

## ASX Announcement 22 August 2014

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### Appendix 4E & Annual Report for year ended 30 June 2014

- **FY14 statutory NPAT of \$3.3m, up 142% on the prior year**
- **FY14 underlying profit before tax of \$8.3m, up 43% on FY13**
- **Fully franked FY14 dividend of 2.2 cents per share**

Centrepont Alliance Limited (ASX Code: CAF) ('Centrepont') is pleased to announce a strongly improved performance with a profit of \$3.3m up 142% from a \$7.8m loss in the prior year. Underlying profit before tax increased 43% to \$8.3m.

The Chairman, Rick Nelson commented 'We are pleased with the Group's turnaround and the progress in executing strategy. The Group has strong positions in very attractive markets as the leading non-institutional service provider from which to continue its growth.'

Centrepont also announces the resumption of dividends with a final dividend of 2.2 cps fully franked to be paid on 15 October 2014.

The Funding division had an excellent year with strong growth in profits and market share. The Wealth division made good progress in its transformation to become the leader in the wealth advice market.

**Centrepont Funding** delivered a strong underlying pre-tax profit of \$5.3m, up 43% on the prior year. The leading broker proposition combined with industry consolidation has provided the opportunity to grow market share with the number of insurance brokers actively providing business increasing by 31%. The strategy of rebalancing the business by improving market share on the east coast is succeeding with a 35% increase in active brokers and a 43% increase in loans originated from the eastern states. Investment in enhancing IT systems is continuing to benefit broker productivity and customer experience, whilst also improving the cost to income ratio.

**Centrepont Wealth** delivered a solid underlying pre-tax profit of \$6.5m, in-line with prior year. Revenue was 10% lower than the prior year due to the decline in adviser numbers in 2013. That decline was almost entirely offset by reductions in expenses, achieved while also making substantial investments in new capabilities and transformation of the business.

In July 2014 confirmation was received from the Australian Securities and Investments Commission ('ASIC') that Professional Investment Services Pty Ltd had successfully completed its Ongoing Monitoring Program. The independent expert reported on the significant improvement in compliance and internal audit functions along with the commitment to enhancing the financial advice risk management framework.

Improvements in adviser systems and ongoing professional development have been achieved and continue as a key focus.

Management capabilities continue to be strengthened and the culture aligned with our vision of being a highly respected non-institutional financial service provider.

#### **Cash Position**

The Group had cash and term deposits of \$21.4m at 30 June 2014. The Group has a strong financial position from which to continue its growth and execution of strategy.

## **Outlook**

The Group holds strong positions in segments of the financial services market which are expected to continue to grow well in excess of GDP with attractive margins for well run businesses. The business has an experienced team that is rapidly executing its strategy, growing market share through consistent reliable service and delivering solid returns to shareholders.

Significant investment is being made in people and technology to position the Group for sustainable, above market growth, by delivering leading solutions designed to meet our customers' needs whilst assisting brokers and financial advisers to operate efficient and profitable businesses.

## **Investor Briefing**

Mr John de Zwart, Managing Director, will hold an investor briefing at 9am (AEST) on Monday, 25 August 2014.

If you wish to participate in the briefing please register by visiting our Financial Reports section of the Investor Centre on the Centrepoint website - <http://www.centrepointalliance.com.au>.

Centrepoint's Appendix 4E and Annual Report are appended.

## **For further information please contact:**

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*Managing Director*  
**Centrepoint Alliance Limited**  
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**CENTREPOINT ALLIANCE LIMITED  
AND ITS CONTROLLED ENTITIES**  
ABN 72 052 507 507

Appendix 4E  
Year ended 30 June 2014

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

			<b>30 June 2014</b>	<b>30 June 2013</b>
Revenues from ordinary activities	Down	2%	\$51,651,000	\$52,630,000
Profit before tax and non-controlling interests	Up	164%	\$4,254,000	\$(6,632,000)
Profit after tax attributable to members	Up	142%	\$3,299,000	\$(7,781,000)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	2.2 cents	2.2 cents
Previous corresponding period	0.0 cents	0.0 cents
Record date for determining entitlements to dividend	26 September 2014	
Payment date of dividend	15 October 2014	
Net tangible assets per share	30 June 2014 15.50 cents	30 June 2013 3.92 cents

Centrepoint Wealth's net profit before tax increased by \$9.1m despite revenues falling 10%, primarily the result of the fall in the number of Authorised Representatives up to the end of the 2013 calendar year, with offsetting gains from improved operational efficiency and reduced client claims expense.

Centrepoint Funding's revenue grew by 16% through growth in the premium funding business which has been successful in building new broker relationships and expanding its east coast business. Its new loan volumes grew by 21% and profit before tax by \$1.5m.



**CENTREPOINT ALLIANCE LIMITED  
AND ITS CONTROLLED ENTITIES**

ABN 72 052 507 507

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2014

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Annual Financial Report  
30 June 2014

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Chairman's Report

30 June 2014

Dear Shareholders,

On behalf of my fellow directors I am pleased to present the Centrepoint Alliance Limited ('Centrepoint') annual report for the year ended 30 June 2014 ('FY14') and to report a very successful year in our strategy to become Australia's most respected financial services business.

Centrepoint Funding has continued its strong growth in FY14 with revenue up 16% and pre-tax profits by 43%. New active broker relationships increased by 31% with significant growth in the east coast business.

Strong progress has been made on the transformation of Centrepoint Wealth including a change in the organisational structure to align with our strategy of developing a customer and adviser centric wealth business. Cost savings offset revenue losses in prior years and also enabled investment in new capabilities and future revenue generating activities.

Centrepoint acquired the remaining 45% of the shares in Associated Advisory Practices Pty Ltd and Associated Advisory Practices (No 2) Pty Ltd via schemes of arrangement in October 2013 positioning that business for continued growth.

In April-May \$13.63m in equity was raised through a placement to institutional and sophisticated investors and a 1 for 3 non-renounceable, fully underwritten entitlement offer. The equity raising has strengthened the balance sheet and provided for future capital requirements for the AFSL holding entities and both organic and inorganic growth of the Centrepoint group.

Your Board is pleased to announce that following the improvement in statutory profit and cash position, a final dividend of 2.2 cents per share, fully franked, is to be paid on 15 October 2014.

Thank you to the staff, our clients and business partners, and you, our shareholders, for your continued support as we strive to become the leading and most highly respected non-institutional financial services business in Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rick Nelson', written in a cursive style.

Rick Nelson

**Chairman**

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

Your directors present their report for the year ended 30 June 2014.

## Directors

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

### **Richard (Rick) Nelson**

FAICD

*Chairman & Non-executive Director*

Rick began his career in finance with the Australian Guarantee Corporation Ltd in 1972.

In 1982, Rick founded the Centrepoint Finance Group, which grew rapidly and made two major acquisitions, resulting in it becoming one of Australia's largest commercial finance brokers. Centrepoint Finance merged with Alliance Finance in 2005 and Rick assumed the role of Managing Director of the merged group. In 2007 he stepped aside to take on the position of Deputy Chairman and non-executive director.

Rick was appointed chairman of the Company in June 2009.

### **John de Zwart**

B.Econ., CA

*Managing Director and Chief Executive Officer*

Over the past 25 years, John has worked in Australia, NZ and the UK and prior to his current role was the Chief Financial Officer for TAL Limited (2008-2012) and TOWER Limited (2005-2008), responsible for all financial activities of these businesses. This included strategy, investor relations, asset management, alliances, information technology, mergers and acquisitions and the formation of new business lines.

Prior to TAL/TOWER, John worked at AMP, Credit Suisse and Price Waterhouse.

### **Noel Griffin**

MBA (Harvard)

*Non-executive Director, Chairman of the Nomination, Remuneration & Governance Committee*

Noel has been involved in the refrigerated transport industry since 1966. He has had extensive experience in management, operation and ownership of transport and agri-businesses.

From 1982 to 1995, Noel was managing director of Refrigerated Roadways Pty Ltd. TNT acquired the company in 1995 and Noel served for two years on the executive council of TNT.

In addition to his interests in the transport industry, Noel was managing director and a shareholder of Table Grape Growers Pty Ltd from 1997 to 2001. Noel is managing director of Prime Qld Pty Ltd, a member of the Pacca Advisory Council and a life member of the World Presidents' Organisation.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

### **Stephen Maitland**

OAM, RFD, B.Ec, M.Bus, LLM, FCPA, FAICD, FCIS, FAIM, SFFin

*Non-executive Director, Chairman of the Group Audit, Risk & Compliance Committee*

Stephen has over 30 years of experience in the banking and finance industry, with wide-ranging knowledge in areas such as strategic planning, businesses in transition, risk management and corporate governance.

Stephen's previous roles include CEO of the Queensland Office of Financial Supervision, a statutory authority that supervised Queensland's non-bank financial institutions.

Currently Stephen holds various directorships, and is a member of CPA's Queensland Divisional Council. During the past three years Stephen has served as a director of the following other listed companies:

<i>Listed Company</i>	<i>Period of directorship</i>
Buderim Ginger Limited	From 2002 to October 2012

### **Matthew Kidman**

B.Ec, LLb, Graduate Diploma of Applied Finance

*Non-executive Director*

Matthew has over 19 years of experience in the finance industry and currently specialises in corporate strategy, investor relations and capital markets.

During the period from 1998 to 2011 Matthew worked with the Wilson Asset Management funds management group in a variety of roles including dealer, analyst, portfolio manager and chief executive officer. He is also a former director of Australian Leaders Fund Limited (formerly Wilson Leaders Fund Limited).

Matthew has also worked as a finance reporter with the Sydney Morning Herald, where in 1997 he was appointed as Investment Editor.

During the past three years Matthew has served as a director of the following other listed companies:

<i>Listed Company</i>	<i>Period of directorship</i>
WAM Capital Limited	From 1999 and continuing
WAM Research Limited	From 2002 and continuing
WAM Active Limited	From 2007 and continuing
Sandon Capital Investments Limited	From 2013 and continuing
Watermark Market Neutral Fund Limited	From 2013 and continuing

### **Martin Pretty (appointed 27 June 2014)**

BA, CFA, Graduate Diploma of Applied Finance

*Non-executive Director*

Martin is currently an Investment Manager with the Thorney Investment Group, a substantial shareholder, and brings to the Board over 14 years experience in the finance sector. The majority of this experience was gained within ASX-listed financial services businesses, including Hub24, Bell Financial Group and IWL Limited. Martin has also previously worked as a finance journalist with The Australian Financial Review.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Directors' Interests in Shares

As at the date of this report, the interests of the directors in the shares of the company were:

Director	Number of ordinary shares	Number of ordinary shares	Number of Options over ordinary shares	Number of performance rights
	Fully Paid	Partly Paid		
R. J. Nelson	4,141,732	-	-	-
N. J. Griffin	2,501,841	-	-	-
S. J. Maitland	66,667	-	-	-
M. Kidman	1,230,563	-	-	-
J. M. de Zwart	1,980,452	-	-	1,500,000
M. P. Pretty	-	-	-	-
<b>Total</b>	<b>9,921,255</b>	-	-	<b>1,500,000</b>

No interests were held in other securities of the Company or related bodies corporate.

## Company Secretaries

### Debra Anderson

B. Law (LLB) Hons, Post Graduate Diploma in Legal Practice, Diploma of Financial Planning

Debra is a lawyer who began her career in private practice in Australia and worked in New Zealand and Hong Kong, before joining the Company in 2003. She has gained extensive experience in financial services over the past 11 years and was appointed Company Secretary in November 2013.

### Glenn Toohey

B. Economics, FCA

Glenn joined the Company in 2013 and was appointed as Chief Financial Officer and Company Secretary in November 2013. He has been a Chartered Accountant for over 25 years and has held senior roles in leading Australian financial services companies for over 20 years.

## Committee membership

As at the date of this report, the Company had a Nomination, Remuneration and Governance committee ('NRGC'), and Group Audit, Risk and Compliance committee ('GARCC').

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

NRGC	GARCC
N. J. Griffin (Chairman)	S. J. Maitland (Chairman)
R. J. Nelson	M. Kidman
	M. P. Pretty

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Meetings of Directors

	Directors' meetings	NRGC	GARCC
<b>Number of meetings held:</b>	18	5	4
<b>Number of meetings attended:</b>			
R. J. Nelson	18	5	-
N. J. Griffin	18	5	-
S. J. Maitland	17	-	4
M. Kidman	18	-	4
J. M. de Zwart	18	-	-
M. P. Pretty	1	-	-

All directors were eligible to attend all meetings held, except for Martin Pretty who was eligible to attend one directors' meeting.

## Corporate Information

### History

Centrepoint Alliance Limited (formerly Alliance Finance Corporation Limited) was founded in 1991 as an insurance premium funding company. It was incorporated in Australia as a company limited by shares and listed on the Australian Stock Exchange in June 2002.

On 30 September 2005, Centrepoint Alliance Limited merged with the Centrepoint Finance Pty Ltd, of which Rick Nelson was a co-founder.

During the year ended 30 June 2009, the Group ceased its commercial finance activities, which involved the sale on 31 December 2008 of its finance broking businesses and the cessation of its equipment finance operations.

On 13 December 2010 the Company acquired 100% of Centrepoint Wealth Pty Ltd (formerly Professional Investment Holdings Limited) and its controlled entities through a scheme of arrangement.

### Principal activities

The principal activities of the Company and its related entities during the course of the financial year were:

- The funding of insurance premiums for both corporate and retail clients; and
- The provision of services and solutions to financial advisers and their clients.

### Corporate structure

Centrepoint Alliance Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Stock Exchange. Information on the group structure is provided in Note 27 to the Consolidated Financial Statements.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Operating & Financial Review

### Group Business Operations

Centrepoint Alliance Limited and its controlled entities (the 'Group') operates predominantly in the financial services industry within Australia and has two core business segments:

- Centrepoint Funding, which provides insurance premium funding and mortgage broking services; and,
- Centrepoint Wealth, which provides a range of financial advice support services (including licensing, systems, compliance, training and technical advice) and wealth solutions to financial advisers, accountants and their clients across Australia.

### Financial Performance

Profit before tax from continuing operations for the year to 30 June 2014 was \$4.254m (2013: \$6.632m loss) reflecting improved operating results in both Funding and Wealth.

#### a) Centrepoint Funding

*Description:* Provides finance primarily to corporate clients to fund insurance premiums and provides aggregation and licencing services to mortgage brokers.

The Group's finance broking business (Australian Loan Company Pty Ltd) which was previously included with Corporate was restructured during the year and now forms part of Funding.

*Business Model:* Insurance premium funding is distributed to customers through a national network of general insurance brokers. A large volume of relatively small short term loans are currently funded using a receivables finance facility from a major Australian bank. Mortgage broking provides full service aggregation specialising in residential property mortgages, and access to personal and business finance.

*Key Drivers:* The number of supporting brokers, volume of loans written, insurance premium levels and property prices, lending margins, credit management and operating expenses.

*Overview:* The insurance premium funding market is estimated to be around \$5bn per annum and is dominated by two institutions. Centrepoint Alliance Premium Funding is now the third largest provider and fastest growing with a 9% market share.

During the year Premium Funding made excellent progress in its strategy growing the proportion of loans originated from the east coast. Key sales staff were appointed and the number of originated loans on the east coast increased by 43%.

*Financial Performance:* Profit before tax increased by 43% to \$5.143m.

Revenue grew by 16% to \$18.598m primarily through growth in premium funding which has been successful in building new broker relationships and expanding the east coast business. Active broker relationships grew by 31% leading to strong growth of 21% in loan volumes written to \$445m (2013: \$368m) while lending margins tightened slightly due to market competition. Credit quality remained strong with improved low levels of losses.

During the year additional sales staff were employed to grow the premium funding east coast business.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

### **b) Centrepoint Wealth**

*Description:* Provider of a range of financial advice support services (including licensing, systems, compliance, training and technical advice) and wealth solutions (platforms and managed funds) to financial advisers, accountants and their clients across Australia.

*Business Model:* Wealth provides services to authorised representatives under its Australian Financial Services Licences ('AFSL') and to other AFSL holders, and packages investment platforms and managed funds for distribution. Revenue is generated from retention of a portion of advice revenue earned by Wealth's authorised representatives, distribution or reseller margin fees paid by investment and insurance product providers, margins on packaged investment platforms and managed funds and other fees for services.

*Key Drivers:* Funds under distribution agreements ('FUDA'), funds under administration ('FUAdm'), funds under management ('FUM'), margin and revenue retention rates and operating costs.

*Overview:* Wealth operates in a market dominated by large institutions. Wealth is the largest non-institutional full advice business in Australia. The wealth market is attractive with superannuation assets expected to continue to grow by 8% p.a. over the next twenty years and the need for quality advice continuing to grow. The market has experienced significant regulatory change with the commencement of the first phase of the Future of Financial Advice legislation in July 2013 and the second in July 2014.

During the year the Group has been executing a strategy to improve the quality of advice and wealth solutions provided to Australians. This has involved a significant change program including realigning the organisational structure to better suit its strategy to develop a customer centric wealth business. The two previously reported Financial Advice Services segments and the Investment Products segment were combined during the year to form Wealth.

During the year Wealth invested in staff and capabilities to develop a range of wealth related products and services consistent with its strategy. This suite of products and services together with systems and methodologies are being developed to deliver high quality advice and outcomes to financial advisers and their clients.

The Australian Securities and Investments Commission ('ASIC') concluded its Ongoing Monitoring Program of Professional Investment Services Pty Ltd ('PIS') on 28 July 2014. The independent expert (PricewaterhouseCoopers) recognised the significant improvement in PIS's compliance and audit functions and the commitment to enhancing its financial advice risk management framework. ASIC also acknowledged PIS's commitment, level of work undertaken and senior executives' constructive engagement throughout the process.

The processing of client claims in relation to financial advice was restructured during the year with the majority of claims now managed by an internal claims team. This transformation has reduced the costs of managing claims and resulted in better outcomes for clients and the Group.

Centrepoint Alliance Limited acquired the remaining 45% of the shares in Associated Advisory Practices Pty Ltd and Associated Advisory Practices (No 2) Pty Ltd via schemes of arrangement in October 2013 positioning that business for continued growth and enabling the integration into Wealth.

*Financial Performance:* Profit before tax was \$2.962m for the year compared to a loss of \$6.085m in 2013. Operational efficiencies and a reduction in client claims expense from \$9.980m in 2013 to \$1.886m in 2014 were the major contributors to the return to profitability.

Revenue from external customers decreased by 10% to \$32.405m due primarily to the reduction in the number of Wealth's Authorised Representatives up to the end of the 2013 calendar year. The

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

number of Wealth's Authorised Representatives stabilised in the second half of the year with net increases occurring in the last quarter.

Expenses, excluding client claims, depreciation, amortisation and impairment expenses, were reduced by \$4.016m or 13% compared to 2013. Expenses include \$500k in employee termination costs associated with restructuring. During the first half of the year a cost reduction was executed delivering \$3.6m in annualised savings. During the second half Wealth implemented further expense reductions and has invested in staff and capabilities to execute its strategy and generate future revenue.

### c) Corporate

*Description:* The costs of the Centrepoint board of directors, finance and company secretarial functions and the administration of the listed public entity are reflected in Corporate. For segment reporting purposes this is combined with the trading results of minor non-core businesses controlled by the Group.

The Group's finance broking business (Australian Loan Company Pty Ltd) which was previously included with Corporate was restructured during the year and now forms part of Centrepoint Funding.

*Overview:* Centrepoint Alliance Limited completed a \$13.630m equity raising via a placement of 8,000,000 ordinary shares to institutional and sophisticated investors and a 1 for 3 non-renounceable, fully underwritten entitlement offer of 35,697,906 ordinary shares. The equity raising has strengthened the balance sheet and provided for future capital requirements for the AFSL holding entities and both organic and inorganic growth of the Group. Cash that is not immediately required is held in term deposits with major Australian banks with varying maturities of up to 6 months.

