# ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED 30 JUNE 2021**

ABN 72 052 507 507

CENTREPOINT ALLIANCE

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# Directors' Report

For the Year Ended 30 June 2021

The Directors of Centrepoint Alliance Limited (the Company) present their report together with the financial statements of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2021.

## Directors

**Alan Fisher**

BCom, FCA, MAICD

*Chairman of the Board, Independent Non-Executive Director*

Appointed on 12 November 2015.

**Experience and expertise**

Alan is an experienced corporate adviser and public company director. He has a proven track record of implementing strategies that enhance shareholder value. His main areas of expertise include mergers and acquisitions, public and private equity raisings, business restructurings and strategic advice. Alan holds a Bachelor of Commerce from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

**Other Current Directorships**

Non-Executive Director and Chairman of IDT Australia Limited (ASX:IDT).

Non-Executive Director and Chairman of Audit and Risk Committees of Bionomics Limited (ASX:BNO) and Thorney Technologies Limited (ASX:TEK).

Non-Executive Director of Simavita Limited (formerly ASX:SVA).

**Former Directorships**

Nil

**Special responsibilities**

Chairman of the Board

**Interests in shares and options**

Nil

**Georg Chmiel**

Diplom-Informatiker, MBA, CPA (USA), FAICD

*Independent Non-Executive Director, Chairman of the Group, Audit, Risk and Compliance Committee*

Appointed on 7 October 2016.

**Experience and expertise**

Georg brings over 25 years of experience in the financial services industry, online media and real estate industry.

Previously he was Managing Director and CEO of iProperty Group, the owner of Asia's market-leading network of property portal sites. Georg was also Managing Director and CEO of LJ Hooker Group with 700 offices across nine countries providing residential and commercial real estate as well as financial services and Chief Financial Officer of REA Group (ASX:REA).

Georg holds a Master of Business Administration from INSEAD, and Diplom-Informatiker (Computer Science Degree).

**Other Current Directorships**

Executive Director and Chairman of iCar Asia Limited (ASX:ICQ).

Non-Executive Director of PropTech Group Limited (ASX:PTG).

Non-Executive Director of BUTN Limited (ASX:BTN)

**Former Directorships**

Non-Executive Director of Mitula Group Limited (ASX: MUA) (from 18 January 2017 to 8 January 2019).

**Special responsibilities**

Chairman of the Group Audit, Risk and Compliance Committee

**Interests in shares and options**

800,000 shares

**Martin Pretty**

Graduate Diploma of Applied Finance, BA, CFA, GAICD

Appointed on 27 June 2014.

**Experience and expertise**

Martin brings to the Board over 19 years' experience in the finance sector. The majority of this experience was gained within ASX-listed financial services businesses including Hub24 Limited, Bell Financial Group Limited and IWL Limited. Martin has also previously worked as a finance journalist with the Australian Financial Review.

Martin holds a Bachelor of Arts (Honours) from the University of Melbourne, and a graduate Diploma of Applied Finance from FINSIA. Martin is a CFA Charterholder and a graduate of the Australian Institute of Company Directors.

**Other Current Directorships**

Non-Executive  Chairman of Scout Security Limited (ASX:SCT) and Non-Executive Director of Spacetalk Limited (ASX:SPA).

**Special responsibilities**

Chairman of the Nomination, Remuneration and Governance Committee

**Interests in shares and options**

105,000 shares

**Alexander Beard**

BCom, FCA, MAICD

Appointed on 1 January 2020.

**Experience and expertise**

Alexander has a long and distinguished career as a chief executive of ASX-listed CVC Limited and as a director of numerous public companies over the past 18 years.

Alexander is a professional investor, Fellow of the Institute of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

**Other Current Directorships**

Non-Executive Director of Probiotec Limited (ASX:PBP) and Pure Foods Tasmania Limited (ASX:PFT). Chairman of HGL Limited (ASX:HNG) and FOS Capital Limited (ASX:FOS).

**Interests in shares and options**

555,000 shares directly held

10,443,296 shares indirectly held

# Company Secretary

**Dr Marty Carne**

BM, BBus, LLB, LLM, DBA,GDLP, GCAIF

*Chief Legal Officer and Company Secretary*

**Experience and expertise**

Marty joined the Company in April 2016 and holds executive responsibility for Legal, Professional Standards, Risk and Claims Management.

Marty has over 27 years' experience in regulation and financial services.

Marty has held senior positions with a range of financial services companies and the Australian Securities and Investments Commission. Marty has strong commercial and client-centric skills and experience in the delivery of strategic legal advice and risk management.

Marty was appointed as joint Company Secretary on 27 April 2017.

Marty holds qualifications in law and business and is a member of the Queensland Law Society.

**Kim Clark**

Certificate III in Financial Services, Graduate Certificate in Commerce, Certificate of Banking

*Company Secretary*

Appointed on 23 September 2020.

**Experience and expertise**

Kim is the Head of Corporate Services for Boardroom Pty Ltd's Queensland office and currently acts as Company Secretary for various ASX listed and unlisted companies in Australia. Kim is an experienced business professional with 21 years' experience in banking and finance and six years as in-house Company Secretary of an ASX 300 company prior to joining Boardroom in April 2013.

**Julian Rockett**

BLaw (LLB), BArts (Social Science), Graduate Diploma of Legal Practice (GDLP)

*Company Secretary*

Appointed on 27 November 2019. Resigned on 23 September 2020.

**Experience and expertise**

Julian is a corporate lawyer and Company Secretary. His legal background includes advising on initial public offerings, mergers and acquisitions, registered training organisations and substantial capital raising for ASX-listed companies.

His corporate secretarial experience for ASX-listed companies includes representing fin-tech, artificial intelligence, medical technology, logistics, equity, resources, mining, building, energy, media and financial advisory companies.

# Meetings of Directors

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

| Members | Board of Directors | | Nomination, Remuneration and Governance Committee | | Group Audit, Risk and Compliance Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| A. D. Fisher | 8 | 8 | 4 | 4 | N/A | N/A |
| M. P. Pretty | 8 | 8 | 4 | 4 | N/A | N/A |
| G. Chmiel | 8 | 8 | N/A | N/A | 4 | 4 |
| A.D.H. Beard | 8 | 8 | N/A | N/A | 3 | 4 |

# Principal Activities

Centrepoint Alliance Limited and its controlled entities operates in the financial services industry within Australia and provides a range of financial advice and licensee support services (including licensing, systems, compliance, training and technical advice) and investment solutions to financial advisers, accountants and their clients across Australia, as well as mortgage aggregation services to mortgage brokers.

# Operating and Financial Review

## Operating Review

Centrepoint Alliance Limited has achieved solid performance during a challenging year. The Group continues to be well positioned in a rapidly evolving advice industry. The transition to a new fee for service model is largely complete, and investments have been made building the capability of teams and scalable service platforms. The positive result for the year is attributable to the strong performance of the licensee solutions business, diligent expense management and an expected run-off in legacy funds and administration.

Over the 2021 financial year, the number of financial advisers operating in the market continued to decline as pressure on operating margins and tighter education standards drove advisers from the industry. Against this backdrop, the Group finished the year with a total of 315 licensed authorised representatives, marginally down on 317 in the prior year.

A large number of advisers continue to express dissatisfaction with their current licensee, with intentions to switch over the next 12 months. The Group is experiencing significant enquiries particularly from advisers in large institutional licensees. The Group is well placed to participate in this disruption by offering a full range of services, delivered to a consistently high standard within a tight-knit and supportive advice community.

Extending services to self-licensed firms is a core part of the Group's strategy. A growing number of advisers see self-licensing as an attractive option, however the regulatory environment is becoming increasingly complex. The Group is well positioned to assist firms to run compliant practices and benefit from quality support services. The Group added 16 new self-licensed firms during the financial year including three new wholesale contracts, finishing the year with 149 firms. An additional 23 existing firms were transitioned to the new fee for service offer. We continue to see opportunity in the market to attract new firms, with scope to extend further services to existing firms.

The Group's revenue from licensee services is sustainable. The Group's fees reflect the cost of providing licensee services. The transition to the new offer for authorised representatives was completed at the end of June 2020. The new fee for service model for self-licensed firms was completed in FY21. Fee increases did contribute to higher attrition in both the licensed and self-licensed businesses, but this has largely run its course. As other participants in the market have adjusted fees, the risk of being undercut has reduced. Our pricing in both the licenced and self-licensed segments is competitive.

Service levels remain strong. The Group continued to invest in delivering service at scale with a high level of satisfaction. Investment in our underlying technology and use of Salesforce and Microsoft Azure has assisted rapid resolution of enquiries, with 93 per cent of enquiries received being resolved within two days, and average turnaround times improving by 20 per cent.

The Group continues to invest to strengthen its compliance capability. Our legal and compliance team comprise 16 staff dedicated to compliance and governance functions. The team actively manages compliance through a robust audit program, key risk indicator monitoring, policies and standards, and compliance improvement and education programs.

The Group continued to invest in technology to enhance the scalable service platform for advisers. This was done through the upgrade of the CRM platform, which resulted in improved client satisfaction as it digitised the enquiry management processes, therefore enabling the establishment and monitoring of SLAs across client-facing teams. This resulted in the ability to deploy business intelligence tools to automatically generate reports and business insights.

The acquisition of Enzumo in June 2020 has been successfully embedded. Revenue was broadly in line with prior year, and total expenses were down 15% on prior year, driven by prudent cost management and synergies derived from the Group. The business provides XPLAN services and solutions to over 55 Australian Financial Services Licensees and approximately 900 advice firms reaching 4,000 advisers.

The Funds and Administration business declined as expected due to the run-off of legacy funds and administration services. Providing efficient implementation of advised portfolios remains a priority. The Group will focus on ongoing partnerships with market leading providers to ensure advisers and their clients have access to the highest quality investments delivered through efficient implemented portfolio solutions.

The Group has continued to focus on efficiency and expense management. Operating expenses were reduced by $4.9m during the year, and expenses relating to non-recurring prior year claims fell by $3.6m. The Group achieved savings in employment costs by removing non-essential management roles, without compromising key adviser facing and compliance roles.

## Financial Performance and Position

For the financial year ended 30 June 2021, the Group reported a net profit after tax of $1.8m compared to a net loss after tax of $2.0m for the financial year ended 30 June 2020. This is principally a result of an expense decrease of $4.9m offset by with a revenue contraction of $1.2m.

| | 30 June 2021 $'000 | 30 June 2020 $'000 |
|---|---:|---:|
| Gross profit from contracts with customers | 27,057 | 28,800 |
| Gross profit | 28,063 | 29,283 |
| Expenses | (26,518) | (31,452) |
| Profit/(loss) before tax | 1,545 | (2,169) |
| Net profit/(loss) for the year | 1,847 | (2,000) |

Gross profit from customer contracts decreased by $1.7m from the prior year. This is primarily due to the cessation of platform rebate revenue on 31 December 2020, lower xseedwealth and investment margin revenue offset in part by an increase in authorised representative fees, with the final contractual fee increase to advisers occurring on 1 July 2020. The Enzumo business acquired in June 2020 generated $2.5m in revenue during the year.

The decline in expenses of $4.9m is a result of the Group's continued focus on cost reduction and management. The largest savings emanated from client claims of $3.6m due to the cessation of any further legacy claims stemming from the Australian Financial Complaints Authority (AFCA) rules which ended in June 2020, employment cost savings of $0.4m (normalised savings of $0.9m including one-off termination payments) and reduced travel and entertainment of $0.4m. The Group's expense reduction was also driven by the one-off fair value loss on its loan with RFE of $0.5m recorded at 30 June 2020.

The increase in IT costs of $0.3m and depreciation and amortisation expense of $0.2m is predominantly due to the acquisition of the Enzumo business in June 2020 and the impact of AASB 16 on the depreciation of right-of-use assets pertaining to the Group's operating leases.

The Group held net assets at 30 June 2021 of $11.2m (30 June 2020: $14.9m) and net tangible assets of $5.2m (30 June 2020: $8.7m) representing net tangible assets per share of 3.62 cents (30 June 2020: 5.86 cents).

The Group's net assets reduced by $3.7m during the year due to $5.8m of dividends paid in February 2021 offset by $1.8m current year profit and $0.3m in leave credits from prior year COVID-19 purchased leave initiative.

The Group held $11.1m in cash and cash equivalents as at 30 June 2021. Cash receipts during the year included $3.8m from operations, $2.4m from the Australian Life Development Pty Ltd (ALD) for loan repayments, $0.3m on dividend proceeds, $0.1m from repayment proceeds on RFE convertible loan and $0.1m interest received.

Cash payments during the year included $5.8m in dividends paid, $1.2m in claims and $0.8m for repayment of lease liabilities and finance costs.

## Dividends

On 2 February 2021, the Directors of Centrepoint Alliance Limited declared fully franked dividends totalling 4.0 cents per share, comprising of 3.0 cents special dividend and 1.0 cent interim ordinary dividend in respect of the half year ended 31 December 2020. The total dividend paid was $5,771,319 (30 June 2020: nil).

On 24 August 2021, the Directors of Centrepoint Alliance Limited declared a fully franked ordinary dividend of 1.0 cent per share in respect of the results for the year ended 30 June 2021. The total estimated dividend to be paid is $1,442,830 with 24 September2021 as the record date and 8 October 2021 as the payment date.

## Shares and Performance Rights

In April 2021, the Board approved the modifications to the exercise prices of the 7,850,000 CESP 21 performance rights that were issued to Executives and Senior Management of the Group in the 2019 financial year. The exercise prices changed from 28.0 cents to 22.0 cents and 32.0 cents to 25.0 cents respectively. Due to the resignation of senior executives and senior leaders including the former CEO, there remains 5,150,000 performance rights at 30 June 2021. The vesting date of these performance rights is 1 September 2021.

There has been no change to the 4,000,000 performance rights that were issued under the CESP 22.

## Significant Changes in the State of Affairs

There have been no significant changes in state of affairs of the Group during the year and up to the date on this report.

