

## **ASX Announcement** **22 August 2019**

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### **Centrepoint Alliance Limited reports pre-tax profit, cash-flow positive; business transformation progressing swiftly**

Centrepoint Alliance Limited (ASX: CAF) ('Centrepoint', the 'Company' or the 'Group') announced its financial results for the full year ended 30 June 2019 (FY19).

- Profit before tax of \$1.2m (FY18 \$3.4m loss)
- EBITDA of \$2.4m (FY18 \$1.6m loss)
- Accelerated transition of revenue mix towards recurring fees
- Material reduction in number and size of legacy claims
- 86% of adviser firms retained under new pricing model (195 of 227 firms)
- 80% increase in new onboarded advisers
- Record quarter for recruitment of new advisers

Chief Executive Officer Angus Benbow said he was pleased to report that FY19 results validated the new business model announced with the Strategic Refresh program in August 2018.

"The initiatives are showing early signs of success in repositioning the business for growth.

"We are well placed to capitalise on the changing financial services landscape, offering advisers the tools and services they need to drive their businesses forward successfully."

Mr Benbow noted that 86% of adviser firms within the Centrepoint authorised representative network had transitioned to the new recurring pricing model as revenue from rebates reduced sooner than anticipated.

"We are leading the evolution of the delivery of financial advice and are one of the first scaled advice businesses in the country to reset pricing to reflect the real cost of supporting authorised representatives.

"Our revenue mix is moving to be predominantly sourced from service fees paid by advisers. We are transforming Centrepoint to a contemporary business services provider to financial advisers," he said.

Chairman, Alan Fisher, said: "Centrepoint is well placed to take advantage of the disruption in the wealth management industry.

"Our transformation is progressing well, and we remain focussed on assessing partnerships, acquisition opportunities and enhancing shareholder value.

"During the year, we have welcomed additional advice businesses to the network and continue to see financial advisers proactively looking for a quality business services partner."

The areas of focus for FY20 are to:

- Launch fee-based offer for self-licensed advisers
- Drive continued growth in licensed network
- Further invest in technology and data to enable greater scale and superior service

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**Investor Briefing**

Angus Benbow, Chief Executive Officer, will hold an investor briefing at 11.00 AM (AEST) on 22 August 2019.

If you wish to participate in the briefing, please register on Investor Centre section of the Centrepoint website – [www.centrepoinalliance.com.au/FY19FullYearResultsInvestorWebinar](http://www.centrepoinalliance.com.au/FY19FullYearResultsInvestorWebinar).

Centrepoint's Appendix 4E and Full Year report are appended.

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**CENTREPOINT ALLIANCE LIMITED**  
**AND ITS CONTROLLED ENTITIES**  
ABN 72 052 507 507

Appendix 4E  
Year ended 30 June 2019

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

			<b>30 June 2019</b>	<b>30 June 2018 Restated</b>
Revenues from ordinary activities	Down	-4%	\$116,858,852	\$121,991,207
(Loss)/Profit before tax and non-controlling interests	Up	nm	\$1,220,309	(\$3,390,909)
(Loss)/Profit after tax attributable to members	Up	nm	(\$1,575,505)	(\$6,883,799)

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Final dividend	0.0 cents	0.0 cents
Previous corresponding period	0.0 cents	0.0 cents
Record date for determining entitlements to dividend	N/A	
Payment date of dividend	N/A	
<b>Dividend Reinvestment Plan</b>		
Plan active	No	
Discount	N/A	
Pricing period	N/A	
Last DRP election date	N/A	
<b>Net tangible assets per share</b>	30 June 2019 7.92 cents	30 June 2018 Restated 7.96 cents

Centrepnt Alliance Limited reported a net loss after tax of \$1.6m.

Note: nm stands for 'not meaningful'

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# CENTREPOINT



## ALLIANCE

**CENTREPOINT ALLIANCE LIMITED  
AND ITS CONTROLLED ENTITIES**

ABN 72 052 507 507

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Director's Report

30 June 2019

## Directors Report for the Year Ended 30 June 2019

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 2019.

### Directors

Director	Experience and expertise	Other Current Directorships	Former Directorships	Special responsibilities	Interests in shares and options
<p><b>Alan Fisher</b></p> <p>BCom, FCA, MAICD</p> <p><i>Chairman of the Board, Independent Non-Executive Director</i></p> <p>Appointed on 12 November 2015.</p>	<p>Alan has extensive and proven experience in restoring and enhancing shareholder value. He spent 24 years at world-leading accounting firm Coopers &amp; Lybrand where he headed and grew the Melbourne Corporate Finance Division. Following this tenure, he developed his own corporate advisory business specialising in M&amp;A, strategic advice, business restructuring and capital raisings.</p> <p>Alan holds a Bachelor of Commerce from Melbourne University, is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.</p>	<p>Non-Executive Director and Chairman of IDT Australia Limited (ASX:IDT).</p> <p>Non-Executive Director and Chairman of Audit and Risk Committees of Bionomics Limited (ASX:BNO), Thorney Technologies Limited (ASX:TEK) and Simavita Limited (ASX:SVA).</p>		<p>Chairman of the Board</p> <p>Chairman of the Nomination, Remuneration and Governance Committee</p> <p>Member of the Group Audit, Risk &amp; Compliance Committee.</p>	Nil
<p><b>Georg Chmiel</b></p> <p>Diplom-Informatiker, MBA, CPA (USA), FAICD</p> <p><i>Independent Non-Executive Director, Chairman of the Group Audit Risk &amp; Compliance Committee</i></p> <p>Appointed on 7 October 2016.</p>	<p>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 No. 1 network of property portal sites and related real estate services. He played a key role in finalising the sale of iProperty Group to REA Group, Southeast Asia's largest ever internet buyout. Prior to iProperty Group, Georg was 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.</p> <p>Georg holds a Master of Business Administration from INSEAD, a Diplom-Informatiker (Computer Science Degree)</p>	<p>Executive Director and Chairman of iCar Asia Limited (ASX:ICQ).</p>	<p>Director of iProperty Group Limited (ASX:IPP) (from 1 January 2011 to 16 February 2016).</p> <p>Non-Executive Director of Mitula Group Limited (ASX:MUA) (from 8 Jan 2017 to 8 Jan 2019).</p>	<p>Chairman of the Group Audit, Risk &amp; Compliance Committee</p> <p>Member of the Nomination, Remuneration and Governance Committee.</p>	150,000

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Director's Report

30 June 2019

	from Technische Universität München and is a member of the American Institute of Certified Public Accountants and a Fellow of the Australian Institute of Company Directors.				
<p><b>Martin Pretty</b></p> <p>BA, CFA, GAICD, Graduate Diploma of Applied Finance</p> <p>Appointed on 27 June 2014.</p>	<p>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, Bell Financial Group and IWL Limited. Martin has also previously worked as a finance journalist with The Australian Financial Review.</p> <p>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.</p>	No other directorships of Australian listed entities.		<p>Member of the Group Audit, Risk &amp; Compliance Committee</p> <p>Member of the Nomination, Remuneration and Governance Committee.</p>	105,000
<p><b>Company Secretary</b></p>					
<p><b>Debra Anderson</b></p> <p>B. Law (LLB) Hons, Post Graduate Diploma in Legal Practice, Diploma of Financial Planning, AGIA, ACIS, MAICD</p> <p><i>Senior Corporate Counsel &amp; Company Secretary</i></p>	<p>Debra is a lawyer who began her career in private practice in Australia and worked in New Zealand and Hong Kong, before joining the Company in 2003. She has gained extensive experience in financial services over the past 15 years and was appointed Company Secretary in November 2013.</p> <p>Debra is a member of the Queensland Law Society and is a qualified Chartered Secretary and is an Associate of the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia and a member of the Australian Institute of Company Directors.</p>				
<p><b>Marty Carne</b></p> <p>BM, BBus, LLB, LLM, MBA (Grad), GDLP, GCAIF</p> <p><i>Chief Legal Officer &amp; Company Secretary</i></p>	<p>Marty joined the Company in April 2016 and holds executive responsibility for Legal, Professional Standards, Risk and Claims Management.</p> <p>Marty has over 26 years' experience in regulation and financial services. Marty has held senior positions with a range of financial services companies and the Australian Securities Commission. Marty</p>				

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Director's Report

30 June 2019

	<p>has strong commercial and client-centric skills and experience in the delivery of strategic legal advice and management of risk.</p> <p>Marty was appointed as joint Company Secretary on 27 April 2017.</p> <p>Marty holds qualifications in law and business and is a member of the Queensland Law Society and the Association of Financial Advisers.</p>				
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### 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 & Governance Committee		Group Audit, Risk & Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended
A. D. Fisher	25	25	3**	3	5	5
H. W. Robertson#	7	2	1	0	-	-
M. P. Pretty	24	24	3	3	5	5
G. Chmiel	24	24	1***	1	5	5
A. E. Slattery*	5	5	1	1	-	-

#retired effective 29 October 2018 \*appointed 6 November 2018 and resigned 31 January 2019 \*\*Change of membership effective 6 November 2018 & 31 January 2019 \*\*\*Change of membership effective 31 January 2019.