There has been further simplification of the corporate structure. The sale of the Malaysian business was completed in February 2014, the remaining Singapore entity was deregistered in July 2014, and there has been significant simplification of the New Zealand corporate structure. There were minimal expenses associated with the non-operating international businesses during the year.

Centrepoint Alliance Limited acquired the remaining 45% of the shares in Associated Advisory Practices Pty Ltd and Associated Advisory Practices (No 2) Pty Ltd via schemes of arrangement in October 2013. Subsequently, Centrepoint Wealth Pty Ltd sold its shares in these companies to Centrepoint Alliance Limited which now holds 100% of their issued capital.

*Financial Performance:* Profit before tax was \$49,000 including \$3.900m of dividends received from subsidiaries. Total expenses of \$4.245m were down 10% on the prior year and include \$345,000 of termination payments in relation to restructuring.

### Cash Flows

The Group held \$21.373m in cash and term deposits as at 30 June 2014.

Cash provided by operations was \$7.541m (2013: \$12.453m) during the period. The reduction in cash provided from operations was primarily due to a fall in receipts in Wealth in relation to advice partially offset by improved receipts from Funding. Payments of \$8.879m (2013: \$11.295m) were made in relation to adviser client claims.

\$5.000m of cash was invested in a term deposit which remains available to the Group at short notice if required. \$1.394m was invested in property, plant and equipment; primarily fit-outs of office space associated with moves to smaller premises. \$1.034m investment in intangible assets is primarily business software, including development of Wealth's CRM tool.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

Centrepoint Alliance Limited raised \$13.630m (net of expenses) in equity via a placement of 8,000,000 ordinary shares to institutional and sophisticated investors in April 2014 and a 1 for 3 non-renounceable, fully underwritten entitlement offer of 35,697,906 ordinary shares in May 2014.

An additional \$22.884m was lent to customers, primarily as insurance premium loans, funded by a net increase in borrowings, substantially through the insurance premium funding facility.

### Financial Position

The Group has net assets at 30 June 2014 of \$34.521m (30 June 2013: \$17.238m) and net tangible assets of \$22.130m (30 June 2013: \$3.665m) representing net tangible assets per share of 15.50 cents (30 June 2013: 3.92 cents).

Total assets increased to \$184.816m (30 June 2013: \$150.223m) primarily as a result of the increase in cash, term deposit and insurance premium funding receivables discussed above. Total liabilities increased to \$150.295m (30 June 2013: \$132.985m) due largely to increased external funding of insurance premium funding receivables partially offset by the reduction in the provision for client advice claims.

The Group held a total of \$16.373m in cash and cash equivalents at 30 June 2014 (30 June 2013: \$9.352m) plus \$5.000m in a term deposit held with a major Australian bank.

### Risks & Risk Management

The material business risks faced by the Group that could affect its financial prospects include:

- Legacy advice claims – The Consolidated Statement of Financial Position includes a provision for incurred but not reported client advice claims in relation to advice provided prior to 1 July 2010. The provision is based on an external actuarial model that projects future claims based on historical data. Actual claims may exceed the provision and it is impracticable to quantify the amount of any such additional liability.

The actuarial model does not project claims from potential class actions. Class action lawyers have been active within the financial advice industry in relation to failed investment products and there is an unquantifiable risk that such action may be taken against a Group subsidiary in the future.

- Loss of financial advisers – Wealth depends on revenue generated from financial advisers. Financial advisers are able to leave the Group if they are dissatisfied with the services provided. Considerable effort and progress is being made to develop the leading advice business in Australia which will aid retention of existing financial advisers and attract external advisers to the Group.
- Regulatory change – The Government has introduced changes to the Future of Financial Advice ('FOFA') legislation that regulates the industry in which the Group operates. In addition, the Government has announced the Financial System Inquiry ('FSI') which will establish a direction for the future of Australia's financial system. Depending on the outcome of these changes it could impact the Group including change costs, slowing down adviser recruitment, and increasing the ongoing costs and risks associated with regulatory compliance.

FOFA prohibits commission revenue for investment products but allows grandfathered arrangements to continue. Grand-fathered revenue will decline over time however the rate of that decline is uncertain. Wealth is responding to these changes with new business and revenue models, products and services.

- Loss of key personnel – A comprehensive staff review and feedback process is actively employed. Regular reviews of remuneration to ensure market competitiveness are undertaken, and the Board has approved a structured short-term incentive program and long-term incentive program for staff.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

- Competitor behaviour – The financial services industry and the insurance premium funding industry have several participants which have relatively large market shares (relative to the Group) and are subsidiaries or operating divisions of large financial services businesses. The size of these competitors and their greater access to funding provide them with a strong position on which to compete with the Group. There is a risk that earnings of the Group could be adversely impacted by the activities of competitors. The Group is focussed on building and maintaining the leading service propositions in the industry and its position as a non-aligned service provider helps to mitigate this risk.

### **Strategies & Prospects**

The Group is focussed on becoming the most respected financial services business in Australia.

Considerable effort has also been devoted in the last two years to simplify the group structure and exit non-core activities. This process is now substantially complete and allows the Group to improve its operations and minimise costs.

The capital raising in April and May 2014 has provided the insurance premium funding business with the ability to raise further debt to enable further growth and expansion to occur. Industry consolidation is providing opportunities for organic growth stemming from the Group's position as the largest non-aligned premium funder with a strong track record of service and delivery. It may also create opportunities for in-organic growth as small sub-scale businesses look to exit the industry.

Funding will continue its strategy of growing the insurance funding business on the east coast. The mortgage broking business was restructured during the year and is now being repositioned to take greater advantage of the Group's relationships with financial advisers and brokers.

The Wealth business is implementing its strategy to become a leading customer centric wealth business focussed on customer outcomes and building sustainable financial advice practices.

It is well positioned in an industry that remains very attractive for the long-term growth driven by growing national savings and investment pool increases and the greater need for advice as the complexity of the regulatory environment, tax system and market increases.

During the next financial year Wealth will launch new products and services consistent with its strategy to diversify its sources of revenue and profit. Ventura Investment Management Limited has had its Australian Financial Services Licence varied to allow it to offer a Managed Account product with the first expected to be launched in the first quarter of the 2014/15 financial year.

The Group will continue to invest in its capabilities to grow revenue and profitability over the medium term.

### **Dividends**

On 22 August 2014, the directors of Centrepoint Alliance Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The dividend is to be paid out of the dividend reserve. The total amount of the dividend is \$3,141,374 which represents a fully franked dividend of 2.20 cents per share. The record date is 26 September 2014 and payment date is 15 October 2014.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Options

### Unissued shares

As at the date of this report, there were 400,000 fully vested options exercisable at \$0.40 each on or before 31 December 2016. The Option holder does not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

In August 2013 the Company granted 4,100,000 performance rights, which is a right that can be converted to an ordinary fully paid share in the Company for no monetary consideration subject to specific performance criteria being achieved. 1,500,000 of these rights were granted to Managing Director and Chief Executive Officer, John de Zwart, (approved by shareholders during the 2013 Annual General Meeting) and the remaining 2,600,000 were offered to five senior executives in December 2013. 400,000 of the 2,600,000 rights have now been forfeited due to the departure of one executive. All or some of the rights will vest in September 2016 if certain profit targets are met. Earlier vesting can occur under certain circumstances, such as a takeover of the Company.

At the date of this report there are no other unissued ordinary shares subject to options.

### Shares issued as a result of the exercise of options

No shares have been issued as a result of the exercise of options during the financial year and up to the reporting date.

## Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities.

Risk management is monitored and assessed by the Group Audit, Risk and Compliance Committee of the Board, which comprises two non-executive directors, the Managing Director and Chief Executive Officer and an independent external member. The Chairman of the Board may not chair this committee. As detailed in the Corporate Governance Statement the Committee is governed by a charter and is responsible on behalf of the Board for overseeing:

- The effectiveness of the Group's system of risk management and internal controls; and
- The Group's systems and procedures for compliance with applicable legal and regulatory requirements.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- Board approved Risk Management Policy and Risk Framework to assist in the identification, analysis, evaluation and treatment of Group risks.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Significant Changes in the State of Affairs

During May 2014, the Company finalised a \$13.630m equity raising. On 10 April 2014, 8,000,000 ordinary shares were issued through a placement to institutional and sophisticated investors. On 12 May 2014, 35,697,906 ordinary shares were issued pursuant to the terms of the non-renounceable entitlement offer.

In October 2013, the Company acquired the remaining 45% of the shares in Associated Advisory Practices Pty Ltd ('AAP') and Associated Advisory Practices (No 2) Pty Ltd ('AAP2') that was not previously owned. As a result 5,626,172 shares were allocated and issued to the AAP and AAP2 shareholders. The Company also acquired 55% of the shares held in AAP and AAP2 by Centrepoint Wealth Pty Ltd, a wholly owned subsidiary of the Company.

Other than disclosed above, there are no matters or events constituting a significant change in the state of affairs of the Company.

## Significant Events Subsequent to Balance Date

The following matters have occurred subsequent to the year end:

On 27 July 2014, ASIC provided Professional Investment Services Pty Ltd ('PIS') with formal notification of the conclusion of the ongoing monitoring program ('OMP') which had been in place since 1 July 2013. The successful conclusion of the OMP results in PIS not being subject to any ongoing regulatory actions nor any non-standard conditions applying to its AFSL.

There are no other matters or events which have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## Likely Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have been addressed in the Operating and Financial Review and in the subsequent events disclosure. The directors are not aware of any other significant material likely developments.

## Environmental Regulation

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

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

During the financial year, the Company paid a premium for a policy insuring all directors of the Company, the company secretaries and all executive officers against any liability incurred by such director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The policy does not allocate an identifiable part of the premium to specific directors or officers. Accordingly, the premium paid has not been apportioned to directors' remuneration.

The Company has not otherwise during or since the end of the financial year, indemnified or agreed to indemnify any officer of the Company against a liability incurred as such officers.

## **Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

## **Rounding**

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 98/100. The Company is an entity to which the Class Order applies.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Remuneration Report (audited)

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the directors and executives of the Group in accordance with the requirements of the *Corporations Act 2001* (the 'Act') and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

- Key management personnel
- Remuneration philosophy
- Group performance
- Nomination, Remuneration & Governance (NRGC) Committee
- Employment contracts
- Remuneration of Key Management Personnel
- Short-term incentives
- Long-term incentives

For the purposes of this Report, key management personnel ('KMP') of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

### Key management personnel

The key management personnel of the Company during the financial year were as follows:

R. J. Nelson	Chairman & Director (non executive)
N. J. Griffin	Director (non-executive)
S. J. Maitland	Director (non-executive)
M. Kidman	Director (non-executive)
M. P. Pretty	Director (non-executive) – appointed 27 June 2014
J. M. de Zwart	Managing Director & Chief Executive Officer
G. P. Toohey	Chief Financial Officer & Company Secretary – appointed 1 November 2013
R. M. Dodd	Chief Executive Officer – Centrepont Alliance Premium Funding Pty Ltd
I. R. Magee	Chief Financial Officer & Company Secretary – resigned 1 November 2013

There were no changes of KMP after the reporting date and before the signing of this Report.

### Remuneration philosophy

The performance of the Company depends on the quality of its directors, executives and employees. To prosper, the Company must attract, motivate and retain skilled and high performing individuals. Accordingly, the Company's remuneration framework is structured around the central principle and goal of providing competitive rewards to attract the highest calibre people.

The level of fixed remuneration is set to provide a base level of remuneration that is appropriate to the position and competitive in the market. It is not directly related to the performance of the Company. Fixed remuneration is reviewed annually and the process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Short-term incentives in the form of potential cash bonuses are made available to employees. Any award is based on the achievement of pre-determined objectives.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

Long-term incentives are made available to certain key management personnel ('KMP') in the form of performance rights, shares or options. The Directors consider these to be the best means of aligning incentives of KMP with the interests of shareholders.

The remuneration of non-executive directors of the Company consists only of directors' fees and committee fees.

### Group performance

Shareholder returns for the last five years have been as follows:

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>GROUP*</b>					
Net profit/(loss) after tax	3,223	(7,288)	(17,299)	(13,125)	1,315
EPS (basic) - (cents per share)	3.20	(8.04)	(17.90)	(16.21)	0.25
EPS (diluted) - (cents per share)	3.13	(8.04)	(17.90)	(16.21)	0.25
Share price (\$)	0.37	0.27	0.18	0.90	0.95

*\*\*Comparatives for 2010 are the Professional Investment Holdings Limited group which was acquired by the Company in the 2011 financial year.*

### Nomination, Remuneration & Governance Committee ('NRGC')

The role of the NRGC includes the setting of policy and strategy for the appointment, compensation and performance review of directors and executives, approving senior executive service agreements and severance arrangements, overseeing the use of equity-based compensation and ensuring appropriate communication and disclosure practices are in place.

Non-executive directors are not employed under specific employment contracts but are subject to provisions of the Corporations Law in terms of appointment and termination. The Company applies the ASX listing rules that specify that aggregate remuneration shall be determined from time to time by shareholders in a general meeting. The maximum aggregate remuneration for the financial year ended 30 June 2014, which was approved by a resolution of shareholders at the Annual General Meeting on 29 November 2012, is \$425,000 (2013: \$425,000).

The remuneration of the non-executive directors does not currently incorporate a component based on performance. Within the limits approved by shareholders, individual remuneration levels are set by reference to market levels and consultation with independent advisers.

Executive directors and executives are employed under contracts or agreed employment arrangements that specify remuneration amounts and conditions.

The Board has introduced for executives and senior employees an incentive system based on issuing performance rights, shares or options in the Company.

The Company's Securities Trading Policy forbids directors from entering into margin lending arrangements and also forbids directors and senior executives from entering into hedging transactions involving the Company's securities.

Details of current incentive arrangements for key management personnel, where they exist, are shown under the disclosure of their contracts below.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

### **Employment contracts**

Details of the terms of employment of the Managing Director & Chief Executive Officer and the named executives are set out below:

*John de Zwart – Managing Director & Chief Executive Officer*

**Contract commencement date:** 15 April 2013

**Term:** No term specified

#### **Incentives:**

*Short term incentive –*

Consists of a cash bonus of \$75,000 that was paid in April 2014 after the first anniversary of the commencement date. An additional short term incentive of \$125,000 is payable after the end of the 2014 Financial Year and on achievement of key performance targets set by the Board. The key performance targets are measures of underlying profit, improvement of customer retention and engagement, strengthening the organisational capability and business sustainability through talent acquisition, retention and development, improvement in compliance levels and risk management.

*Long term incentive –*

Issue of up to 1,500,000 fully paid ordinary Centrepoint Alliance Limited ('CAF') shares at nil cost based on achievement of growth targets in the consolidated underlying profit of the Group (as determined by the Directors) over three financial years, as follows:

If the cumulative underlying Group profit of financial years 2014, 2015 and 2016 divided by 3 is:

- Less than 133% of 2013 underlying profit, none will be issued;
- 133% to 138% of 2013 underlying profit one-third of the total will be issued;
- 139% to 145% of 2013 underlying profit two-thirds of the total will be issued;
- 146% or greater of 2013 underlying profit 100% will be issued.

**Required notice (Executive):** 3 months.

**Required notice (Company):** 6 months.

**Termination Entitlement:** Statutory entitlements and so much of the total fixed remuneration as is due and owing on the date of termination.

*Glenn Toohey - Chief Financial Officer & Company Secretary*

**Contract commencement date:** 1 November 2013

**Term:** No term specified

#### **Incentives:**

*Short term incentive –*

Eligible from the date of appointment to participate in the Company's short term incentive plan as amended or varied from time to time by the Company in its absolute discretion and without any limitation on its capacity to do so.

*Long term incentive –*

A grant of \$300,000 performance rights to be issued no later than twelve months after the commencement date.

**Required Notice (Executive):** 3 months.

**Required notice (Company):** 3 months.

**Termination Entitlements:** Statutory entitlements.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

*Bob Dodd - Chief Executive Officer (Insurance Premium Funding)*

**Contract commencement date:** 1 December 2006

**Term:** 5 years with 5 year option (evergreen)

**Incentives:**

*Short term incentive –*

For the financial year ended 30 June 2014, eligible for a cash bonus of \$50,000 if the Insurance Premium Funding business unit generates a net profit pre-tax (pre-abnormal items) at least equal to the CAF Board agreed budget; a further \$50,000 if the Insurance Premium Funding business unit business generates a net profit pre-tax (pre-abnormal items) of at least 20% higher than the prior year and premiums funded increase by at least 20%; and 10% of pre-tax profit in excess of the CAF Board agreed budget, was granted. 'Net profit pre-tax (pre-abnormal items)' is defined as net profit before tax adjusted for any other items as determined by the Board to be unrelated to normal business operations. This financial performance measure was chosen as it aligns the executive's remuneration with shareholder returns.

For the 2015 – 2019 financial years, a payment of \$120,000 each year upon achievement of the Centrepoint Wealth budget for that year.

A retention incentive was approved by the Board in June 2014 with the first payment of \$300,000 made in June 2014 and the second payment of \$200,000 scheduled for 20 April 2015. The incentive is subject to employment and service criteria.

*Long term incentive –*

An entitlement to 107,143 fully paid ordinary shares through the Employee Share Plan at a price of \$0.40 per share. The entitlement is fully vested and expires on 31 October 2014.

Issue of up to 600,000 fully paid ordinary shares in the Company at nil cost subject to the achievement of the profit hurdles outlined below.

If the cumulative underlying Group profit of financial years 2014, 2015 and 2016 divided by 3 is:

- Less than 133% of 2013 underlying profit, none will be issued;
- 133% to 138% of 2013 underlying profit one-third of the total will be issued;
- 139% to 145% of 2013 underlying profit two-thirds of the total will be issued;
- 146% or greater of 2013 underlying profit 100% will be issued.

A grant of 200,000 performance rights to be made in the 2014 LTI scheme to be approved by the Board.

Commencing 1 July 2015, 10% of the total value added profit over the performance period (1 July 2015 to 30 June 2019). Value added profit in Centrepoint Alliance Premium Funding Pty Ltd's statutory profit before tax ('CAPF PBT') less the total minimum return on equity for that year. Growth in CAPF PBT must be at least 10% each year and an average of at least 15% over the performance period.

