period	61,207	58,141
Earning of premiums written in previous periods	(58,141)	(54,292)
Carrying amount at the end of the period	61,207	58,141

(c) **Maturity**
Premium liabilities are expected to be received within 12 months of the financial year end.

(d) **Liability adequacy test**

The probability of adequacy applied in the liability adequacy test differs from the probability of adequacy adopted in determining the outstanding claims provision. The reason for the difference is that the former is a benchmark used only to test the sufficiency of net premium liabilities whereas the latter is a measure of the adequacy of the outstanding claims provision actually carried by the Group. AASB 1023 requires the inclusion of a risk margin in insurance liabilities, but does not prescribe a minimum level of margin. Whilst there is established practice in the calculation of the probability of adequacy of the claims provision, no such guidance exists in respect of the level of risk margin to be used in determining the adequacy of premium liabilities. The Group has adopted a risk margin for the purposes of the liability adequacy test to produce a 75% probability of adequacy in respect of total insurance liabilities. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by APRA. The application of the liability adequacy test in respect of the net premium liabilities identified a surplus at 30 June 2010 and 2009.

Notes to the Financial Statements

For the year ended 30 June 2010

20. INTEREST BEARING LOANS AND BORROWINGS

Guild Group Holdings Limited, as the consolidated and parent entity, has a two year banking facility agreement with Commonwealth Bank Australia (CBA), which was signed on 24 June 2009. The Group loan facility was transferred from ANZ to CBA on 30 September 2009.

	2010 \$'000	2009 \$'000
(a) Bank Loan - security of loans detailed below	37,000	42,700
Loan payable to ultimate parent entity	16,840	16,834
	53,840	59,534
(b) Unused facility		
At the balance date the Guild Group holds an unused loan facility of \$8.0 million, with the Commonwealth Bank of Australia.		
(c) Assets pledged as security		
The carrying amount of assets pledged as security for non current interest bearing liabilities;		
Fixed and floating company charge on assets		
Guild Group Holdings Limited	80,847	87,984
Guild Financial Services Limited	11,723	12,832
Guild Group Investments Limited	2,832	12,537
National Pharmacy Building Pty Limited	264	146
Guild Legal Limited	3,589	3,483
Guild Capital Asset Management Limited	783	687
Guild Accountants Pty Limited (at 80%)	3,394	-
Saccasan Bailey Financial Services Pty Limited	1	1
Guild Commercial Finance Pty Limited	212	-
	103,645	117,670
Corporate Guarantee		
Guild Accountants Pty Limited	-	7,069
Fixed Charge		
Shares in Guild Insurance Limited	16,415	16,415
Shares in Guild Trustee Services Pty Limited	50	-
	16,465	16,415
First Registered Mortgage		
Investment Property in Guild Group Investments Limited	6,102	6,060
Investment Property in National Pharmacy Building Pty Limited	25,334	25,100
	31,436	31,160
Total Gross Assets pledged as security	151,546	172,314

A fixed and floating charge, in favour of the bank, applies against all the guarantees supported by a Registered Equitable Mortgage.

Fair values

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

Notes to the Financial Statements

For the year ended 30 June 2010

21. PROVISIONS

	Long Term Incentive \$'000	Make Good Provisions \$'000	Restructuring \$'000	Total \$'000
CONSOLIDATED ENTITY				
At 1 July 2009	3,840	900	-	4,740
Arising during the year	1,090	177	484	1,751
Utilised	(1,365)	(3)	-	(1,368)
Unused amounts reversed	-	-	-	-
Discount rate adjustment	708	-	-	708
As at 30 June 2010	4,273	1,074	484	5,831
30 June 2010				
Expected to be realised within 12 months	2,275	140	484	2,899
Expected to be realised after 12 months	1,998	934	-	2,932
	4,273	1,074	484	5,831
30 June 2009				
Expected to be realised within 12 months	1,306	-	-	1,306
Expected to be realised after 12 months	2,534	900	-	3,434
	3,840	900	-	4,740