### Principal Activities

Centrepoint Alliance Limited (the Parent Entity) and its controlled entities (the Group) 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 lending mortgage aggregation services to mortgage brokers.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Director's Report

30 June 2019

## Operating and Financial Review

### Operating Review

In August 2018 we announced our Strategic Refresh program, which was the culmination of a critical review of all aspects of the Centrepoint business. Having taken on feedback from our community of financial advisers, and studying the market disruption externally, we felt it important and timely to reset the Centrepoint business. We have a strong community of financial advisers and our focus is concentrated on supporting advisers both as professionals providing quality advice to clients and as business owners.

Over the past year we have been building and investing in a new service offering that provides specialist advisory and business services to help advisers navigate what is an increasingly complex operating and regulatory environment. We have made steady progress in bringing the new service offering to life, which includes significant investment in digital capability and the provision of data-led insights.

This, combined with our scale and resources, means our strong and connected community of advisers will be well placed to meet both the challenges and opportunities that come from the changing landscape around us.

### Financial Performance

For the financial year to 30 June 2019, the Group reported a net loss after tax of \$1.6m compared to a net loss after tax for the financial year to 30 June 2018 of \$6.9m.

	2019 \$'000	2018 restated * \$'000
Gross profit from contracts with customers	30,016	31,048
Gross profit	30,664	32,275
Expenses	(29,444)	(35,666)
Profit/(Loss) before tax	1,220	(3,391)
Net (loss) for the year	(1,576)	(6,884)

\* Refer note 21 on restatement to prior year comparative for details

The Group held \$7.9m in cash and cash equivalents as at 30 June 2019 (2018: \$9.5m). Cash provided by continuing operations was \$3.2m (2018: \$6.4m) from which \$4.5m was paid out in claims (2018: \$5.3m), \$1.3m for acquisition of software (2018: \$0.1m). \$1.2m was received for the Neos divestment and loan repayment (2018: Nil).

The Group has net assets at 30 June 2019 of \$16.9m (2018: \$19.0m) and net tangible assets of \$11.8m (2018: \$12.5m) representing net tangible assets per share of 7.92 cents (2018: 7.96 cents).

### Dividends

No dividends were paid during the year. No dividends have been declared since the end of the financial year to the date on this report.

### Shares and Performance Rights

During the year, under a Long-Term Incentive (LTI) award CESP21, 6,850,000 performance rights were issued on 7 February 2019 and 2,700,000 performance rights on 28 February 2019. 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. These are legally held by the Centrepoint Alliance Services Pty Ltd ATF the Centrepoint Employee Share Plan Trust (CESPT) and not converted into fully paid ordinary shares until satisfaction of the vesting conditions.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Director's Report

30 June 2019

The LTI awards CAESP17 and CAESP18 were terminated in the prior year. The 8,050,000 ordinary shares (associated with these plans) legally held by Centrepoint Alliance Services Pty Ltd ATF the Centrepoint Alliance Employee Share Plan Trust (CAESPT) were cancelled in the current financial year, following approval by shareholders at the 2018 Annual General Meeting.

In March 2019, 400,000 options expired unvested and 2,000,000 performance rights issued under LTI award CESP19 have been forfeited. No shares have been issued as a result of the exercise of options during the financial year and up to the reporting date.

### **Significant Changes in the State of Affairs**

In December 2018 Centrepoint entered an agreement with Australian Life Development Pty Limited, trading as NEOS Life ('ALD') that changed the nature of its investment in ALD from a convertible note to a loan capitalising interest that requires a faster return of capital to Centrepoint. The Convertible Note and Option Deed were replaced with a loan agreement, pursuant to which principal and interest repayments are required to be made in 6 monthly tranches between June 2019 and June 2021. In addition, the shares owned in ALD by Centrepoint were sold to a related party of ALD for full value on vendor finance. The first payment to the Group was paid on 31 December 2018 and the second is due on 31 December 2021.

In June 2019 a key milestone was reached in the Strategic Refresh program with 195 of Centrepoint's 227 licensed adviser firms being contracted to transition to the Group's new transparent pricing arrangements, commencing 1 July 2019. The new licensee service offering was launched in March 2019 and the transition was completed successfully.

### **Events After The Financial Year Other Than Outlined Above**

There are no 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 and the expected results of those operations in future financial years have been addressed in the Operating and Financial Review and in the subsequent events disclosure. The Directors are not aware of any other significant material likely developments 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 2019 was approved by the Board on 22 August 2019. The Corporate Governance Statement is available on our website: <http://www.centrepoinalliance.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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Director's Report

30 June 2019

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, Deloitte Touche Tohmatsu, 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 Deloitte Touche Tohmatsu during or since the end of the financial year.

## **Rounding**

The Company is a company of the kind referred to in *ASIC 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.

## **Restatement to prior year comparative**

During the year, the Company completed the cancellation of shares for the closure of the Centrepoint Alliance Employee Share Plan ('Plan'). Upon full review by the Group, it was identified that a receivable under the Plan in the 31 December 2017 and 30 June 2018 financial reports was incorrectly recognised. As a result, the receivable and related income and tax impacts have been adjusted in the comparative figures disclosed in these financial statements. Refer to note 21 for details.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

### Remuneration Report

This Remuneration Report for the year ended 30 June 2019 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 & Governance committee (NRGC)
- Employment contracts
- Remuneration of Key Management Personnel
- Short-term incentives
- Long-term incentives

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

### Key Management Personnel

The Key Management Personnel of the Company during the financial year were as follows:

A. D. Fisher	Chairman & Director (non-executive)
H. W. Robertson	Director (non-executive) – Resigned 29 October 2018
M. P. Pretty	Director (non-executive)
G. Chmiel	Director (non-executive)
J. S. Cowan	Chief Financial Officer – Resigned 6 November 2018
A.G.R. Benbow	Chief Executive Officer - Appointed 2 April 2018
P. Loosmore	Interim Chief Financial Officer – Appointed 17 December 2018
A.E. Slattery	Director (non-executive) – Appointed 6 November 2018 and Resigned 31 January 2019

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

### Remuneration Philosophy

The performance of the Company depends on the quality of its Directors, executives and employees. To prosper, the Company must attract, motivate and retain skilled and high performing individuals. Accordingly, the Company's remuneration framework is structured 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

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:

	2019	2018	2017	2016	2015
	\$'000	restated*	\$'000	\$'000	\$'000
<b>GROUP</b>					
Net (loss)/profit after tax	(1,576)	(6,884)	6,544	4,262	5,880
EPS (basic) - (cents per share)	(1.06)	(4.62)	4.41	2.94	4.14
EPS (diluted) - (cents per share)	(1.06)	(4.62)	4.11	2.75	3.96
Share price (\$)	0.10	0.38	0.63	0.41	0.50
Dividends paid - (cents per share)	-	9.40	3.45	2.20	3.20

\* Refer note 21 on restatement to prior year comparative for details

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

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

Non-Executive Directors are not employed under specific employment contracts but are subject to provisions of the 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 2019, 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 and executives are employed under contracts or agreed employment arrangements that specify remuneration amounts and conditions.