## Events Subsequent to the Balance Sheet Date

The Board continued with its strategic review to seek out and pursue inorganic opportunities. Consistent with this review, on 24 August, the Group has entered into a Share Purchase Agreement for Clearview's financial advice businesses (ASX Code: CVW) in exchange for $15.2 million, made up of $3.2 million in cash and a strategic 25% equity stake in the Group (issue price 25c). Clearview financial advice provides market leading licensing and financial advice support services. The acquisition will enable the Group to realise strategic value and synergies between the two businesses.

John Shuttleworth was appointed Centrepoint Alliance's new Chief Executive Officer on 4 August 2021. He is based in the Sydney Head Office. John has in-depth experience in financial services and has demonstrated leadership in established and new businesses and will assist the Group in its next phase of growth.

The impact of COVID-19 is ongoing and while the Group has not suffered any material adverse impacts up to 30 June 2021, it is not practicable to estimate the potential impact (positive or negative), after the reporting date. The situation continues to develop and is dependent on measures imposed by Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the dividend declared as mentioned above, there are no other matters or events which have arisen since the end of the financial year 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 Group (including COVID-19 considerations) 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, Note 21. The Directors are not aware of any other significant material likely developments requiring disclosure.

## Environmental Regulation

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

## Corporate Governance Statement and Practices

The Group's Corporate Governance Statement for the financial year ended 30 June 2021 was approved by the Board on 24 August 2021. The Corporate Governance Statement is available on the Group's website: www.centrepointalliance.com.au/investor-centre/corporate-governance/.

## Indemnification and Insurance of Directors and Officers

During the financial year, the Group 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 Act).

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

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, BDO Audit Pty Ltd, 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 BDO Audit Pty Ltd during or since the end of the financial year.

## Rounding

The Company is a company of the kind referred to in the Australian Securities and Investment Commission's (ASIC's) Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report are presented in Australian dollars and have been rounded off to the nearest thousand dollars, unless otherwise stated.

# Remuneration Report

The Remuneration Report for the year ended 30 June 2021 outlines the remuneration arrangements of the Key Management Personnel of the Group in accordance with the requirements of 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 and Governance Committee (NRGC)
- Employment contracts
- Details of remuneration
- Shareholdings of Key Management Personnel
- Option holdings of Key Management Personnel
- Other transactions with Key Management Personnel and their related parties.

For the purposes of the 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:

| | |
|---|---|
| **A. D. Fisher** | Chair and Director (non-executive) |
| **M. P. Pretty** | Director (non-executive) |
| **G. J. Chmiel** | Director (non-executive) |
| **A. D. H. Beard** | Director (non-executive) |
| **A. G. R. Benbow** | Chief Executive Officer (resigned 28 May 2021) |
| **B. M. Glass** | Chief Financial Officer |
| **J. G. Shuttleworth** | Chief Executive Officer (appointed 4 August 2021) |

There were no further 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 to provide 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 competition 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, internal relativities where appropriate, and external advice on policies and practices.

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

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

The remuneration of Non-Executive Directors of the Company consists only of Directors' fees.

# Group Performance

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

| | 2021 | 2020 | 2019 | 2018 restated | 2017 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| Net profit/(loss) after tax – ($'000) | 1,847 | (2,000) | (1,576) | (6,884) | 6,544 |
| EPS (basic) – (cents per share) | 1.28 | (1.35) | (1.06) | (4.62) | 4.41 |
| EPS (diluted) – (cents per share) | 1.18 | (1.35) | (1.06) | (4.62) | 4.11 |
| Share price ($) | 0.22 | 0.09 | 0.10 | 0.38 | 0.63 |
| Dividends paid – (cents per share) | 4.00 | – | – | 9.40 | 3.45 |

## Nomination, Remuneration and 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 Act in terms of appointment and termination. The Company applies the ASX listing rules that specify 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 2021, which was approved by a resolution of shareholders at the Annual General Meeting on 29 November 2016, is $550,000.

The remuneration of the Non-Executive Directors does not currently incorporate a component based on performance. Within the limits approved by Company shareholders, individual remuneration levels are set by reference to market levels.

Executive Directors (of which there are none) and executives are employed under contracts or agreed employment arrangements that specify remuneration amounts and conditions.

The Board has introduced an incentive system for Executives and senior employees based on issuing performance rights in the Company.

The Company's Securities Trading Policy prohibits 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 KMPs, where they exist, are shown in the succeeding sections.

# Employment Contracts

Details of the terms of employment of the named KMP Executives are set out below:

## John Shuttleworth

### Chief Executive Officer

**Employment period:**

4 August 2021

**Term:**

No term specified

**Discretionary incentives:**

*Short-term incentive*

Eligible from the date of appointment to participate in the Company's short-term incentive plan, the terms of which are at the absolute discretion of the Board.

Eligible to receive a short-term incentive of up to 50% of base salary in respect of each financial year in which Mr Shuttleworth is employed by the Company.

*Long-term incentive*

Eligible to participate in the Company's Employee Share Plan, with the terms of any offer of securities at the absolute discretion of the Board, and subject to shareholder approval in the event that Mr Shuttleworth is appointed as a Director of the Company.

**Required notice by Executive and Company:**

Six months.

**Termination entitlement:**

Statutory entitlements and so much of the total fixed remuneration as is due and owing on the date of termination. Also, any short-term incentive or long-term incentive not vested may be paid or granted at the discretion of the Board.

## Brendon Glass

### Chief Financial Officer

**Employment commencement date:**

4 June 2020

**Term:**

No term specified

**Discretionary 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.

**Required notice by Executive and Company:**

Six months

## Angus Benbow

### Chief Executive Officer

**Employment commencement date:**

2 April 2018 – 28 May 2021

**Term:**

No term specified

**Discretionary incentives:**

*Short-term incentive*

A short-term incentive of $308,750 was paid in September 2020 in recognition of the CEO's achievements and per below:

A short-term incentive to the value of $237,500 at target (50% of fixed salary) up to a potential STI to a value of $356,250 (75% of fixed salary).

Due to the CEO's resignation on 28 May 2021, a short-term incentive for the 2021 financial year will not be paid.

*Long-term incentive*

The 2,700,000 performance rights issued to the CEO on 29 February 2019 under the Company's approved Long-Term Incentive Plan (LTIP) has been forfeited upon resignation.

**Required notice by Executive and Company:**

Six months

**Termination entitlement:**

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

This included an ex-gratia payment of $226,653 and a six-month notice-in-lieu payment of $226,653 paid in June 2021 upon resignation.

Those Executives that do not meet the KMP definition are not included here.

# Details of remuneration

Details of the nature and amount of each element of the remuneration of each KMP of the Group are shown in the table below:

| | | | Short-term benefits | | Post-Employment | Long-term benefits | | Share-based payments | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | No. of days remuneration | Salary & Fees $ | Cash Bonus $ | Superannuation $ | Cash Incentives $ | Long service leave $ | Performance rights $ | Shares $ | Termination/ Resignation payments $ | Total $ | Performance related % | Share Related % |
| A. D. Fisher | 2021 | 365 | 123,288 | – | 11,712 | – | – | – | – | – | 135,000 | – | – |
| | 2020 | 366 | 117,123 | – | 11,127 | – | – | – | – | – | 128,250 | – | – |
| M. P. Pretty | 2021 | 365 | 85,000 | – | – | – | – | – | – | – | 85,000 | – | – |
| | 2020 | 366 | 73,744 | – | 7,005 | – | – | – | – | – | 80,749 | – | – |
| G. J. Chmiel | 2021 | 365 | 77,626 | – | 7,374 | – | – | – | – | – | 85,000 | – | – |
| | 2020 | 366 | 73,744 | – | 7,005 | – | – | – | – | – | 80,749 | – | – |
| A.G.R. Benbow[1] | 2021 | 332 | 421,576 | 308,750 | 21,694 | – | – | – | – | 453,306 | 1,205,326 | 25.62% | – |
| | 2020 | 366 | 430,249 | 250,000 | 21,003 | – | – | – | – | – | 701,252 | 35.65% | – |
| P. Loosmore[2] | 2021 | – | – | – | – | – | – | – | – | – | – | – | – |
| | 2020 | 143 | 286,000 | – | – | – | – | – | – | – | 286,000 | – | – |
| A.D.H. Beard[3] | 2021 | 365 | 77,626 | – | 7,374 | – | – | – | – | – | 85,000 | – | – |
| | 2020 | 182 | 34,932 | – | 3,319 | – | – | – | – | – | 38,251 | – | – |
| B. M. Glass[3] | 2021 | 365 | 303,306 | – | 21,694 | – | – | – | – | – | 325,000 | – | – |
| | 2020 | 19 | 21,689 | – | 2,061 | – | – | – | – | – | 23,750 | – | – |
| **Total** | **2021** | | **1,088,422** | **308,750** | **69,848** | – | – | – | – | **453,306** | **1,920,326** | | |
| **Total** | **2020** | | **1,037,481** | **250,000** | **51,520** | **–** | **–** | **–** | **–** | **–** | **1,339,001** | | |

[1] Resigned during the current financial year.

[2] Resigned during the previous financial year.

[3] Appointed during the previous financial year.

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

| Name | Year | Grant date | Fair value at grant date $ | Vesting Date | Exercise price $ | Expiry date | Vested in year No. | Lapsed in year No. | Forfeited in year No. |
|---|---|---|---|---|---|---|---|---|---|
| **Performance rights**[1] | | | | | | | | | |
| A. G. R. Benbow | 2019 | 28-Feb-2019 | 0.0199 | 01-Sep-2021 | – | 01-Sep-2024 | – | – | 2,700,000 |
| J. S. Cowan[2] | 2018 | 02-Oct-2017 | 0.41 | 24-Sep-2020 | – | 24-Sep-2023 | – | 250,000 | – |
| | 2017 | 19-Dec-2016 | 0.51 | 09-Dec-2019 | – | 09-Dec-2022 | – | – | – |

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 ($) | Forfeited during the period No. | Value ($) | Balance at the end of the period No. | Vested and No. | Unvested No. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Performance rights** | | | | | | | | | | | | | |
| A. G. R. Benbow | 2019 | 2,700,000 | – | – | – | – | – | – | 2,700,000 | – | – | – | – |
| J. S. Cowan | 2018 | 250,000 | – | – | – | – | 250,000 | 102,500 | – | – | – | – | – |

The following assumptions were used for the valuation of the 2019 Performance Rights with a valuation date of 6 April 2021 based on modified targets**:**

- The share price of $0.235 was the closing price of Centrepoint Alliance shares as at the valuation date.
- Performance Rights have a nil exercise price.
- Performance Rights vest on the vesting date, there is no exercise period therefore the life of the Performance Rights is from the valuation date to the vesting date being 0.41 years.
- The risk-free interest rate of 0.02% is a yield on zero-coupon Australian Government bonds issued in Australian Dollars with a remaining term equal to the expected life of Performance Rights being valued. The yield is converted into a continuously compounded rate in the valuation model.
- In adopting the dividend yield, 0% per annum has been assumed due to the expectance of the Group not paying any dividends until the vesting date.
- The expected volatility of 62% was determined based on historic share price volatility of the Group, implied volatility of publicly traded options over the Group's shares and the tendency of volatility to revert to its mean. The Group's volatility on annualised historical daily volatility over the 1-year period to the valuation date was considered.

[1] Performance rights are held by Centrepoint Alliance Employee Share Plan Trust (CESPT).

[2] Previous Chief Financial Officer, resigned in 2019 financial year

## Shareholdings of Key Management Personnel

Shares held in Centrepoint Alliance Limited (number)

| | Balance 1 July 2020 Ordinary | Granted as remuneration Ordinary | On exercise of options Ordinary | Net change of other[1] Ordinary | Balance 30 June 2021 Ordinary |
|---|---|---|---|---|---|
| A.D. Fisher | – | – | – | – | – |
| M.P. Pretty | 105,000 | – | – | – | 105,000 |
| G.J. Chmiel | 800,000 | – | – | – | 800,000 |
| A.G.R. Benbow[2] | 1,198,434 | – | – | – | 1,198,434 |
| A.D.H. Beard | 10,998,296 | – | – | – | 10,998,296 |
| B.M. Glass | – | – | – | – | – |

| | |
|---|---|
| **Objective** | **Short-term incentives**<br>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. The purpose of STI is to focus the Group's efforts on those performance measures and outcomes that are priorities for the Group for the relevant financial year and to motivate the employees to strive to achieve stretch performance objectives.<br>**Long-term incentives**<br>The objective of long-term incentives (LTI) is to reward executives and certain senior managers in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives and certain senior managers 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** | **Short-term incentives**<br>In August 2017 the Directors approved a new executive STI scheme based on earnings before interest, tax, depreciation and amortisation (EBITDA) and the achievement of underlying organisational and team goals. The target EBITDA is approved by the Board for each financial year. To be eligible for an STI payment a threshold EBITDA must be met and executives must achieve at least 70% of their individual performance objectives and minimum job competency and core values ratings. The target STI payable to executives is 40% (CEO is 50%) of Total Fixed Remuneration. The Maximum STI payable for executives is 60% (CEO 75%) of Total Fixed Remuneration. On an annual basis, after consideration of performance against KPIs the NRGC will review results and determine individual amounts approved for payment.<br>For other employees there is an STI scheme where a bonus pool based on results, and approved by the Board, is weighted by a two-tiered approach with weightings assigned to each level, being Centrepoint Group results and individual KPIs.<br>**Long-term incentives**<br>LTI awards to executives are made under the executive LTI plans and are delivered in the form of shares or rights. 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.<br>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. |

[1] 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. Shares include indirect interests.