Long Term Incentive

The long term incentive (LTI) is based on the success of each individuals short term incentive, built on an average over three years. The LTI is calculated as a percentage of the current Total Employment Cost (TEC) using an excess percentage variable against an entitlement table used for the TEC percentage calculation. Only one third of the LTI entitlement can be taken each year, the balance is deferred to a bonus bank. The calculation of the provision is based on an assumption of the achievement of the average group targets over the three years, average personal targets over the three years, an assumption for leavers prior to the qualifying period and also discounting on future cashflows, based on actuarial assumptions. LTI rewards behaviour and results that add value to the Group's business. The current long term incentive scheme will cease at 30 June 2010, with all remaining balances expected to be paid by the end of 2014.

Make Good Provisions

Under AASB 116: Property, plant and equipment the entity is required to include as part of the cost of its leasehold improvements an estimate of the costs to remove those improvements at the end of the lease term where such an obligation exists to the lessor. The corresponding liability is recognised above as a make good provision.

Restructuring

The restructuring provision represents costs associated to significant changes to the Group's structure. The estimated costs are based on a restructuring plan which was drawn up by management and communicated to all those individuals and teams affected prior to 30 June 2010.

Notes to the Financial Statements

For the year ended 30 June 2010

22. CLAIM LIABILITIES

	2010 \$'000	2009 \$'000
(a) Expected future claims payments (undiscounted)	121,924	121,119
Discount to present value	(18,926)	(17,001)
	102,998	104,118
Claims handling costs	5,150	5,206
	108,148	109,324
Risk Margin	24,575	12,282
	132,723	121,606
Liability for outstanding claims	132,723	121,606
Expected to be realised within 12 months	50,879	45,576
Expected to be realised after 12 months	81,844	76,030
	132,723	121,606

(b) Process for determining risk margin

The overall risk margin was determined allowing for diversification between different portfolios and the relative uncertainty of the outstanding claims estimate for each portfolio. Uncertainty was analysed for each portfolio taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

The estimate of uncertainty is greater for long tailed classes when compared to short tail classes due to the longer time until settlement of outstanding claims. For the products liability class, recent tort law reform has improved the stability of the class of insurance across the industry, and has resulted in a reduction to the estimate of uncertainty.

The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision which is intended to have a 95% probability of adequacy.

	2010	2009
Risk margins applied:		
Fire & ISR	27.00%	14.20%
Public liability	29.50%	15.55%
Overall margin	22.40%	11.10%
(c) The following average normal inflation rates and discount rates were used in the measurement of outstanding claims.		
For the succeeding and subsequent years		
Inflation rate	3.50%	3.00%
Superimposed inflation rate - liability	2.00%	2.00%
Superimposed inflation rate - workers' compensation	3.10%	4.50%
Discount rate	4.75%	4.50%

(d) The weighted average expected term to settlement of the recoveries from the balance date is estimated to be 3.0 years for liability and workers' compensation (2009 - 2.9 years for liability and workers' compensation).

(e) NSW workers compensation claims outstanding

The provision for outstanding claims includes the actuarial valuation of the New South Wales workers compensation liability as at 30 June 2009.

Gross outstanding	24,531	23,455
Reinsurance and other recoveries receivable	(7,029)	(7,269)
Net outstanding liability	17,502	16,186