The Board has introduced for Executives and senior employees an incentive system based on issuing performance rights 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 under the disclosure of their contracts below.

### Employment Contracts

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

*Angus Benbow – Chief Executive Officer*

**Employment commencement date:** 2 April 2018

**Term:** No term specified

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

### **Discretionary Incentives:**

#### *Sign-on incentive*

A one-off equity allocation of fully paid ordinary Centrepont Alliance Limited shares up to a value of \$120,000. The sign-on incentive of \$120,000 was paid during the financial year to purchase shares on-market which was completed on 5 July 2019.

#### *Short-term incentive*

A short-term incentive to a 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) and subject to Transitional Terms (refer to page 14 for further details).

A short-term incentive of \$178,125 was paid in October 2018 in recognition of the CEO's achievements based on the structure outlined in the CEO Transitional Terms disclosed in the Remuneration Report.

A short-term incentive for the 2019 financial year will be payable based on the structure outlined in the CEO Transitional Terms disclosed in the Remuneration Report.

#### *Long-term incentive*

A long-term incentive to a value between \$142,500 up to a potential value of \$285,000, subject to Transitional Terms (refer to page 14 for further details).

Issue of up to 2,700,000 performance rights at \$0.0199 cents per performance right, that are legally held by the CESPT until satisfaction of the vesting conditions determined on 1 September 2021 as disclosed in the long-term incentive plans. These performance rights were issued as part of a scheme of performance rights to be issued in 3 tranches of 2,700,000 rights each (the 2 future tranches to be approved by shareholders). This scheme replaced the contractual rights formerly agreed with the CEO.

**Required notice by Executive and Company:** 6 months.

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

*John Cowan - Chief Financial Officer*

**Employment period:** 12 January 2015 – 6 November 2018

**Term:** Resigned as Chief Financial Officer effective 6 November 2018

### **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.

A short-term incentive of \$62,000 was paid after the end of the 2018 financial year based on the Group-wide short-term incentive scheme structure outlined in the Remuneration Report.

A retention incentive of \$100,000 was paid in October 2018.

*Long term incentive – (Refer to page 11 for further details)*

#### CESP19

Issue of up to 750,000 performance rights at 51.0 cents per performance right, that are legally held by the CESPT until satisfaction of the vesting conditions is determined on 9 December 2019 as disclosed in the long-term incentive plans. The three-year performance period for this award ended on 30 June 2019. The Performance Conditions have not been met and the performance rights will be forfeited unvested.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

### CESP20

Issue of up to 250,000 performance rights at 41.0 cents per performance right, that are legally held by the CESPT until satisfaction of the vesting conditions determined on 25 September 2020 as disclosed in the long-term incentive plans.

*Peter Loosmore – Interim Chief Financial Officer*

**Employment period:** 17 December 2018 – current

**Term:** 12 months

**Required notice by Executive and Company:** 4 weeks

**Termination Entitlements:** Not applicable

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

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

### 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:

Year	No. of Days Remuneration	Short-Term Benefits		Post Employment	Long-Term Benefits		Share-Based Payments		Termination Payments	Total	Performance Related	Share Related	
		Salary & Fees	Cash Bonus	Superannuation	Cash Incentives	Long Service Leave	Performance Rights	Shares			%	%	
		\$	\$	\$	\$	\$	\$	\$	\$	\$			
A. D. Fisher	2019	365	123,288	-	11,712	-	-	-	-	135,000	-	-	
	2018	365	123,288	-	11,712	-	-	-	-	135,000	-	-	
J. A. O'Shaughnessy <sup>1</sup>	2018	149	32,344	-	3,072	-	-	-	-	35,416	-	-	
H. W. Robertson <sup>2</sup>	2019	121	25,875	-	2,458	-	-	-	-	28,333	-	-	
	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-	
M. P. Pretty	2019	365	77,626	-	7,374	-	-	-	-	85,000	-	-	
	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-	
G. J. Chmiel	2019	365	77,626	-	7,374	-	-	-	-	85,000	-	-	
	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-	
A.E. Slattery <sup>3,4</sup>	2019	87	18,610	-	1,768	-	-	-	-	20,378	-	-	
J. M. de Zwart <sup>5</sup>	2018	146	201,674	582,048	14,975	-	-	-	440,500	1,239,197	46.97%	-	
E. Cargakis <sup>5,6</sup>	2018	129	139,308	-	5,198	-	-	-	-	144,506	-	-	
A. G. R. Benbow <sup>6</sup>	2019	365	454,469	178,125	20,568	-	-	7,164	120,000	780,326	22.83%	16.30%	
	2018	89	108,447	-	5,012	-	-	-	-	113,459	-	-	
P. Loosmore <sup>4</sup>	2019	119	238,000	-	-	-	-	-	-	238,000	-	-	
J. S. Cowan <sup>5</sup>	2019	129	126,885	162,000	25,000	-	-	161,667	-	233,164	708,716	22.86%	22.81%
	2018	365	367,357	322,048	25,000	-	-	-	-	714,405	34.58%	-	
<b>Total</b>	<b>2019</b>		<b>1,142,379</b>	<b>340,125</b>	<b>76,254</b>	<b>-</b>	<b>-</b>	<b>168,831</b>	<b>120,000</b>	<b>233,164</b>	<b>2,080,753</b>		
<b>Total</b>	<b>2018</b>		<b>1,205,296</b>	<b>904,096</b>	<b>87,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440,500</b>	<b>2,636,983</b>		

<sup>1</sup>Retired during the prior year <sup>2</sup>Retired during the year <sup>3</sup>Resigned during the year <sup>4</sup>Appointed during the year <sup>5</sup>Resigned during the prior year <sup>6</sup>Appointed during the prior year



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

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

Name	Year	Rights, options or shares granted in year No.	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.
<b>Performance rights *</b>										
A. G. R. Benbow	2019	2,700,000	28 Feb 2019	0.0199	1 Sept 2021	-	1 Sept 2024	-	-	-
J. S. Cowan	2018	250,000	2 Oct 2017	0.41	25 Sept 2020	-	25 Sep 2023	-	-	-
	2017	750,000	19 Dec 2016	0.51	9 Dec 2019	-	9 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	Granted as compensation during the period	Exercised during the period		Lapsed during the period		Forfeited during the period		Balance at the end of the period	Vested and exercisable	Unvested
		No.	No.	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	No.	No.
<b>Performance rights *</b>												
A. G. R. Benbow	2019	-	2,700,000	-	-	-	-	-	-	2,700,000	-	2,700,000
J. S. Cowan	2018	250,000	-	-	-	-	-	-	-	250,000	-	250,000
	2017	750,000	-	-	-	-	-	-	-	-	-	750,000

**Note:**

\* Performance rights are held by CESPT

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Remuneration Report  
30 June 2019

Shareholdings of Key Management Personnel

Shares held in Centrepoint Alliance Limited (Number)

	Balance 1 July 2018 Ordinary	Granted as remuneration Ordinary	On exercise of options Ordinary	Net change other # Ordinary	Balance 30 June 2019 Ordinary
A. D. Fisher	-	-	-	-	-
M. P. Pretty	-	-	-	105,000	105,000
G. Chmiel	25,000	-	-	125,000	150,000
A. G. R. Benbow	-	571,878 <sup>4</sup>	-	-	571,878
P Loosmore. <sup>3</sup>	-	-	-	50,000	50,000
<b>Former KMP's</b>					
J. S. Cowan <sup>1</sup>	-	-	-	-	-
H. W. Robertson <sup>2</sup>	-	-	-	-	-
A. E. Slattery <sup>1 3</sup>	-	-	-	-	-

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

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

<sup>3</sup>Appointed during the year

<sup>4</sup> Shares acquired on-market as part of Sign-on incentive (refer page 10)