[2] Resigned during the current financial year.

| | |
|---|---|
| **Awards** | **Long-term incentives**<br>*Centrepoint Alliance Employee Share Plan (CAESP17 and CAESP18)*<br>On 21 November 2017, the Board and the CAESPT approved the termination of participants (including the former Managing Director and Chief Executive Officer and other senior executives) in the CAESP17 and CAESP18 plans. The participants' loan shares were purchased by the CAESPT at $0.59 per share (which was the equivalent to the ASX market close price of CAF shares on 17 November 2017) in accordance with the plan rules.<br>The LTI awards – CAESP17 and CAESP18, were terminated in the 30 June 2019 financial year. The 8,050,000 ordinary shares associated with these plans, and legally held by the CAESPT, were cancelled in 2019 financial year, following approval by shareholders at the 2018 Annual General Meeting.<br>*Centrepoint Employee Share Plan (CESP19)*<br>The Board approved the grant of 3,750,000 performance rights on 19 December 2016 to the former Managing Director and Chief Executive Officer and other senior executives of the Group under the CESP at 51.0 cents per performance right. All of these performance rights have lapsed unvested.<br>*CESP20*<br>On 2 October 2017, the Board approved the grant of 700,000 performance rights to the senior executives of the Group under the CESP at 41.0 cents per performance right.<br>As the vesting conditions were not satisfied on the vesting date of 24 September 2020, these shares lapsed.<br>*CESP21*<br>On 7 February 2019, the Board approved the grant of 6,850,000 performance rights to the senior executives and other senior leaders of the Group under the CESP at 0.0144 cents per performance right. The Board approved the grant of 2,700,000 performance rights on 28 February 2019 to the CEO under the CESP at 0.0199 cents per performance right.<br>These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 1 September 2021 based on the following:<br>If the absolute Total Shareholder Return (TSR) for the financial year ended 30 June 2021 is:<br>• Target share price hurdle of 28.0 cents, 50% of the performance rights will vest;<br>• Stretch share price hurdle of 32.0 cents, 100% of the performance rights will vest.<br>The VWAP[1] at the start of the performance period – being 1 February 2019, was $0.10 for the awards granted on 7 February 2019.<br>The VWAP at the start of the performance period – being 25 February 2019, was $0.12 for the awards granted on 28 February 2019.<br>In April 2021 modifications made to the CESP21 exercise prices from 28.0 cents to 22.0 cents, and 32.0 cents to 25.0 cents, respectively. Due to resignation of senior executives and senior leaders including the CEO, there remains 5,150,000 performance rights at 30 June 2021. |
| | *CESP22*<br>The Board approved the grant of 4,000,000 performance rights on 20 February 2020 to senior executives of the Group under the CESP at $0.0579 per performance right.<br>These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 1 December 2022 based on the following:<br>If the absolute Total Shareholder Return (TSR) for 30 June 2022 financial year is:<br>• Target share price hurdle of 18.0 cents, 50% of the performance rights will vest;<br>• Stretch share price hurdle of 20.0 cents, 100% of the performance rights will vest.<br>The Volume Weighted Average Price (VWAP) at the start of the performance period – 29 November 2019, was $0.13 for the awards granted on 31 January 2020.<br>**CEO Transitional Terms (short-term and long-term incentives)**<br>The new CEO will be eligible for discretionary annual incentive plans, the terms of which are at the absolute discretion of the Board. Refer to page 13, Employment Contracts for further details. |

[1] Volume Weighted Average Price of Centrepoint Shares traded on the Australian Securities Exchange and hi-X Australia during the 10 trading days prior to and including the start date of the performance period.

## Option holdings of Key Management Personnel

No options to purchase shares were held by KMP.

## 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. There are no transactions by Directors in the current or prior financial year other than the ones disclosed above.

## Auditor Independence and Non-Audit Services

The auditor – BDO Audit Pty Ltd (2020: Deloitte Touche Tohmatsu), has provided a written independence declaration to the Directors in relation to its audit of the financial report for the year ended 30 June 2021. The Independence Declaration which forms part of this report is on page 20.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Act. The nature and scope of non-audit services provided means that auditor independence was not compromised.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Fees for the audit or review of the statutory financial report and assurance services that are required by legislation to be provided by the auditor | 360 | 497 |
| Fees for other services | 90 | 60 |
| | **450** | **557** |

Signed in accordance with a resolution of the Directors.

**A. D. Fisher**
Chair
24 August 2021

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Australia

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF CENTREPOINT ALLIANCE LIMITED

As lead auditor of Centrepoint Alliance Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Centrepoint Alliance Limited and the entities it controlled during the period.

Tim Aman

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

24 August 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from contracts with customers | 4(a) | 138,176 | 130,480 |
| Contractual payments to advisers | 4(a) | (111,119) | (101,680) |
| Gross profit from contracts with customers | | 27,057 | 28,800 |
| Interest income | 4(b) | 175 | 417 |
| Other income | 4(c) | 831 | 66 |
| **Gross Profit** | | **28,063** | **29,283** |
| **Expenses** | | | |
| Employee related expenses | 4(d) | (17,030) | (17,470) |
| Professional services | | (2,072) | (2,379) |
| Depreciation and amortisation | | (1,581) | (1,368) |
| Subscriptions and licences | | (1,325) | (1,401) |
| IT and communication expenses | | (765) | (428) |
| Low value and variable costs related to property and equipment | 13(a) | (526) | (732) |
| Marketing and promotion | | (366) | (306) |
| Travel and accommodation | | (227) | (612) |
| Expected credit loss expenses | | (143) | (271) |
| Finance costs | 4(e) | (99) | (57) |
| Client claims | | (36) | (3,608) |
| Property costs | 13(a) | (5) | (19) |
| Fair value loss on financial instrument | 7.3.2 | - | (530) |
| Other general and administrative expenses | | (2,343) | (2,271) |
| | | **(26,518)** | **(31,452)** |
| | | | |
| **Profit/(loss) before tax** | | **1,545** | **(2,169)** |
| Income tax (benefit) | 5(a) | (302) | (169) |
| **Net profit/(loss) for the year** | | **1,847** | **(2,000)** |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR** | | **1,847** | **(2,000)** |
| **Net profit/(loss) attributable to:** | | | |
| Owners of the parent | | 1,847 | (2,000) |
| Non-controlling interests | | - | - |
| **Net profit/(loss) for the year** | | **1,847** | **(2,000)** |
| **Total comprehensive profit/(loss) attributable to:** | | | |
| Owners of the parent | | 1,847 | (2,000) |
| Non-controlling interests | | - | - |
| **Total comprehensive profit/(loss) for the year** | | **1,847** | **(2,000)** |
| **Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent** | | **Cents** | **Cents** |
| Basic profit/(loss) cents per share | 9 | 1.28 | (1.35) |
| Diluted profit/(loss) cents per share | 9 | 1.18 | (1.35) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached Notes.

# Consolidated Statement of Financial Position

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 7.1.1 | 11,130 | 12,187 |
| Trade and other receivables | 7.1.2 | 6,664 | 7,835 |
| Loan receivables | 7.1.3 | 1,108 | 2,448 |
| Other assets | | 1,024 | 1,272 |
| **Total current assets** | | **19,926** | **23,742** |
| **Non-current** | | | |
| Loan receivables | 7.1.3 | 99 | 1,199 |
| Investments | 7.1.4 | 116 | 116 |
| Property, plant and equipment | 12 | 295 | 424 |
| Right-of-use assets | 13(b) | 516 | 954 |
| Intangible assets and goodwill | 14 | 3,084 | 3,622 |
| Deferred tax assets | 5(c) | 2,881 | 2,578 |
| Other assets | | 114 | - |
| **Total non-current assets** | | **7,105** | **8,893** |
| **TOTAL ASSETS** | | **27,031** | **32,635** |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | 7.1.5 | 9,814 | 9,960 |
| Lease liabilities | 7.1.6 | 438 | 708 |
| Provisions | 15 | 5,170 | 6,309 |
| **Total current liabilities** | | **15,422** | **16,977** |
| **Non-current** | | | |
| Lease liabilities | 7.1.6 | 52 | 280 |
| Provisions | 15 | 370 | 527 |
| **Total non-current liabilities** | | **422** | **807** |
| **TOTAL LIABILITIES** | | **15,844** | **17,784** |
| **NET ASSETS** | | **11,187** | **14,851** |
| **EQUITY** | | | |
| Contributed equity | 10(a) | 34,301 | 34,301 |
| Reserves | 11 | 6,227 | 12,918 |
| Accumulated losses | | (29,459) | (32,486) |
| **Equity attributable to shareholders** | | **11,069** | **14,733** |
| Non-controlling interests | | 118 | 118 |
| **TOTAL EQUITY** | | **11,187** | **14,851** |

The Consolidated Statement of Financial Position is to be read in conjunction with the attached Notes.

# Consolidated Statement of Cash Flows

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash receipts from customers | | 139,592 | 143,858 |
| Cash paid to suppliers and employees | | (135,820) | (138,058) |
| Cash provided by operations | | 3,772 | 5,800 |
| Claims and litigation settlements | 15(a) | (1,152) | (1,705) |
| **Net cash flows provided by operating activities** | 6(a) | **2,620** | **4,095** |
| **Cash Flows from Investing Activities** | | | |
| Interest received | | 131 | 386 |
| Proceeds from interest bearing loan | | 2,434 | 2,500 |
| Acquisition of intangible assets | 14.1.1 | (12) | (173) |
| Acquisition of property, plant and equipment | 12 | (58) | (37) |
| Acquisition of subsidiary | | - | (1,500) |
| Dividends received from investments | | 285 | - |
| Proceeds from convertible loan | | 140 | - |
| **Net cash flows provided by investing activities** | | **2,920** | **1,176** |
| **Cash Flows from Financing Activities** | | | |
| Repayment of lease liabilities | | (800) | (599) |
| Finance costs | 4(e) | (26) | (30) |
| Dividends paid | 8(a) | (5,771) | – |
| Payments in respect of share buy-backs and costs | | - | (372) |
| **Net cash flows used in financing activities** | | **(6,597)** | **(1,001)** |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,057)** | **4,270** |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 12,187 | 7,917 |
| **Cash and cash equivalents at the end of the year** | | **11,130** | **12,187** |

The Consolidated Statement of Cash Flows is to be read in conjunction with the attached Notes.

# Consolidated Statement of Changes in Equity

| | Notes | Ordinary shares $'000 | Dividend reserve $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | | **34,301** | **11,659** | **1,259** | **(32,486)** | **14,733** | **118** | **14,851** |
| Profit for the year | | - | - | - | 1,847 | 1,847 | - | 1,847 |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **1,847** | **1,847** | **-** | **1,847** |
| Transfer of non-vested performance rights from reserves to retained earnings | 11(a) | - | - | (1,180) | 1,180 | - | - | - |
| Share-based payment | 11(a) | - | - | 260 | - | 260 | - | 260 |
| Dividends paid | 11(b) | - | (5,771) | - | - | (5,771) | - | (5,771) |
| **Balance at 30 June 2021** | | **34,301** | **5,888** | **339** | **(29,459)** | **11,069** | **118** | **11,187** |
| **Balance at 1 July 2019** | | **34,673** | **11,659** | **951** | **(30,521)** | **16,762** | **118** | **16,880** |
| Loss for the year | | – | – | – | (2,000) | (2,000) | – | (2,000) |
| Enzumo current year earnings[1] | | – | – | – | 35 | 35 | – | 35 |
| **Total comprehensive income for the year** | | **34,673** | **11,659** | **951** | **(32,486)** | **14,797** | **118** | **14,915** |
| Share buy-back | 10(a) | (372) | – | – | – | (372) | – | (372) |
| Share-based payment | 11(a) | – | – | 308 | – | 308 | – | 308 |
| **Balance at 30 June 2020** | | **34,301** | **11,659** | **1,259** | **(32,486)** | **14,733** | **118** | **14,851** |

[1] The Group decided to take up Enzumo entity's balance sheet amounts for the year ended 30 June 2020. Therefore, Enzumo's profit from 17-30 June 2020 is disclosed as a separate line item.

# Notes to the Consolidated Financial Statements

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## 1. Corporate information

The consolidated financial statements of Centrepoint Alliance Limited (the Company or the Parent Entity) and its subsidiaries (the Group) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 24 August 2021.

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 disclosures is provided in Note 19.

## 2. Summary of significant accounting policies

### Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Act, Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis, except for certain financial assets that have been measured at fair value. Where necessary, comparative information has been updated to be consistent with the current reporting period.

For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

AASB 101 *Presentation of Financial Statements* requires management to assess the entity's ability to continue as a going concern. In making the assessment, the standard requires that all available information about the future 12 months from the reporting period or date of issue of financial statements, needs to be taken into consideration. Any material uncertainties that cast significant doubt on the capability to continue as a going concern such as scope of the impact on future costs and revenues, need to be disclosed in the financial statements.

COVID-19 was reported to the World Health Organisation as an unknown virus in December 2019 and spread worldwide throughout the year 2020 and continues in 2021. Initially, the effects of the virus impacted the travel industry and education providers, however the impact escalated and has created significant instability in financial and commodities markets globally. Both Federal and State Governments have implemented various stimulus packages to provide both financial and non-financial assistance to affected organisations.

The Group considered the impacts COVID-19 has had, or may have, on the Group and prepared the financial report based on the known information. Other than as indicated in specific notes, the Group does not foresee any significant uncertainties with respect to events or conditions, which may impact unfavourably as at the reporting date or subsequently as a result of COVID-19.

Sufficient cash reserves are projected over the next 14 months. The final monthly repayments of the deferred GST and PAYG taxation obligations for the COVID-19 stimulus benefit were paid on 6 August 2021 to the Australian Taxation Office (ATO). Inflows are projected to increase factoring in the Enzumo business and growth in advisers, which correlates to growth in adviser fees and subscriptions. Outflows over the projected period relate to general operational spend.

### 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 and revised Standards

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

- *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

## Standards and interpretations issued but not yet effective

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the annual reporting year ended 30 June 2021.

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021.

Subsidiaries are entities that are controlled by the Company. The financial results and financial position of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. A list of the Company's controlled entities (subsidiaries) is included in Note 19.

## Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the end of the financial year, 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:

- Intangible assets and goodwill recoverable amounts – Note 14
- Provision for client claims – Note 15
- Recognition of deferred tax assets – Note 5
- Adviser service fees – Note 16

## Foreign currency

Both the functional and presentation currency of the Group is Australian dollars ($).

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 Profit or Loss and Other Comprehensive Income, as exchange gains or losses, in the year 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.

# 3. Segment information

## Key accounting policies

### Operating Segments

Under AASB 8 *Operating Segments*, the Group determines and presents operating segments based on the nature of the products and services provided and the markets in which it operates. The senior executives of the Group are the chief operating decision makers.