Notes to the Financial Statements

For the year ended 30 June 2010

22. CLAIM LIABILITIES (con't)

(f) Reconciliation of movement in discounted outstanding claims liability

	2010			2009		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Brought forward	121,606	20,746	100,860	113,489	23,676	89,813
Effect of prior year claims being one year closer to settlement	5,472	934	4,538	7,660	1,598	6,062
Actual claims paid/recovered during the year (run-off)	(28,980)	(5,359)	(23,621)	(29,634)	(4,838)	(24,796)
Difference between actual and expected run-off payments	(10,535)	(2,433)	(8,102)	(8,359)	(3,503)	(4,856)
Release of margins/claims handling expense/interest	(8,145)	(1,261)	(6,884)	(8,459)	(1,405)	(7,054)
Impact of changes to actuarial modelling assumptions	367	275	92	1,729	84	1,645
Impact of changes to minimum loss ratios	(5,881)	(2,256)	(3,625)	(9,900)	(1,289)	(8,611)
Effect of change in superimposed inflation assumption	(110)	(7)	(103)	6	5	1
Effect of change in inflation assumption	616	206	410	(1,731)	(786)	(945)
Effect of change in discount rate	(595)	(106)	(489)	6,777	1,251	5,526
Effect of change in risk margins	7,224	932	6,292	-	(1)	1
Effect of changes in other assumptions	85	-	85	3,870	1,678	2,192
Outstanding claims for current year	48,555	4,088	44,467	46,158	3,857	42,301
Impact of reinsurance assumptions	-	(209)	209	-	419	(419)
Third party recoveries	3,044	3,044	-	-	-	-
Catastrophe recovery	-	1,323	(1,323)	-	-	-
Movement in discounted outstanding claims provision	11,117	(829)	11,946	8,117	(2,930)	11,047
Carried forward	132,723	19,917	112,806	121,606	20,746	100,860

Notes to the Financial Statements

For the year ended 30 June 2010

22. CLAIM LIABILITIES (con't)

(g) Claims development tables - Product liability business

The following tables show the development of gross and net undiscounted claims relative to the ultimate expected claims for the ten most recent accident years.

	2001 (and prior)	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROSS											
Estimate of Ultimate claims cost											
At end of accident year	na	na	na	54,114	59,477	67,305	68,918	73,106	72,195	74,698	-
One year later	na	na	43,300	48,148	54,814	59,305	61,576	67,722	72,822	-	-
Two years later	na	47,248	41,246	44,049	50,279	52,757	60,390	65,889	-	-	-
Three years later	43,891	46,952	39,086	43,162	49,216	49,043	61,571	-	-	-	188,553
Four years later	82,368	45,934	38,741	42,189	47,797	49,843	-	-	-	-	278,190
Five years later	123,191	45,804	38,064	41,240	46,738	-	-	-	-	-	374,379
Six years later	188,858	45,862	38,502	42,751	-	-	-	-	-	-	495,067
Seven years later	194,781	45,927	40,202	-	-	-	-	-	-	-	557,551
Eight years later	196,494	48,681	-	-	-	-	-	-	-	-	619,310
Nine years later	217,180	-	-	-	-	-	-	-	-	-	720,375
Current estimate of cumulative claims cost	217,180	48,681	40,202	42,751	46,738	49,843	61,571	65,889	72,822	74,698	720,375
Cumulative payments	208,795	46,098	38,400	39,824	41,633	43,571	51,104	50,829	47,389	31,294	598,937
Outstanding claims - undiscounted	7,132	2,583	1,802	2,927	5,105	6,271	10,467	16,800	25,433	43,404	121,924
Discount	(1,581)	(599)	(365)	(682)	(902)	(1,171)	(2,065)	(2,728)	(3,789)	(5,044)	(18,926)
Outstanding claims	5,551	1,984	1,437	2,245	4,203	5,100	8,402	14,072	21,644	38,360	102,998
Claims handling expenses											5,150
Risk margin											24,575
ITC's on Claims											-
Total gross outstanding claims per the balance sheet											132,723
NET											
Estimate of Ultimate claims cost											
At end of accident year	na	na	na	34,193	44,167	51,724	57,883	67,916	65,968	65,089	-
One year later	na	na	23,807	30,664	38,259	46,123	53,836	62,826	63,975	-	-
Two years later	na	26,701	22,582	27,709	35,278	41,549	54,095	58,059	-	-	-
Three years later	26,314	26,143	21,247	26,892	34,428	38,767	52,268	-	-	-	111,016
Four years later	50,365	25,482	21,303	26,320	33,415	37,340	-	-	-	-	173,920
Five years later	76,619	25,749	20,978	25,741	31,980	-	-	-	-	-	241,040
Six years later	119,373	25,679	21,059	25,389	-	-	-	-	-	-	332,600
Seven years later	122,806	25,571	21,081	-	-	-	-	-	-	-	393,511
Eight years later	124,373	25,694	-	-	-	-	-	-	-	-	451,815
Nine years later	130,774	-	-	-	-	-	-	-	-	-	511,650
Current estimate of cumulative claims cost	130,774	25,694	21,081	25,389	31,980	37,340	52,268	58,059	63,975	65,089	511,649
Cumulative payments	127,529	25,041	20,216	23,922	29,261	32,516	42,751	43,711	39,114	26,019	410,080
Outstanding claims - undiscounted	2,725	654	865	1,466	2,719	4,824	9,518	16,453	24,861	39,070	103,155
Discount	(712)	(154)	(173)	(348)	(629)	(914)	(1,958)	(2,662)	(3,713)	(4,893)	(16,156)
Outstanding claims	2,013	500	692	1,118	2,090	3,910	7,560	13,791	21,148	34,177	86,999
Claims handling expenses											5,150
Risk margin											20,657
ITC's on Claims											-
Total net outstanding claims per the balance sheet											112,806