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

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

	Short-term incentives	Long-term incentives
<b>Objective</b>	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.	The objective of long-term incentives (LTI) is to reward Executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to significantly influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdle.
<b>Structure</b>	In August 2017 the Directors approved a new executive STI scheme based on 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 a 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	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 NRCG.  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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

	<p>NRGC will review results and determine individual amounts approved for payment.</p> <p>For other employees there is a 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.</p>	
<b>Awards</b>		<p><u>CAESP17 and CAESP18</u></p> <p>On 21 November 2017, the Board and the CAESPT approved the termination of participants (including the former Managing Director &amp; Chief Executive Officer and other senior executives) of 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. The LTI awards CAESP17 and CAESP18 were terminated in the prior year. The 8,050,000 ordinary shares (associated with these plans) legally held by the CAESPT were cancelled in the current period, following approval by shareholders at the 2018 Annual General Meeting.</p>
		<p><u>CESP19</u></p> <p>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. These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 9 December 2019 based on the following:</p> <p>If the Total Shareholder Return<sup>1</sup> (TSR) for the peer group for 30 June 2019 financial year is:</p> <ul style="list-style-type: none"> <li>• Below 25<sup>th</sup> percentile, none will vest;</li> <li>• Between 25<sup>th</sup> percentile and 49<sup>th</sup> percentile, 25% of the performance rights will vest;</li> <li>• Between 50<sup>th</sup> percentile and 74<sup>th</sup> percentile, 50% of the performance rights will vest;</li> <li>• Above 75<sup>th</sup> percentile, 100% of the performance rights will vest</li> </ul>
		<p><u>CESP20</u></p> <p>The Board approved the grant of 700,000 performance rights on 2 October 2017 to the senior executives of the Group under the CESP at 41.0 cents per performance right.</p> <p>These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 25 September 2020 based on the following:</p>

<sup>1</sup> TSR is a measure of investment return in percentage terms, adjusted for dividends and capital movements, from the start to the end of the performance period

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

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		<p>If the Total Shareholder Return<sup>2</sup> (TSR) for the peer group for 30 June 2020 financial year is:</p> <ul style="list-style-type: none"> <li>• Below 25<sup>th</sup> percentile, none will vest;</li> <li>• Between 25<sup>th</sup> percentile and 49<sup>th</sup> percentile, 25% of the performance rights will vest;</li> <li>• Between 50<sup>th</sup> percentile and 74<sup>th</sup> percentile, 50% of the performance rights will vest;</li> <li>• Above 75<sup>th</sup> percentile, 100% of the performance rights will vest</li> </ul> <p>The TSR of Centrepoint is compared and ranked to the TSR of each peer group constituent. The rank is converted to a percentile ranking which is used to determine the proportion of awards vesting based on the above set vesting schedule.</p>
		<p><u>CESP21</u></p> <p>The Board approved the grant of 6,850,000 performance rights on 7 February 2019 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.</p> <p>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:</p> <p>If the absolute Total Shareholder Return (TSR) for 30 June 2021 financial year is:</p> <ul style="list-style-type: none"> <li>• Target share price hurdle of 28.0 cents, 50% of the performance rights will vest;</li> <li>• Stretch share price hurdle of 32.0 cents, 100% of the performance rights will vest</li> </ul> <p>The VWAP<sup>2</sup> at the start of the performance period i.e. 1 February 2019 was \$0.10 for the awards granted on 7 February 2019.</p> <p>The VWAP at the start of the performance period i.e. 25 February 2019 was \$0.12 for the awards granted on 28 February 2019.</p>
	<p><u>CEO Transitional Terms (short-term and long-term incentives)</u></p> <p>The CEO will be entitled to STI (50% - 75%) and LTI (40% - 60%) benefit limits, varied in accordance with the below commencement and ending periods:</p> <ul style="list-style-type: none"> <li>• On or before 2 April 2018 to 30 September 2018, pro-rata portion of STI and LTI benefit</li> <li>• 1 October 2018 to 30 June 2019, pro-rata portion of STI and LTI benefit</li> <li>• 1 July 2019 to 30 June 2020</li> </ul> <p>Successive annual periods</p>	

<sup>2</sup> Volume Weighted Average Price of Centrepoint Shares traded on the Australian Securities Exchange and Chi-X Australia during the 10 trading days prior to and including the start date of the performance period.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Remuneration Report

30 June 2019

### 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, 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 2019. The Independence Declaration which forms part of this report is on page 18.

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.

	2019	2018
	\$	\$
Fees payable to the Group's auditor for the non-audit services to the Company and other controlled entities		
Taxation services	3,000	2,450
Other non-audit services	72,900	14,000
	<b>75,900</b>	<b>16,450</b>

Signed in accordance with a resolution of the Directors.



A. D. Fisher  
**Chairman**

22 August 2019



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Board of Directors  
Centrepoint Alliance Limited  
Level 9, 10 Bridge Street  
Sydney, NSW 2000

22 August 2019

Dear Directors

**Centrepoint Alliance Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Centrepoint Alliance Limited.

As lead audit partner for the audit of the financial report of Centrepoint Alliance Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Rodgers  
Partner

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CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 30 June 2019

	Note	2019 \$'000	2018 restated * \$'000
<b>Revenue</b>			
Revenue from contracts with customers	4(a)	116,859	121,991
Contractual payments to advisers	4(a)	(86,843)	(90,943)
Gross profit from contracts with customers		30,016	31,048
Interest income	4(b)	628	511
Other revenue	4(c)	20	716
<b>Gross Profit</b>		<b>30,664</b>	<b>32,275</b>
<b>Expenses</b>			
Interest charges	4(b)	(26)	(35)
Employee related expenses	4(a)	(18,990)	(18,246)
Marketing and promotion		(420)	(579)
Travel and accommodation		(907)	(827)
Property costs		(1,122)	(1,142)
Restructuring provision		-	(550)
Subscriptions & licences		(1,551)	(1,504)
Professional services		(2,108)	(2,072)
Client claims	15(a)	(363)	(6,056)
IT and communication expenses		(912)	(888)
Depreciation and amortisation		(777)	(923)
Fair value loss on financial instrument	8.3.2	(286)	-
Impairment expenses		(84)	(837)
Other general and administrative expenses		(1,898)	(2,007)
		<b>(29,444)</b>	<b>(35,666)</b>
<b>Profit/(Loss) before tax</b>		<b>1,220</b>	<b>(3,391)</b>
Income tax expense	5(a)	(2,796)	(3,493)
<b>Net (loss) for the year</b>		<b>(1,576)</b>	<b>(6,884)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value loss on equity investment designated at FVTOCI <sup>^</sup>		(600)	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(2,176)</b>	<b>(6,884)</b>
<b>Net (loss) attributable to:</b>			
Owners of the parent		(1,576)	(6,884)
<b>Net (loss) for the year</b>		<b>(1,576)</b>	<b>(6,884)</b>
<b>Total comprehensive (loss) attributable to:</b>			
Owners of the parent		(2,176)	(6,884)
<b>Total comprehensive (loss) for the year</b>		<b>(2,176)</b>	<b>(6,884)</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>			
		<b>Cents</b>	<b>Cents</b>
Basic loss cents per share	10	(1.06)	(4.62)
Diluted loss cents per share	10	(1.06)	(4.62)