**Required notice (Executive):** 3 months.

**Required notice (Company):** 3 months.

**Termination entitlements:** Statutory entitlements and 9 months' notice or equivalent salary in lieu of notice.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
 Directors' Report  
 30 June 2014

**Remuneration of Key Management Personnel**

Year	No. of days remuneration	Short-term benefits		Post Employment	Cash Incentives		Long service leave		Share-based payments		Termination payments	Total	Performance related	Share Related
		Salary & Fees	Cash Bonus		Superannuation	Cash	Long service leave	Share options	Shares					
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
R. J. Nelson	2014	365	114,678	-	10,608	-	-	-	-	-	-	125,286	-	-
	2013	365	101,300	-	9,117	-	-	-	-	-	-	110,417	-	-
J. M. de Zwart	2014	365	366,972	75,000	33,945	-	-	-	180,000	-	-	655,917	11.43%	27.44%
	2013	76	77,471	-	6,972	-	-	-	-	-	-	84,443	-	-
N. J. Griffin	2014	365	60,550	-	5,601	-	-	-	-	-	-	66,151	-	-
	2013	365	60,550	-	5,450	-	-	-	-	-	-	66,000	-	-
S. J. Maitland	2014	365	60,550	-	5,601	-	-	-	-	-	-	66,151	-	-
	2013	365	60,550	-	5,450	-	-	-	-	-	-	66,000	-	-
M. Kidman	2014	365	60,550	-	5,601	-	-	-	-	-	-	66,151	-	-
	2013	365	55,046	-	4,954	-	-	-	-	-	-	60,000	-	-
M. P. Pretty <sup>2</sup>	2014	3	498	-	47	-	-	-	-	-	-	545	-	-
C. J. Castles <sup>1,3</sup>	2013	214	16,500	-	-	-	-	-	-	-	-	16,500	-	-
A. D. Robinson <sup>1</sup>	2013	304	342,501	-	27,867	-	-	-	-	-	50,000	420,368	11.89%	-
G. P. Toohey <sup>2</sup>	2014	242	177,788	-	14,478	-	-	-	-	-	-	192,266	-	-
I. R. Magee <sup>1</sup>	2014	124	201,194	18,348	9,650	-	5,586	-	-	-	300,355	535,133	5.23%	-
	2013	365	255,000	20,000	22,950	-	11,345	-	-	4,794	-	314,089	6.37%	1.53%
R. M. Dodd	2014	365	300,000	470,700	27,750	-	2,998	-	68,000	-	-	869,448	54.14%	7.82%
	2013	365	300,000	170,700	27,000	-	7,503	-	-	7,264	-	512,467	33.31%	1.42%
P. B. Walther <sup>1</sup>	2013	292	434,408	125,000	16,573	-	-	-	-	49,600	209,105	834,686	20.92%	5.94%
<b>Total</b>	<b>2014</b>		<b>1,342,780</b>	<b>564,048</b>	<b>113,281</b>	<b>-</b>	<b>8,584</b>	<b>-</b>	<b>248,000</b>	<b>-</b>	<b>300,355</b>	<b>2,577,048</b>		
<b>Total</b>	<b>2013</b>		<b>1,703,326</b>	<b>315,700</b>	<b>126,333</b>	<b>-</b>	<b>18,848</b>	<b>-</b>	<b>-</b>	<b>61,658</b>	<b>259,105</b>	<b>2,484,970</b>		

<sup>1</sup> Resigned during the year <sup>2</sup> Appointed during the year <sup>3</sup> Amounts are paid or payable to a director related entity

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
 Directors' Report  
 30 June 2014

**Performance rights, shares and options awarded, vested and lapsed**

Name	Year	Rights or options granted in year	No.	Grant date	Fair value per right at grant date	\$	Vesting Date	Exercise price	\$	Expiry date	Vested in year	No.	Lapsed in year	No.
<b>Performance rights</b>														
J. M. de Zwart	2014	1,500,000		29 November 2013	\$	0.36	1 Sep 2016	-		1 Sep 2016	-		-	
R. M. Dodd	2014	600,000		18 December 2013	\$	0.34	1 Sep 2016	-		1 Sep 2016	-		-	
<b>Shares under CAESP</b>														
R. M. Dodd	2014	-		-	-	-	-	-		-	-		-	

**Reconciliation of the number and fair value of options, shares and performance rights held by KMP**

Name	Year	Balance at the start of the period	No.	Granted as compensation during the period	No.	Value (\$)	Exercised during the period	No.	Value (\$)	Lapsed during the period	No.	Value (\$)	Balance at the end of the period	No.	Vested and exercisable	No.	Unvested	No.	
<b>Performance rights</b>																			
J. M. de Zwart	2014	-		1,500,000		540,000	-		-	-		-	1,500,000		-		1,500,000		
R. M. Dodd	2014	-		600,000		204,000	-		-	-		-	600,000		-		600,000		
<b>Shares under CAESP</b>																			
R. M. Dodd	2014	107,143		-		-	-		-	-		-	107,143		107,143		-		-
I. R. Magee <sup>1</sup>	2014	70,715		-		-	-		-	-		-	70,715		70,715		-		-

<sup>1</sup> Resigned during the year



CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
 Directors' Report  
 30 June 2014

**Shareholdings of Key Management Personnel\***

Shares held in Centrepoint Alliance Limited (Number)									
FY 2014	Balance 1 July 2013 Ord	Granted as remuneration Ord	On exercise of options Ord	Net change other # Ord	Balance 30 June 2014 Ord				
R. J. Nelson	2,993,798	-	-	1,147,934	4,141,732				
J. M. de Zwart	-	-	-	1,980,452	1,980,452				
N. J. Griffin	1,758,880	-	-	742,961	2,501,841				
S. J. Maitland	50,000	-	-	16,667	66,667				
M. Kidman	688,862	-	-	541,701	1,230,563				
M. P. Pretty	-	-	-	-	-				
G. P. Toohey <sup>2</sup>	-	-	-	-	-				
I. R. Magee <sup>1</sup>	6,457	-	-	(6,457)	-				
R. M. Dodd	7,368	-	-	-	7,368				
<b>Total</b>	<b>5,505,365</b>	<b>-</b>	<b>-</b>	<b>4,423,258</b>	<b>9,928,623</b>				

<sup>1</sup> Resigned during the year

<sup>2</sup> Appointed during the year

\* Includes shares held directly, indirectly and beneficially by KMP

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Short term incentives

### *Objective*

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

### *Structure*

In July 2013 the directors approved a Group-wide structured STI scheme applicable to all employees, excluding the Group CEO and the CEO – Centrepont Alliance Premium Funding Pty Ltd. Under the STI scheme, employees may be able to achieve a cash bonus based on a percentage of their annual base salary. Bonuses will be weighted by a three tiered approach with weightings assigned to each level, being CAF Group results, Business Unit results and Individual Performance. For eligible Group Key Management Personnel the respective weightings are 40%, 40% and 20%. The maximum bonus payable is 50% of the KMP annual salary. On an annual basis, after consideration of performance against KPIs, the NRGC, in line with their responsibilities, determine the total amount, if any, of the short term incentive the amounts to be paid to each employee. This process usually occurs within three months of the reporting date.

The STI system is a simple, consistent method of remunerating and rewarding employees. The directors believe it aligns their interests with those of the shareholders and will improve staff engagement and performance.

## Long term incentives

### *Objective*

The objective of long term incentives ('LTI') is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to significantly influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle.

### *Structure*

LTI awards to executives are made under the executive LTI plan and are delivered in the form of options and shares. Both options and shares vest in tranches over a specified time period and may also have other performance hurdle requirements, typically related to shareholder return, as determined by the NRGC.

Performance rights are rights that can be converted to fully paid ordinary shares in the Company for no monetary consideration subject to specific performance criteria being achieved. The performance rights will only vest if certain profit targets are met.

### *Awards*

In August 2013 the Board approved the grant of up to 1,500,000 performance rights to the Managing Director (approved by shareholders at the 2013 AGM) and up to 2,600,000 performance rights to nominated senior executives of the Group, which are subject to achievement of the profit hurdles outlined below:

If the cumulative underlying profit of financial years 2014, 2015 and 2016 divided by 3 is:

- Less than 133% of 2013 underlying profit, none will be issued;
- 133% to 138% of 2013 underlying profit one-third of the total will be issued;
- 139% to 145% of 2013 underlying profit two-thirds of the total will be issued;
- 146% or greater of 2013 underlying profit 100% will be issued.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Directors' Report

30 June 2014

On the departure of a senior executive, 400,000 of the 2,600,000 performance rights issued were forfeited during the year.

Underlying profit is a measure of consolidated net profit after tax for the Group from its core trading activities. It excludes gains or losses from unusual or rarely-occurring events and from any misalignment between economic value and accounting treatment. The final underlying profit or loss for a period will be determined by the Board.

These arrangements form part of the Company's long term incentive scheme for senior executives, the purpose of which is to align their interests with those of the shareholders and to provide a key retention incentive. Upon issue, the shares will rank equally with all other fully paid ordinary shares in the Company then on issue.

### **a) Option holdings of key management personnel**

No options to purchase shares were held by key management personnel.

### **b) Loans to key management personnel**

There were no loans to directors or other key management personnel during the financial year.

### **c) Other transactions with key management personnel and their related parties**

Directors of the Company, or their related entities, conduct transactions with the Company or its controlled entities within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director related entity at arm's length in similar circumstances.

These transactions by director are as follows:

R.J Nelson	Consulting Fees \$14,208 (2013: \$178,286)
J. M. de Zwart	None
N.J Griffin	None
S.J Maitland	None
M. Kidman	None
M. Pretty	None

During May 2014, the Company finalised a 1 for 3 non-renounceable fully underwritten rights issue. The underwriter of the rights issue entered into sub-underwriting arrangements with 2 parties who are related to Directors of the Company:

- Optiplus Super Pty Ltd (an entity associated with Managing Director, John de Zwart). 332,890 shares were acquired under the sub-underwriting arrangement for \$106,525;
- GEJK Pty Limited (an entity associated with Director, Matthew Kidman). 312,080 shares were acquired under the sub-underwriting arrangement for \$99,866.

No sub-underwriting fees were received by John de Zwart, Matthew Kidman or their related entities in relation to the above transactions.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

30 June 2014

## Auditor Independence and Non-audit Services

The auditor, Ernst & Young, has provided a written independence declaration to the directors in relation to its audit of the financial report for the year ended 30 June 2014. The independence declaration which forms part of this report is on page 24.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of non-audit service provided means that auditor independence was not compromised.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Taxation services	76,643	167,633
Other services associated with the rights issue	12,500	-
<b>Total</b>	<b>89,143</b>	<b>167,633</b>

Signed in accordance with a resolution of the directors.



R. J. Nelson  
**Chairman**

22 August 2014



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## Auditor's independence declaration to the directors of Centrepont Alliance Limited

In relation to our audit of the financial report of Centrepont Alliance Limited for the financial year ended 30 June 2014, 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

Paula McLuskie  
Partner  
22 August 2014

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Governance Statement

30 June 2014

### Corporate Governance Policies and Practices

The Board of directors of Centrepoint Alliance Limited is responsible for establishing the corporate governance framework of the Company. The Board guides and monitors the business and affairs of Centrepoint Alliance Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Key aspects of the Company's corporate governance are set out below and, with the exception of those matters specifically referred to, the Company has followed the ASX "Corporate Governance Principles and Recommendations with 2010 amendments" 2nd edition ('the Recommendations'). Many of the detailed provisions of these Recommendations are embedded in the Company's corporate policies, and are not repeated in this Statement. The Company's corporate governance policies and practices were updated in June 2014 to incorporate the ASX "Corporate Governance Principles and Recommendations" 3<sup>rd</sup> edition.

For further information on corporate governance policies and charters adopted by Centrepoint Alliance Limited, please refer to our website: <http://www.centrepointalliance.com.au/corporate-governance/>.

### Board of Directors

The Board has established structures, policies and systems to clearly define the respective roles of the Board and management and to clearly reserve certain functions and powers to the Board.

The activities of the Board are governed by a Board Charter that sets out requirements relating to membership, independence, operations and responsibilities. The Board has the following key responsibilities:

- (a) Overall guidance – including the determination of strategic and financial objectives;
- (b) Effective oversight of management – including overseeing and monitoring; implementation of policies and resources to achieve those strategies and financial objectives; and
- (c) Ensuring compliance with the Company's constitution, and all legal and regulatory requirements, and ethical standards.

The Board has particular responsibility for the appointment, remuneration and performance review of the CEO; and oversight of the engagement of senior executives, including the company secretary.

The principles above have been applied continuously by the Board. The Board Charter is reviewed at least annually.

There are procedures in place, agreed by the Board to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The directors and their terms in office at the date of this report are:

<b>Name</b>	<b>Position</b>	<b>Term in office</b>
R. J. Nelson	Chairman & Non-Executive Director	9 years
J. M. de Zwart	Managing Director	2 years
N. J. Griffin	Non-Executive Director	9 years
S. J. Maitland	Non-Executive Director	3 years
M. Kidman	Non-Executive Director	3 years
M. P. Pretty	Non-executive Director	2 months

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Governance Statement

30 June 2014

### **Nomination, Remuneration & Governance Committee ('NRGC')**

The role of the NRGC is to ensure that the Company has appropriate corporate governance measures in place and to set policy and strategy for the appointment, compensation and performance review of directors and executives, to approve senior executive service agreements and severance arrangements, to oversee use of equity-based compensation and to ensure appropriate communication and disclosure practices are in place.

Nomination duties and responsibilities include:

- Assisting and advising the Board with regard to appointments, terminations and succession planning of directors and senior executives, specifically including the company secretary;
- Assessing necessary competencies of directors and senior executives; and
- Reviewing the performance of directors in accordance with documented evaluation criteria.

Remuneration duties and responsibilities include:

- Assisting and advising the Board with regard to remuneration policies and strategy for the Company;
- Setting the framework for remuneration of the directors and senior executives; and
- Approving and monitoring company incentive schemes and equity based remuneration arrangements.

Governance duties and responsibilities include:

- Developing and reviewing corporate governance policies; and
- Advising the Board on regulatory and compliance issues, with particular reference to disclosure; ASX Listing Rules and Recommendations.

This committee consists of two independent non-executive directors and is chaired by Noel Griffin and meets at least bi-annually.

The committee operates under a charter approved by the Board of directors, which is reviewed at least annually.

### **Group Audit, Risk and Compliance Committee ('GARCC')**

The combination of audit, risk and compliance responsibilities in one committee is a decision of the Board to reflect the relative size of the Company and the interlocking nature of these activities in the financial services sector.

The GARCC is responsible for:

- Overseeing the integrity of the financial reporting process and the financial statements, the appointment of independent and competent external auditors, performance and review of the external audit process; review of internal controls;
- Overseeing the Company's system of risk management and internal controls; and
- Overseeing the company's systems and procedures for compliance with applicable legal and regulatory requirements.

The committee comprises two non-executive directors and one externally appointed member and is chaired by Stephen Maitland.

The committee operates under a Board Charter approved by the Board of directors, which is reviewed at least annually.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Governance Statement

30 June 2014

### Board Composition

Biographies of the current Board are contained in the Directors' Report and on the Company's website <http://www.centrepoinalliance.com.au/our-board>.

A majority of the non-executive directors are deemed by the Board to be Independent.

The Board has developed a skills matrix to identify the required skills and experience against those of current directors and as a guide to the skills and experience required of future directors. Amongst the skill groups identified are strategic expertise, financial sector experience, financial literacy at an advanced level; marketing and brand management; information technology and communication; risk management; investments and financial markets; change management; regulation and compliance.

The Company has an induction program for new directors. It encourages and has policies for payment for on-going professional development by directors.

### Securities Trading

The Company has strict regulations governing any trading in company shares by directors or employees, which are set out in the Company's Securities Trading Policy, which is reviewed at least annually. Breaches of the policy are subject to disciplinary action that may result in termination of employment.

### Integrity in Corporate Reporting

The Company has an independent and effective Group Audit, Risk and Compliance Committee, described above.

The Company receives certifications in accordance with s295A of the *Corporations Act 2001* from the CEO and CFO with each published financial report.

The Company's Auditor attends General Meetings and the Annual General Meeting to respond to questions from shareholders in regard to the Audit.

### Remuneration

For details on performance measurement and remuneration of directors and specified executives in the current period, please refer to the Remuneration Report which is contained within the Directors' Report. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors, who receive a fixed fee.

### Ethical Standards

The Board is committed to establishing and maintaining appropriate ethical standards to underpin the Company's operations and corporate practices. The Board has adopted the following codes of conduct governing the Company's activities:

- An overall corporate code of conduct;
- A code of conduct for directors; and
- A code of conduct for employees.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Governance Statement

30 June 2014

### Diversity

The Board is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. A Diversity, Anti-Discrimination & Equal Employment Opportunity Policy has been established and is reviewed regularly.

The Board is committed to:

- Promoting an inclusive culture which treats the workforce with fairness and respect (the Company has set a zero tolerance against discrimination of employees).
- Providing career development opportunities for all employees irrespective of gender, cultural or other differences (the Company encourages training and advancement for all employees through regular reviews and assessments).
- Monitoring and reporting on the percentage of females in the workforce and in senior management positions (currently 55% of employees and 18% of senior manager positions, including directors, are female).

The Company continues to review and update the measurable objectives to promote diversity for the future.

### Timely and Balanced Disclosure

The Board aims to ensure shareholders, investors and all other appropriate parties are fully informed of any matters that may impact on the financial interests of the Company.

The Company's policies on these matters are set out in the Company's Disclosure & Communication Policy and Disclosure & Materiality Guidelines, which are reviewed at least annually.

Information is communicated to shareholders as follows:

- The Annual Report is distributed as required by law.
- The Board ensures the Annual Report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, and other disclosures required by the *Corporations Act 2001*.
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is prepared in accordance with the requirements of applicable accounting standards, the *Corporations Act 2001* and is lodged with ASIC and the ASX. The financial report is sent to any shareholder who requests it.
- Proposed major changes in the Company that may impact on share ownership rights are submitted to a vote of shareholders.
- Notices of all meetings of shareholders.

All documents that are released publicly are available on the Company's website at <http://www.centrepoinalliance.com.au/investor-centre/>.

The external auditors are required to attend the Annual General Meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Written questions are encouraged. Important issues are presented to shareholders as single resolutions.

The shareholders vote on the appointment and aggregate remuneration of directors, granting of options and shares to directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Governance Statement

30 June 2014

### **Rights of Security holders**

The Company maintains a section of its website that provides comprehensive investor information about its governance and disclosures and electronic communication links.

### **Risk Management**

The GARCC assists the Board in its role in identifying and managing the risks in the Company. The Company also has a detailed Risk Management Policy and Risk Management Framework, which are reviewed at least annually. Individual business units appoint risk officers and maintain risk registers for their businesses including a description and rating of the risk, risk implications and detailed treatment and mitigation strategies.

Each business unit is required to report to the Committee on a regular basis to summarise their risks, provide detail on high and very high risks and update on any changes and progress in relation to risk management.

The CEO regularly reports to the Board on group risks and the group risk management process is managed by a dedicated manager.

The Company does not have a formal internal audit function, and the Board does not consider it necessary to establish this capacity at this stage of the Company's development. This places a greater reliance on management system controls. Some of the greatest risks in the businesses relate to compliance with AFSL and other licence conditions; which are monitored through a well-resourced, specialist internal compliance function combined with an external independent review at least annually. A large volume of the financial transactions are the result of payments from platform and other providers that are large and sophisticated entities whose systems and controls assist in providing data integrity.