Board, corporate finance, company secretarial and other administration functions of the Group not allocated to the other reportable segments are identified as Corporate and Unallocated.

The operating segments identified are below:

| Business segment | Operations |
|---|---|
| Licensee and advice services | This segment represents the business that provides Australian Financial Services Licensee services to financial advisers and their clients and mortgage broking services. |
| Fund management and administration | This segment provides investor directed portfolio services and investment management services to financial advisers, accountants and their clients. |
| Consulting services | This segment represents the business that provides consulting to both self-licenced advisers and licensees. |

The corporate and unallocated balances represent corporate finance, company secretarial and other administration functions of the Group that are not considered an operating segment.

The Group operated only in Australia during the financial year. A detailed review of these segments is included in the Directors' Report. The accounting policies of the reportable segments are the same as the Group's accounting policies.

| Year ended 30 June 2021 | Licensee & Advice Services $'000 | Funds Management & Administration $'000 | Consulting Services $'000 | Corporate & Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| *Revenue from contracts with customers* | | | | | |
| Authorised representative fees | 11,083 | - | - | - | **11,083** |
| Advice revenue | 110,628 | - | - | - | **110,628** |
| Product revenue | 2,792 | 9,617 | - | - | **12,409** |
| Virtual services | 1,633 | - | 248 | - | **1,881** |
| Licensing and managed services | 1,541 | - | - | (256) | **1,285** |
| Consulting services | - | - | 893 | (3) | **890** |
| *Contractual payments to advisers* | | | | | |
| Advice revenue paid to advisers | (107,591) | - | - | - | **(107,591)** |
| Fees paid to advisers/fund managers | (262) | (3,064) | (202) | - | **(3,528)** |
| **Gross profit from contracts with customers** | **19,824** | **6,553** | **939** | **(259)** | **27,057** |
| *Interest income* | 9 | 120 | - | 46 | **175** |
| *Other income* | 653 | - | 37 | 141 | **831** |
| **Total segment gross profit** | **20,486** | **6,673** | **976** | **(72)** | **28,063** |
| | | | | | |
| **Other material expenses** | | | | | |
| Interest charges and interest on lease liabilities | (33) | - | (6) | (60) | **(99)** |
| Client claims | (36) | - | - | - | **(36)** |
| Depreciation and amortisation | (103) | - | (227) | (1,251) | **(1,581)** |
| Impairment of assets | (130) | - | (13) | - | **(143)** |
| Inter-segment expenses[1] | (13,260) | (1,464) | - | 14,724 | **-** |
| **Total other material expenses** | **(13,562)** | **(1,464)** | **(246)** | **13,413** | **(1,859)** |
| **Segment profit/(loss) before tax** | **3,644** | **4,638** | **409** | **(7,146)** | **1,545** |
| Income tax (benefit) | (226) | - | - | (76) | **(302)** |
| **Segment profit/(loss) after tax** | **3,870** | **4,638** | **409** | **(7,070)** | **1,847** |
| **Total comprehensive income/(loss) for the year** | **3,870** | **4,638** | **409** | **(7,070)** | **1,847** |
| Statement of Financial Position at 30 June 2021 | | | | | |
| **Total assets** | 16,203 | 22,697 | 1,910 | (13,779) | **27,031** |
| **Total liabilities** | (9,218) | (105) | (119) | (6,402) | **(15,844)** |
| **Net assets** | **6,985** | **22,592** | **1,791** | **(20,181)** | **11,187** |

[1] Inter-segment expenses represent employee related costs and other expenses paid centrally, which are allocated to the segments in which they are incurred. Year on year inter-segment expense reduction for Licensee and Advice Services, and Funds Management and Administration, is primarily due to headcount reduction as part of the overall Group expense saving initiative. The acquisition of Enzumo in June 2020 resulted in additional segment revenue stream, Consulting Services. Enzumo also generated Licensing and Managed Services revenue which is captured within the Licensee & Advice Services segment.

| Year ended 30 June 2020 | Licensee & Advice Services $'000 | Funds Management & Administration $'000 | Corporate & Unallocated $'000 | Total $'000 |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| *Revenue from contracts with customers* | | | | |
| Authorised representative fees | 7,936 | – | – | **7,936** |
| Advice revenue | 100,890 | – | 2 | **100,892** |
| Product revenue | 9,499 | 11,231 | – | **20,730** |
| Virtual services | 922 | – | – | **922** |
| *Contractual payments to advisers* | | | | |
| Advice revenue paid to advisers | (96,580) | – | – | **(96,580)** |
| Fees paid to advisers/fund managers | (1,330) | (3,770) | – | **(5,100)** |
| **Gross profit from contracts with customers** | **21,337** | **7,461** | **2** | **28,800** |
| *Interest income* | 22 | 171 | 224 | **417** |
| *Other income* | 91 | (23) | (2) | **66** |
| **Total segment gross profit** | **21,450** | **7,609** | **224** | **29,283** |
| | | | | |
| **Other material expenses** | | | | |
| Interest charges and Interest on lease liabilities | (13) | – | (44) | **(57)** |
| Client claims | (3,618) | 10 | – | **(3,608)** |
| Depreciation and amortisation | (1,044) | (75) | (249) | **(1,368)** |
| Fair value loss on the financial instrument | – | – | (530) | **(530)** |
| Expected credit loss expenses | (263) | – | (8) | **(271)** |
| Inter-segment expenses[1] | (14,575) | (1,740) | 16,315 | **–** |
| **Total other material expenses** | **(19,513)** | **(1,805)** | **15,484** | **(5,834)** |
| **Segment profit/(loss) before tax** | **598** | **5,189** | **(7,956)** | **(2,169)** |
| Income tax (benefit) | (155) | – | (14) | **(169)** |
| **Segment profit/(loss) after tax** | **753** | **5,189** | **(7,942)** | **(2,000)** |
| **Total comprehensive income/(loss) for the year** | **753** | **5,189** | **(7,942)** | **(2,000)** |
| **Statement of Financial Position at 30 June 2020** | | | | |
| Total assets | 10,862 | 18,430 | 3,343 | 32,635 |
| Total liabilities | (9,728) | (477) | (7,579) | (17,784) |
| **Net assets** | **1,134** | **17,953** | **(4,236)** | **14,851** |

[1] Inter-segment expenses represent employee related costs and other expenses paid centrally, which are allocated to the segments in which they are incurred. Year on year inter-segment expense reduction for Licensee and Advice Services, and Funds Management and Administration, is primarily due to executive employment costs retained in the Corporate segment for 30 June 2020, $1.5m and $0.1m respectively. Non-executive headcount savings have contributed to a further $0.5m saving for Licensee and Advice Services, and $0.6m saving for Funds Management and Administration as part of the overall Group expense saving initiative.

## 4. Revenue and expenses

### a. Revenue from contracts with customers (AASB 15 *Revenue from contracts with customers*)

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Group recognises the different types of revenue as follows:

**Authorised representative fees:** On a monthly basis, the financial advisers are billed for AFSL licensing fees in line with the contract between the Group and the adviser. The Group's obligation under this contract is to provide support to advisers and access to one of the Group's AFSLs to enable them to sell financial advice. The fees charged to the adviser are based on a fixed fee structure outlined in the contract with the adviser. Revenue is recognised on a monthly basis as services are provided to the advisers.

**Advice revenue:** Commission is received from product providers earned either at inception or renewal of products on the approved product list. Under the contract with the adviser, the Group receives the full commission from the product provider and subsequently pays this in full to the adviser unless there is a specific arrangement with the adviser to retain a proportion of commission to satisfy their authorised representative fee. Based on the agreement between the Group and the advisers, the advisers act as a corporate authorised representative of the Group and that the Group has the ultimate responsibility with the end customers. The Group is therefore considered the principal in these arrangements. Where the advisers are employed by the Group, the commission earned is retained within the Group.

**Product revenue:** The Group earns revenue from its customers through the provision of fund management services to its customers. Under this arrangement, the fee charged is calculated based on a fixed percentage of Funds Under Management and Administration (FUMA) as stated in the contract with the customer. Revenue is recognised as the service is provided, given the customer is receiving and consuming the benefits as they are provided by the Group. Included within investment products revenue are rebates paid to the Group by platform providers who offer the advisers insurance, superannuation and investment solutions. The Group performance obligation is to act as a partner for the platform providers, enabling them access to the adviser network. The rebate earned by the Group is dependent on the nature of the underlying product, either based on in-force policies or funds under management invested through the platform. Revenue is recognised monthly based on Management's best estimate using the most recent information provided by the platform provider and is trued up based on rebate receipts as and when they are received from the platform provider. As per the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, all conflicted platform remuneration ceased on 31 December 2020.

**Virtual services:** The Group provides a menu of third-party services to its adviser network. Those services with the greatest take-up are paraplanning and outsourced administration support. Other services include investment research, HR services and software. The Group sources third party providers and continually assesses the performance of providers to ensure quality standards are maintained. The Group derives margin from some services through negotiating competitive wholesale fees and sharing these benefits with advisers in its network. Revenue is recognised on a monthly basis as services are provided to the advisers.

**Licensing and managed services:** On a monthly basis, the Group charges fixed fees for admission to the customised platform (licence fees) and technological support provided to the client (managed services). Revenue is recognised on a monthly basis as services are provided.

**Consulting services:** The acquisition of Enzumo in June 2020 expanded the Group's revenue stream to include 'Consulting services' in Segment reporting. The Group now earns revenue from the provision of XPLAN consulting, XPLAN configuration and a comprehensive suite of advice delivery services. Enzumo leverages the knowledge of solution specialists to design, develop and deploy customisations to XPLAN sites. Revenue is recognised on an over time basis when the performance obligations are met.

### b. Interest income

Per AASB 9 *Financial Instruments*, interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## c. Gross profit

Other income represents other sundry income received by the Group.

| | | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from contracts with customers** | 4(a) | | |
| Authorised representative fees | | 11,083 | 7,936 |
| Advice revenue | | 110,628 | 100,892 |
| Product revenue | | 12,409 | 20,730 |
| Virtual services | | 1,881 | 922 |
| Licensing and managed services | | 1,285 | – |
| Consulting services | | 890 | – |
| **Total revenue from contracts with customers** | | 138,176 | 130,480 |
| **Contractual payments to advisers** | | | |
| Advice revenue paid to advisers | | (107,591) | (96,580) |
| Fees paid to advisers/fund managers | | (3,528) | (5,100) |
| **Total contractual payments to advisers** | | (111,119) | (101,680) |
| | | | |
| **Gross profit from contracts with customers** | | **27,057** | **28,800** |
| **Interest income** | 4(b) | **175** | **417** |
| **Other income** | | | |
| Cost recoveries from advisers | | 305 | 25 |
| Retail and wholesale asset and service fees | | - | 41 |
| Other | | 526 | - |
| **Total other income** | | **831** | **66** |
| **Gross profit** | | **28,063** | **29,283** |

## d. Employee related expenses

Employee related expenses represent employee costs payable by the Group.

| | | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Employee related expenses** | 4(d) | | |
| Wages and salaries | | 16,072 | 17,088 |
| Share-based compensation expense | | 260 | 308 |
| Termination costs | | 698 | 74 |
| **Total employee related expenses** | | **17,030** | **17,470** |

## e. Finance costs

The table below summarises the finance costs for the Group:

| | | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Finance costs** | 4(e) | | |
| Bank interest charges | | 55 | 27 |
| Interest on lease liabilities | | 26 | 30 |
| Interest on loans | | 18 | - |
| **Total finance costs** | | **99** | **57** |

# 5. Income tax

## a. Income tax (benefit)

The major components of income tax (benefit) for the years ended 30 June 2021 and 30 June 2020 are:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| *Deferred income tax* | | |
| Deferred income tax charge | (302) | (169) |
| **Income tax (benefit)** | **(302)** | **(169)** |

## b. Reconciliation between aggregate tax (benefit) recognised in the income statement and tax (benefit) calculated per the statutory income tax rate

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

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Profit/(loss) before tax | **1,545** | **(2,169)** |
| At the Company's statutory income tax rate of 30% (2020: 30%) | 464 | (651) |
| Non-deductible expenses | 125 | 268 |
| Non-assessable income | (88) | - |
| Derecognition of deferred tax on increase of provision for claims | (526) | 526 |
| Utilisation of tax losses | (198) | (305) |
| Adjustment in respect of current tax of prior years | (79) | (7) |
| **Aggregate income tax (benefit)** | **(302)** | **(169)** |

In the current year there has been a significant reduction in provisions that gave rise to deferred tax assets. The size of the reduction in provisions, particularly those related to legacy claims and doubtful debts, was greater than taxable profit. Accordingly, a significant deferred tax expense has been recognised in the prior year as no further tax losses are being recognised as noted below.

## c. Recognised deferred tax assets and liabilities

Deferred income tax relates to the following:

| | Statement of Financial Position | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| *Deferred tax liabilities* | | |
| Prepayments | (7) | (11) |
| **Gross deferred tax liabilities** | **(7)** | **(11)** |
| *Deferred tax assets* | | |
| Provisions for claims | 564 | 378 |
| Provisions for doubtful debts | 752 | 699 |
| Provision for impairment of loan receivables | 389 | 337 |
| Lease liabilities | 66 | 84 |
| General accruals and other costs | 84 | 134 |
| Employee benefits | 1,033 | 957 |
| **Gross deferred tax assets** | **2,888** | **2,589** |
| **Net deferred tax assets** | **2,881** | **2,578** |

## d. Unrecognised tax losses

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

| | **2021 $'000** | **2020 $'000** |
|---|---|---|
| Revenue losses | 25,901 | 26,626 |
| Capital losses | 35,953 | 35,953 |
| **Total unrecognised losses** | **61,854** | **62,579** |

The utilisation of certain acquired tax losses is also subject to fractioning under Australian tax legislation, which effectively prescribes the rate at which such acquired tax losses may be offset against the Group's taxable income. Given that the available fraction of the transferred losses is based on the relative market value of the Group, the determination of the available fraction is subject to some uncertainty.

The above losses are available indefinitely for offset against future taxable income and capital gains subject to continuing to meet relevant statutory tests. Unrecognised tax losses decreased by $1.0m (30 June 2020: decrease of $1.0m).