\* Refer note 21 on restatement to prior year comparative for details

<sup>^</sup> Fair value through other comprehensive income

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 \$'000	2018 restated * \$'000
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	6(a)	7,917	9,469
Trade and other receivables	8.1.2	9,183	9,754
Loan receivables	8.1.3	2,572	345
Other assets		756	788
Current tax asset		-	286
<b>Total current assets</b>		<b>20,428</b>	<b>20,642</b>
<b>Non-current</b>			
Loan receivables	8.1.3-4	4,007	6,572
Investments	8.1.5	116	2,482
Other assets		886	890
Property, plant & equipment	13	531	951
Intangible assets & goodwill	14	2,675	1,651
Deferred tax assets	5(d)	2,409	4,868
<b>Total non-current assets</b>		<b>10,624</b>	<b>17,414</b>
<b>TOTAL ASSETS</b>		<b>31,052</b>	<b>38,056</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	8.1.6	9,430	9,715
Lease incentives		19	82
Provisions	15	4,221	8,781
<b>Total current liabilities</b>		<b>13,670</b>	<b>18,578</b>
<b>Non-current</b>			
Lease incentives		-	19
Provisions	15	502	455
<b>Total non-current liabilities</b>		<b>502</b>	<b>474</b>
<b>TOTAL LIABILITIES</b>		<b>14,172</b>	<b>19,052</b>
<b>NET ASSETS</b>		<b>16,880</b>	<b>19,004</b>
<b>EQUITY</b>			
Contributed equity	11(a)	34,673	34,673
Reserves	12	12,610	12,174
Accumulated losses		(30,521)	(27,961)
<b>Equity attributable to shareholders</b>		<b>16,762</b>	<b>18,886</b>
Non-controlling interests		118	118
<b>TOTAL EQUITY</b>		<b>16,880</b>	<b>19,004</b>

\* Refer note 21 on restatement to prior year comparative for details



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		128,456	134,503
Cash paid to suppliers and employees		(125,239)	(128,090)
Cash provided by operations		3,217	6,413
Restructure costs		(550)	(1,441)
Claims and litigation settlements	15(a)	(4,520)	(5,315)
Regulatory costs associated with the Royal Commission		-	(77)
<b>Net cash flows (used in) by operating activities</b>	6(b)	<b>(1,853)</b>	<b>(420)</b>
<b>Cash Flows from Investing Activities</b>			
Interest received		398	505
Payments to acquire financial assets		-	(6,700)
Repayments on convertible loan		500	-
Proceeds from investment		750	-
Acquisition of intangible assets	14	(1,336)	(15)
Acquisition of property, plant & equipment	13	(11)	(322)
Dividend received from investments		-	199
<b>Net cash flows provided by/(used in) investing activities</b>		<b>301</b>	<b>(6,333)</b>
<b>Cash Flows from Financing Activities</b>			
Dividends paid	9(a)	-	(15,020)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(15,020)</b>
<b>Net (decrease) in cash &amp; cash equivalents</b>		<b>(1,552)</b>	<b>(21,773)</b>
Cash & cash equivalents at the beginning of the year		9,469	31,242
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>7,917</b>	<b>9,469</b>

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Ordinary shares \$'000	Dividend reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 July 2018 restated*</b>		<b>34,673</b>	<b>11,659</b>	<b>515</b>	<b>(27,961)</b>	<b>18,886</b>	<b>118</b>	<b>19,004</b>
Fair value loss on financial instrument		-	-	-	(384)	(384)	-	(384)
Loss for the year		-	-	-	(2,176)	(2,176)	-	(2,176)
<b>Total comprehensive income for the year**</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,560)</b>	<b>(2,560)</b>	<b>-</b>	<b>(2,560)</b>
Share-based payment	12(a)	-	-	436	-	436	-	436
Dividends paid		-	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>		<b>34,673</b>	<b>11,659</b>	<b>951</b>	<b>(30,521)</b>	<b>16,762</b>	<b>118</b>	<b>16,880</b>
<b>Balance at 1 July 2017</b>		<b>34,673</b>	<b>14,465</b>	<b>1,224</b>	<b>(8,863)</b>	<b>41,499</b>	<b>118</b>	<b>41,617</b>
Loss for the year		-	-	-	(6,884)	(6,884)	-	(6,884)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,884)</b>	<b>(6,884)</b>	<b>-</b>	<b>(6,884)</b>
Transfer to dividend reserve		-	12,214	-	(12,214)	-	-	-
Share-based payment	12(a)	-	-	(709)	-	(709)	-	(709)
Dividends paid		-	(15,020)	-	-	(15,020)	-	(15,020)
<b>Balance at 30 June 2018 restated*</b>		<b>34,673</b>	<b>11,659</b>	<b>515</b>	<b>(27,961)</b>	<b>18,886</b>	<b>118</b>	<b>19,004</b>

\* Refer note 21 on restatement to prior year comparative for details

\*\* The difference between total comprehensive income for the year is due to the transitional adoption of AASB 9 fair value loss on the financial instrument

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 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 2019 were authorised for issue in accordance with a resolution of the Directors' on 22 August 2019.

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.

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.

The Company has responded to changes in the regulatory and operating environment where traditional product commissions and platform rebates are reducing by replacing these revenues with new pricing arrangements with adviser firms through a contemporary advice and business service offer. During this financial year the business transitioned the majority of adviser firms to contracts reflecting the new pricing arrangements. Subsequent to this financial year ended 30 June, the Group is entering a phase-in period for transition to the new pricing arrangement. The Group has prepared cash flow forecasts which indicate that the current cash resources will be sufficient to cover a range of reasonably likely scenarios which consider the reduction in product commissions and platform rebates and the transition to the new pricing arrangements. Based on the Group's cash flow forecast, the Directors believe that the Group will be able to continue as a going concern.

### Compliance with International Financial Reporting Standards

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

### Standards and interpretations issued but not yet effective

The Australian Accounting Standards and Interpretations, that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2019 are set out below.

<b>AASB 16 Leases</b>	The Standard was issued during 2016 and will replace existing accounting requirements for leases. Under current requirements, leases are classified based on their nature as either finance leases, which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position. The application of AASB 16 will result in the recognition of all leases on the Statement of Financial Position in the form of a right-of-use asset and a corresponding lease liability, except for leases of low value assets and leases with a term of 12 months or less. As a result, the new standard is expected to impact leases which are currently classified by the Group as operating leases which is primarily the leases over premises. Currently, a detailed review and assessment is being undertaken for leases in Sydney (expire February 2021), Melbourne (expire January 2020) and Gold Coast (expire November 2021). The impact of bringing these on balance sheet will be immaterial to the financial statements, refer to commitments Note 7.
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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### AASB Interpretation 23 Uncertainty over Income Tax Treatment

The standard was issued during 2019 regarding uncertainty over the appropriate tax treatment of a transaction or class of transactions, and whether treatment will be acceptable by the Australian Taxation Office. In cases, where there is uncertainty over tax authority acceptance on income tax treatment, the Entity is required to recognise and measure its current or deferred tax asset/liability by applying standard AASB 112 based on taxable profit/(loss), tax bases, unused tax losses/credit and tax rates. The Group takes the view the tax authority will accept tax treatment applied in preparation of income tax calculation.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### New and revised Standards

AASB 15 Revenue from contracts with customers	AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.						
	The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.						
	A detailed review of each contract has been undertaken in order to identify the performance criteria of each contract. The results of which has ensured the Group's current revenue recognition continues to comply with requirements of the standard.						
	Type of service	Nature of performance obligations	Significant judgements used to identify performance obligations	Recognition (at a point in time or over time)	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Nature of change in accounting policy
	<b>Authorised Representative Fees – fees charged to authorised representatives</b>	Ongoing use of Australian Financial Services License (AFSL) by authorised representatives (ARs)	Performance obligation identified as per the terms of the individual contracts with similar revenue streams	Over time: revenue is recognised on a monthly basis as services are provided to the advisers	Ongoing revenue is recorded monthly for the ongoing services provided to clients	Performance obligations satisfied over time throughout the contract period	No impact
	<b>Advice Revenue – commissions paid by product manufacturers</b>	Use of approved product list by the ARs with own AFSLs	Performance obligation identified as per the terms of the individual contracts with similar revenue streams	Over time: revenue is recognised on a monthly basis as services are provided to the advisers	Ongoing revenue is recorded monthly or quarterly for the ongoing services provided to clients	Performance obligations satisfied over time throughout the contract period	No impact

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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Type of service	Nature of performance obligations	Significant judgements used to identify performance obligations	Recognition (at a point in time or over time)	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15	Nature of change in accounting policy
<b>Virtual Services – software licenses offered to advisers</b>	Educational and administration services	Performance obligation identified as per the terms of the individual contracts with similar revenue streams	Over time: revenue is recognised on a monthly basis as services are provided to the advisers	Ongoing revenue is recorded monthly or quarterly for the ongoing services provided to clients	Performance obligations satisfied over time throughout the contract period	No impact
<b>Investment Product Revenue – platform rebates</b>	Investor directed portfolio services and investment management services	Performance obligation identified as per the terms of the individual contracts with similar revenue streams	Over time: revenue is recognised monthly basis as services are provided to the advisers	The fee charged is calculated based on a fixed percentage of Funds Under Management (FUM) 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.	Performance obligations satisfied over time throughout the contract period	No impact

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### **AASB 9 Financial Instruments**

In the current year, the Group has applied AASB 9 (as revised) and the related consequential amendments to other Accounting Standards for the first time. AASB 9 introduces new requirements for:

- (1) the classification and measurement of financial assets and liabilities;
- (2) impairment of financial assets; and
- (3) General hedge accounting.