Notes to the Financial Statements

For the year ended 30 June 2010

24. NON CONTROLLING INTEREST

	2010 \$'000	2009 \$'000
(a) Interest in:		
'A' class ordinary shares	660	660
'C' class ordinary shares *	-	-
Retained earnings	(633)	(138)
	27	522

* \$250 of 'C' Class shares are held by the minority interest holder of Guild Accountants Pty Limited

(b) Non-controlling interest relates to Guild Accountants Pty Limited, at 80% ownership.

25. COMMITMENTS

Economic dependency

Currently Guild Group Investments Ltd is reliant on financial support from its parent entity, Guild Group Holdings Ltd. The Directors of Guild Group Investments Ltd have obtained a letter of financial support from the Directors of Guild Group Holdings Ltd, such that Guild Group Holdings Ltd will provide financial support to Guild Group Investments Ltd in order to pay debts as and when they fall due in order for Guild Group Investments Ltd to continue as a going concern.

Operating lease commitments - Group as a lessee

The entity has entered into commercial leases on certain motor vehicles, business equipment and office premises. These leases have an average life of between 1 and 10 years.

Future minimum rentals payable under operating leases as at 30 June are as follows:

Within one year	4,147	5,020
After one year but not more than five years	9,792	10,822
More than five years	2,438	6,283
	16,377	22,125

Operating lease commitments - Parent entity as a lessee

The entity has entered into commercial leases on certain motor vehicles, business equipment and office premises. These leases have an average life of between 1 and 10 years.

Future minimum rentals payable under operating leases as at 30 June are as follows:

Within one year	527	362
After one year but not more than five years	1,265	1,022
More than five years	305	778
	2,097	2,162

Operating lease commitments - Group as a lessor

The Group has entered into commercial leases on certain office premises. These leases have an average life of between 1 and 10 years.

Future minimum rentals payable under operating leases as at 30 June are as follows:

Within one year	2,704	1,756
After one year but not more than five years	5,704	3,493
More than five years	3,339	-
	11,747	5,249

Notes to the Financial Statements

For the year ended 30 June 2010

25. COMMITMENTS (con't)

Finance lease and hire purchase commitments - Group as a lessor

The Group has entered into commercial hire purchase agreement on certain motor vehicles and business equipment. These hire purchase agreements have an average life of between 2 and 5 years.