## e. Tax consolidation

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

a. Measurement method adopted under AASB interpretation 1052 *Tax Consolidation Accounting*

The parent 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's approach, whereby the Group 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

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

The parent 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 Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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 parent 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.

## Key accounting policies

### Taxation

a. Income tax

The income tax expense for the year 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 or Loss and Other Comprehensive Income.

b. Current tax

Current tax assets and liabilities for the year 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.

c. 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; or
- 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 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 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.

The deferred tax balance will be written down if there are changes in circumstances and forecasts are not met.

### d. 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.

## 6. Notes to Statement of Cash Flows

### a. Reconciliation of net profit after tax to net cash provided by operating activities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net profit/(loss) after income tax | 1,847 | (2,000) |
| **Adjustments to reconcile profit before tax to net cash flows:** | | |
| Depreciation and amortisation | 1,581 | 1,368 |
| Fair value loss on financial instrument | - | 530 |
| Expected credit losses | (41) | 271 |
| Loss on disposal of non-current assets | 38 | 35 |
| Interest received | (131) | (386) |
| Finance costs | 26 | - |
| Proceeds from convertible loan | (140) | - |
| Share-based compensation expense | 260 | 308 |
| Dividend received from investments | (285) | - |
| **Working capital adjustments:** | | |
| *(Increase)/decrease in assets:* | | |
| Trade and other receivables | 1,007 | 1,137 |
| Other assets | 127 | 370 |
| Deferred tax assets | (303) | (170) |
| *(Decrease)/increase in liabilities:* | | |
| Trade and other payables | (153) | 517 |
| Provisions for employee benefits | (147) | 432 |
| Provision for client claims | (1,144) | 1,758 |
| Provision for property make good | 78 | (75) |
| **Net cash from operating activities** | **2,620** | **4,095** |

# 7. Financial assets, liabilities and related financial risk management

## 7.1 Categories of financial instruments

| | | | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|
| **Financial assets** | **Note** | **Classification** | | |
| Cash and cash equivalents | 7.1.1 | Amortised Cost | 11,130 | 12,187 |
| Trade and other receivables | 7.1.2 | Amortised Cost | 6,664 | 7,835 |
| Loans | 7.1.3 | Amortised Cost | 1,207 | 3,647 |
| Investments in unlisted shares | 7.1.4 | FVTOCI – equity (designated) | 116 | 116 |
| **Total financial assets** | | | **19,117** | **23,785** |
| **Financial liabilities** | | | | |
| Trade and other payables | 7.1.5 | Amortised Cost | 9,814 | 9,960 |
| Lease liabilities | 7.1.6 | Amortised Cost | 490 | 988 |
| **Total financial liabilities** | | | **10,304** | **10,948** |

## Key accounting policies

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss (FVTPL) are added to, or deducted from, the fair value on recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (that is, day one profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (that is, day one profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

### Financial assets

Financial assets are recognised on the trade date when the purchase is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

- All other debt instruments (for example, debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which *AASB 3 Business Combinations* applies, in other comprehensive income (OCI); and
- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

## Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group does not have any financial liabilities which are classified at FVTPL.

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

## 7.1.1 Cash and cash equivalents

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Cash and cash equivalents | 11,130 | 12,187 |
| **Total cash and cash equivalents** | **11,130** | **12,187** |

## 7.1.2 Trade and other receivables

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Commissions receivable | 4,547 | 4,373 |
| Trade receivables | 2,117 | 3,462 |
| **Total trade and other receivables** | **6,664** | **7,835** |

Refer to Note 7.2.3.2 for ageing analysis

The Group applies the general approach for assessing impairment, which requires the recognition of lifetime expected credit losses. Under this approach, the Group considers forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates. The trade receivables were grouped into various customer segments with similar loss patterns.

Trade receivables generally have 30-90 day terms and no interest is charged on outstanding debts. The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A loss allowance for trade receivables is raised using a provision matrix to analyse past default activity and a review of each debtor's current financial position adjusted for factors that are specific to the debtor, and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 100% against all receivables over 90 days past due with the exception of legal agreements for recoverability.

The amount of the expected credit loss is recognised in the profit or loss within other expenses. When a trade receivable for which an expected credit loss 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.

## 7.1.3 Loans

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Loan receivables | 1,090 | 2,419 |
| Loan receivables – financial advisers | 18 | 29 |
| **Total current loans** | **1,108** | **2,448** |
| **Non-current** | | |
| Loan receivables | - | 1,132 |
| Loan receivables – financial advisers | 904 | 915 |
| Expected credit losses | (805) | (848) |
| **Total non-current loans** | **99** | **1,199** |
| **Total loans** | **1,207** | **3,647** |

### Loans – Australian Life Development

The Group has $1.1m loan receivable from ALD (30 June 2020: $3.6m) due for repayment no later than December 2021. The loan represents an interest-bearing loan of $1.0m to Astle Capital Limited (Astle), a related company of ALD with the residual $0.1m representing interest accrued on the loan.

### Loans – Financial Advisers

Loans due from financial advisers have terms ranging from one to five 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.

### Expected Credit Losses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Allowance for expected credit losses** | | |
| Opening balance | 848 | 846 |
| Movement in the allowance for expected credit losses | (43) | 2 |
| **Closing balance** | **805** | **848** |
| **Expected credit loss expense** | | |
| Expected credit loss (reversal)/expense | (43) | 2 |
| Bad debts written off directly | 186 | 269 |
| **Total expense** | **143** | **271** |

For details on expected credit losses against loans see section 7.2.3.1.

## 7.1.4 Investments in unlisted shares

FVTOCI comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Investments | 116 | 116 |
| **Total investments** | **116** | **116** |

In September 2016 $0.1m was invested in Ginger Group, which increased the Group's equity interest from 37.5% to 50%. Ginger Group has a 37.5% shareholding in Kepa. The Group has assessed that it does not have control over the investment. During the year, the Board approved the liquidation of Kepa Financial Services Limited to be completed in the next quarter. As a result of the sale, $0.2m in dividends from Ginger has been recognised during the year.

### 7.1.5 Trade and other payables

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Amounts payable to financial advisers | 5,442 | 5,326 |
| Trade payables | 1,979 | 1,674 |
| Other creditors and accrued expenses | 2,393 | 2,960 |
| **Total trade and other payables** | **9,814** | **9,960** |

### 7.1.6 Lease liabilities

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Current** | | |
| Lease liabilities | 438 | 708 |
| | | |
| **Non-Current** | | |
| Lease liabilities | 52 | 280 |
| **Total lease liabilities** | **490** | **988** |

## 7.2 Financial risk management

### 7.2.1 Risk exposures and responses

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables and payables, loans and investments in unlisted shares.

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 credit risk, interest rate risk, and liquidity risk. The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, and assessments of market forecasts for interest rates. Ageing analyses and monitoring of expected credit loss 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 (GARCC) under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

### 7.2.2 Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, loans 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 loans and trade receivables at the reporting date is limited to Australia.

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 (credit rating: [Aa3]) and Westpac Banking Corporation (credit rating: [Aa3]).

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 kept to a minimum.

### 7.2.3 Sources of credit risk

Key sources of credit risk for the Group predominantly emanate from its business activities including loans and trade and other receivables. The Group monitors and manages credit risk by class of financial instrument. The table below outlines such classes of financial instruments identified, their relevant financial statement line item, maximum exposure to credit risk at the reporting date and expected credit loss (ECL) recognised:

| | | | Maximum exposure to credit risk $'000 | Expected credit loss $'000 |
|---|---|---|---|---|
| **Class of financial instrument** | **Note** | **Financial statement line** | | |
| Cash and cash equivalents | 7.1.1 | Cash and cash equivalents | 11,130 | - |
| Trade and other receivables | 7.1.2 | Trade and other receivables | 9,170 | 2,506 |
| Loans | 7.1.3 | Loans | 2,012 | 805 |
| **Total** | | | **22,312** | **3,311** |

## Key accounting policies

### Impairment of financial assets

The Group recognises loss allowances for expected credit losses on loans and trade and other receivables that are not measured at FVTPL.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- Full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as stage 2 and stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

For trade receivables, the Group has applied the general approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

### Definition of default

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

### Write off

Loans, receivables and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. A write off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

## Key estimates and judgements

### Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. AASB 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

### Models and assumptions used

The Group uses models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period. The risk of default is assessed by considering historical data as well as forward-looking information through a macroeconomic overlay and management judgement.

The Group's risk function constantly monitors the ongoing appropriateness of the ECL model and related criteria, where any proposed amendments will be reviewed and approved by the Group's management committees.

#### Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses this information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most likely outcome and consists of information used by the Group for strategic planning and budgeting.

The Group has identified and documented key drivers of credit risk and credit losses for each loan historical data and has estimated relationships between macroeconomic variables, credit risk and credit losses.

The principal macroeconomic indicators included in the economic scenarios used at 1 July 2020 and 30 June 2021 are GDP, GDP index, GDP index change and unemployment. Management have derived that GDP has economic correlations to inflation and unemployment, which generally have a corresponding impact on loan performance.

The base case scenario is derived from forecasted changes to GDP, CPI and unemployment rates, using management's judgement. Adjustments to these forecasts are made to develop a further two scenarios for less likely but plausible economic expectations. A weighting is applied to each scenario, based on management's judgement as to the probability of each scenario occurring. These economic forecasts are then applied to a statistical model to determine the macroeconomic effects on the expected loss allowance on the lending portfolios.

The incorporation of forward-looking information on the assessment of ECL on other assets required to be assessed for impairment is a qualitative approach. A range of economic outlooks, from an economist, the RBA and OECD, have been considered in making an assessment of whether there are economic forecasts that would indicate a potential impairment on the assets being assessed.

#### Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the expected loss allowance based on lifetime rather than 12-month ECL.

The Group has used the assumption that 30 days past due represents significant increase in credit risk. The Group considers 90 days past due as representative of a default having occurred and a loan being credit impaired.

The Group has identified the following three stages in which financial instruments have been classified in regard to credit risk;

- Stage 1 – Performing exposure on which loss allowance is recognised as 12-month expected credit loss;
- Stage 2 – Where credit risk has increased significantly and impairment loss is recognised as lifetime expected credit loss; and
- Stage 3 – Assets are credit impaired and impairment loss is recognised as lifetime expected credit loss. Interest is accrued on a net basis, on the amortised cost of the loans after the ECL is deducted.

The table below shows analysis of each class of financial asset subject to impairment requirements by stage at the reporting date:

| Class of financial instrument | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Maximum exposure to credit risk | | | | Expected credit loss | | | |
| | Stage 1 $'000 | Stage 2 $'000 | Stage 3 $'000 | Total $'000 | Stage 1 $'000 | Stage 2 $'000 | Stage 3 $'000 | Total $'000 |
| Cash and cash equivalents | 11,130 | - | - | **11,130** | - | - | - | **-** |
| Trade and other receivables[1] | - | 9,170 | - | **9,170** | - | 2,506 | - | **2,506** |
| Loans | - | - | 2,012 | **2,012** | - | - | 805 | **805** |
| **Total** | **11,130** | **9,170** | **2,012** | **22,312** | **-** | **2,506** | **805** | **3,311** |

| Class of financial instrument | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Maximum exposure to credit risk | | | | Expected credit loss | | | |
| | Stage 1 $'000 | Stage 2 $'000 | Stage 3 $'000 | Total $'000 | Stage 1 $'000 | Stage 2 $'000 | Stage 3 $'000 | Total $'000 |
| Cash and cash equivalents | 12,187 | – | – | **12,187** | – | – | – | **–** |
| Trade and other receivables[1] | – | 10,163 | – | **10,163** | – | 2,328 | – | **2,328** |
| Loans | – | – | 4,495 | **4,495** | – | – | 848 | **848** |
| **Total** | **12,187** | **10,163** | **4,495** | **26,845** | **–** | **2,328** | **848** | **3,176** |

### Movement in gross carrying amounts and expected credit losses

There has been no significant movement in the gross carrying amount and expected credit losses of financial assets of the Group, therefore the movement has not been disclosed.

### Summary of movements in expected credit loss by financial instrument

The following table summarises the movement in expected credit loss by financial instruments for the financial year:

| 2021 | | | |
|---|---|---|---|
| | Loans $'000 | Trade and other receivables $'000 | Total $'000 |
| **Expected credit loss** | | | |
| Loss allowance as at 1 July 2020 | 848 | 2,328 | 3,176 |
| Loss allowance recognised during the year | (43) | 178 | 135 |
| Loss allowance at 30 June 2021 | **805** | **2,506** | **3,311** |

[1] There are no trade receivables at Stage 1 because the Group's accounting policy is to apply the general approach to measure lifetime credit losses on trade receivables

| 2020 | | | |
|---|---|---|---|
| | Loans $'000 | Trade and other receivables $'000 | Total $'000 |
| **Expected credit loss** | | | |
| Loss allowance as at 1 July 2019 | 846 | 2,082 | 2,928 |
| Loss allowance recognised during the year | 2 | 246 | 248 |
| Loss allowance at 30 June 2020 | **848** | **2,328** | **3,176** |

Credit risk concentrations are diversified across a large number of advisers and are geographically based within Australia. They are mainly derived from the financial services industry and the main business segments providing support to financial advisers.

Equity instruments classified at FVTOCI

The maximum exposure to credit risk of the equity instrument designated at FVTOCI is their carrying amount.

#### 7.2.3.1 Analysis of financial instrument by days past due status

**Ageing Analysis**

| 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total $'000 | 0–30 Days $'000 | 31–60 Days $'000 | 61–90 Days PDNI $'000 | 61–90 Days CI $'000 | +91 Days PDNI $'000 | +91 Days CI $'000 |
| Trade receivables | 6,664 | 4,046 | 54 | 45 | - | 2,519 | - |
| Loan receivables – advisers | 922 | 2 | 2 | 1 | - | 112 | 805 |

**Ageing Analysis**

| 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total $'000 | 0–30 Days $'000 | 31–60 Days $'000 | 61–90 Days PDNI $'000 | 61–90 Days CI $'000 | +91 Days PDNI $'000 | +91 Days CI $'000 |
| Trade receivables | 7,835 | 5,524 | 87 | 11 | – | 2,213 | – |
| Loan receivables – advisers | 944 | 5 | 5 | 5 | – | 81 | 848 |

** Past due not impaired (PDNI)*

** Currently impaired (CI)*

[1] There are no trade receivables at Stage 1 because the Group's accounting policy is to apply the general approach to measure lifetime credit losses on trade receivables

## 7.2.4 Market risk

### 7.2.4.1 Interest rate risk

Interest rate risk is the potential for loss of earnings to the Group due to adverse movements in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations as disclosed below. 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.