The Company does not have any material exposure to economic, environment or social sustainability risks.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
Advice and financial product revenue (gross)		120,099	128,013
Advice and financial product fees		(86,588)	(92,685)
Advice and financial product revenue (net)		33,511	35,328
Interest income	6	17,181	15,245
Other revenue	7	959	2,057
		<b>51,651</b>	<b>52,630</b>
<b>Expenses</b>			
Borrowing expenses	8	(5,108)	(5,015)
Employee benefit expenses	9	(22,930)	(22,550)
Professional consulting fees		(2,522)	(4,313)
Client claims	22 (a)	(1,886)	(9,980)
Insurances		(1,953)	(2,066)
Property costs		(2,871)	(3,689)
Impairment of assets	9	(693)	(993)
Other general and administration expenses	9	(9,434)	(10,580)
Share of loss of associates		-	(76)
<b>Profit/(Loss) before tax from continuing operations</b>		<b>4,254</b>	<b>(6,632)</b>
Income tax (expense)/credit	11	(1,031)	(571)
<b>Net profit/(loss) from continuing operations after tax</b>		<b>3,223</b>	<b>(7,203)</b>
<b>Discontinued operations</b>			
Loss after tax from discontinued operations		-	(85)
<b>Net profit/(loss) for the year</b>		<b>3,223</b>	<b>(7,288)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Foreign currency translation		-	1,456
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,223</b>	<b>(5,832)</b>
<b>Net profit/(loss) attributable to:</b>			
Owners of the parent		3,299	(7,781)
Non-controlling interests		(76)	493
<b>Net profit/(loss) for the period</b>		<b>3,223</b>	<b>(7,288)</b>
<b>Total comprehensive profit/(loss) attributable to:</b>			
Owners of the parent		3,299	(6,325)
Non-controlling interests		(76)	493
<b>Total comprehensive profit/(loss) for the period</b>		<b>3,223</b>	<b>(5,832)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent</b>			
		<b>Cents</b>	<b>Cents</b>
Basic profit/(loss) per share	13	3.20	(8.04)
Diluted profit/(loss) per share	13	3.13	(8.04)
Basic profit/(loss) per share from continuing operations	13	3.20	(7.95)
Diluted profit/(loss) per share from continuing operations	13	3.13	(7.95)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the attached notes included in pages 34 to 87.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Consolidated Statement of Financial Position  
As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	25(a)	16,373	9,352
Trade and other receivables	14	13,038	13,730
Interest bearing receivables	15	130,609	107,622
Other assets	16	9,205	2,760
Current tax asset		-	225
<b>Total current assets</b>		<b>169,225</b>	<b>133,689</b>
<b>Non-current</b>			
Trade and other receivables	14	117	92
Interest bearing receivables	15	453	557
Other assets	16	667	1,119
Property, plant & equipment	18	1,963	1,193
Intangible assets & goodwill	19	6,029	6,521
Deferred tax assets	11(d)	6,362	7,052
<b>Total non-current assets</b>		<b>15,591</b>	<b>16,534</b>
<b>TOTAL ASSETS</b>		<b>184,816</b>	<b>150,223</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	20	36,172	37,544
Interest bearing liabilities	21	95,749	71,656
Provisions	22	10,108	10,250
Current tax liability		140	121
<b>Total current liabilities</b>		<b>142,169</b>	<b>119,571</b>
<b>Non-current</b>			
Trade and other payables	20	90	-
Interest bearing liabilities	21	249	90
Provisions	22	7,787	13,324
<b>Total non-current liabilities</b>		<b>8,126</b>	<b>13,414</b>
<b>TOTAL LIABILITIES</b>		<b>150,295</b>	<b>132,985</b>
<b>NET ASSETS</b>		<b>34,521</b>	<b>17,238</b>
<b>EQUITY</b>			
Contributed equity	23	40,015	24,809
Reserves	24	4,318	69
Accumulated losses		(9,938)	(7,913)
<b>Equity attributable to shareholders</b>		<b>34,395</b>	<b>16,965</b>
Non-controlling interests		126	273
<b>TOTAL EQUITY</b>		<b>34,521</b>	<b>17,238</b>

The Consolidated Statement of Financial Position is to be read in conjunction with the attached notes included in pages 34 to 87.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Consolidated Statement of Cash Flows  
For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		160,280	172,007
Cash paid to suppliers and employees		(152,739)	(159,554)
Cash provided by operations		7,541	12,453
Claims and litigation settlements	22	(8,879)	(11,295)
Income tax refunded		58	1
<b>Net cash flows (used in)/provided by operating activities</b>	25(b)	<b>(1,280)</b>	<b>1,159</b>
<b>Cash Flows from Investing Activities</b>			
Interest received		403	711
Dividends received from investments		74	-
Investment in Term deposits		(5,000)	-
Proceeds from sale of investments		333	-
Acquisition of intangible assets		(1,034)	-
Acquisition of property, plant & equipment	18	(1,394)	(439)
Proceeds from sale of property, plant & equipment		141	-
<b>Net cash flows (used in)/provided by investing activities</b>		<b>(6,477)</b>	<b>272</b>
<b>Cash Flows from Financing Activities</b>			
Interest and borrowing expenses paid		(66)	(326)
Net increase in borrowings		24,252	6,540
Net increase in loan funds advanced		(22,884)	(12,225)
Proceeds from issue of share capital		13,984	-
Transaction costs on issue of share capital		(508)	-
Dividends paid	12	-	(920)
<b>Net cash flows provided by/(used in) financing activities</b>		<b>14,778</b>	<b>(6,931)</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>7,021</b>	<b>(5,500)</b>
Cash & cash equivalents at the beginning of the year	25(a)	9,352	14,621
Effect of exchange rate fluctuations on cash held		-	231
<b>Cash &amp; cash equivalents at the end of the period</b>	25(a)	<b>16,373</b>	<b>9,352</b>

The Consolidated Statement of Cash Flows is to be read in conjunction with the attached notes included in pages 34 to 87.

**CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2014**

	Ordinary shares \$'000	Dividend Reserve \$'000	Other Reserves \$'000	Retained earnings \$'000	Total \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
<b>Balance at 1 July 2013</b>	24,809	-	69	(7,913)	16,965	273	17,238
Profit/(Loss) for the period	-	-	-	3,299	3,299	(76)	3,223
Foreign currency translation differences	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	3,299	3,299	(76)	3,223
Transfer to Dividend Reserve	-	3,820	-	(3,820)	-	-	-
Issue of share capital	13,631	-	-	-	13,631	-	13,631
Share-based payment	-	-	429	-	429	-	429
Issue of share capital on acquisition of minority interest	1,575	-	-	(1,433)	142	(142)	-
Dilution gains/(losses)	-	-	-	(71)	(71)	71	-
Dividends paid	-	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>40,015</b>	<b>3,820</b>	<b>498</b>	<b>(9,938)</b>	<b>34,395</b>	<b>126</b>	<b>34,521</b>
<b>Balance at 1 July 2012</b>	<b>28,675</b>	<b>-</b>	<b>(1,405)</b>	<b>-</b>	<b>27,270</b>	<b>(108)</b>	<b>27,162</b>
Profit/(Loss) for the period	-	-	-	(7,781)	(7,781)	493	(7,288)
Foreign currency translation differences	-	-	1,456	-	1,456	-	1,456
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,456</b>	<b>(7,781)</b>	<b>(6,325)</b>	<b>493</b>	<b>(5,832)</b>
Buyback and cancellation of shares from sale of Singapore business	(3,866)	-	-	-	(3,866)	-	(3,866)
Share-based payment	-	-	18	54	72	-	72
Deconsolidation and sale of overseas subsidiaries	-	-	-	-	-	622	622
Dilution gains/(losses)	-	-	-	(186)	(186)	186	-
Dividends paid	-	-	-	-	-	(920)	(920)
<b>Balance at 30 June 2013</b>	<b>24,809</b>	<b>-</b>	<b>69</b>	<b>(7,913)</b>	<b>16,965</b>	<b>273</b>	<b>17,238</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the attached notes included in pages 34 to 87.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### 1. Corporate information

The consolidated financial statements of Centrepoint Alliance Limited and its subsidiaries (collectively, the 'Group') for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 22 August 2014.

Centrepoint Alliance Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Information on the Group's structure and other related party relationships is provided in Note 27.

### 2. Summary of significant accounting policies

#### Basis of preparation

##### *General*

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Account Standards Board. The financial report has also been prepared on a historical cost basis.

##### *Rounding*

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

#### Compliance with International Financial Reporting Standards

The financial report complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

#### New accounting standards and interpretations

##### *Accounting Standards and Interpretations issued but not yet effective*

The 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 2014 are set out below. The directors believe that the application of these new or amended accounting standards and interpretations may not have any material financial effect on the Consolidated Financial Statements presented, however the directors are still assessing the impact of the new standards for the reporting period ending 30 June 2016 onwards.

Title	Application date of standard	Application date for Group
<b>AASB 2012-3: Amendments to Australian Accounting Standards – offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)</b> Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 'Financial Instruments: presentation'.	1 January 2014	1 July 2014

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Notes to the Consolidated Financial Statements  
30 June 2014

Title	Application date of standard	Application date for Group
<p><b>AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</b>  Addresses disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.</p>	1 January 2014	1 July 2014
<p><b>AASB 1031: Materiality</b>  Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality.</p>	1 January 2014	1 July 2014
<p><b>AASB 2014-1: Part A Annual Improvements 2010-2012 Cycle</b>  Amends a number of pronouncements as a result of the IASB’s 2010-2012 annual improvements cycle. Key amendments include:</p> <ul style="list-style-type: none"> <li>• AASB 2 – definition of a vesting condition;</li> <li>• AASB 3 – accounting for contingent consideration in a business combination;</li> <li>• AASB 8 – aggregation of operating segments and reconciliation of the total of the reportable segments’ assets to the entity’s assets;</li> <li>• AASB 116 &amp; 138 – revaluation method: proportionate restatement of accumulated depreciation and accumulated amortisation</li> <li>• AASB 124 – key management personnel; and</li> </ul>	1 July 2014	1 July 2014
<p><b>AASB 2014-1: Part A Annual Improvements 2011-2013 Cycle</b>  Annual improvements to IFRS’s 2011-2013 Cycle and addresses the following items:</p> <ul style="list-style-type: none"> <li>• AASB 13 – scope of paragraph 52 (portfolio exception); and</li> <li>• AASB 40 – clarifying that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3. That judgement is based on guidance in AASB 3.</li> </ul>	1 July 2014	1 July 2014
<p><b>AASB 9 / IFRS 9: Financial Instruments</b>  On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting.</p>	1 January 2018	1 July 2018
<p><b>IFRS 15: Revenue from contracts with customers</b>  IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.</p>	1 January 2017	1 July 2017



CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Notes to the Consolidated Financial Statements  
30 June 2014

Title	Application date of standard	Application date for Group
<p><b>Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation</b></p> <p>The IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016
<p><b>AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</b></p> <p>The standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	<p>20 December 2013</p> <p>1 January 2014</p> <p>1 January 2015</p>	<p>30 June 2014</p> <p>1 July 2014</p> <p>1 July 2015</p>

**a) Changes in accounting policy, disclosures, standards and interpretations**

*i) Changes in accounting policies, new and amended standards and interpretations*

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations that are mandatorily effective for the first time for the financial year beginning 1 July 2013:

<p><b>AASB 10: Consolidated Financial Statements</b></p>	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.</p> <p>The Group has considered the application of this standard and has reviewed all subsidiaries including investments in associates to confirm their inclusion for consolidation purposes. This has resulted in no impact on the amounts recognised in the consolidated financial statements.</p>
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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

<b>AASB 12: Disclosure of Interests in Other Entities</b>	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The application of AASB 12 does not have any material impact on the amounts recognised in the consolidated financial statements.
<b>AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13</b>	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.</p> <p>AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in the comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative year. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.</p>
<b>AASB 119: Employee Benefits (2011)</b>	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p> <p>The application of AASB 119 does not have any material impact on the amounts recognised in the consolidated financial statements.</p>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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<p><b>AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</b></p>	<p>AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or the potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.</p> <p>As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.</p>
<p><b>AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle</b></p>	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> <li>• Repeat application of AASB 1 is permitted (AASB 1)</li> <li>• Clarification of the comparative information requirements when an entity provides a third balance sheet (<i>AASB 101 Presentation of Financial Statements</i>)</li> </ul>
<p><b>AASB 2012-9: Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039</b></p>	<p>AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major tax Bills in Australia</i>. The adoption of this amending standard does not have any material impact on the consolidated financial statements.</p>
<p><b>AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)</b></p>	<p>This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.</p> <p>In the current year, the individual key management personnel disclosure previously required by AASB 124 (note 27 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.</p>

The Group has not elected to “early adopt” any new standards or amendments that are issued but not yet effective.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company, Centrepoint Alliance Limited, and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss, and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Interests in associates are equity accounted and are not part of the consolidated Group.

Non-controlling interests not held by the Group 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 Company shareholders' equity.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **c) Significant accounting judgements, estimates and assumptions**

#### *i) Significant accounting judgements*

There were no significant judgements made by management in applying the Group's accounting policies.

#### *ii) Significant estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Accounting estimates with significant areas of uncertainty and critical judgements have been applied to the following;

- *Business combinations* – notes 2(d) and 4.
- *Goodwill & intangible assets recoverable amounts* – notes 2(l) and 19.
- *Impairment of loan receivables* – note 15(b).
- *Provision for client claims* – notes 2(q) and 22.
- *Recognition of deferred tax assets* – notes 2(u) and 11.

### **d) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree, and any equity issued by the acquirer, plus the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities incurred for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill (refer Note 2 (l)).

Any contingent consideration is recognised at fair value at the acquisition date. Contingent consideration which is classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **e) Foreign currency**

Both the functional and presentation currency of Centrepoint Alliance Limited and its Australian subsidiaries is Australian dollars (A\$).

#### *i) Foreign currency transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences relating to monetary items are included in the statement of comprehensive income, as exchange gains or losses, in the period when the exchange rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

#### *ii) Foreign operations*

On consolidation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at the rate of exchange prevailing at the dates of the transactions. The income and expenses of foreign operations are translated to Australian dollars at annual average exchange rates.

Foreign currency differences arising on translation for consolidation are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve ('FCTR') is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in the FCTR.

### **f) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position are stated at nominal value and comprise cash at bank and in hand and short-term deposits with a 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 the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### **g) Loan receivables**

All loan receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method.

#### *i) Insurance Premium Finance*

Loan receivables are comprised of finance provided to customers by way of insurance premium finance loans. Insurance premium receivables are for terms not exceeding twelve months.

#### *ii) Financial advisers*

These are comprised of loans to advisers for terms varying from 1 to 5 years and attract interest at market rates. The majority of these loans are secured through charges over assets, by guarantees, or by retention of financial advice fees.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### *iii) Impairment of loan receivables*

Impairment of a loan is recognised when there is objective evidence that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

### **h) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the Group will not be able to collect the debt. The criterion for impairment is if the debt is 60 days overdue with no repayments or payment arrangement and/or the debtor is placed in administration or liquidation. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

### **i) Investments and other financial assets**

Investments are initially recognised at cost, including acquisition charges associated with the investment.

Subsequent to initial recognition, investments are measured at fair value. Gains or losses arising from changes in the fair value of investments are recognised in the Statement of Comprehensive Income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

Financial assets are stated at cost where there is no quoted market price and the fair value cannot be reliably measured.

Financial assets (excluding available for sale investments) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### *i) Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### *ii) Impairment*

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

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to differ from historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. If a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **j) Plant and equipment**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Plant and equipment is carried at cost, net of accumulated depreciation and any accumulated impairment losses. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the asset is written down to its recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by reference to the cash-generating unit to which the asset belongs.

Depreciation is calculated on a diminishing value basis over the estimated useful lives of the assets as follows:

Plant and equipment	2 – 7 years
Leasehold improvements	Lease term
Motor vehicles	5 years

#### *De-recognition*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income when the asset is derecognised.

Residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **k) Impairment of non-financial assets other than goodwill**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Non-financial assets are carried at cost, net of accumulated depreciation and any accumulated impairment losses. The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the asset is written down to its recoverable amount. The recoverable amount of a non-financial asset is the greater of fair value less costs to sell and value in use.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### **l) Goodwill and intangibles**

#### *i) Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment semi-annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units which are expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment losses recognised are not subsequently reversed.

#### *ii) Intangibles*

Intangible assets acquired separately 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.

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 the end of each reporting period. 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 an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually either individually or at the cash-generating unit level. The assessment of indefinite life of an intangible asset is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

The estimated useful lives in the current and comparative periods are as follows:

Software	2.5 years
Network and Client Lists	5 – 15 years

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **m) Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of an associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **n) Trade and other payables**

Liabilities for trade creditors and other amounts payable are carried at amortised cost and represents liabilities that arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services for goods and services provided to the Group prior to the end of the financial year.

Liabilities are recognised, whether or not the liability has been billed to the economic entity.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **o) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowing costs are recognised as an expense when incurred. They include interest on bank overdrafts, bills of exchange and other borrowings. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with these assets would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

### **p) Leases**

#### *i) Operating Leases*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease assets are not capitalised and rental payments are expensed on a straight line basis over the lease term.

#### *ii) Finance Leases*

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are allocated between finance charges and reduction in the lease liability. Finance charges are charged directly against income.

Assets acquired under finance leases are capitalised and amortised over the life of the relevant lease, or where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset.

### **q) Provisions and employee benefits**

#### *i) Provisions (refer to Note 22)*

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity. A provision for claims is recognised when client claims received by advisers are notified to the Company or the Group expects to incur liabilities in the future as a result of past advice given. It is measured at the present value of the future costs that the Group expects to incur to settle the claims.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### *ii) Employee benefits*

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and other benefits, expected to be settled within 12 months of the reporting date are measured at the amounts due to be paid when the liability is settled.

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 using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### **r) Share-based payment transactions**

#### *i) Equity settled transactions:*

The Group provides benefits to its employees, including key management personnel, in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

Current equity settled transactions are:

- Performance rights issued in August 2013;
- The Centrepoint Alliance Employee Share Option Plan, which provides benefits to employees by invitation from the Board; and
- The Centrepoint Alliance Employee Share Plan, which provides benefits to employees by invitation from the Board.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Centrepoint Alliance Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions become fully entitled to the award (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- i) the grant date fair value of the award;
- ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of non-market performance conditions being met; and
- iii) The expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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If the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of the modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Shares in the Group reacquired on market and held by the Employee Share Plan Trust are classified and disclosed as reserved shares and deducted from equity.

### *ii) Reserved shares*

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### **s) Contributed Equity**

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Any transaction cost arising on the issue of ordinary shares is recognised, net of tax, directly in equity as a reduction of the share proceeds.

### **t) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

#### *i) Financial advice and product margin revenue*

Financial advice and product margin revenue is recorded at the time business is written as at this point all services have been provided to the customer and the right to receive the revenue is established.

#### *ii) Service revenue*

Revenue for services provided is recognised at the point of delivery of the service to clients.

#### *iii) Ongoing revenue*

Ongoing financial advice fee revenue is recorded monthly for ongoing services provided to clients.

#### *iv) Interest income – Insurance Premium Funding*

Interest income from insurance premium funding and asset finance operations is brought to account using the effective interest rate method 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. Loan commission costs and over-riding commission costs are amortised over the expected life of the loan.

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### v) *Document fees – Insurance Premium Funding*

Fee income is recognised when services are rendered and the right to receive the payment is established.

### vi) *Dividend and distribution income*

Dividend and distribution revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

## u) **Taxation**

### i) *Income Tax*

The income tax expense for the period represents the tax payable on the pre-tax accounting profit adjusted for changes in the deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit and loss.

### a) *Current tax*

Current tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

### b) *Deferred tax*

Deferred tax assets and liabilities are recognised for all deductible and taxable temporary differences at the tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred income tax liabilities are recognised on 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 that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences, carry forward tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax credits and unused tax losses can be utilised, except:

- When a deferred tax asset relating to the deductible temporary difference 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;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax assets are reassessed at each reporting date

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and are recognised to the extent that it has become probable that future taxable profit will allow a deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### *c) Tax consolidation legislation*

Centrepoint Alliance Limited and its wholly-owned Australian controlled entities implemented tax grouping under the tax consolidation legislation as of 1 July 2007.

The head entity, Centrepoint Alliance 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, Centrepoint Alliance Limited also recognises current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with 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 11.

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

### *ii) Goods and Services Tax ('GST')*

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 acquisition of the asset or as an expense item as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, a 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, a taxation authority, are classified as part of operating cash flows.

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



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### v) Earnings per share ('EPS')

Basic EPS is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the Company, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, and adjusted for any bonus element.

## 3. Financial risk management

### a) Risk exposures and responses

The Group's principal financial instruments comprise receivables, payables, bank and other loans, bank overdrafts, finance leases, cash and short-term deposits.

The Group manages its exposure to key financial risks in accordance with the Group's financial 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 cash flow credit risk, interest rate risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of regular short and long-term cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Group Audit, Risk and Compliance Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

### b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, interest bearing receivables and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter-party, with a maximum exposure equal to the carrying amount of these assets (as outlined in each applicable note).

The Group's maximum exposure to credit risk for interest bearing receivables and trade receivables at the reporting date is limited to Australia.