Future minimum rentals payable under operating leases as at 30 June are as follows:

	Notes	2010 \$'000	2009 \$'000
Within one year		4,367	5,284
After one year but not more than five years		7,195	8,398
Total minimum hire purchase payments		11,562	13,682
Less amounts representing unearned finance income		(1,445)	(1,652)
Less provision for doubtful debts		(165)	(180)
Present value of minimum hire purchase payments		9,952	11,850
Expected to be realised within 12 months		3,501	4,481
Expected to be realised after 12 months		6,451	7,369
	12	9,952	11,850

Investment Loans

The entity has entered into investment loans with certain clients. These loans have an average life of between 2 and 6 years.

Future minimum payments payable under investment loans to clients as at 30 June are as follows:

Within one year		2,662	2,210
After one year but not more than five years		6,273	6,118
More than five years		123	11
Total minimal loan payments		9,058	8,339
Less amounts representing unearned interest		(1,330)	(1,182)
Less provision for doubtful debts		(60)	(60)
Present value of minimum loan payments		7,668	7,097
Expected to be realised within 12 months		2,035	1,755
Expected to be realised after 12 months		5,633	5,342
	12	7,668	7,097

Fair value

The maximum exposure to credit risk is the fair value of receivables. The carrying value is assumed to approximate the fair value.

Notes to the Financial Statements

For the year ended 30 June 2010

26. RELATED PARTIES

(Amounts are in whole dollars)	2010 \$	2009 \$
Transactions of Directors		
During 1998 Guild Insurance Limited made loans to director, Mr. D.R. Sanghvi, (a Director of the parent entity), on normal terms and conditions no more favorable than those available on similar transactions to other customers.		
Repayments received during the year in relation to the loans	7,279	7,279
Aggregate amount of loans outstanding at year end	25,577	31,000
Interest revenue from directors	1,855	2,196
Value of units held by Directors in GCAEF at the balance date	709,814	707,729
Transactions of Parent		
During 2006 and 2008 Guild Insurance Limited made loans and hire purchase arrangements with Pharmacy Guild of Australia (SA Branch) on normal terms and conditions no more favorable than those available on similar transactions to other customers.		
Amounts receivable in respect of loan/hire purchase at balance date from:		
Ultimate parent entity	1,061,270	1,124,138
Lease/Hire purchase repayments from:		
Ultimate parent entity	117,815	179,439
Interest revenue from:		
Ultimate parent entity	54,947	54,814
Interest paid/payable to The Pharmacy Guild of Australia.	1,236,306	1,079,195
Value of units held by The Pharmacy Guild of Australia in GCAEF at the balance date.	2,569,653	2,268,973
Guild Insurance Limited has paid commission on policies written to The Pharmacy Guild of Australia. The rates are based on normal commercial terms and conditions.	4,011,268	3,816,606
Rent received/receivable on premises by subsidiary entities from The Pharmacy Guild of Australia.	740,286	595,360
Rent paid/payable on premises by subsidiary entities to The Pharmacy Guild of Australia.	262,089	443,922
Sponsorship Fees paid/payable by the parent and subsidiary entities to The Pharmacy Guild of Australia.	271,800	257,405
Insurance Premiums received/receivable by subsidiary entities from The Pharmacy Guild of Australia.	458,272	286,518
Legal fees received/receivable by subsidiary entities from The Pharmacy Guild of Australia.	204,494	363,731
Accounting fees received/receivable by subsidiary entities from The Pharmacy Guild of Australia.	12,850	39,640
Subsidiaries of Guild Group Holdings Limited sold insurance policies and financial products to key management personnel or their related entities during the year within a normal employee or customer relationship on terms and conditions no more favourable than those available on similar transactions to other employees in line with the company's policy on staff discounts.		
Transactions of Other Related Parties:		
Value of units held by Other Key Management Personnel in GCAEF at the balance date	239,846	313,041
Value of units held by Guild Group Investments in GCAEF at the balance date	523,018	2,053,999
Value of units held by Guild Retirement Fund in GCAEF at the balance date	25,595,997	18,467,917
Value of units held by Australian Childcare Superannuation Fund in GCAEF at the balance date	5,102,743	3,444,709
Legal fees received/paid from other related parties	65,661	-
Insurance premiums received/paid from other related parties	1,494	-
Parent entity:		
The parent entity (and ultimate parent entity) is The Pharmacy Guild of Australia.		