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.

The Group's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

| 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average effective interest rate | Fixed ≤ 6 Months | Fixed > 6 Months | Variable | Non-interest bearing | Total carrying amount per balance sheet |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 0.05% | 4,792 | - | 6,338 | - | 11,130 |
| Trade and other receivables | | - | - | - | 6,664 | 6,664 |
| Loans | 2.27% | 10 | 913 | 284 | - | 1,207 |
| Investments in unlisted shares | | - | - | - | 116 | 116 |
| **Total financial assets** | | **4,802** | **913** | **6,622** | **6,780** | **19,117** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | | - | - | - | 9,814 | 9,814 |
| Lease liabilities | 3.51% | - | 490 | - | - | 490 |
| **Total financial liabilities** | | **-** | **490** | **-** | **9,814** | **10,304** |
| **Net Exposure** | | **4,802** | **423** | **6,622** | **(3,034)** | **8,813** |

| 2020 | | | | | | |
|---|---|---|---|---|---|---|
| | Weighted average effective interest rate | Fixed ≤ 6 Months | Fixed > 6 Months | Variable | Non-interest bearing | Total carrying amount per balance sheet |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | 0.68% | 280 | – | 11,907 | – | 12,187 |
| Trade and other receivables | | – | – | – | 7,835 | 7,835 |
| Loans | 3.27% | 15 | 929 | 2,703 | – | 3,647 |
| Investments in unlisted shares | | – | – | – | 116 | 116 |
| **Total financial assets** | | **295** | **929** | **14,610** | **7,951** | **23,785** |
| **Financial Liabilities** | | | | | | |
| Trade and other payables | | – | – | – | 9,960 | 9,960 |
| Lease liabilities | 3.51% | – | 988 | – | – | 988 |
| **Total financial liabilities** | | **–** | **988** | **–** | **9,960** | **10,948** |
| **Net Exposure** | | **295** | **(59)** | **14,610** | **(2,009)** | **12,837** |

### 7.2.4.2 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.

### 7.2.4.3 Liquidity risk

The Group's policy is to match debt with the nature and term of the underlying assets. At reporting date, over 83% (30 June 2020: 85%) of the Group's financial assets mature in less than 12 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.

Maturity analysis of financial assets and liabilities are based on management's expectations.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital, for example, 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 include future interest receivable or payable.

| 2021 | | | | |
|---|---|---|---|---|
| | ≤ 6 Months | 6–12 Months | 1–5 Years | Total |
| **Financial assets** | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 11,130 | - | - | 11,130 |
| Trade and other receivables | 4,333 | 153 | 2,178 | 6,664 |
| Loans | 9 | 9 | 904 | 922 |
| Investments in unlisted shares | - | - | 116 | 116 |
| **Total financial assets** | **15,472** | **162** | **3,198** | **18,832** |
| **Financial liabilities** | | | | |
| Trade and other payables | 9,814 | - | - | 9,814 |
| Lease liabilities | - | 438 | 52 | 490 |
| **Total financial liabilities** | **9,814** | **438** | **52** | **10,304** |
| **Net maturity** | **5,658** | **(276)** | **3,146** | **8,528** |

| 2020 | | | | |
|---|---|---|---|---|
| | ≤ 6 Months | 6-12 Months | 1-5 Years | Total |
| **Financial assets** | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | 12,187 | – | – | 12,187 |
| Trade and other receivables | 5,660 | 9 | 2,166 | 7,835 |
| Loans | 15 | 15 | 914 | 944 |
| Investments in unlisted shares | – | – | 116 | 116 |
| **Total financial assets** | **17,862** | **24** | **3,196** | **21,082** |
| **Financial liabilities** | | | | |
| Trade and other payables | 9,960 | – | – | 9,960 |
| Lease liabilities | – | 305 | 683 | 988 |
| **Total financial liabilities** | **9,960** | **305** | **683** | **10,948** |
| **Net maturity** | **7,902** | **(281)** | **2,513** | **10,134** |

7.2.4.4 Foreign currency risk

The Group undertakes seasonal transactions denominated in foreign currencies (USD), and consequently, exposures to exchange rate fluctuations arise. The transactions include the IT subscriptions and consulting fees.

## 7.3 Fair value measurements

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each financial year.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped by fair value hierarchy level.

### 7.3.1 Financial instruments measured at fair value on recurring basis

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2021** | | | | |
| *Equity instruments designated at FVTOCI* | | | | |
| Unlisted shares | - | - | 116 | 116 |
| **Total assets** | **-** | **-** | **116** | **116** |

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| *Equity instruments designated at FVTOCI* | | | | |
| Unlisted shares | – | – | 116 | 116 |
| **Total assets** | **–** | **–** | **116** | **116** |

There are no financial liabilities that are measured at fair value.

There have been no transfers between Level 1 and Level 2 categories of financial instruments.

### 7.3.2 Reconciliation of Level 3 fair value measurements of financial assets

| | FVTOCI Unlisted shares $'000 |
|---|---|
| **30 June 2021** | |
| **Balance at beginning of year** | **116** |
| Total gains or losses: | |
| in profit or loss | - |
| **Balance at end of year** | **116** |

| | FVTOCI Unlisted shares $'000 | FVTPL Convertible notes $'000 |
|---|---|---|
| **30 June 2020** | | |
| **Balance at beginning of year** | **116** | **530** |
| Total gains or losses: | | |
| in profit or loss | – | (530) |
| **Balance at end of year** | **116** | **–** |

### Fair value measurements

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly (this is, unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (that is, the market with greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the financial year (that is, the market that maximises the receipts from the sale of the asset, or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use. In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are received at each reporting date, and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement. The categories are as follows:

- **Level 1** – measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** – measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** – measurement based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group financial assets and liabilities are measured at fair value that approximates the carrying amount.

## 7.3.3 Summary of valuation methodologies applied in determining fair value of financial instruments

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priorities to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and which reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held in assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the economic entity are consistent with one or more of the following valuation approaches:

- **Market approach** – valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- **Income approach** – valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- **Cost approach** – valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

| Financial Asset/Liability | Fair value assumptions |
|---|---|
| **Cash and cash equivalents** | Fair value approximates the carrying amount as these assets are receivable on demand or short-term in nature. |
| **Loans** | For fixed rate loans, excluding impaired loans, fair value is determined by discounting expected future cash flows by the RBA Indicator Lending Rate for small business loans adjusted using quoted BBSW interest rates to reflect the average remaining term of the loans as at 30 June 2021.<br>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 $9,215 (30 June 2020: $9,440).<br>For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently. |
| **Trade and other receivables** | The carrying values of variable rate trade and other receivables approximate their fair value as they are short-term in nature and reprice frequently. |
| **Trade and other payables** | For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently. |
| **Lease liabilities** | The lease liability fair value is initially recognised and measured at the present value of the lease payments. After the initial recognition, the lease liability is measured with consideration to accrued interest, lease payments and remeasurements reflecting any reassessment or lease modifications. |

The fair value measurement of assets reflects the market data at the measurement date under current market conditions. The valuations are subject to substantial measurement uncertainty due to COVID-19. There will be a growth in the amount of subjectivity involved in fair value measurements specifically those founded on unobservable inputs. Circumstances may result in the Group selecting more unobservable inputs since appropriate observable inputs are no longer obtainable.

Factors considered when assessing fair value of assets:

- decline in fair value of financial assets particularly equity securities; and
- ability for debtors to comply with the terms of loans and similar instruments affected.

## 8. Dividends

On 2 February 2021, the Directors declared a fully franked interim dividend of 1.0 cent per share and special dividend of 3.0 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2020, which was paid to shareholders on 26 February 2021. The total dividend paid was $5,771,319.

On 24 August 2021, the directors declared a fully franked ordinary dividend of 1.0 cent per share to the holders of fully paid ordinary shares in respect of the results for the year ended 30 June 2021, to be paid to shareholders on 8 October 2021. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,442,830.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **a. Dividends paid or payable** | | |
| The following fully franked dividends were provided for or paid during the year: | | |
| Dividends paid on ordinary shares | 1,443 | – |
| Special dividends paid on ordinary shares | 4,328 | – |
| **Total dividends** | **5,771** | **–** |

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **b. Franking credit balance** | | |
| Franking account balance as at the end of the financial year | 15,019 | 17,563 |

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

# 9. Earnings per share

## Key accounting policies

### Earnings per share

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 year that would result from the dilution of potential dividends by ordinary shares.

The following reflects the income used in the basic and diluted earnings per share (EPS) computations:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| a. Profit used in calculating profit per share | | |
| Net profit/(loss) attributable to ordinary equity holders of the Company | 1,847 | (2,000) |
| b. Weighted average number of shares | **No. of shares** | **No. of shares** |
| Weighted average number of ordinary shares | 144,282,969 | 147,739,253 |
| *Effect of dilution:* | | |
| Performance rights and LTI shares | 11,763,425 | 13,650,273 |
| **Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution** | **156,046,394** | **161,389,526** |
| Basic profit/(loss) cents per share | 1.28 | (1.35) |
| Diluted profit/(loss) cents per share | 1.18 | (1.35) |

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.

# 10. Contributed Equity

## Key accounting policies

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Group. 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.

| | | | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|
| a. Paid up capital | | | | |
| Ordinary shares | | | 34,301 | 34,301 |
| | | | **34,301** | **34,301** |
| | **2021** | **2021** | **2020** | **2020** |
| | **Number of shares** | **$'000** | **Number of shares** | **$'000** |
| **Ordinary shares (issued and fully paid)** | | | | |
| Balance at start of year | 144,282,969 | 34,301 | 148,882,969 | 34,673 |
| Movements during the year: | | | | |
| cancellation of shares | - | - | - | - |
| share buy-back | - | - | (4,600,000) | (372) |
| **On issue at end of year** | **144,282,969** | **34,301** | **144,282,969** | **34,301** |
| **Total contributed equity** | **144,282,969** | **34,301** | **144,282,969** | **34,301** |

## 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 resolved to declare an ordinary dividend having referred to the dividend policy and strategic direction of the business.

## 11. Reserves

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Employee equity benefits reserve | 339 | 1,259 |
| Dividend reserve | 5,888 | 11,659 |
| **Total reserves** | **6,227** | **12,918** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **a. Employee equity benefits reserve** | | |
| Balance at start of year | 1,259 | 951 |
| Value of share-based payments provided or which vested during the year | 260 | 308 |
| Transfer of non-vested performance rights from reserves to retained earnings | (1,180) | – |
| **Balance at end of year** | **339** | **1,259** |

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.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **b. Dividend reserve** | | |
| Balance at start of year | 11,659 | 11,659 |
| Dividends paid | (5,771) | – |
| **Balance at end of year** | **5,888** | **11,659** |

# 12. Property, plant and equipment

## Key accounting policies

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Plant and equipment are 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 straight-line basis over the estimated useful lives of the assets as follows:

| Asset | Useful Life |
|---|---|
| **Plant and equipment** | 2-7 years |
| **Leasehold improvements** | Lease term |

Derecognition: 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 derecognition 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 Profit or Loss and Other 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.

| | Leasehold Improvements $'000 | Plant and Equipment $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2019 | 1,986 | 2,865 | 4,851 |
| Additions | - | 117 | 117 |
| Disposals | (451) | (23) | (474) |
| **At 30 June 2020** | **1,535** | **2,959** | **4,494** |
| Additions | - | 58 | 58 |
| Disposals | (317) | (38) | (355) |
| **At 30 June 2021** | **1,218** | **2,979** | **4,197** |
| **Depreciation and impairment** | | | |
| At 1 July 2019 | 1,776 | 2,544 | 4,320 |
| Depreciation charge for the year | 54 | 134 | 188 |
| Disposals | (420) | (18) | (438) |
| **At 30 June 2020** | **1,410** | **2,660** | **4,070** |
| Depreciation charge for the year | 29 | 119 | 148 |
| Disposals | (290) | (26) | (316) |
| **At 30 June 2021** | **1,149** | **2,753** | **3,902** |
| **Net carrying value** | | | |
| At 30 June 2021 | **69** | **226** | **295** |
| At 30 June 2020 | **125** | **299** | **424** |

# 13. Leases (Group as a lessee)

## a. Amounts recognised in Statement of Profit or Loss and Other Comprehensive Income

The Group has elected not to recognise lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low value assets. Payments made for such leases are expensed on a straight-line basis. The variable payments associated with the Group's building and equipment leases are recognised as expense as they are incurred.

The table below summarises the amounts recognised in profit or loss and other comprehensive income for the year:

| | 2021 $'000 | 2020 $'000 |
|---|---:|---:|
| Depreciation expense on right-of-use assets | 799 | 666 |
| Interest expense on lease liabilities | 26 | 30 |
| Expenses relating to short-term leases | 5 | 19 |
| Expenses relating to low value assets | 307 | 433 |
| Expenses relating to variable lease payments not included in the measurement of the lease liabilities | 219 | 279 |
| | **1,356** | **1,427** |

## b. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

The table below summarises the carrying amount of the right-of-use assets for the Group's building and equipment leases:

| | Building $'000 | Equipment $'000 | Total $'000 |
|---|---:|---:|---:|
| **Cost** | | | |
| 1 July 2020 | 1,584 | 36 | 1,620 |
| Additions | 361 | - | 361 |
| At 30 June 2021 | **1,945** | **36** | **1,981** |
| **Accumulated depreciation** | | | |
| At 1 July 2020 | 654 | 12 | 666 |
| Depreciation charge for the year | 787 | 12 | 799 |
| At 30 June 2021 | **1,441** | **24** | **1,465** |
| | | | |
| **Carrying amount** | | | |
| At 30 June 2021 | **504** | **12** | **516** |

The Group leases include buildings and equipment, and the average lease term is three years (30 June 2020: three years). Approximately 25% of the leases expired in the current financial year (30 June 2020: 75%). The Group recognised right-of-use assets of $0.4m (30 June 2020: $1.62m).