The Group has credit insurance cover for the majority of its insurance premium funding loan receivables but does not hold any credit derivatives to offset its other credit exposures. The terms of the credit insurance cover include a deductible of \$10,000, 90% indemnity percentage and an aggregate first loss limited of \$250,000.

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The Group trades only with recognised, creditworthy third parties and the majority of the Group's cash balances are held with National Australia Bank Limited and Westpac Banking Corporation.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, all receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is monitored and managed.

Outlined below are the requirements for collateral, credit quality and concentration levels for the various categories of receivables.

#### *i) Trade and other receivables*

The Group does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. Trade and other receivables relate mainly to financial advice revenue and product margins earned as a financial dealer group and the majority is receivable from major financial institutions with high credit-ratings assigned by international credit-rating agencies. The Group does not require collateral in respect of trade and other receivables.

#### *ii) Loans receivable – insurance premium funding*

Wherever possible, collateral is obtained on the insurance premium funding receivables in the form of cancellable insurance policies. In the majority of cases insurance policies can be cancelled or terminated in the event of loan default, and the Group is generally entitled to the proceeds from any returned premiums net of other costs.

A risk assessment process is used for new loan applications, which ranges from credit background checks to formal reviews by a credit committee and, where appropriate, the obtaining of guarantees from directors and/or related entities. Each new loan is assessed in terms of total exposure risk to the customer concerned and pre-determined limits are applied to ensure appropriate analysis and approval procedures are applied.

Concentration levels of loan assets are monitored continuously to ensure that there are no significant concentrations of credit risk within the Group. Loans are provided to a large number of customers who are generally not related.

#### *iii) Loans receivable – investment advisers*

Loans to advisers have terms ranging from 1 to 5 years. Full credit submissions are prepared and reviewed and security is usually obtained in the form of charges over assets or guarantees and financial advice fees payable.

In some cases repayments are deducted from monthly financial advice fee payments.

No new loan facilities to investment advisers are being approved.

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iv) Ageing analysis

At reporting date, the ageing analysis of receivables is as follows:

Ageing Analysis	2014						
		0-30	31-60	61-90 Days	61-90 Days	+91 Days	+91 Days
	Total	Days	Days	PDNI	CI	PDNI	CI
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	13,155	11,340	666	682	-	450	17
Loan receivables - IPF	131,378	129,658	837	358	194	84	247
Loan receivables - Adviser	1,163	421	1	1	-	468	272

Ageing Analysis	2013						
		0-30	31-60	61-90 Days	61-90 Days	+91 Days	+91 Days
	Total	Days	Days	PDNI	CI	PDNI	CI
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	13,822	11,313	131	163	-	21	2,194
Loan receivables - IPF	107,755	107,084	173	54	93	259	92
Loan receivables - Adviser	1,472	44	43	43	-	1,342	-

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

No further credit is provided to PDNI debtors until full repayment of overdue amounts is made. Payment terms for some PDNI debtors have been re-negotiated to aid recovery. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Impairment analysis is included at note 15.

c) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations as disclosed in note 21. The Group adopts a policy to minimise exposure to interest rate risk by depositing excess funds in interest bearing accounts at a variable rate or with short date maturities.

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

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	2014			2013		
	Fixed	Fixed	Variable	Fixed	Fixed	Variable
	<= 6 Months	> 6 Months		<= 6 Months	> 6 Months	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
Cash and term deposits	14,977	-	6,396	5,458	-	3,894
Loan receivables - insurance premium funding	65,630	65,748	-	54,378	53,377	-
Loan receivables - investment advisers	431	732	-	1,226	-	245
Security deposits	-	803	-	53	1,029	-
	<b>81,038</b>	<b>67,283</b>	<b>6,396</b>	<b>61,115</b>	<b>54,406</b>	<b>4,139</b>
<b>Financial Liabilities</b>						
Receivables finance facility - insurance premium funding	95,484	-	-	71,456	-	-
Equipment hire and software finance	178	336	-	100	190	-
	<b>95,662</b>	<b>336</b>	<b>-</b>	<b>71,556</b>	<b>190</b>	<b>-</b>
<b>Net Exposure</b>	<b>(14,624)</b>	<b>66,947</b>	<b>6,396</b>	<b>(10,441)</b>	<b>54,216</b>	<b>4,139</b>

The Group's objective is to minimise exposure to adverse risk and therefore it continuously analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Individual insurance premium funding loans are at fixed interest rates however the book consists of thousands of small loans with new loans written daily. The average term of the loans is 10 months resulting in the average duration of the book being 5 to 6 months. Movements in borrowing interest rates can be passed on quickly to new borrowers with the result that the average interest rate of the book responds relatively quickly to changes in market interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. If interest rates had moved, as illustrated in the table below, with all other variables held constant, consolidated post tax profit and equity would have been affected as follows:

	Post Tax Profit		Other Comprehensive	
	Higher/(lower)		Higher/(lower)	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Judgements of reasonably possible movements:</b>				
+1%	(168)	(71)	(168)	(71)
-1%	168	71	168	71

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in other comprehensive income is the same because there are no cash flow hedges in use.

Significant assumptions used in the interest rate sensitivity analysis include:

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- a) Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt, relationships with finance institutions
- b) The level of debt that is expected to be renewed.
- c) The net exposure at reporting date is representative of the expected exposure in the twelve months from reporting date.

### **d) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of instruments such as bank overdrafts, bank loans, subordinated debt, preference shares, finance leases and other committed available credit lines from time to time as required. The Group's unused facility limits are stated in note 21(c).

The Group's policy is to match debt with the nature and term of the underlying assets. At reporting date over 90% of the Group's assets mature in less than 12 months. The insurance premium funding interest bearing receivable, which is the majority of the receivables, consists of multiple small loans with an average maturity of 5 to 6 months.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing as at reporting date.

#### *i) Maturity analysis of financial assets and liability based on management's expectation:*

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 ongoing operations such as property, plant, equipment and investments in working capital e.g. 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, the Group has established reporting requirements which monitor maturity profiles and anticipated cash flows from Group assets and liabilities.

The tables below are based on the carrying values at reporting date and includes future interest receivable or payable.

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	2014			
	<= 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and term deposits	21,373	-	-	21,373
Trade and commissions receivable	12,562	576	17	13,155
Loan receivables - insurance premium funding	65,630	65,748	-	131,378
Loan receivables - investment advisers	431	7	725	1,163
Security deposits	136	-	667	803
	<b>100,132</b>	<b>66,331</b>	<b>1,409</b>	<b>167,872</b>
<b>Financial Liabilities</b>				
Trade and other payables	36,081	90	90	36,261
Receivables finance facility	47,673	47,811	-	95,484
Equipment hire and software finance	178	87	249	514
	<b>83,932</b>	<b>47,988</b>	<b>339</b>	<b>132,259</b>
<b>Net Maturity</b>	<b>16,200</b>	<b>18,343</b>	<b>1,070</b>	<b>35,613</b>

	2013			
	<= 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and term deposits	9,352	-	-	9,352
Trade and commissions receivable	12,714	1,016	92	13,822
Loan receivables - insurance premium funding	54,378	53,377	-	107,755
Loan receivables - investment advisers	505	154	811	1,470
Security deposits	53	-	1,029	1,082
	<b>77,002</b>	<b>54,547</b>	<b>1,932</b>	<b>133,481</b>
<b>Financial Liabilities</b>				
Trade and other payables	37,174	370	-	37,544
Receivables finance facility	36,060	35,396	-	71,456
Equipment hire and software finance	100	100	90	290
	<b>73,334</b>	<b>35,866</b>	<b>90</b>	<b>109,290</b>
<b>Net Maturity</b>	<b>3,668</b>	<b>18,681</b>	<b>1,842</b>	<b>24,191</b>

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### **e) Foreign currency risk**

The Group's activities do not expose it to the financial risks of changes in foreign currency exchange rates. Any foreign currency risk for the Group is now negligible.

### **f) Market and price risk**

The Group's exposure to commodity and equity securities price risk is significant because a portion of the Group's net advice and investment products revenue is governed by the amount of funds under management or under advice, which is impacted by the market price of equities and other investment assets.

This risk is effectively a feature of the financial advice industry and cannot easily be managed. However, the increasing proportion of fee for service revenue and the ability of the Group to adjust resource inputs in relation to market movements decreases the level of risk.

### **g) Fair value of financial instruments**

The Group uses various methods in estimating the fair value of a financial instrument. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The methods comprise:

Level 1 – the fair value is calculated using quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – the fair value is estimated using inputs other than quoted (unadjusted) market 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.

Quoted (unadjusted) 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 listed equity investments are based on quoted market prices.

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in their hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as the end of each reporting period.

There were no transfers between categories during the year.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and Cash equivalents: Fair value approximates the carrying amount as these assets are receivable on demand or short term in nature.

Interest Bearing Receivables: For fixed rate loans, excluding impaired loans, fair value is determined by discounting expected future cash flows by the RBA Indicator Lending Rate for 3 year fixed small business loans adjusted using quoted BBSW interest rates to reflect the average remaining term of the loans as at 30 June 2014.

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The calculated fair value using this Level 3 methodology approximates carrying value. Increasing the interest rate used to discount future cash flows by 1% would reduce fair value by less than \$400,000.

For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently.

Interest Bearing Liabilities: The carrying values of variable rate interest bearing liabilities approximate their fair value as they are short term in nature and reprice frequently.

#### **4. Acquisition of non-controlling interests**

On 14 October 2013, the Group acquired the 45% non-controlling interests in the ordinary shares of Associated Advisory Practices Pty Ltd ('AAP') and Associated Advisory Practices (No 2) Pty Ltd ('AAP2') via Schemes of Arrangement increasing its ownership to 100% in both entities. Consideration of \$1,575,329 was paid by the Company issuing 5,626,175 ordinary shares at 28 cents per share in exchange for 3,030,209 AAP ordinary shares and 1,584,822 AAP2 ordinary shares. Non-controlling interests of \$142,190 were derecognised with the difference of \$1,433,139 recognised in accumulated losses.

There have been no business combinations during the period.

#### **5. Segment information**

The Group has organised its businesses and identified its operating segments based on the nature of the products and services provided and the markets in which it operates. Operating segments with similar economic characteristics have been aggregated into single reportable segments, and internal reports are regularly reviewed by the Managing Director and Chief Executive Officer on this basis.

The Group's reportable segments are:

- Centrepont Wealth – provides Australian Financial Services Licence related services, investor directed portfolio services and investment management services to financial advisers and their clients;
- Centrepont Funding – provides insurance premium funding and mortgage broking services; and
- Corporate – Board, corporate finance, company secretarial and other administration functions of the Company.

The Group operated only in Australia during the reporting period. A detailed review of these segments is included in the Directors' Report.

Segment performance is evaluated using operating profit or loss before tax which is measured using the Group's accounting policies described in Note 2. The Group does not currently manage its assets and liabilities on an individual segment basis. Accordingly, assets and liabilities have not been allocated to individual segments.

#### **Restatement of prior year comparatives**

During the year the Group changed the structure of its internal organisation. Previously reported segments Financial Advice Services – own AFSL, Financial Advice Services – licensees and Investment Products now form the Centrepont Wealth segment. The previously reported Insurance Premium Funding segment is included in the Centrepont Funding segment, which also includes mortgage broking previously included in Corporate and Other. Discontinued international operations are no longer a reportable segment with prior year comparative information disclosed in Note 17.



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	Centrepoint Wealth \$'000	Centrepoint Funding \$'000	Corporate \$'000	Consolidated \$'000
<b>2014</b>				
<b>Revenue</b>				
External customers	32,405	1,764	301	<b>34,470</b>
Inter-segment revenue	259	52	4,338	<b>4,649</b>
Interest income	64	16,782	335	<b>17,181</b>
<b>Segment revenue</b>	<b>32,728</b>	<b>18,598</b>	<b>4,974</b>	<b>56,300</b>
Inter-segment elimination				<b>(4,649)</b>
<b>Total revenue</b>				<b>51,651</b>
<b>Segment results</b>				
Borrowing expenses	(64)	(5,044)	(1)	<b>(5,109)</b>
Client claims	(1,886)	-	-	<b>(1,886)</b>
Depreciation & amortisation	(1,701)	(293)	(28)	<b>(2,022)</b>
Impairment of assets	15	(555)	(153)	<b>(693)</b>
Share of profit/(loss) of associates	-	-	-	-
<b>Segment profit/(loss) before tax and discontinued operations</b>	<b>2,962</b>	<b>5,143</b>	<b>49</b>	<b>8,154</b>
Inter-segment elimination				<b>(3,900)</b>
<b>Profit before tax and discontinued operations</b>				<b>4,254</b>
<b>2013 (Restated)</b>				
<b>Revenue</b>				
External customers	35,959	2,462	2	<b>38,423</b>
Inter-segment revenue	250	48	-	<b>298</b>
Interest income	93	13,557	557	<b>14,207</b>
<b>Segment revenue</b>	<b>36,302</b>	<b>16,067</b>	<b>559</b>	<b>52,928</b>
Inter-segment elimination				<b>(298)</b>
<b>Total revenue</b>				<b>52,630</b>
<b>Segment results</b>				
Borrowing expenses	(292)	(4,723)	-	<b>(5,015)</b>
Client claims	(9,980)	-	-	<b>(9,980)</b>
Depreciation & amortisation	(1,638)	(235)	(33)	<b>(1,906)</b>
Impairment of assets	(559)	(434)	-	<b>(993)</b>
Share of profit/(loss) of associates	-	-	(76)	<b>(76)</b>
<b>Segment profit/(loss) before tax and discontinued operations</b>	<b>(6,085)</b>	<b>3,588</b>	<b>(4,135)</b>	<b>(6,632)</b>

The Inter-segment sales are carried out on an arm's length basis and are eliminated on consolidation. Revenue from one customer amounted to \$6,886,709 (2013: \$9,270,468) arising from sales in the Wealth segment.

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**6. Interest revenue**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income - Insurance premium funding	16,779	14,591
Interest income - Other	402	654
<b>Total interest income</b>	<b>17,181</b>	<b>15,245</b>

Rate of Interest	Average Balance		Interest		Average Rate p.a.	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	%	%
Loan receivables - premium funding	138,983	118,722	16,779	14,591	12.07%	12.29%
Loan receivables - investment advisers	775	1,682	101	188	13.07%	11.15%
Cash and deposits	9,494	8,508	301	466	3.17%	5.48%

**7. Other revenue**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost recoveries from advisors	450	1,256
Gain on sale of investments	243	621
Retail and wholesale asset and service fees	77	24
Other	189	156
<b>Total other revenue</b>	<b>959</b>	<b>2,057</b>

**8. Borrowing expenses**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense	3,771	3,701
Bank fees & other	1,337	1,314
<b>Total borrowing expenses</b>	<b>5,108</b>	<b>5,015</b>

Rate of Interest	Average Balance		Interest		Average Rate p.a.	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	%	%
Interest expense	95,225	78,077	3,771	3,701	3.96%	4.74%

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**9. Other Expenses**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>a) Employee benefit expenses</b>		
Wages and salaries	22,501	22,219
Share based compensation expense	429	72
Termination costs	-	259
<b>Total employee benefit expenses</b>	<b>22,930</b>	<b>22,550</b>
<b>b) Impairment of assets</b>		
Impairment of receivables	623	605
Impairment of intangibles	70	388
<b>Total impairment of assets</b>	<b>693</b>	<b>993</b>
<b>c) Other general and administrative expenses</b>		
Audit fees	472	491
Communication expenses	450	662
Computer expenses	367	1,105
Advisor conference & training expenses	795	1,379
Depreciation and amortisation	2,022	1,906
Directors fees and expenses	334	356
Entertainment	221	301
Foreign exchange (loss)/gain	(1)	75
Licensing, subscriptions and registrations	1,029	574
Marketing and promotion	518	403
Management fees	649	619
Printing, stationary and postage	223	312
Travel and accommodation	919	932
Other expenses	1,436	1,465
<b>Total other general and administrative expenses</b>	<b>9,434</b>	<b>10,580</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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## 10. Remuneration of auditors

The primary auditor of Centrepoint Alliance Limited was Ernst & Young.

	2014 \$	2013 \$
<i>Amounts received or due and receivable by Ernst &amp; Young for:</i>		
Audit of the financial report of the entity and other entities in the consolidated group	335,500	379,000
Other services in relation to the entity and other entities in the consolidated group		
Taxation services	76,643	167,633
Other services associated with the rights issue	12,500	-
Other regulatory audit services	45,444	20,000
	<b>470,087</b>	<b>566,633</b>
<i>Amounts received or due and receivable by other audit firms for:</i>		
Audit fees - managed funds & international businesses	90,408	120,945
Other non-audit services	32,112	-
	<b>122,520</b>	<b>120,945</b>

## 11. Income tax

### a) Income tax expense

The major components of income tax expense for the years ended 30 June 2014 and 2013 are:

	2014 \$'000	2013 \$'000
<i>Current income tax</i>		
Current income tax charge	140	138
Adjustment to current tax of prior period	46	188
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	768	(361)
Adjustment to deferred tax of prior period	77	606
<b>Income tax expense reported in the income statement</b>	<b>1,031</b>	<b>571</b>

### b) Amounts charged or credited directly to equity

Income tax of \$154,000 was charged directly to equity for the year ending 2014 (2013: Nil).

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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### c) Reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

The difference between income tax expense provided in the financial statements and the prima facie income tax expense/ (benefit) is reconciled as follows:

	2014 \$'000	2013 \$'000
Accounting profit/(loss) before tax from continuing operations	4,254	(6,686)
At the Company's statutory income tax rate of 30% (2013: 30%)	1,276	(2,006)
Tax on discontinued operations	-	(30)
Non-deductible expenses	96	135
Amounts not included in assessable income	(128)	(177)
Effect of tax losses not taken into account	(463)	1,855
Tax adjustment in respect to non-consolidated entities	121	-
Adjustment in respect of current tax of prior years	52	188
Adjustment in respect of deferred tax of prior years	77	606
<b>Aggregate income tax expense</b>	<b>1,031</b>	<b>571</b>

### d) Recognised deferred tax assets and liabilities

Deferred income tax relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Deferred tax liabilities</i>				
Deferred revenue	(1,057)	(16)	(1,041)	502
Intangibles - net of impairment	(866)	-	(866)	-
Prepayments	-	(1,838)	1,838	(1,133)
<b>Gross deferred tax liabilities</b>	<b>(1,923)</b>	<b>(1,854)</b>	<b>(69)</b>	<b>(631)</b>
<i>Deferred tax assets</i>				
Provisions for claims	5,612	6,231	(619)	(394)
Provision for impairment of loan receivables	381	1,099	(718)	848
Deferred fee income	-	64	(64)	12
General accruals	509	537	(28)	111
Employee benefits	1,253	700	553	(56)
Prepaid revenue	196	-	196	-
Deferred transaction costs	334	275	(95)	(135)
<b>Gross deferred tax assets</b>	<b>8,285</b>	<b>8,906</b>	<b>(775)</b>	<b>386</b>
<b>Net deferred tax assets</b>	<b>6,362</b>	<b>7,052</b>		
<b>Movement in deferred tax assets/liabilities</b>			<b>(844)</b>	<b>(245)</b>
Amounts charged directly to equity			154	-
Deferred income tax expense is attributable to:				
Continuing operations			<b>(690)</b>	<b>(245)</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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### e) Tax losses

The Group has the following Australian tax losses for which no deferred tax assets are recognised at reporting date.

	2014 \$'000	2013 \$'000
Revenue losses	48,175	49,867
Capital losses	29,097	29,096
<b>Total unrecognised</b>	<b>77,272</b>	<b>78,963</b>

The above losses are available indefinitely for offset against future taxable income and capital gains subject to continuing to meet relevant statutory tests.

### f) Unrecognised temporary differences

At 30 June 2014, the tax value of unrecognised temporary differences associated with the Group's investments in subsidiaries or associates is Nil (2013: \$497,000).