The classification and measurement, and impairment requirements are applied retrospectively by adjusting opening retained earnings at 1 July 2018. The Group has elected not to restate comparative figures on adoption of the new standard.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

#### *Classification and measurement*

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 investments 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, are subsequently measured at amortised cost;
- debt investments 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 solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

However, at initial recognition of a financial asset:

- 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; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

The directors of the company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Group's financial assets in regards to their classification and measurement:

- Financial assets classified as loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- Group's convertible notes were previously classified as loans and receivables under AASB 139 that were measured at amortised cost are now classified as FVTPL; and
- The Group's other investments in unlisted equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost under AASB 139 have been designated as at FVTOCI. The change in fair value on these equity instruments will be accumulated in the investment revaluation reserve. No adjustment has been made within the financial statements due to immateriality;



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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The table below illustrates the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application of 1 July 2018:

Type of financial instrument	AASB 139 measurement category	AASB 9 measurement category	AASB 139 Carrying Amount \$'000	Additional Loss Allowance \$'000	AASB 9 Carrying Amount \$'000
<b>Financial assets</b>					
Cash and cash equivalents	Loans and receivables	Amortised cost	9,469	-	9,469
Trade and other receivables – Commissions receivables	Loans and receivables	Amortised cost	7,937	-	7,937
Trade and other receivables	Loans and receivables	Amortised cost	1,817	-	1,817
Loans	Loans and receivables	Amortised cost	478	-	478
Convertible notes	Loans and receivables	FVTPL (mandatory)	6,439	NA	6,055
Investments in unlisted shares	Cost	FVTOCI – equity (designated)	600	NA	600
<b>Financial Liabilities</b>					
Trade and other payables	Amortised cost	Amortised cost	9,715	NA	9,715

### Impairment of financial assets

AASB 9 requires impairment to be measured using an Expected Credit Loss (ECL) model as opposed to AASB 139's incurred credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at FVTOCI.

AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for purchased or originated credit-impaired financial assets), the Group is required to measure the loss allowance for that financial instrument at an amount equal to a 12 month ECL. AASB 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 July 2018, the directors of the company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July 2018. The result of the assessment is as follows;

Items existing as at 1 July 18 that are subject to the impairment provisions of AASB 9	Credit risk attributes at 1 July 18	Cumulative additional loss allowance recognised on 1 July 18
Cash and cash equivalents	Management believes that cash and cash equivalents and due from other financial institutions are subject to a very low credit risk at initial recognition with negligible default probability. As a result, the corresponding ECL on these financial assets is immaterial.	-
Loans	Management have developed a model to assess the credit risk of each loan. A lifetime credit risk is recognised on loans considered to have experienced a significant	-



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

		increase in credit risk. A 12 month ECL is recognised on those loans on which credit risk has not increased since initial recognition.	
Trade and other receivables		Simplified approach to assessing impairment has been performed 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.	-

No additional credit loss allowance has been recognised against opening retained earnings on 1 July 2018.

*Disclosure relating to initial application of classification and measurement requirements of AASB 9*

The following table is a reconciliation of the carrying amounts in the Group's statement of financial position from AASB 139 to AASB 9 as at 1 July 2018;

	AASB 139 carrying amount 30 Jun 18	Reclassification	Re-measurement	AASB 9 carrying amount 1 Jul 18	Retained earnings impact 1 Jul 18
	'000	'000	'000	'000	'000
<b>Convertible notes</b>					
Loans and receivables under AASB 139	6,439	(6,439)	-	-	-
Reclassification to FVTPL under AASB 9	-	6,439	(384)	6,055	384
<b>Investment in unlisted shares</b>					
At cost under AASB 139	600	(600)	-	-	-
Reclassification to FVTOCI under AASB 9	-	600	-	600	-

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019.

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### Significant accounting judgements, estimates and assumptions (cont.)

- Provision for client claims - Note 15
- Recognition of deferred tax assets - Note 5
- Convertible loan write-down - Note 8.1.4
- 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.

### Comparative information

Certain adjustments have been made to the prior year's financial statements to enhance comparability with the current year's financial statements, refer Note 21. As a result, certain line items have been amended in the financial statements. Comparative amounts have been adjusted to conform to the current year's presentation.

## 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.

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

Business segment	Operations
Licensee and advice services	This segment represents the business that provides Australian Financial Services License 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
Corporate and unallocated	This segment represents Board, corporate finance, company secretarial and other administration functions of the Group

The Group operated only in Australia during the financial year. A detailed review of these segments is included in the Director's report. The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group does not currently manage its assets and liabilities on an individual segment basis.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 3. Segment information (cont.)

Year-ended 30 June 2019	Licensee & Advice Services (wealth)	Funds Management & Administration (wealth)	Corporate & Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>				
<i>Revenue from contracts with customers</i>				
- Authorised representative fees	5,185	-	-	5,185
- Advice revenue	86,044	-	4	86,048
- Investment products revenue	12,177	12,903	-	25,080
- Virtual services	546	-	-	546
<i>Contractual payments to advisers</i>				
- Advice revenue paid to advisers	(81,971)	-	-	(81,971)
- Fees paid to advisers/fund managers	(693)	(4,179)	-	(4,872)
<b>Gross profit from contracts with customers</b>	<b>21,288</b>	<b>8,724</b>	<b>4</b>	<b>30,016</b>
<i>Interest income</i>	56	236	336	628
<i>Other revenue</i>	16	3	1	20
<b>Total segment gross profit</b>	<b>21,360</b>	<b>8,963</b>	<b>341</b>	<b>30,664</b>
<b>Segment results</b>				
- Interest charges	(13)	-	(13)	(26)
- Client claims	(363)	-	-	(363)
- Depreciation & amortisation	(639)	(35)	(103)	(777)
- Fair value loss on the financial instrument	-	-	(286)	(286)
- Impairment of assets	(84)	-	-	(84)
- Inter-segment expenses*	(17,739)	(2,769)	20,508	-
<b>Segment profit/(loss) before tax</b>	<b>1,024</b>	<b>5,651</b>	<b>(5,455)</b>	<b>1,220</b>
Income tax (expense)/benefit	(3,810)	1,142	(128)	(2,796)
<b>Segment (loss)/profit after tax</b>	<b>(2,786)</b>	<b>6,793</b>	<b>(5,583)</b>	<b>(1,576)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value loss on equity investment designated at FVTOCI	-	-	(600)	(600)
<b>Total comprehensive (loss)/income for the year</b>	<b>(2,786)</b>	<b>6,793</b>	<b>(6,183)</b>	<b>(2,176)</b>
Addback: Legacy claims expense	162	-	-	162
<b>Segment profit/(loss) before tax (excl legacy claims)</b>	<b>1,186</b>	<b>5,651</b>	<b>(5,455)</b>	<b>1,382</b>
<b>Statement of Financial Position at 30 June 2019</b>				
Total assets	18,201	4,041	8,810	31,052
Total liabilities	(8,658)	(568)	(4,946)	(14,172)
<b>Net assets</b>	<b>9,543</b>	<b>3,473</b>	<b>3,864</b>	<b>16,880</b>

\*The Inter-segment expenses represent employee related costs and other expenses paid centrally which are allocated to the segments in which they are incurred.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 3. Segment information (cont.)