## c. Maturity analysis of lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The table below summarises maturity analysis of undiscounted lease liabilities for the Group:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Year 1 | 447 | 729 |
| Year 2 | 53 | 232 |
| Year 3 | - | 53 |
| **Total** | **500** | **1,014** |

# 14. Intangible assets

## Key accounting policies

### 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 recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

### Impairment of assets

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the business combination.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss on goodwill or other identifiable intangibles is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill or other identifiable intangible is included in the determination of the profit or loss on disposal.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### Key judgements

The cash-generating units determined by management are:

- Licensee Services
- Ventura Investment Management Limited (Ventura)
- xseedwealth Pty Ltd (xseedwealth)
- Centrepoint Alliance Lending Services Pty Ltd (Centrepoint Lending Services)
- Investment Diversity Pty Ltd (Investment Diversity)
- Enzumo Corporation & Consulting Pty Ltd

### Key estimates

Impairment testing of goodwill was carried out by comparing the net present value of cash flows from the cash-generating unit (CGU) to the carrying value of the CGU. The cash flows were based on projections of future earnings after adjusting for taxation, depreciation and amortisation and working capital changes.

The cash flows have been projected over a period of five years. The terminal value of the Group beyond year five has been determined using a constant growth perpetuity.

The key assumptions used in carrying out the impairment testing were as follows:

- Budgeted operating cashflows for the financial years ending 30 June 2021-2025 represents the Group's estimate of future cash flows based on the forecast approved by the Board of Directors. The business has moved to a fee-based model, which primarily impacts the Licensee Services CGU and given some uncertainty around this, change sensitivities have been disclosed below.
- Terminal growth rate 1.0% (30 June 2020: 1.0%) represents the terminal growth rate (beyond five years).
- Discount rate 13.10% (30 June 2020: 13.10%) is the discount rate used in impairment testing for all CGUs at 30 June 2021. The business contends the discount rate applied is appropriate based upon the risks inherent in the business.

The goodwill and other identifiable intangibles disclosed in the Statement of Financial Position at 30 June 2021 were supported by the impairment testing and no impairment adjustment was required.

The CGUs where a 'reasonably possible' change in estimates could lead to the carrying amount exceeding the value in use, are Centrepoint Lending Services and Licensee Services. The reasonably possible trigger points at which the carrying value of the CGU would exceed its recoverable amount, while holding all other variables constant, are as follows:

- **Licensee Services** – the primary sensitivity for Licensee Services relates to fee income earned under the new fee structure. Forecast fees would need to decrease by 15% in financial year 2022 and remain flat from financial year 2023 to 2025 with a 10% reduction in the employment cost base from financial year 2022 to 2025, before the carrying amount would exceed recoverable amount. The Group believes the likelihood of this scenario occurring is unlikely; and
- **Centrepoint Lending Services** – the primary sensitivity for Centrepoint Lending Services is the discount rate used in the calculation of value in use. The discount rate would need to increase to 45% before carrying amount would exceed recoverable amount. The Group believes the risks associated with the cashflows in this CGU are lower than average in the Group and the discount rate used is appropriate.

In determining the recoverable value of non-financial assets, the Group considered the following factors:

- Property, plant and equipment and intangible assets
  - decrease in market interest rates causes a decrease in the asset's value in use;
  - significant changes in the extent or way in which the asset is used or is expected to be used;
  - a decline or termination of the need for the services provided by the asset; and
  - significant changes in the legal aspects or business climate that could affect the worth of the asset.

- Goodwill
  - tested for impairment annually;
  - the testing for write-down or impairment of a substantial asset group;
  - a loss of key personnel that is other than temporary (such as death);
  - a significant decline in the entity's share price, which could result in the carrying amount of the entity's net assets exceeding its market capitalisation; and
  - a significant adverse modification in legal aspects or in the business climate.

The impairment assessment performed by the Group concluded that the underlying future cash flows will not be impacted by any business risk. As a result, no impairment was taken up for the year end.

| Intangible asset | Description of the Group's intangible assets | Impairment Test | Key Accounting Policies |
|---|---|---|---|
| Goodwill | Goodwill was created during 2012 on the acquisitions of the externally owned interests in Ventura Investment Management Limited of $93k and in Centrepoint Alliance Lending Pty Ltd (previously Centrepoint Lending Solutions Pty Ltd) of $863k.<br>Goodwill was created on the acquisition of Enzumo on 17 June 2020 of $0.13m.<br>The current carrying value of goodwill is $1.09m. | Goodwill is tested annually for impairment by calculation of value in use at the CGU level.<br>Management is of the view that core assumptions such as cost of capital and terminal growth rate are the same across all CGUs.<br>Value in use is calculated using discounted cash flow projections for five years and terminal values prepared from current forecasts using the following assumptions:<br>Terminal growth rate 1.0% (30 June 2020: 1.0%).<br>Cost of capital: 13.10% (30 June 2020: 13.10%).<br>The testing resulted in no impairment being required. | 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.<br>Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.<br>As at acquisition date, any goodwill acquired is allocated to each of the CGUs, which are expected to benefit from the acquisition.<br>Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. |

| Intangible asset | Description of the Group's intangible assets | Impairment Test | Key Accounting Policies |
|---|---|---|---|
| | | | Where goodwill forms part of a CGU 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 CGU retained. |
| Networks and client lists (excluding Enzumo client contracts) | Intangible assets in the form of adviser network businesses and adviser client lists acquired to expand the adviser network. The total book value at 30 June 2021 is nil (30 June 2020: $0.1m) | Adviser network businesses and client lists are regularly tested for impairment by calculation of value in use when indicators of potential impairment arise.<br>Value in use is calculated using discounted cash flow projections associated with the applicable asset using the following assumptions:<br>The number of revenue generating advisers and clients declines to nil over the remaining useful life of four years and one year respectively.<br>Cash flows associated with remaining advisers and clients are inflated only at CPI with no growth assumed.<br>Cost of capital: 13.10% (30 June 2020: 13.10%).<br>The testing resulted in no impairment losses. | 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.<br>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 financial year. 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 Profit or Loss and Other Comprehensive Income. |
| Software | The Group has developed or acquired | The value of the developed or acquired software of the Group is amortised on a | As per Accounting Standards, software was capitalised as an |

| Intangible asset | Description of the Group's intangible assets | Impairment Test | Key Accounting Policies |
|---|---|---|---|
| | software, which is being amortised over their expected useful lives. | straight-line basis over a 5-year period, which the Directors assess as the intangible asset's useful life.<br>There were no events or changes in circumstances that indicate that the carrying amount of the software may not be recoverable and therefore is not impaired. | asset on the basis that the costs result in a future economic benefit to the entity and they can be measured reliably.<br><br>Value of software assets recorded by the entity in their financial statement continues to reflect the expected benefits to be obtained from their use. The Group determines the useful life of software assets and amortises the cost over the useful life of the assets.<br><br>At each reporting date, the entity will assess whether there is any indication that an asset is recorded at greater than its recoverable amount. If applicable, recognise an impairment loss. |
| Client contracts (Customer relationships) | The Group has acquired client contracts as part of the Enzumo acquisition at fair value on acquisition date as determined by an independent valuer.<br>The current carrying value of customer relationships is $0.9m (30 June 2020: $1m). | The value of the acquired client contracts is amortised on a straight-line basis over the period in which future economic benefits are expected to be derived, being a period of eight years.<br>There were no events or changes in circumstances that indicate that the carrying amount of the software may not be recoverable and therefore is not impaired. | The client contracts are acquired in a business combination as its fair value as at the date of acquisition. Following initial recognition, the intangible asset – client contracts, are carried at cost less any accumulated amortisation and any accumulated impairment losses. |
| Brands and trademarks | The Group has acquired the Enzumo Brand and trademark as part of the Enzumo acquisition at fair value on acquisition date as determined by an independent valuer.<br>The current carrying value of trade name is $0.1m. | The value of the acquired Enzumo brand is not amortised as it is seen to have an indefinite useful life which has been impairment tested on an annual basis. To date, the brand and trademark is not considered to be impaired. | The Enzumo brand and trademark is acquired in a business combination at fair value as at the date of acquisition. They have an indefinite useful life and following initial recognition, the Enzumo brand is carried at cost less any impairment losses. |

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

| | |
|---|---|
| **Software** | 5 years |
| **Network and Client Lists/Relationships** | 5-10 years |

### 14.1.1 Reconciliation of carrying amounts at the beginning and end of the financial year

| | Goodwill $'000 | Software $'000 | Network and Client Lists/Relationships $'000 | Trade Name $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial year ending 30 June 2021** | | | | | |
| At 1 July 2020 net carrying value | 1,095 | 1,275 | 1,151 | 101 | **3,622** |
| Additions | - | 12 | - | - | **12** |
| Amortisation | - | (316) | (234) | - | **(550)** |
| **At 30 June 2021 net carrying value** | **1,095** | **971** | **917** | **101** | **3,084** |
| **At 30 June 2021** | | | | | |
| Cost | 1,348 | 5,295 | 11,568 | 101 | **18,312** |
| Accumulated amortisation and impairment | (253) | (4,324) | (10,651) | - | **(15,228)** |
| **Net carrying value** | **1,095** | **971** | **917** | **101** | **3,084** |

| | Goodwill $'000 | Software $'000 | Network & Client Lists/Relationships $'000 | Trade Name $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial year ending 30 June 2020** | | | | | |
| At 1 July 2019 net carrying value | 956 | 1,371 | 348 | – | **2,675** |
| Additions | 139 | 173 | 1,048 | 101 | **1,461** |
| Amortisation | – | (269) | (245) | – | **(514)** |
| **At 30 June 2020 net carrying value** | **1,095** | **1,275** | **1,151** | **101** | **3,622** |
| **At 30 June 2020** | | | | | |
| Cost | 1,348 | 5,283 | 11,568 | 101 | **18,300** |
| Accumulated amortisation and impairment | (253) | (4,008) | (10,417) | – | **(14,678)** |
| **Net carrying value** | **1,095** | **1,275** | **1,151** | **101** | **3,622** |

## 15. Provisions

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 (Legacy Claims) or post 1 July 2010 (Non-Legacy Claims) by authorised representatives of the Group.

As the AFCA extension period ended in June 2020, reported open legacy claims at 30 June 2021 has reduced to two claims as a result of closure and settlement (30 June 2020: 26). There are 14 Non-Legacy claims at 30 June 2021, which are currently under review. Resolution of these remaining claims is dependent on the circumstances of each claim and the level of complexity involved. Any costs are offset against the general provision as incurred.

| | Key accounting policies |
|---|---|
| **Claims and other provisions** | Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that 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.<br>Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. 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.<br>A provision for claims is recognised when client claims received by advisers are notified to the Group, or the Group expects to incur liabilities in the future as a result of past advice given. The liability is measured at the present value of the future costs that the Group expects to incur to settle the claims. |
| **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.<br>Liabilities for wages and salaries, including non-monetary benefits, annual leave, and other benefits, expected to be settled wholly within 12 months of the reporting date are measured at the amounts due to be paid when the liability is settled.<br>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. |
| **Make good costs for leased property** | A provision for make good costs for leased property is recognised when a make good obligation exists in the lease contracts. The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Current** | | |
| Provision for claims | 1,875 | 3,019 |
| Provision for employee benefits | 3,089 | 3,169 |
| Property make good | 206 | 121 |
| **Total** | **5,170** | **6,309** |
| **Non-current** | | |
| Provision for employee benefits | 365 | 432 |
| Property make good | 5 | 95 |
| **Total provisions** | **370** | **527** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| a. Movement in provision for claims | | |
| Opening balance | 3,019 | 1,261 |
| *Movement in the provision is as follows:* | | |
| Claims provisioning expense for the year | 8 | 3,463 |
| Claims settlements and fees paid | (1,152) | (1,705) |
| **Closing balance** | **1,875** | **3,019** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| b. Movement in provision for employee benefits | | |
| Opening balance | 3,601 | 3,171 |
| *Movement in the provision is as follows:* | | |
| Provision for year | 3,061 | 3,499 |
| Leave and other employee benefits paid | (3,208) | (3,069) |
| **Closing balance** | **3,454** | **3,601** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| c. Movement in provision for property make good | | |
| Opening balance | 216 | 291 |
| *Movement in the provision is as follows:* | | |
| Provision for year | (5) | (75) |
| **Closing balance** | **211** | **216** |

## 16. Contingent liabilities

### Client claims

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.

On 18 June 2019, ASIC announced that it had approved a change to AFCA rules to allow it to investigate certain complaints dating back to 1 January 2008. The AFCA extension period ended on 30 June 2020. Open legacy claims during the year have decreased as a result of closure or settlement. Non-Legacy claims continue and given the variability of settlement amounts, a general provision at 30 June 2021 has been recorded for foreseeable Non-Legacy claims based on historical information. The Group also continues to fully provide for known obligations at 30 June 2021.

### Adviser service fees

Under the service arrangements with authorised representatives, customers generally pay an adviser service fee to receive an annual review, together with other services. The Group is assessing whether customers who have paid for these services have been provided with the agreed services.

An assessment of financial advisers employed by the Group (xseedwealth salaried advisers) has been completed, and where customer compensation is probable and can be reliably estimated, a provision was made at 30 June 2018. As at 30 June 2021 the provision balance is $80k.

The assessment process of identifying customers associated with authorised representatives licensed by the Group's wholly owned subsidiaries, Professional Investment Services (PIS) and Alliance Wealth (AW), commenced in February 2019.

The assessment process is well progressed. To date, out of 232* PIS and AW practices, 167 (72%) have been reviewed with 15% identified with a Fee for No Service (FFNS) issue. Refunds of $0.47m are being paid or are expected to be paid by the practices. As no current potential obligation for the Group exists and review is on-going, it is not practicable to provide an estimate of final remediation costs. Refund amounts identified up to 24 August 2021 are not material and accordingly, no provision has been recognised in relation to this matter at 30 June 2021.