Notes to the Financial Statements

For the year ended 30 June 2010

27. EVENTS AFTER THE BALANCE SHEET DATE

On 6 August 2009 Guild Group Investments executed the sale of the 3 Sisters property to Guild Financial Services Ltd as the responsible entity for the GuildGrape Project No. 1. The sale value of the land and water licence is \$485,000 and \$175,000 respectively. A deposit of \$50,000 was received in August 2009 and settlement of these funds was received on 1 July 2010.

On 30 July 2010 Guild Group Investments Limited signed a contract of sale for the investment property held at 1721 Malvern Road, Glen Iris. Settlement of \$6,450,000 was made on 1 September 2010.

A dividend of \$5,000,000 was declared by the Directors at the Board meeting held on 6 September 2010, payable 4 October 2010.

On 6 September 2010 Guild Commercial Finance Pty Limited (formally NetFin Pty Limited) issued 100,000 ordinary shares at a cost of \$1 per share to its parent entity, Guild Group Holdings Limited.

On 21 July 2010 Guild Group Holdings Limited was authorised as a Non-Operating Holding Company under the Insurance Act 1973.

28. REMUNERATION OF AUDITORS

(Amounts are in whole dollars)	2010 \$	2009 \$
Amounts received, or due and receivable, by Ernst & Young for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	537,528	535,826
- other services in relation to the entity and any other entity in the consolidated group	184,844	183,329
	722,372	719,155

Notes to the Financial Statements

For the year ended 30 June 2010

29. KEY MANAGEMENT PERSONNEL

(Amounts are in whole dollars)	2010 \$	2009 \$
Directors' remuneration		
The following Directors held office during the year: Mr. H.D. Zafer, Mr. S.B. Banks, Mr. J.M. Barrington, Mr. B.G. Benger, Mr. M.J. Pirone, Mr. D.R. Sanghvi, Mr. S. Somogyi, Mr. G. Venardos, Ms. A.J. Williams.		
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the consolidated entity, directly or indirectly, from the entity or any related party:		
Short term	1,312,801	1,215,495
Post employment	107,152	198,244
Termination benefits*	1,054,233	-
Total compensation	2,474,186	1,413,739
Other Key Management Personnel		
Remuneration received or due and receivable by executive officers (including directors) of the consolidated group whose remuneration is \$100,000 or more, from the entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated group, whether as an executive officer or otherwise is:		
Short term	3,755,827	3,480,831
Post employment	263,786	382,167
Other long term benefits	603,855	303,055
Termination benefits*	1,054,233	-
Total compensation	5,677,701	4,166,053

* Termination benefits relate to retiring key management personnel.

The remuneration of all Leadership Team members includes a base remuneration component, a short-term incentive payment and a pro-rata long-term incentive payment.

The remuneration detailed above only includes amounts that were either paid or payable at 30 June 2010.

If certain performance conditions are met and employment continues an additional amount may be payable in accordance with the long-term incentive scheme at a future date.

The names of the other key management personnel of Guild Group Holdings Limited are;

P.R. Baker, LLB - Guild Lawyers, Solicitor Director

K.J. Bibby, CFA - Chief Investment Officer

D.K. Brown, ANZIF (Snr Assoc), CIP, MBA - General Manager - Guild Insurance Limited

P.M. Harding, BA (HRM), AAHRI - Acting Group Human Resources Manager

S.M. Horskins, B. Comm, FCA - Chief Financial Officer

M.J. Pirone, B.Bus, Grad.Dip. Bus, FCPA - Managing Director

P.J. Simpson, B.A.(Monash) DFP, Adv.Dip Fin Serv (Superannuation), CFP®, ASFA AIF®, FAICD - General Manager - Financial Services

K. Symes, M. App. Sc - Chief Information Officer

Subsidiaries of Guild Group Holdings Limited sold insurance policies and financial products to key management personnel or their related entities during the year within a normal employee or customer relationship on terms and conditions no more favourable than those available on similar transactions to other employees in line with the company's policy on staff discounts.