### g) Tax consolidation

#### i) Tax effect accounting by members of the tax consolidated group

##### a) Measurement method adopted under AASB interpretation 1052 Tax Consolidation Accounting

The head entity 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 'separate taxpayer within group' approach whereby the Company measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right, with adjustments for its transactions that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the group. The current and deferred tax amounts are measured by reference to the carrying amount of assets and liabilities in the Statement of Financial Position and their tax bases applying under the tax consolidation, this approach being 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.

##### b) Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on taxable profit. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

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 each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. These amounts are payable at call.

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## 12. Dividends

Dividends payable are recognised when declared by the company.

	2014 \$'000	2013 \$'000
<b>a) Dividends paid or payable</b>		
The following fully franked dividends were provided for or paid during the year:		
Dividends paid on ordinary shares	-	-
<b>Dividends paid to non-controlling interests in:</b>		
Associated Advisory Practices Pty Ltd	-	525
Associated Advisory Practices (No 2) Pty Ltd	-	395
<b>Total dividends paid or payable to non-controlling interests</b>	<b>-</b>	<b>920</b>

	2014 \$'000	2013 \$'000
<b>b) Franking credit balance</b>		
Franking account balance as at the end of the financial year at 30% (2013: 30%)	28,902	27,985
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	917
	<b>28,902</b>	<b>28,902</b>

The tax rate at which paid dividends were franked is 30%. Franking credits are reported on a tax paid basis.

## 13. Earnings per share ('EPS')

The following reflects the income used in the basic and diluted EPS computations:

	2014 \$'000	2013 \$'000
<b>a) Profit/(loss) used in calculating profit/(loss) per share</b>		
Net profit/(loss) attributable to ordinary equity holders of the Company	3,299	(7,781)
Net profit/(loss) attributable to ordinary equity holders of the Company from continuing operations	3,299	(7,696)
<b>b) Weighted average number of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares (excluding reserved shares)	103,169,149	96,840,753
<i>Effect of dilution:</i>		
Performance rights	2,237,534	-
<b>Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution</b>	<b>105,406,683</b>	<b>96,840,753</b>

On 14 October 2013 the Group completed two Schemes of Arrangement whereby it acquired the 45% externally held shares of Associated Advisory Practices Pty Ltd and Associated Advisory Practices (No 2) Pty Ltd through the issue of 5,626,172 ordinary shares.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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The Company finalised a \$13.630m equity raising (net of transaction costs) in May 2014 and as a result 8,000,000 ordinary shares were issued through a placement to institutional and sophisticated investors on 10 April 2014 and 35,697,906 ordinary shares were issued pursuant to the terms of the non-renounceable entitlement offer on 12 May 2014.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

There was no impact from share options or performance rights on the earnings per share calculations.

### c) Information on the classification of securities

#### i) Reserved shares (Centrepoint Alliance Employee Share Plan)

For the entire financial year 856,431 shares were held by the Centrepoint Alliance Employee Share Plan Trust on behalf of employees under the rules of the Plan. All shares held by the Trust are excluded from the calculations of earnings per share because they are treated as reserved shares under AASB 132 *Financial Instruments: Presentation*.

#### ii) Partly Paid Shares

There are no partly paid shares. In the prior financial year, to calculate both the basic and diluted earnings per share, the appropriate proportion, as determined by the percentage paid, of the 428,572 partly paid shares (which were bought back and cancelled in October 2012) were included in determining weighted average shares as appropriate.

## 14. Trade and other receivables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Commissions receivable	11,635	11,941
Trade receivables	1,403	1,615
Other	-	174
<b>Total</b>	<b>13,038</b>	<b>13,730</b>
<b>Non-current</b>		
Claims recoveries	117	92
<b>Total</b>	<b>117</b>	<b>92</b>

An ageing analysis is provided in note 3(b) (iv).

An impairment expense of Nil (2013: \$123,000) was incurred as a result of impairment of receivables.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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### 15. Interest bearing receivables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Loan receivables - Insurance premium funding	131,378	107,755
Provision for impairment - collective	(354)	(315)
Provision for impairment - specific	(508)	(270)
	<b>130,516</b>	<b>107,170</b>
Loan receivables - Investment advisers	438	535
Provision for impairment - specific	(345)	(83)
	<b>93</b>	<b>452</b>
<b>Total current interest bearing receivables</b>	<b>130,609</b>	<b>107,622</b>
<b>Non-current</b>		
Loan receivables - Investment advisers	725	936
Provision for impairment - specific	(272)	(379)
<b>Total non-current interest bearing receivables</b>	<b>453</b>	<b>557</b>

#### a) Terms and conditions

Insurance Premium Funding loans are fixed interest loans with an average term of 10 months. Repayments are made monthly in advance in accordance with the terms of the loan contract.

Loans due from investment advisers have terms ranging from 1 to 5 years and varying interest terms at or above commercial rates. The majority of these loans are secured through charges over assets, by guarantees, or by retention of financial advice fees.

#### b) Impairment of loan receivables

Impairment expense amounts are included in the Statement of Comprehensive Income under 'impairment of assets'.

	2014 \$'000	2013 \$'000
(i) <i>Allowance for Impairment</i>		
Opening Balance	2,617	2,409
<i>Movement in the allowance is as follows</i>		
Allowance for impairment	764	605
Bad debts written off (gross)	(1,251)	(397)
<b>Closing balance</b>	<b>2,130</b>	<b>2,617</b>
(ii) <i>Receivables impairment expense</i>		
Impairment expense	764	605
Bad debts written off directly	1	222
Amounts recovered against debts previously written off	(142)	(222)
<b>Total expense</b>	<b>623</b>	<b>605</b>

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	2014 \$'000	2013 \$'000
(iii) <i>Non-Accrual Loans</i>		
Total of loan receivables with allowance	1,195	690
Specific allowance for impairment	(508)	(270)
<b>Non-accrual loans included in loan receivables (net)</b>	<b>687</b>	<b>420</b>
Interest foregone on non accrual loans	62	7

“Non-accrual loans” are loan receivables where the debt has been written down to recoverable value. Once classified as a non-accrual loan, interest accruing on insurance premium funding loans is not brought to account as income unless actually received.

An ageing analysis of loan receivables is provided in note 3(b) (iv).

### c) Related party receivables

There are currently no related party receivables.

### d) Fair value and risk management

The carrying value of interest bearing receivables approximates their fair value.

Credit risk, interest rate risk and currency risk is addressed in note 3.

## 16. Other assets

	2014 \$'000	2013 \$'000
<b>Current</b>		
Security deposits	136	53
Interest bearing term deposits	5,000	-
Prepayments	4,069	2,707
<b>Total</b>	<b>9,205</b>	<b>2,760</b>
<b>Non-current</b>		
Deposits	667	1,029
Investments in associates	-	90
<b>Total</b>	<b>667</b>	<b>1,119</b>

### a) Investments in associates

During the current year, the Group held a 40% interest in GPS IP Pty Ltd (a company providing products and services to financial advisers) and accounted for the investment as an associate. In December 2013, the Group disposed of its 40% interest in GPS IP Pty Ltd to GPS IP Group Holdings Ltd for \$333,000. The carrying value of the Investment in Associate as at date of sale was \$90,000. This transaction resulted in the recognition of a gain on sale of associate of \$243,000 calculated as follows:

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	<b>2014</b>	
	<b>\$'000</b>	
Proceeds from sale of associate		333
Less Carrying value of investment at date of sale		(90)
Gain on sale of investment		<b>243</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment in associate	-	90
<i>Reconciliation of investment in associate:</i>		
Balance at the beginning of the financial year	90	166
Share of profit/(loss) for the year	-	(76)
Proceeds on disposal of associate	(333)	-
Gain on sale of associate	243	-
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>90</b>

Investment in associate	Country	Reporting Date	Ownership interest	
			2014	2013
Entities			%	%
GPS IP Pty Ltd	Australia	30 June	-	40%

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

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial position</b>		
Total assets	-	1,074
Total liabilities	-	(1,557)
<b>Groups's share of associate's net assets</b>	<b>-</b>	<b>(76)</b>
<b>Financial performance</b>		
Total revenue	-	5,976
Total profit/(loss) for the year	-	(189)
<b>Groups's share of associate's profit/(loss)</b>	<b>-</b>	<b>(76)</b>

The Group received no dividends from the associate and there were no contingent liabilities, capital commitments and other expenditure commitments of the associate.

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### 17. Discontinued operations

On 11 February 2014, the sale of the Malaysian businesses were completed following a conditional sale agreement being entered in the prior reporting period.

In the prior financial year the sale of the Singapore business was completed (de-registration occurred July 2014). The Group has a number of dormant entities in New Zealand and is in the process of exiting from the New Zealand business.

The results of the International operations for the reporting period are presented below:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Advice and financial product revenue	-	2,776
Other revenue	-	101
	-	<b>2,877</b>
Borrowing expenses	-	(6)
Client claims	-	(4)
Depreciation and amortisation	-	(74)
Other expenses	-	(2,847)
<b>(Loss)/profit before tax</b>	-	<b>(54)</b>
Income tax (expense)/credit	-	(31)
<b>(Loss)/profit after tax</b>	-	<b>(85)</b>

There were no major classes of assets and liabilities as at 30 June 2014 or 30 June 2013.

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**18. Property, plant and equipment**

	Leasehold Improvement \$'000	Plant & Equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 July 2012	564	5,964	6,528
Additions	-	283	283
Disposals	-	(655)	(655)
<b>At 30 June 2013</b>	<b>564</b>	<b>5,592</b>	<b>6,156</b>
Additions	954	440	1,394
Disposals	(237)	(286)	(523)
<b>At 30 June 2014</b>	<b>1,281</b>	<b>5,746</b>	<b>7,027</b>
<b>Depreciation and impairment</b>			
At 1 July 2012	438	4,497	4,935
Depreciation charge for the year	25	-	25
Impairment	-	-	-
Disposals	-	3	3
<b>At 30 June 2013</b>	<b>463</b>	<b>4,500</b>	<b>4,963</b>
Depreciation charge for the year	123	373	496
Impairment	-	-	-
Disposals	(175)	(220)	(395)
<b>At 30 June 2014</b>	<b>411</b>	<b>4,653</b>	<b>5,064</b>
<b>Net carrying value</b>			
At 30 June 2014	<b>870</b>	<b>1,093</b>	<b>1,963</b>
At 30 June 2013	<b>101</b>	<b>1,092</b>	<b>1,193</b>

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**19. Intangible assets**

a) Reconciliation of carrying amounts at the beginning and end of the year

	<b>Goodwill</b>	<b>Software</b>	<b>Network &amp; Client Lists</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Period ending 30 June 2014</b>				
At 1 July 2013 net of accumulated amortisation and impairment	2,132	403	3,986	<b>6,521</b>
Additions	-	1,034	70	<b>1,104</b>
Impairment	-	-	(70)	<b>(70)</b>
Amortisation	-	(427)	(1,099)	<b>(1,526)</b>
<b>At 30 June 2014 net of accumulated amortisation and impairment</b>	<b>2,132</b>	<b>1,010</b>	<b>2,887</b>	<b>6,029</b>
<b>At 30 June 2014</b>				
Cost	2,385	3,509	10,025	<b>15,919</b>
Accumulated amortisation and impairment	(253)	(2,499)	(7,138)	<b>(9,890)</b>
<b>Net carrying value</b>	<b>2,132</b>	<b>1,010</b>	<b>2,887</b>	<b>6,029</b>
<b>Year ending 30 June 2013</b>				
At 1 July 2012 net of accumulated amortisation and impairment	2,132	354	5,746	<b>8,232</b>
Additions	-	148	-	<b>148</b>
Business combination	-	6	-	<b>6</b>
Disposal	-	(9)	-	<b>(9)</b>
Impairment	-	-	(388)	<b>(388)</b>
Amortisation	-	(96)	(1,372)	<b>(1,468)</b>
<b>At 30 June 2013 net of accumulated amortisation and impairment</b>	<b>2,132</b>	<b>403</b>	<b>3,986</b>	<b>6,521</b>
<b>At 30 June 2013 (restated)</b>				
Cost	2,385	2,475	9,956	<b>14,816</b>
Accumulated amortisation and impairment	(253)	(2,072)	(5,970)	<b>(8,295)</b>
<b>Net carrying value</b>	<b>2,132</b>	<b>403</b>	<b>3,986</b>	<b>6,521</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **b) Description of the Group's intangible assets**

#### *i) Goodwill*

Goodwill of \$1,176,000 was created as a result of the reverse acquisition of Centrepoint Alliance Limited by Centrepoint Wealth Pty Ltd in December 2010. It represents goodwill on the insurance premium funding business.

Goodwill was also created during 2012 on the acquisitions of the externally owned interests in Ventura Investment Management Ltd of \$93,000 and in Australian Loan Company Pty Ltd of \$863,000, (net of an impairment of \$253,000).

Goodwill is regularly tested and is not considered impaired.

#### *ii) Networks and client lists*

Intangible assets in the form of adviser network businesses and adviser client lists acquired to expand the adviser network. These had a total book value at 30 June 2014 of \$2,887,000 (2013: \$3,986,000).

#### *iii) Software*

The Group has developed or acquired software, which are being amortised over their expected useful lives.

### **c) Impairment tests for goodwill and intangibles**

#### *i) Goodwill*

Goodwill is regularly tested for impairment by calculation of value in use at the cash generating unit ('CGU') level which is the same as the business unit described above.

Value in use is calculated using discounted cash flow projections for five years and terminal values prepared from current forecasts using the following assumptions:

- Growth rate 0% (2013: 0%)
- Pre-tax risk-adjusted discount rate for cash flows: 17.64% (2013: 17.64%)
- Cost of equity: 12.35% (2013: 12.35%)

Growth rates – represent the change in forecast earnings used to derive future cash flows used in the impairment test calculation. The Board approved budget for financial year ended 30 June 2015 has been used as the basis for future cash flows. Key assumptions incorporated into the 2015 budget are on the volume of new loans for both the insurance premium funding business and the Australian Loan Company business; effective interest rate attained for the insurance premium funding business; and the commission retention rate for the Australian Loan Company business. The growth rate applied to future periods after 2015 is nil.

Cost of Equity – this is the weighted average cost of capital used to calculate the pre-tax risk adjusted discount rate and is equal to 12.35%. This rate was determined by the Board with reference to risk free interest rates and cost of equity of ASX listed peers.

Pre-tax risk-adjusted discount rate for cash flows – the discount rate used to discount future cash flows and equals the Cost of Equity rate grossed up by the Company's tax rate i.e.  $12.35\% / (1 - .30) = 17.64\%$

The testing resulted in no impairment being required.

The value in use model is not sensitive to any of the above assumptions.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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30 June 2014

### *ii) Networks and client lists*

Adviser networks and client lists are regularly tested for impairment by calculation of value in use when indicators of potential impairment arises.

Value in use is calculated using discounted cash flow projections associated with the applicable asset using the following assumptions:

- The number of revenue generating advisers and clients declines to nil over the remaining useful life
- Revenue growth from advisers and clients: -5% to 0% depending on the asset (2013: 0%)
- Inflation rate for expenses: 2.5%
- Pre-tax risk-adjusted discount rate for cash flows: 17.64% (2013: 17.64%)
- Cost of equity: 12.35% (2013: 12.35%)

The testing resulted in impairment losses of \$69,000 (2013: \$388,000).

The value in use calculations are most sensitive to the remaining useful life assumption. Sensitivity analysis indicates that a decrease in the assumed useful life of 1 year would have resulted in a further impairment expense of \$100,000 (2013: Nil).

### *iii) Software*

The value of the developed or acquired software of the Group is amortised on a straight line basis over a 2.5 year period, which the directors assess as the intangible asset's useful life. No software is considered to be impaired.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2014

## 20. Trade and other payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Insurance premium funding - commissions payable	551	423
Insurance premium funding - premiums payable	20,880	20,353
Amounts payable to financial advisers	8,898	9,256
Trade payables	2,312	2,838
Other creditors and accrued expenses	3,531	4,674
<b>Total</b>	<b>36,172</b>	<b>37,544</b>
<b>Non-current</b>		
Other creditors and accrued expenses	90	-
<b>Total</b>	<b>90</b>	<b>-</b>

### a) Terms and conditions

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

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

### b) Fair value

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

### c) Financial guarantees

No guarantees have been given over trade and other payables.

### d) Related party payables

For terms and conditions relating to related party payables refer to note 27.

### e) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### 21. Interest bearing liabilities

	2014 \$'000	2013 \$'000
<b>Current</b>		
Receivables finance facility - insurance premium funding	95,484	71,456
Equipment hire and software finance liabilities	265	200
<b>Total</b>	<b>95,749</b>	<b>71,656</b>
<b>Non-current</b>		
Equipment hire and software finance liabilities	249	90
<b>Total</b>	<b>249</b>	<b>90</b>

#### a) Fair value of interest bearing liabilities

Interest bearing liabilities are carried at amortised cost. The carrying value of borrowings approximates their fair value.

#### b) Financial risk

Refer to note 3 for interest rate risk and liquidity risk. There is no exchange rate risk as the interest bearing liabilities are documented and payable in Australian dollars.

#### c) Finance facilities

Centrepoint Alliance Premium Funding Pty Ltd has a multi option facility, including an insurance premium funding receivables finance facility with the National Australia Bank Limited ('NAB'). The insurance premium funding receivables finance facility has a tiered limit arrangement that varies up to \$145m to match the seasonality of the business. Advances under the facility are available up to 30 January 2015. It is secured by a registered mortgage debenture over all the assets and undertakings of that company. In addition, amounts advanced under the receivables finance facility are secured by the partial assignment to the NAB of loan contract receivables and an unlimited interlocking guarantee and indemnity given by the Company.

The Group's finance facilities and their usage as at reporting date was as follows:

	Accessible \$'000	Used \$'000	Unused \$'000
<b>30 June 2014</b>			
NAB Multi option facility	115,000	95,484	19,516
WBC equipment finance facility	-	-	-
<b>30 June 2013</b>			
NAB Multi option facility	80,000	71,456	8,544
WBC equipment finance facility	540	540	-

#### d) Defaults and breaches

There were no defaults or breaches of lending covenants during the year.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### 22. Provisions

	2014 \$'000	2013 \$'000
<b>Current</b>		
Provision for adviser client claims	6,705	8,515
Provision for employee entitlements	3,403	1,735
<b>Total</b>	<b>10,108</b>	<b>10,250</b>
<b>Non-current</b>		
Provision for adviser client claims	7,070	12,253
Provision for employee entitlements	717	1,071
<b>Total</b>	<b>7,787</b>	<b>13,324</b>

The provision for adviser client claims is the estimated cost of resolving claims from clients arising from financial advice provided prior to 1 July 2010 by Authorised Representatives of the Group. The provision is the estimated cost of resolving reported and 'incurred but not reported' ('IBNR') claims. The estimate was determined using an independent actuarial valuation assessment in August 2014 that used internal historical data on claims up to 30 June 2014. It is measured based on the present value of future costs that the Group expects to incur to resolve such claims. Claims are expected to be reported and resolved over a period between zero and five years. Resolution is dependent on the circumstances of each claim and the level of complexity involved. Any costs are offset against the provision as incurred.