	Licensee & Advice Services	Funds Management & Administration (wealth)	Corporate & Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
<b>Year-ended 30 June 2018 restated</b>				
<b>Segment revenue</b>				
<i>Revenue from contracts with customers</i>				
- Authorised representative fees	5,297	-	-	5,297
- Advice revenue	89,348	-	4	89,352
- Investment products revenue	14,182	12,950	-	27,132
- Virtual services	210	-	-	210
<i>Contractual payments to advisers</i>				
- Advice revenue paid to advisers	(85,202)	-	-	(85,202)
- Fees paid to advisers/fund managers	(1,053)	(4,688)	-	(5,741)
<b>Gross profit from contracts with customers</b>	<b>22,782</b>	<b>8,262</b>	<b>4</b>	<b>31,048</b>
<i>Interest income</i>	223	196	92	511
<i>Other revenue</i>	1,139	(1,000)	577	716
<b>Total segment gross profit</b>	<b>24,144</b>	<b>7,458</b>	<b>673</b>	<b>32,275</b>
<b>Segment results</b>				
- Interest charges	(22)	(1)	(12)	(35)
- Client claims	(6,056)	-	-	(6,056)
- Depreciation & amortisation	(817)	(74)	(32)	(923)
- Impairment of assets	63	-	(900)	(837)
- Inter-segment expenses*	(16,974)	(3,605)	20,579	-
<b>Segment profit/(loss) before tax</b>	<b>(2,346)</b>	<b>3,948</b>	<b>(4,993)</b>	<b>(3,391)</b>
Income tax benefit/(expense)	766	(1,184)	(3,075)	(3,493)
<b>Segment (loss)/profit after tax</b>				<b>(6,884)</b>
Addback: Legacy claims expense	5,358	-	-	5,358
<b>Segment profit/(loss) before tax (excl legacy claims)</b>	<b>3,012</b>	<b>3,948</b>	<b>(4,993)</b>	<b>1,967</b>
<b>Statement of Financial Position at 30 June 2018 restated</b>				
Total assets	16,640	3,566	17,850	38,056
Total liabilities	(12,887)	(609)	(5,556)	(19,052)
<b>Net assets</b>	<b>3,753</b>	<b>2,957</b>	<b>12,294</b>	<b>19,004</b>

\*The Inter-segment expenses represent employee related costs and other expenses paid centrally which are allocated to the segments in which they are incurred.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 4. Revenue and expenses

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

**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 receive the full commission from the product provider and subsequently pay on the portion relating to the adviser. The Group's obligation is to act as an intermediary between the product provider and the adviser. Where the advisers are employed by the Group, the commission earned is retained in the Group.

**Investment products 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 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 an integrated insurance, superannuation and investment web-based solution. The Group performance obligation is to act as an agent for the platform providers, enabling them access to their adviser network. The rebate earned by the Group is dependent on the nature of the underlying product sold, 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.

**Virtual services:** As part of the authorised representative fee charged to the adviser, advisers may also add software packages to their monthly fee. The Group's obligation under this contract is to provide the adviser with the use of the software licenses of the Group. The fees charged are variable dependent on the volume of users that require access to the software. Revenue is recognised on a monthly basis as services are provided to the advisers.

### b) Interest Income (AASB 9 Financial instruments)

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 assets' net carrying amount on initial recognition.

### c) Other revenue

Other revenue represents other sundry income received by the Group.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

4. Revenue and expenses (cont.)

		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>restated *</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
<b>Revenue from contracts with customers</b>	4(a)		
- Authorised representative fees		5,185	5,297
- Advice revenue		86,048	89,352
- Investment products revenue		25,080	27,132
- Virtual services		546	210
<b>Total revenue from contracts with customers</b>		<b>116,859</b>	<b>121,991</b>
<b>Contractual payments to advisers</b>			
- Advice revenue paid to advisors		(81,971)	(85,202)
- Fees paid to advisers/fund managers		(4,872)	(5,741)
<b>Total contractual payments to advisers</b>		<b>(86,843)</b>	<b>(90,943)</b>
<b>Gross profit from contracts with customers</b>		<b>30,016</b>	<b>31,048</b>
<b>Interest income</b>	4(b)	<b>628</b>	<b>511</b>
<b>Other revenue</b>	4(c)		
- Cost recoveries from advisers		8	331
- Retail and wholesale asset and service fees		10	201
- Other		2	184
<b>Total other revenue</b>		<b>20</b>	<b>716</b>
<b>Gross profit</b>		<b>30,664</b>	<b>32,275</b>
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Employee related expenses</b>	4(a)		
- Wages and salaries		18,422	17,103
- Share-based compensation expense		436	354
- Termination costs		132	789
<b>Total employee related expenses</b>		<b>18,990</b>	<b>18,246</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

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## 5. Income tax

### a) Income tax expense

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

	2019 \$'000	2018 restated * \$'000
<i>Current income tax</i>		
Current income tax charge	-	(980)
Adjustment to current tax of prior period	338	-
<i>Deferred income tax</i>		
Deferred income tax charge	2,458	4,473
<b>Income tax expense</b>	<b>2,796</b>	<b>3,493</b>

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

No income tax was charged directly to equity for the year ended 2019 (2018: Nil).

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

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

	2019 \$'000	2018 restated * \$'000
Profit/(loss) before tax	1,220	(3,391)
At the Company's statutory income tax rate of 30% (2018: 30%)	366	(1,017)
Non-deductible expenses	217	65
Amounts not included in assessable income	-	(28)
Effective tax losses not recognised	2,213	4,473
<b>Aggregate income tax expense</b>	<b>2,796</b>	<b>3,493</b>

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

In the prior year the Group decided to reduce the deferred tax asset by removing the tax benefit of past losses previously recognised due to the initial investment to drive the new strategy. The recognition of this asset was subject to estimation uncertainty as the utilisation of the deferred tax asset is dependent on estimates of future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

The Group is forecasting to generate future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences however the timing of these taxable profits is inherently uncertain.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 5. Income tax (cont.)

### d) Recognised deferred tax assets and liabilities

Deferred income tax relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2019 \$'000	2018 restated * \$'000	2019 \$'000	2018 restated * \$'000
<i>Deferred tax liabilities</i>				
Deferred revenue	-	(7)	7	185
<b>Gross deferred tax liabilities</b>	<b>-</b>	<b>(7)</b>	<b>7</b>	<b>185</b>
<i>Deferred tax assets</i>				
Provisions for claims	378	1,626	(1,247)	223
Provisions for doubtful debts	625	1,096	(471)	(403)
Provision for restructure	-	165	(165)	165
Provision for impairment of loan receivables	253	91	162	13
Provision for leases	92	121	(28)	(74)
General accruals and other costs	110	730	(619)	167
Employee benefits	951	1,046	(94)	47
Tax losses available	-	-	-	(4,473)
<b>Gross deferred tax assets</b>	<b>2,409</b>	<b>4,875</b>	<b>(2,462)</b>	<b>(4,335)</b>
<b>Net deferred tax assets</b>	<b>2,409</b>	<b>4,868</b>		

### e) Unrecognised tax losses

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

	2019 \$'000	2018 restated * \$'000
Revenue losses	27,642	23,969
Capital losses	35,953	35,953
<b>Total unrecognised losses</b>	<b>63,595</b>	<b>59,922</b>

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 loss were increased by \$3.7m.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 5. Income tax (cont.)

### f) 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' 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

###### i) 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.

###### a) 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 5. Income tax (cont.)

### b) *Deferred Tax*

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

Deferred income tax liabilities are recognised on all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of Goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- When a deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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.