Details of loans to key management personnel are as follows:

	Balance at beginning of period \$'000	Interest charged \$'000	Interest not charged \$'000	Write off \$'000	Balance at end of period \$'000	Number in group No.
2010	199	15	-	-	179	5
2009	216	16	-	-	199	5

Notes to the Financial Statements

For the year ended 30 June 2010

30. INVESTMENT IN SUBSIDIARY ENTITIES

Name of entity	Book Value of Parent entity's Investment		Equity Holding		Class of shares
	2010 \$'000	2009 '000	2010 %	2009 %	
Parent entity					
Guild Group Holdings Limited					
Controlled Entities					
Guild Insurance Limited	23,938	23,938	100	100	Ordinary
Guild Financial Services Limited	9,862	9,862	100	100	Ordinary
National Pharmacy Building Pty Ltd *	-	-	100	100	Ordinary
Guild Group Investments Limited	100	100	100	100	Ordinary
Guild Capital Asset Management Limited	750	750	100	100	Ordinary
Guild Legal Limited	1,500	1,500	100	100	Ordinary
Guild Accountants Pty Limited	2,896	2,896	80	80	Ordinary
Guild Commercial Finance Pty Limited	250	1	100	100	Ordinary
	39,296	39,047			

* Guild Group Holdings Limited has 1 share in National Pharmacy Building Pty Ltd

All controlled entities are incorporated in Australia.

On 8 September 2009 Guild Commercial Finance Pty Limited issued 249,000 ordinary shares at a cost of \$1 per share to its parent entity, Guild Group Holdings Limited.

The investment in Guild Commercial Finance Pty Limited was impaired at 30 June 2010. An impairment charge of \$646,862 (2009: \$250,000) was recognised through the profit and loss. The impairment has arisen due to reduced revenues in the entity occurring as a result of the current economic environment.

31. CONTINGENCIES

The group and parent entity no material contingent liabilities or assets as at 30 June 2010.

Notes to the Financial Statements

For the year ended 30 June 2010

32. PARENT ENTITY FINANCIAL STATEMENTS

Statement of Financial Position

	2010 \$'000	2009 \$'000
ASSETS		
Cash and cash equivalents	96	943
Trade and other receivables	28,230	36,424
Income tax receivable	2,276	515
Prepayments and inventories	946	718
Property, plant and equipment	6,764	6,947
Deferred tax assets	2,211	1,849
Financial assets	39,797	40,194
Intangible assets and goodwill	527	394
TOTAL ASSETS	80,847	87,984
LIABILITIES		
Trade and other payables	5,312	4,254
Interest-bearing loans and borrowings	53,840	59,534
Provisions	4,831	3,903
Deferred tax liabilities	19	15
TOTAL LIABILITIES	64,002	67,706
NET ASSETS	16,845	20,278
EQUITY		
Contributed equity	5,585	5,585
Retained earnings	11,259	14,693
TOTAL EQUITY	16,845	20,278

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

Other revenue	25,900	27,714
Administration expenses	(4,923)	(4,781)
Marketing expenses	(606)	(549)
Occupancy expenses	(1,063)	(908)
Salary related expenses	(19,940)	(13,972)
Finance Costs	(3,395)	(3,780)
PROFIT BEFORE INCOME TAX EXPENSE	(4,027)	3,724
Income tax (expense)/credit	1,745	764
NET PROFIT FOR THE PERIOD	(2,282)	4,488
Profit for the period is attributable to:		
Owners of the parent	(2,282)	4,488
Other comprehensive income for the period is attributable to:		
Owners of the parent	(2,282)	4,488

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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