	2014 \$'000	2013 \$'000
<b>a) Movement in provision for adviser client claims</b>		
Opening balance	20,768	22,083
<i>Movement in the provision is as follows:</i>		
Claims provisioning expense during the period	1,886	9,980
Claims settlements & fees paid (net of recoveries)	(8,879)	(11,295)
<b>Closing balance</b>	<b>13,775</b>	<b>20,768</b>
	2014 \$'000	2013 \$'000
<b>b) Movement in provision for employee benefits</b>		
Opening balance	2,806	2,719
<i>Movement in the provision is as follows:</i>		
Provision for year	3,505	1,415
Leave and other employee benefits paid	(2,192)	(1,328)
<b>Closing balance</b>	<b>4,119</b>	<b>2,806</b>

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2014

**23. Contributed equity**

	Reference	2014 \$'000	2013 \$'000
<b>a) Paid up capital</b>			
Ordinary shares	(i)	41,188	25,982
Reserved shares	(ii)	(1,173)	(1,173)
Partly paid shares	(iii)	-	-
		<b>40,015</b>	<b>24,809</b>

	Number of shares	2014 \$'000	Number of shares	2013 \$'000
<b>i) Ordinary shares (issued &amp; fully paid)</b>				
Balance at start of year	93,465,646	25,982	101,197,330	29,749
Movements during the year:-				
- Share issue - net of transaction costs	8,000,000	2,487	-	-
- Rights issue - net of transaction costs	35,697,906	11,144	-	-
- Transfer from cancelled partly paid shares	-	-	-	99
- Acquisition of minority interest	5,626,172	1,575	-	-
- Buyback and cancellation of shares from sale of Singapore business	-	-	(7,731,684)	( 3,866 )
<b>On issue at end of year</b>	<b>142,789,724</b>	<b>41,188</b>	<b>93,465,646</b>	<b>25,982</b>
<b>ii) Reserved shares</b>				
Balance at start of year	(856,431)	(1,173)	(856,431)	( 1,173 )
<b>On issue at end of year</b>	<b>(856,431)</b>	<b>(1,173)</b>	<b>(856,431)</b>	<b>( 1,173 )</b>
<b>iii) Partly paid shares</b>				
Balance at start of year	-	-	428,572	99
Movements during the year:-				
- Buyback and cancellation of shares	-	-	(428,572)	-
- Transfer to ordinary share capital	-	-	-	( 99 )
<b>On issue at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total contributed equity</b>	<b>141,933,293</b>	<b>40,015</b>	<b>92,609,215</b>	<b>24,809</b>

**b) Capital management**

The Company's capital is currently only comprised of shareholder funds.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Subsequent to balance date the directors declared a dividend in respect of the 2014 financial year of 2.20 cents per ordinary share amounting to \$3,141,374 (2013: Nil). No provision has been recognised as at 30 June 2014.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### 24. Reserves

	2014 \$'000	2013 \$'000
Employee equity benefits reserve	498	69
Dividend reserve	3,820	-
<b>Total</b>	<b>4,318</b>	<b>69</b>

<b>a) Employee equity benefits reserve</b>		2014 \$'000	2013 \$'000
Balance at start of year		69	51
Value of share based payments provided or which vested during the year		429	72
Value of share based payments expired during the year		-	(54)
<b>Balance at end of year</b>		<b>498</b>	<b>69</b>

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration.

During the current period, the following performance rights were granted to the Managing Director and Chief Executive Officer and other senior executives of the Group which are accounted for as share options. These share based remuneration awards were valued using the Black Scholes model as follows:

Performance rights	No. of options	Vesting period	Exercise price	Fair Value at grant date
Managing Director	1,500,000	3 years	\$0.00	\$0.36
Senior Executives*	2,600,000	3 years	\$0.00	\$0.34

\* 400,000 performance rights of the 2,600,000 issues were forfeited due to the departure of a senior executive.

<b>b) Foreign currency translation reserve</b>		2014 \$'000	2013 \$'000
Balance at start of year		-	(1,456)
Foreign currency translation differences		-	1,456
<b>Balance at end of year</b>		<b>-</b>	<b>-</b>

The foreign currency translation reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

<b>c) Dividend reserve</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	-	-
Transfer from current year profits	3,820	-
<b>Balance at end of year</b>	<b>3,820</b>	<b>-</b>

The dividend reserve represents current year profits transferred for payment of potential future dividends.

## 25. Notes to cash flow statement

### a) Reconciliation of cash & cash equivalents

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	16,373	9,352
<b>Total</b>	<b>16,373</b>	<b>9,352</b>

### b) Reconciliation of net profit after tax to net cash provided by operating activities

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit/(loss) after income tax	3,223	(7,288)
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortisation	2,022	1,906
Foreign exchange losses/(gains)	1	75
Impairment of intangibles assets and receivables	693	993
(Profit)/loss on disposal of non-current assets	(13)	16
Interest received	(402)	(654)
Dividend received from investments	(74)	-
Gain on sale of investments	(243)	-
Interest expense	66	321
Share based compensation expense	429	72
Share of loss of associates	-	76
Tax expense	1,031	571
<b>Working capital adjustments:</b>		
<i>(Increase)/decrease in assets:</i>		
Receivables	201	7,620
Other assets	(1,083)	2,227
Deferred tax assets	(186)	245
<i>(Decrease)/increase in liabilities:</i>		
Payables	(1,285)	(3,650)
Provisions for employee entitlements	1,313	87
Provision for client claims	(6,993)	(1,315)
Provision for tax	20	(143)
<b>Net cash from operating activities</b>	<b>(1,280)</b>	<b>1,159</b>

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Notes to the Consolidated Financial Statements  
30 June 2014

**c) Non-cash financing and investing activities**

During the financial period there were no non-cash financing or investing transactions reflected in the Statement of Cash Flows.

**26. Information relating to Centrepoint Alliance Limited (the 'Company')**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	22,722	3,115
Non-current assets	14,212	14,523
Current liabilities	(472)	(631)
Non-current liabilities	-	(12)
<b>Net Assets</b>	<b>36,462</b>	<b>16,995</b>
Issued capital	40,015	24,809
Employee equity benefits reserve	498	69
Dividend reserve	3,820	-
Accumulated losses	(7,871)	(7,883)
<b>Total Shareholder Equity</b>	<b>36,462</b>	<b>16,995</b>
Net profit after tax of the parent entity	<b>3,832</b>	<b>(6,279)</b>
Total comprehensive income of the parent entity	<b>3,832</b>	<b>(6,279)</b>

At reporting date the Company had given guarantees to external parties totalling \$45,804 (2013: \$46,804). In addition the Company has given an unlimited interlocking guarantee and indemnity to the National Australia Bank as a condition of its banking facility arrangements to secure the borrowings of Centrepoint Alliance Premium Funding Pty Ltd.

Contractual operating lease expenditure commitments of the Company are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	897	82
Later than one year but not later than five years	2,042	41
<b>Total</b>	<b>2,939</b>	<b>123</b>

The Company entered into a commercial lease on a property in January 2013 expiring December 2014. The lease has a rent renewal option and on renewal if applicable, terms may be renegotiated. In January 2014, the Company also entered into corporate services agreements for IT and telecommunications hardware and support. The agreements have terms between 2 and 4 years with options to renew at expiry of the initial term on a month to month basis.

At reporting date the Company had no contingent liabilities.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2014

## 27. Related party disclosures

### a) Information relating to subsidiaries

The Consolidated Financial Statements of the Company are:

Name	Country of Incorporation	Ownership Interest		Principal Activity
		2014	2013	
<b>Centrepoint Funding</b>				
Australian Loan Company Pty Ltd	Australia	100%	100%	Mortgage broker / aggregator
Centrepoint Alliance Premium Funding Pty Ltd	Australia	100%	100%	Insurance premium funding
<b>Centrepoint Wealth</b>				
Alliance Wealth Pty Ltd (formerly AAP Advantage Pty Ltd)	Australia	100%	100%	Financial advice
Associated Advisory Practices Pty Ltd	Australia	100%	55%	AFSL licensee support services
Associated Advisory Practices (No 2) Pty Ltd	Australia	100%	55%	AFSL licensee support services
Investment Diversity Limited	Australia	100%	100%	Packages investment platforms
Professional Investment Services Pty Ltd	Australia	100%	100%	Financial advice
Ventura Investment Management Ltd	Australia	100%	100%	Packages managed funds
<b>Corporate</b>				
Centrepoint Alliance Services Pty Ltd	Australia	100%	100%	Trustee – Employee share plan
Centrepoint Adviser Services Pty Ltd	Australia	100%	100%	Dormant
Centrepoint Wealth Pty Ltd (formerly Professional Investment Holdings Ltd)	Australia	100%	100%	Holding company
De Run Securities Pty Ltd	Australia	56%	56%	Financial services
Imagine Your Lifestyle Pty Ltd	Australia	50%	50%	Dormant
Professional Accountants Pty Ltd	Australia	100%	100%	Loans to adviser network
Professional Investment Services (Malaysia) Sdn. Bhd.	Malaysia	0%	100%	Disposed of during the period
SFP Adviser Sdn Bhd	Malaysia	0%	55%	Disposed of during the period
Standard Financial Planner Sdn Bhd	Malaysia	0%	55%	Disposed of during the period
Advisors Worldwide (NZ) Ltd**	New Zealand	100%	100%	Dormant
Ausiwi Limited**	New Zealand	100%	100%	Holding company
Discovery Investment Corporation (NZ) Ltd	New Zealand	0%	100%	Disposed of during the period
Professional Investment Holdings (NZ) Ltd**	New Zealand	43%	43%	Holding company
Professional Investment Services (NZ) Ltd**	New Zealand	43%	43%	Dormant
Professional Lending Services Limited**	New Zealand	38%	38%	Dormant
Fifth Floor Pte Ltd	Singapore	100%	100%	De-registered 10 July 2014

\*\* Currently under Solvent Liquidation



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### b) Ultimate parent

The ultimate holding company is Centrepoint Alliance Limited, a company incorporated and domiciled in Australia.

### c) Terms and conditions of transactions with related parties other than KMP

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2013: Nil). An impairment assessment is undertaken each financial year through examination of the financial position of related parties and the market in which a related party operates.

### d) Transactions with key management personnel

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	2014 \$'000	2013 \$'000
Short term employee benefits	1,907	2,019
Post employment benefits	113	126
Share based payments	-	62
Termination/resignation benefits	300	259
<b>Total compensation</b>	<b>2,320</b>	<b>2,466</b>

## 28. Share based payment plans

### a) Types of share-based payment plans

#### i) Performance Rights

Performance rights are rights that can be converted to fully paid ordinary shares in the Company for no monetary consideration subject to specific performance criteria, as determined by the Board for each issue of rights, being achieved.

### b) Recognised share-based payment expenses

	2014 \$'000	2013 \$'000
Expense arising from equity-settled share-based payment transactions under the CAESP	-	22
Expense arising from equity-settled share-based payment transactions under the CAESOP	-	50
Expense arising from performance rights	429	-
<b>Total</b>	<b>429</b>	<b>72</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### c) Movements during the year

	2014		2013	
	No	WAEP*	No	WAEP*
<i>(i) Shares under the CAESP</i>				
Outstanding at beginning of period	285,001	0.40	856,431	1.07
Expired during the period	-	-	(571,430)	(1.40)
<b>Outstanding at end of period</b>	<b>285,001</b>	<b>0.40</b>	<b>285,001</b>	<b>0.40</b>
<i>(ii) Options under CAESOP</i>				
Outstanding at beginning of period	400,000	0.40	-	-
Issued during the period	-	-	2,250,000	0.36
Expired during the period	-	-	(1,850,000)	(0.35)
<b>Outstanding at end of period</b>	<b>400,000</b>	<b>0.40</b>	<b>400,000</b>	<b>0.40</b>
<i>(ii) Performance rights</i>				
Outstanding at beginning of period	-	-	-	-
Issued during the period	4,100,000	-	-	-
Expired during the period	(400,000)	-	-	-
<b>Outstanding at end of period</b>	<b>3,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*WAEP is weighted average exercise price

All current share and option awards are fully vested at reporting date, and there are 571,430 (2013: 571,430) unallocated shares from expired awards which are held within the CAESP. Performance rights have not yet vested.

	2014			2013		
	CAESP Shares	CAESOP Options	Performance Rights	CAESP Shares	CAESOP Options	Performance Rights
	\$	\$	\$	\$	\$	\$
Range of exercise prices	0.40	0.40	-	0.40	0.40	-
Weighted average fair value at date of issue	0.068	0.124	0.309	0.226	0.124	-
	2014			2013		
	CAESP Shares	CAESOP Options	Performance Rights	CAESP Shares	CAESOP Options	Performance Rights
	Yrs	Yrs	Yrs	Yrs	Yrs	Yrs
Weighted average remaining contractual life	0.33	2.50	2.00	1.33	3.50	3.50

### d) Option pricing model

The fair value of the shares issued or acquired under the CAESP, the options issued under the CAESOP and performance rights are estimated as at the date of allocation using a Binomial Model taking into account the terms and conditions upon which they were granted.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### 29. Commitments

#### a) Contracted operating lease expenditure

The Group has entered into commercial leases on certain properties expiring at various times up to 5 years from reporting date. The leases have varying terms, options and rent renewals. On renewal, if applicable, the terms are renegotiated. In January 2014, the Company also entered into corporate services agreements for IT and telecommunications hardware and support. The agreements have terms between 2 and 4 years with options to renew at expiry of the initial term on a month to month basis.

	2014 \$'000	2013 \$'000
Not later than one year	2,128	1,989
Later than one year but not later than five years	4,181	4,568
<b>Total</b>	<b>6,309</b>	<b>6,557</b>

#### b) Contracted finance lease expenditure

The Group has finance leases for items of office equipment and software. Material finance leases relate to the following:

- Software used in the business. The Group entered into a 3 year commitment for licences and software in August 2013. There are no terms of renewal or an option to purchase the software at the expiry of the lease.
- Software developed and customised for the business. The Group entered into a 2 ½ year commitment in November 2013. There are no terms of renewal or an option to purchase the software at the expiry of the lease.
- Printers and copiers utilised in the business. The Group entered into the lease for provision of hardware in November 2011. There are no terms of renewal, however, there is an option to purchase the assets at expiry of the lease for \$1 per unit.

Future minimum lease payments under the finance leases together with the present value of the net minimum lease payments are as follows:

	2014		2013	
	Minimum Lease \$'000	Present Value of Lease \$'000	Minimum Lease \$'000	Present Value of Lease \$'000
Within one year	278	186	178	101
After one year but not later than five years	262	151	93	65
Total minimum lease payment	<b>540</b>	<b>337</b>	<b>271</b>	<b>166</b>
Less amounts representing finance charges	(26)	-	(18)	-
<b>Present value of minimum lease payment</b>	<b>514</b>	<b>337</b>	<b>253</b>	<b>166</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2014

### c) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	2014 \$'000	2013 \$'000
Not later than one year	200	-
Later than one year but not later than five years	-	-
<b>Total</b>	<b>200</b>	<b>-</b>

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the remuneration report of the directors' report that are not recognised as liabilities and are not included in the compensation of KMP.

### 30. Contingent liabilities

The nature of the financial advice business is such that from time to time advice given by the Group or its Authorised Representatives results in claims by clients for compensation.

The Group has provided for claims arising from advice provided prior to 1 July 2010 based on an actuarial model of past claims as described in Note 22. The actuarial model does not project claims from class actions. Class action lawyers have been active within the financial advice industry in relation to failed investment products and there is an unquantifiable risk that such action may be taken against a Group subsidiary in the future.

At the date of this report the directors are not aware of any material contingent claims in relation to advice provided after 1 July 2010.

There were no other contingent liabilities at reporting date.

### 31. Events after the reporting period

The following matters have occurred subsequent to the year end:

On 27 July 2014, ASIC provided Professional Investment Services Pty Ltd ('PIS') formal notification of the conclusion of the ongoing monitoring program ('OMP') which has been in place since 1 July 2013. The successful conclusion of the OMP results in PIS not being subject to any ongoing regulatory actions or any non-standard conditions applying to its AFSL.

On 22 August 2014, the directors of Centrepoint Alliance Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The dividend is to be paid out of the dividend reserve. The total amount of the dividend is \$3,141,374 which represents a fully franked dividend of 2.20 cents per share.

There are no other matters or events which have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Directors' Declaration  
30 June 2014

In accordance with a resolution of the directors of Centrepoint Alliance Limited, I state that:

1. In the opinion of the directors:
  - (a) the financial statements and notes of Centrepoint Alliance Limited for the financial year ended 30 June 2014 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 2014 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; and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

On behalf of the directors:



R. J. Nelson  
**Chairman**  
22 August 2014

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
ASX Additional Information  
30 June 2014

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 July 2014.

## 1. Class of securities and voting rights

### a) Ordinary shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 1,882 holders of ordinary shares, holding 142,789,724 fully paid ordinary shares.

Holders of ordinary shares are entitled to one vote per share when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### b) Performance rights

A performance right is a right that can be converted to an ordinary fully paid share in the Company for no monetary consideration subject to specific performance criteria being achieved. Details of Performance rights are not quoted on the ASX and do not have any voting rights.

## 2. Distribution of shareholders and performance rights

Size of holding	No. of ordinary shareholders	No. of performance right holders
1 - 1,000	302	
1,001 - 5,000	515	
5,001 - 10,000	251	
10,001 - 100,000	690	
100,000 and over	124	5

The number of shareholdings held in less than marketable parcels is 335.

## 3. Substantial shareholders

Ordinary Shareholders	Fully paid	
	No. of Shares	% Held
TIGA Trading Pty Ltd	34,821,230	24.39%

#### 4. Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	No. of Shares	% Held
1 UBS Nominees Pty Ltd	20,958,349	14.68%
2 HSBC Custody Nominees (Australia) Limited	18,628,011	13.05%
3 RBC Investor Services Australia Nominees Pty Ltd <Bkcust A/C>	14,043,049	9.83%
4 Citicorp Nominees Pty Ltd	8,862,818	6.21%
5 National Nominees Ltd	5,255,932	3.68%
6 Entities representing the interests of R Nelson	4,141,732	2.90%
7 J P Morgan Nominees Australia Ltd	3,938,927	2.76%
8 Entities representing the interests of N Griffin	2,501,841	1.75%
9 One Managed Investment Funds Ltd ACF Sandon Capital Investments Ltd	2,347,067	1.64%
10 Soba Pty Ltd	2,202,360	1.54%
11 ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,004,516	1.40%
12 Entities representing the interests of J de Zwart	1,980,452	1.39%
13 Bellglow Pty Ltd <Bennetts Family A/C>	1,494,998	1.05%
14 Aust Executor Trustees Ltd <DS Capital Growth Fund>	1,485,780	1.04%
15 Fetterpark Pty Ltd <O'Reilly Family S/F A/C>	1,342,653	0.94%
16 Entities representing the interests of M Kidman	1,230,563	0.86%
17 Centrepoint Alliance Services Pty Ltd <Centrepoint Alliance Employee>	856,431	0.60%
18 Edsonmere Pty Ltd	829,600	0.58%
19 Sandhurst Trustees Ltd <TBF Small Cap Val Growth A/C>	718,595	0.50%
20 Kerstat Pty Ltd <Murphy Investment A/C>	693,810	0.49%
	<u>95,517,484</u>	<u>66.89%</u>



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## Independent auditor's report to the members of Centrepont Alliance Limited

### *Report on the financial report*

We have audited the accompanying financial report of Centrepont Alliance Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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.