* Note: There have been 123 practices that have joined post the commencement of the FFNS program that are not required to take part in the full FFNS program and hence have been excluded from the total population.

## 17. Remuneration of auditors

The primary auditor of the Group is BDO Audit Pty Ltd (2020: Deloitte Touche Tohmatsu).

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| *Amounts received or due and receivable by BDO Audit Pty Ltd* | | |
| Fees to the group auditor for the audit or review of the statutory financial reports of the Group, subsidiaries and joint operations | 285,000 | 395,733 |
| Fees for statutory assurance services that are required by legislation to be provided by the auditor | 74,500 | 100,958 |
| Fees for other services | 89,730 | 59,886 |
| | **449,230** | **556,577** |

## 18. Information relating to Centrepoint Alliance Limited

The Financial Statements of the Parent are:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current assets | 6,598 | 18,260 |
| Non-current assets | 1,681 | 2,906 |
| Current liabilities | (107) | (157) |
| Non-current liabilities | (4) | (16) |
| **Net Assets** | **8,168** | **20,993** |
| Issued capital | 33,126 | 33,126 |
| Dividend reserve | 4,733 | 10,504 |
| Accumulated profit | (29,691) | (22,637) |
| **Total Shareholder Equity** | **8,168** | **20,993** |
| Net loss after tax of the parent entity | **(7,061)** | **(7,852)** |
| Total comprehensive loss of the parent entity | **(7,061)** | **(7,852)** |

At reporting date, the Parent has given nil guarantees to external parties (30 June 2020: nil).

## 19. Related party disclosures

### a. Information relating to investments

| Name | Country of Incorporation | Ownership Interest | | Principal Activity |
|---|---|---|---|---|
| | | 2021 | 2020 | |
| **Licensee and Advice Services** | | | | |
| Centrepoint Alliance Lending Pty Ltd | Australia | 100% | 100% | Mortgage broker/aggregator |
| Alliance Wealth Pty Ltd | Australia | 100% | 100% | Financial advice |
| Professional Investment Services Pty Ltd | Australia | 100% | 100% | Financial advice |
| Associated Advisory Practices Pty Ltd | Australia | 100% | 100% | Support services AFSL licensee |
| xseedwealth Pty Ltd | Australia | 100% | 100% | Salaried advice |
| **Funds Management and Administration** | | | | |
| Investment Diversity Pty Ltd | Australia | 100% | 100% | Packages investment platforms |
| Ventura Investment Management Limited | Australia | 100% | 100% | Packages managed funds |
| **Corporate** | | | | |
| Centrepoint Alliance Services Pty Ltd | Australia | 100% | 100% | Trustee – employee share plan |
| Centrepoint Services Pty Ltd | Australia | 100% | 100% | Service company |
| Centrepoint Wealth Pty Ltd | Australia | 100% | 100% | Holding company |
| De Run Securities Pty Ltd | Australia | 56% | 56% | Financial services |
| Presidium Research and Investment Management Pty Ltd (formerly Imagine Your Lifestyle Pty Ltd) | Australia | 100% | 100% | Dormant |
| Professional Accountants Pty Ltd | Australia | 100% | 100% | Loans to advisers |
| Ginger Group Financial Services Limited | New Zealand | 50% | 50% | Financial advice |
| Enzumo Corporation Pty Ltd | Australia | 100% | 100% | Service company |
| Enzumo Consulting Pty Ltd | Australia | 100% | 100% | Consulting services |

### 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 within the Group are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at financial 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 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (30 June 2020: 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. There are no related party transactions outside the Group other than remuneration to KMPs.

### d. Transactions with Key Management Personnel

The aggregate compensation paid to Directors and other members of KMP of the Company and the Group is set out below:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Short-term employee benefits | 1,397,172 | 1,287,481 |
| Post-employment benefits | 69,848 | 51,520 |
| Termination/resignation benefits | 453,306 | - |
| **Total compensation** | **1,920,326** | **1,339,001** |

## 20. Share-based payment plans

### a. Share-based payment plans

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

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Expense arising from performance rights | 259,928 | 307,721 |
| **Total** | **259,928** | **307,721** |

### Key accounting policies

#### i) Equity-settled transactions:

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

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 Profit or Loss and Other Comprehensive Income is the product of:

- the grant date fair value of the award;
- 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
- the expired portion of the vesting period.

The charge to the profit or loss for the financial year is the cumulative amount as calculated above, less the amounts already charged in previous years. 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.

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 Company 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 Company'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 profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

### Movements during the year

The 9,150,000 performance rights at 30 June 2021 issued in previous financial years have not yet vested.

On 6 April 2021, the CESP 21 share-based payments were modified. The Board approved a change in the target share price hurdle from 28.0 cents to 22.0 cents for vesting of 50% of the performance rights and a change in the target share price hurdle from 32.0 cents to 25.0 cents for vesting of 100% of the performance rights. The number of CESP 21 performance rights held at 30 June 2021 is 5,150,000. The fair value prior to modification was $0.0693 and the fair value on modification was $0.1416. As a result of the modification, an additional accounting expense of $156,168 measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee.

### Performance rights pricing model

The fair value of the performance rights issued are calculated as at the date of grant using the Monte Carlo Model. This model takes into account the terms and conditions upon which they were granted and market-based inputs as at the grant date.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | No | WAEP[1] | No | WAEP[1] |
| *(ii) Performance rights under the CESP* | | | | |
| Outstanding at beginning of period | 12,550,000 | - | 12,000,000 | – |
| Granted during the financial year | - | - | 4,000,000 | – |
| Vested during the financial year | - | - | – | – |
| Expired during the financial year | (3,400,000) | - | (3,450,000) | – |
| Outstanding at end of financial year | **9,150,000** | **-** | **12,550,000** | **–** |

## 21. Events subsequent to the balance sheet date

The Board continued with its strategic review to seek out and pursue inorganic opportunities. Consistent with this review, on 24 August, the Group has entered into a Share Purchase Agreement for Clearview's financial advice businesses (ASX Code: CVW) in exchange for $15.2 million, made up of $3.2 million in cash and a strategic 25% equity stake in the Group (issue price 25c). Clearview financial advice provides market leading licensing and financial advice support services. The acquisition will enable the Group to realise strategic value and synergies between the two businesses.

John Shuttleworth was appointed Centrepoint Alliance's new Chief Executive Officer on 4 August 2021. He is based in the Sydney Head Office. John has in-depth experience in financial services and has demonstrated leadership in established and new businesses and will assist the Group in its next phase of growth.

The impact of COVID-19 is ongoing and while the Group has not suffered any material adverse impacts up to 30 June 2021, it is not practicable to estimate the potential impact (positive or negative), after the reporting date. The situation continues to develop and is dependent on measures imposed by Federal and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the dividend declared as mentioned in Note 8 and the matters as disclosed above, there are no further matters or events which have arisen since the end of the financial year 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.

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[1] WAEP is weighted average exercise price

# Directors' Declaration

30 June 2021

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

1. In the opinion of the Directors:

   (a) The consolidated financial statements and notes of Centrepoint Alliance Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of its financial position as at 30 June 2021 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 ended 30 June 2021.

On behalf of the Directors:

**A. D. Fisher**
Chair

24 August 2021

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Australia

# INDEPENDENT AUDITOR'S REPORT

To the members of Centrepoint Alliance Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Centrepoint Alliance Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Impairment of Intangibles and Goodwill

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group's disclosures in respect to goodwill and intangible assets including their impairment assessment are included note 14 of the consolidated financial report. Annual impairment testing requires a significant amount of judgment and estimation by management, in the determination of cash generating units, projected cash flows, discount rates, growth rates.<br><br>The critical assumptions used by Management are disclosed in note 14.<br><br>The assumptions and complexity of the calculations have made the impairment assessment of intangible assets and goodwill a Key Audit Matter. | In order to evaluate and challenge key assumptions used by management in their impairment analysis, our procedures included but were not limited to:<br><br>- Obtaining an understanding of the key controls associated with the preparation of the 'Value in Use' models and critically evaluating management's methodologies and their documented basis for key assumptions which are described in Note 14 of the financial report;<br><br>- Challenging key assumptions, including forecast growth rates by comparing them to historical results, business trends, economic and industry forecasts and comparable organisations evaluated discount rates used by assessing the cost of capital for the company and comparable organisations by comparison to market data and industry research;<br><br>- Using our valuation specialists, to obtain revenue multiples from comparable companies to establish an independent range to compare against those used in the terminal value cash flow calculation;<br><br>- Assessing whether the division of the Group into CGUs at a segment level was consistent with our knowledge of the Group's operations and internal Group reporting;<br><br>- Evaluating the methodology applied by the Group in allocating corporate assets and costs across CGUs;<br><br>- Performing tests over the mathematical accuracy of the model and underlying calculations;<br><br>- Applying a sensitivity analysis to Management's key assumptions.<br><br>- Assessing the Group's intentions to continue to use the Enzumo brand name; and<br><br>- Reviewing and checking the amortisation expense for definite life intangible assets to ensure the expense is calculated consistently with the Group's stated amortisation rates. |

## Provision for client claims

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group has recognised a provision in respect to adviser client claims for a total of $1.9 million as disclosed in note 15 of the consolidated financial report.<br><br>These provided claims are for financial advice provided by authorised representatives of the Group prior to 1 July 2010, along with claims from external parties that the Group has become aware of.<br><br>The complexity of the estimation of the claims require management to apply significant judgement to determine the value of the liable position. | In assessing significant judgement applied by management, the following procedures were performed:<br><br>- Assessed the design and implementation of the controls in place in evaluating client claims;<br>- Reviewed claims and risk committee minutes to assess the accuracy and completeness of the provision recognised;<br>- Reviewed documentation issued by AFCA to support the accuracy and completeness of the provision recognised;<br>- Obtained and read adviser client claims information and evaluating the impact of any new information regarding the claim on the provision;<br>- Obtained solicitor representation and assessed the completeness of the provision recognised to open claims as disclosed by solicitor's;<br>- Inquired with management if there was any change to the approach and methodology for calculation of the provision for claims since 30 June 2020;<br>- Obtained information up to date of signing of the financial report in relation to the development of claims and assessing the impact on the provision ; and<br>- Assessed the appropriateness of the disclosure note in relation to the client claims provision. |

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Centrepoint Alliance Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney, 24 August 2021

# ASX Additional Information

30 June 2021

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in this report is as follows. The information is current as at 6 August 2021.

## 1. Class of securities and voting rights

### a. Ordinary shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 1,584 holders of ordinary shares, holding 144,282,969 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 | 287 | |
| 1,001–5,000 | 436 | |
| 5,001–10,000 | 219 | |
| 10,001–100,000 | 522 | |
| 100,001 and over | 120 | 12 |

The number of shareholders with less than a marketable parcel is 480.

## 3. Substantial shareholders

The names of substantial holders in the Company who have notified the Company in accordance with section 671B of the Corporations Act 2001 are set out below:

| Ordinary Shareholders | Fully paid No. of Shares |
|---|---|
| Tiga Trading Pty Ltd | 51,987,171 |
| Mr Alexander Beard and Mr Alexander Beard and Mrs Pascale Marie Beard ATF AD & MP Beard Superannuation Fund A/C | 10,998,296 |

## 4. Twenty largest holders of quoted equity securities

| Ordinary Shareholders | | Fully paid No. of shares | % Held |
|---|---|---:|---:|
| 1 | UBS NOMINEES PTY LTD | 53,692,171 | 37.21 |
| 2 | MR ALEXANDER BEARD + MRS PASCALE MARIE BEARD <AD & MP BEARD SUPERANNUATION FUFND A/C> | 10,268,889 | 7.12 |
| 3 | BONDIA INVESTMENTS PTY LTD | 4,834,000 | 3.35 |
| 4 | SUPERTCO PTY LTD <TAG SMALL CAP FUND A/C> | 3,000,000 | 2.08 |
| 5 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 2,875,590 | 1.99 |
| 6 | RICHARD JOHN NELSON + KAYE MARIE NELSON <NELSON PENSION FUND A/C> | 2,729,660 | 1.89 |
| 7 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 2,722,653 | 1.89 |
| 8 | MILA INVESTMENT CO PTY LTD <MILA INVESTMENT A/C> | 2,640,000 | 1.83 |
| 9 | NATIONAL NOMINEES LIMITED | 2,134,141 | 1.48 |
| 10 | MS FIONA ROWEENA WILLIAMS | 2,127,140 | 1.47 |
| 11 | M CONWAY INVESTMENTS PTY LTD <CONWAY FAMILY A/C> | 1,600,000 | 1.11 |
| 12 | MR JASON MAXWELL YU | 1,450,000 | 1.00 |
| 13 | WAYLEX PTY LTD <NELSON INVESTMENT A/C> | 1,418,051 | 0.98 |
| 14 | AGRB PTY LTD <THE BENBOW A/C> | 1,198,434 | 0.83 |
| 15 | CATHAYS PTY LTD <A & D GRIFFITHS S/F A/C> | 1,090,914 | 0.76 |
| 16 | MS KYLIE LYNETTE NUSKE + MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C> | 1,085,800 | 0.75 |
| 17 | FETTERPARK PTY LTD <O'REILLY FAMILY SF A/C> | 1,017,603 | 0.71 |
| 18 | MR DANIEL BARON DROGA + MRS LYNDELL DROGA <DROGA FAMILY SUPERFUND A/C> | 1,000,000 | 0.69 |
| 19 | MRS CHRISTINE ANN MOSSMAN | 829,600 | 0.57 |
| 20 | CHMIEL SUPER PTY LTD <CHMIEL SUPER FUND A/C> | 800,000 | 0.55 |
| | | **98,514,646** | **68.26** |

# Corporate Directory

## Securities Exchange Listing

Centrepoint Alliance Limited's shares are listed on the Australian Securities Exchange (ASX) and are traded under the ASX ticker code CAF.

## Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
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Facsimile:
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Email:
web.queries@computershare.com.au

Website:
www.computershare.com.au

## Auditor

BDO Audit Pty Ltd

ABN 33 134 022 870

Level 11, 1 Margaret St
Sydney NSW 2000

## Registered Address

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