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

### *Independence*

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





## Opinion

In our opinion:

- a. the financial report of Centrepont Alliance Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Centrepont Alliance Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Paula McLuskie  
Partner  
Brisbane  
22 August 2014

# **Annual Results**

## **30 June 2014**

# FY14 Summary

- Underlying pre-tax profit up 43% to \$8.3m, statutory profit up 142%
- Strong performance from Centrepont Funding
- Centrepont Wealth repositioned with new strategy and executing well
- Heavily over-subscribed capital raising
- Strong governance and risk management
- Financially strong and improving operating performance
- Resumption of dividends
- Positive outlook with good momentum and client engagement across all business lines

## Financial

- Underlying profit before tax \$8.3m, up 43%
- Cost reductions in Centrepoint Wealth offset prior period lost revenue and allowed for investment in new capabilities and systems
- Premium Funding loan volumes up 21% to \$445m
- Strong underlying operating cash flows of \$9.5m

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## Operating

- Single Centrepoint team created
- Scale efficiencies continuing in Funding
- Wealth service model revamped including new adviser platform
- Claims management internalised and claims outcomes improving

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## Strategic

- Strong progress in developing the Centrepoint brand
- Acquired remaining 45% of Associated Advisory Practices
- \$13.6m in new equity for balance sheet strengthening and growth
- New Wealth customer and adviser centric strategy

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## Regulation

- Professional Standards upgrade and cultural change program implemented
- Ongoing monitoring program completed
- Regulatory changes (FOFA) implemented without significant impact on revenues to date

# Financial summary

	FY14	FY13	Change
Underlying PBT	\$8.3m	\$5.8m	43%
Statutory NPAT	\$3.3m	(\$7.8m)	142%
Total Revenue <sup>1</sup>	\$51.7m	\$52.6m	(2%)
Total Expenses (ex claims) <sup>1</sup>	\$45.5m	\$49.2m	(8%)
Cost to Income Ratio	88%	94%	(6%)
Total Assets	\$184.8m	\$150.2m	23%
Total Equity	\$34.5m	\$17.2m	101%
Cash & Term Deposits	\$21.4m	\$9.4m	128%
Underlying PBT EPS (cents)	7.9	6.0	32%
Statutory EPS (cents) (Continuing Operations, Diluted)	3.13	(7.95)	139%

## Financial Highlights

- Underlying profit growth from consistently good performances across all teams
- Statutory NPAT up 142% due to strong operational performance combined with lower claims costs
- 6% improvement in Cost to Income ratio. Operational efficiency improvements resulted in an 8% reduction in expenses (ex claims). Further savings were made within claims with the insourcing of claims management
- The financial strength of the Group is strong with cash and term deposits of \$21.4m

<sup>1</sup> From Continuing Operations

## **To be the most respected financial services business in Australia**

By:

- Delivering consistent, reliable and valued outcomes for clients and customers
- Having experienced, aligned people who want to deliver the best and who have the resources to deliver
- Having a strong brand and financial performance
- Looking to innovate and find better, simpler solutions for our clients

## Non-Bank Funding Market

### *Premium Funding*

- \$5bn premium funding market growing at a long term avg rate of 5% pa.
- Distributed via General Insurance brokers to SME and corporate customers
- 2 large institutional incumbents, otherwise fragmented market thereafter
- Attractive margins increasing with scale

### *Mortgage broking and other non-bank funding*

- Mortgage broking is a fast growing sector
- A range of product extension opportunities exist



## Centrepont Premium Funding

- c9% market share in premiums funded
- Premiums funded up 21% in FY14
- Profitability increasing with scale
- Well supported by funders
- Experienced and capable management team

## Wealth Market

- Australian superannuation market of \$1.8 trillion expected to grow at an average of 8% pa over the next 20 years
- The nature of the Australian regulatory, superannuation, welfare and tax environment ensures most Australians would benefit from quality financial advice
- Market controlled by large institutions primarily through acquisition – not service or proposition
- Significant regulatory, customer and technology changes are making customer centric full advice models more achievable
- Attractive margins and scale advantages



## Centrepont Wealth Management

- c8% market share with around one in every two non-institutional advisers associated with Centrepont
- Largest non-institutional full advice business
- Client-centric wealth management strategy
- Experienced and capable management team

# Centrepoint's proposition

## Funding

### Customer

- Quick and easy



### Brokers

- Strong relationships, independence
- Consistent, reliable, friendly service and easy to use systems
- Highly profitable



### Shareholder

- Loans funded >15% CAGR
- ROE >20%

## Centrepoint Group

### Customer

- Great experiences
- Quality, reliable outcomes



### Clients

- Strong relationships, independence
- Market leading service and solutions
- Highly respected brand
- Financially rewarding



### Our People and Shareholders

- Well trained, highly respected team
- Sustainable profit growth >20% pa

## Wealth

### Customer

- Peace of mind
- Low risk/volatility
- Maximise retirement financial outcomes



### Adviser / Accountant

- Strong relationships, independence
- Consistent, reliable, friendly service and easy to use systems
- Highly profitable



### Shareholder

- Sustainable profit growth >20% pa



# Profit summary

Segment	FY14	FY13	Change
Centrepont Wealth	\$6.5m	\$6.7m	(3%)
Centrepont Funding	\$5.3m	\$3.7m	43%
Corporate	(\$3.5m)	(\$4.6m)	24%
<b>Group Underlying PBT</b>	<b>\$8.3m</b>	<b>\$5.8m</b>	<b>43%</b>
Legacy claims expense	(\$1.9m)	(\$10.0m)	
Impairments & amortisation	(\$0.9m)	(\$2.0m)	
Restructure & other	(\$1.2m)	(\$0.4m)	
<b>Group Statutory PBT</b>	<b>\$4.3m</b>	<b>(\$6.6m)</b>	<b>165%</b>

## Summary

- Centrepont Wealth stabilised and positioned for growth. Prior period lost revenue offset by operational efficiencies in FY14
- Strong performance from Centrepont Funding, particularly during a period of intense competitor activity in 2H14
- Corporate expenses were further contained as a result of cost savings initiatives
- Claims costs down \$8.1m to \$1.9m

## Financial

- Underlying PBT up 43% to \$5.3m
  - Premiums funded up 21% to \$445m and growing at circa three times market
  - Premium Funding's east coast sales up 43% YOY
  - Mortgage broking PBT up 2% to \$0.2m
- 

## Operating

- Operational efficiencies continued to be gained from prior year IT investment. Further capacity available
  - Customer experience further improved
  - Strong credit risk and expense management maintained
- 

## Strategy and people

- Strengthened east coast sales team and rebalanced client base
- Renewed IBNA and CQIB premium funding agreements
- Reweighted business to higher margin small loan size business
- Low risk profile maintained
- Investment in developing the team continuing

# Centrepoint Funding results

	FY14	FY13	Change
Revenue	\$18.6m	\$16.0m	16%
Expenses	(\$13.3m)	(\$12.3m)	8%
<b>Underlying PBT</b>	<b>\$5.3m</b>	<b>\$3.7m</b>	<b>43%</b>
Impairments & amortisation	(\$0.2m)	(\$0.1m)	
<b>Statutory PBT</b>	<b>\$5.1m</b>	<b>\$3.6m</b>	<b>43%</b>

## Key metrics – (Premium Funding unless specified)

Loan volume (\$m)	445	368	21%
Active brokers	321	245	31%
Loans	27,168	19,801	37%
Average size (\$)	16,370	18,585	(12%)
Bad debts written off (bps)	7.6	12.1	(37%)
Mortgage book (\$bn)	4.4	4.5	(2%)

## Summary

- Active general insurance brokers up 31% - underpins future growth
- FY14 premiums funded up 21%. Revenue growth at 16% as a result of lower interest rates
- Rebalancing business to higher margin east coast clients
- Improved risk and credit management with lower bad debt write-off ratio

<b>Statutory profit comprises</b>	<b>FY14</b>	<b>FY13</b>
Premium Funding	\$4.7m	\$3.4m
Australian Loan Company	\$0.2m	\$0.2m
Inter-segment	\$0.2m	\$0.0m
	<b>\$5.1m</b>	<b>\$3.6m</b>

## Financial

- Underlying profit flat at \$6.5m and statutory PBT up 149%
- Prior year revenue reductions offset by operational efficiency program
- \$6m in annualised savings achieved, partially offset by new investments

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## Operating

- Significant investment in people, processes and systems funded by operational efficiencies
- Successfully re-engaged with advisers
- Claims management process transformed
- Range of market leading services launched for independent advisers significantly strengthening quality of proposition and service

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## Strategy and people

- New customer and adviser centric strategy launched
- Disposed of non-core assets i.e. Malaysian advice business, GPS, New Zealand advice business
- Acquired remaining 45% of Associated Advisory Practices
- Launched salaried advice

---

## Regulation

- Completed transformation of professional standards team and processes
- Strong relationship with regulators and industry bodies
- Ongoing Monitoring Program completed in July 2014
- Regulatory changes (FOFA) implemented without any significant impact on revenues to date

# Centrepoint Wealth results

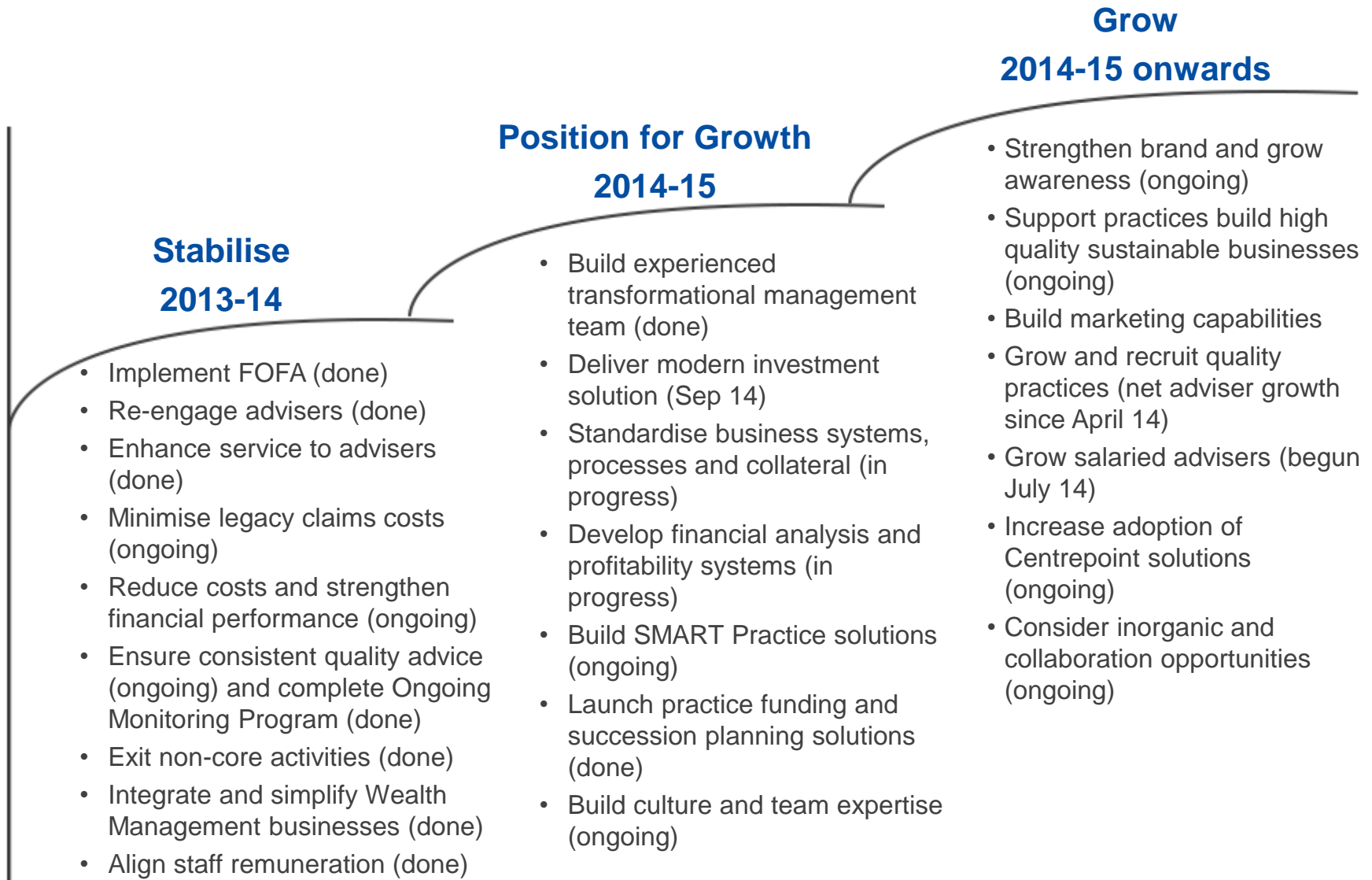
	FY14	FY13	Change
Revenue	\$32.5m	\$35.9m	(10%)
Expenses	(\$25.9m)	(\$29.2m)	(11%)
<b>Underlying PBT</b>	<b>\$6.5m</b>	<b>\$6.7m</b>	<b>(3%)</b>
Legacy claims expense	(\$1.9m)	(\$10.0m)	
Impairments & amortisation	(\$0.8m)	(\$1.8m)	
Restructure & other	(\$0.8m)	(\$1.0m)	
<b>Statutory PBT</b>	<b>\$3.0m</b>	<b>(\$6.1m)</b>	<b>149%</b>

## Key Metrics \$m

Funds Under Distribution Agt	8,018	7,651	5%
Funds Under Administration	1,788	1,590	12%
Funds Under Management	684	637	7%
Life Policies in Force	141	131	8%

## Summary

- Revenue lower due to reduced number of advisers partially offset by favourable markets
- Expense reductions fully factored into 2H14 results with further savings being reinvested
- Significant investment in the team and new capabilities enabling improved retention and future growth
- Growth in FUM/DA/Admin due to increased support for in-house solutions by advisers offset by outflows driven by advisers leaving in 2013



	FY14	FY13	Change
Revenue	\$0.4m	\$0.1m	300%
Expenses	(\$3.9m)	(\$4.7m)	(17%)
<b>Underlying PBT</b>	(\$3.5m)	(\$4.6m)	24%
Restructure & other	(\$0.4m)	\$0.5m	(180%)
<b>Statutory PBT</b>	<b>(\$3.9m)</b>	<b>(\$4.1m)</b>	<b>5%</b>

## Summary

- Revenue is primarily interest income
- Underlying expenses down 17% on reduced use of external professionals
- Expenses include CEO, Finance Team, Board and shareholder costs

## **Key initiatives in 2014:**

- Strengthen financial position of the group i.e. \$13.6m capital raising, ensure all business lines profitable, exit non-core assets, simplify business
- Secure short and longer term funding lines i.e. NAB refinancing, second lender
- Contain and manage risks and legacy liabilities i.e. Advice based claims
- Position the group for long term sustainable growth – organic and inorganic
- Create tax efficiencies i.e. AAP schemes
- Release capital and franking credits i.e. Resume dividend payments and unlock franking credits

## **Key initiatives for 2015 and onwards:**

- Focus on risk adjusted high return business lines
- Lower cost to income ratio, increase free cash flow and potential for future dividends



- Refinanced nab receivables funding in July 2013 for 18 months
- Significant increase in funding lines to \$145m with improved terms, lower capital requirements and margin
- NAB review and refinancing progressing positively
- Second funder negotiations well progressed to enable future Centrepont Funding growth. Announcement expected in 1H15
- Nil corporate bank debt. Negligible lease and software financing debt
- Net cash, term deposit and corporate debt of \$21m at 30 June 2014
- Corporate gearing (excluding receivables financing) nil

# Resumption of dividends

- The Board has declared a final dividend for FY14 of 2.2c per share fully franked
- Record date is 26 September 2014 with payment on 15 October 2014
- There is no dividend reinvestment plan given the cash position and financial strength of the Group
- The aim of the dividend policy is to provide shareholders with sustainable and increasing fully franked dividends. The Board's intention is to distribute the maximum amount of annual profits subject to maintaining the capital required to support the growth of the business

- All business lines expected to continued to perform strongly
- Continue to build brand strength and awareness
- Continued market share growth for premium funding offsetting low or falling general insurance premiums
- Begin to leverage strength of Centrepoint Wealth's proposition and adviser engagement to grow revenues
- Continue de-risking of the business and building sustainable revenues and margins
- Consider inorganic growth and partnering opportunities
- Work closely with our advisers, business partners, industry associations, ASIC and the Government to continue to improve the quality of advice Australians receive

# Appendices

# Group balance sheet

	FY14	FY13	Change
Cash and Term Deposits	\$21.4m	\$9.4m	128%
Interest Bearing Receivables	\$130.6m	\$107.6m	21%
Other Current Assets	\$17.2m	\$16.7m	3%
Intangible Assets and Goodwill	\$6.0m	\$6.5m	(8%)
Other Non-current Assets	\$9.6m	\$10.0m	(4%)
<b>Total Assets</b>	<b>\$184.8m</b>	<b>\$150.2m</b>	<b>23%</b>
Interest Bearing Liabilities	\$95.7m	\$71.7m	33%
Other Current Liabilities	\$46.5m	\$47.9m	(3%)
Non-current Liabilities	\$8.1m	\$13.4m	(40%)
<b>Total Liabilities</b>	<b>\$150.3m</b>	<b>\$133.0m</b>	<b>13%</b>
<b>Net Assets</b>	<b>\$34.5m</b>	<b>\$17.2m</b>	<b>101%</b>

## Highlights

- Strong cash position
- Increase in assets due to growth of Premium Funding affecting both Interest Bearing Receivables and Other Current Assets
- Current liabilities increased in line with Premium Funding growth
- Non-current liabilities down in line with claims provisions
- Corporate debt remained insignificant

# Cash flows

<u>Source and use (\$m)</u>	<u>FY14</u>	<u>FY13</u>
Cash flows from operations	\$7.5m	\$12.5m
Add Underlying PBT cash adjustments	<u>\$1.6m</u>	<u>\$1.1m</u>
<b>Underlying cash from operations</b>	<b>\$9.1m</b>	<b>\$13.6m</b>
Equity raising (net of transaction costs)	\$13.5m	0.0
Net change in Premium Funding financing	\$1.4m	(\$5.7m)
Payment of legacy claims	(\$8.9m)	(\$11.3m)
Capital expenditure	(\$2.4m)	(\$0.4m)
Other net cash movements	<u>\$0.9m</u>	<u>(\$0.5m)</u>
<b>Net underlying cash movement</b>	<b><u>\$13.6m</u></b>	<b><u>(\$4.3m)</u></b>

## Summary

- Underlying cash flows of \$9.1m
- Gearing increased in premium funding to boost return on equity
- Claims payments of \$8.9m, 21.4% down on FY13 of \$11.3m
- \$1.0m software acquisition, \$1.0m leasehold improvements and \$0.4m furniture & fittings

# Legacy claims

	FY14	FY13	Change
Opening balance	\$20.8m	\$22.1m	(\$1.3m)
Claims provisioning expense during the period	\$1.9m	\$10.0m	(\$8.1m)
Claims settlements & fees paid (net of recoveries)	(\$8.9m)	(\$11.3m)	\$2.4m
<b>Closing balance</b>	<b>\$13.8m</b>	<b>\$20.8m</b>	<b>(\$7.0m)</b>

- Legacy claims provision at 30 June 2014 of \$13.8m is 34% down from \$20.8m in the prior year
- This provision for claims relates to advice given prior to July 2010
- The provision is based on an external actuarial modelling completed in August 2014 based on data to 30 June 2014. The actuarial model does not project claims costs arising from possible class actions
- The number of claims received in 2014 was higher than previously projected and resulted in an increase in the projected number of future claims. This resulted in an additional \$0.7m provision. Discount unwind added another \$0.6m and other general and specific provisions accounted for \$0.4m and \$0.2m respectively

	FY14	FY13	Summary
Franking account balance as at year end	\$28.9m	\$28.0m	<ul style="list-style-type: none"> <li>The company is in a position to begin unlocking its unrecognised (off balance sheet) tax assets</li> <li>The company has sufficient franking credits to pay \$67m in fully franked dividends</li> <li>The company can offset historical tax losses of \$48.2m against future taxable profits</li> <li>Revenue and capital losses are available indefinitely. The available fraction decreased during the year due to the capital raising (this determines the rate at which losses can be utilised against future profits)</li> <li>AAP's integration increases tax efficiencies</li> </ul>
Ability to fully frank future dividends	\$67.4m	\$65.3m	
Unrecognised Revenue Tax Losses	\$48.2m	\$49.9m	
Unrecognised Capital Tax Losses	\$29.1m	\$29.1m	



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