### c) *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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 6. Notes to Statement of Cash flows

### a) Reconciliation of cash & cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank	7,917	9,469
<b>Total</b>	<b>7,917</b>	<b>9,469</b>

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

	2019 \$'000	2018 restated * \$'000
Net loss after income tax	(1,576)	(6,884)
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortisation	777	923
Fair value loss on financial instrument	286	-
Impairment of investments	-	900
Expected credit losses	86	(63)
Loss on disposal of non-current assets	39	17
Interest received	(398)	(505)
Interest expense	-	-
Dividend received from investments	-	(199)
Share-based compensation (income)/expense	436	(709)
Tax expense current year	-	(980)
<b>Working capital adjustments:</b>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	813	2,437
Other assets	26	(128)
Deferred tax assets	2,221	4,150
<i>(Decrease)/increase in liabilities:</i>		
Trade and other payables	(368)	424
Provisions for employee entitlements	301	(406)
Provision for client claims	(4,157)	742
Provision for property make good	(24)	-
Provision for onerous lease	(88)	(255)
Provision for restructure costs	(550)	550
Provision for tax	323	(434)
<b>Net cash from operating activities</b>	<b>(1,853)</b>	<b>(420)</b>

## 7. Commitments

### Contracted operating lease expenditure

The Group has entered into commercial leases on certain properties expiring at various times up to 5 years from reporting date. The leases have varying terms, options and rent renewals. On renewal, if applicable, the terms are renegotiated. The Group has also entered into corporate services agreements for IT and telecommunications hardware and support. The agreements have terms between 1 and 3 years with options to renew at expiry of the initial term on a month to month basis.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 7. Commitments (cont.)

	2019 \$'000	2018 \$'000
Not later than one year	788	1,341
Later than one year but not later than five years	457	1,349
<b>Total</b>	<b>1,245</b>	<b>2,690</b>

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

### 8.1. Categories of financial instruments

			2019 \$'000	2018 restated * \$'000
<b>Financial assets</b>	<b>Note</b>	<b>Classification</b>		
Cash and cash equivalents	8.1.1	Amortised Cost	7,917	9,469
Trade and other receivables	8.1.2	Amortised Cost	9,183	9,754
Loans	8.1.3	Amortised Cost	6,049	478
Convertible notes	8.1.4	FVTPL	530	6,439
Investments in unlisted shares	8.1.5	FVTOCI – equity (designated)	116	2,482
<b>Total financial assets</b>			<b>23,795</b>	<b>28,622</b>
<b>Financial Liabilities</b>				
Trade and other payables	8.1.6	Amortised Cost	9,430	9,715
<b>Total financial liabilities</b>			<b>9,430</b>	<b>9,715</b>

### 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 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 (i.e. day 1 profit or loss); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 8.1 Categories of financial instrument (cont.)

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 FVTOCI;
- all other debt instruments (e.g. 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 applies, in 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).

#### Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.1 Categories of financial instrument (cont.)

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does

not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

### Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

Such assets are measured at fair value, with any gains/losses arising on re-measurement recognised in profit or loss.

### Equity investments

On initial recognition, the Group classifies the investment in equity instruments either at FVTPL if it is held for trading or at FVTOCI if designated as measured at FVTOCI. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

### Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

### Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.1 Categories of financial instrument (cont.)

### 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.

#### 8.1.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash and cash equivalents	7,917	9,469
<b>Total cash and cash equivalents</b>	<b>7,917</b>	<b>9,469</b>

#### 8.1.2. Trade and other receivables

	2019 \$'000	2018 restated * \$'000
<b>Current</b>		
Commissions receivable	7,431	7,937
Trade receivables	1,609	1,817
Other	143	-
<b>Total</b>	<b>9,183</b>	<b>9,754</b>

Refer to Note 8.2.3.1 for ageing analysis

Group applies simplified 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 the debtors' current financial position adjusted for factors that are specific to the debtors 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 exception of legal agreements for recoverability) because historical experience has indicated that these receivables are generally not recoverable.

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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.1 Categories of financial instrument (cont.)

### 8.1.3. Loans

	2019 \$'000	2018 \$'000
<b>Current</b>		
Loan receivables	2,500	-
Loan receivables - financial advisers	72	435
Expected credit losses	-	(90)
<b>Total current loans</b>	<b>2,572</b>	<b>345</b>
<b>Non-current</b>		
Loan receivables	3,399	-
Loan receivables - financial advisers	680	603
Expected credit losses	(602)	(470)
<b>Total non-current loans</b>	<b>3,477</b>	<b>133</b>
<b>Total loans</b>	<b>6,049</b>	<b>478</b>

#### Loans - ALD

The Group has \$5.9m invested in ALD, represented by the current and non-current loan receivables above. As part of the strategy review, the Group declined to take up an additional option in the current year. The convertible loan of \$5.1m was replaced with a new loan agreement with interest capitalising at the rate of 2.5% above the 6 month Bank Bill Swap Rate as published by the Australian Financial Markets Association (the BBSR) or 12.35% if any Repayment Amount (or part thereof) is not repaid by the date required under the Loan Agreement. During the year, the Group also sold a 5% equity stake in ALD for \$1.75m (book value) to Astle Capital Ltd ('Astle'). This was settled with a cash payment of \$0.75m received from Astle and an interest-bearing loan of \$1.0m to Astle (related company of ALD) which will become due on or by 31 December 2021. A repayment of \$0.5m on the ALD interest-bearing loan was received in June 2019.

#### Loans – Financial Advisors

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

#### Expected Credit Losses

	2019 \$'000	2018 \$'000
<b>Allowance for expected credit losses</b>		
Opening Balance	557	585
Movement in the allowance for expected credit losses	45	(28)
<b>Closing balance</b>	<b>602</b>	<b>557</b>
<b>Expected credit losses expense</b>		
Expected credit losses expense	45	(28)
Bad debts (recovery)/written-off directly	39	(35)
<b>Total expense</b>	<b>84</b>	<b>(63)</b>

For details on expected credit losses against loans see section 8.2.3.1



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.1 Categories of financial instrument (cont.)

### 8.1.4. Convertible Notes

	2019 \$'000	2018 \$'000
Convertible loan	530	6,439
<b>Total current loans</b>	<b>530</b>	<b>6,439</b>

### Convertible notes

The Group subscribed to \$1.2m in a convertible note in RFE to provide seed funding to the business. The first advance of \$1.0m was made on 6 July 2017 and a further \$0.2m was advanced on 28 February 2018. The Group has subsequently fair valued the convertible note to \$0.5m. The Group has a 15% interest in the business and had invested in convertible notes which if converted would increase our interest by 12% to 27%.

### 8.1.5. Investments in unlisted shares

This represents investments in equity securities which have been classified fair value through other comprehensive income.

	2019 \$'000	2018 \$'000
Investments	716	3,382
Fair value adjustment	(600)	(900)
<b>Total investments</b>	<b>116</b>	<b>2,482</b>

In October 2016, an investment of \$1.5m was made in RFE unlisted shares which represents a 15% stake of equity. An impairment provision of \$0.9m was raised against this investment in 2018 financial year. RFE has reduced their revenue growth forecast to reduce cash strain and focus on profitability. During the year, the Group has further reduced the value of its investment in RFE to nil with a reassessment of current and projected levels of profitability.

In September 2016 \$0.1m was invested in Ginger Group, which increased the Group's equity interest to 50% from 37.5%. Ginger Group has a 37.5% shareholding in Keka.

During the year, the Group also sold a 5% equity stake in ALD for \$1.75m (book value) to Astle Capital Ltd ('Astle'). This was settled with a cash payment of \$0.75m received from Astle and an interest-bearing loan of \$1.0m to Astle (related company of ALD) which will become due on or by 31 December 2021.

### 8.1.6. Trade and other payables

	2019 \$'000	2018 \$'000
<b>Current</b>		
Amounts payable to financial advisers	5,694	5,474
Trade payables	1,959	1,696
Other creditors and accrued expenses	1,777	2,545
<b>Total</b>	<b>9,430</b>	<b>9,715</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 8.2. Financial risk management

#### 8.2.1. Risk exposures and responses

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

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 different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessments of market forecasts for interest rates. Ageing analyses and monitoring of 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 GARC Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

#### 8.2.2. 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 counterparty, 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: Aa2) and Westpac Banking Corporation (credit rating: Aa2).

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

#### 8.2.3. 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 recognised:

Class of financial instrument	Note	Financial statement line	Maximum exposure to credit risk	Expected credit loss
			\$'000	\$'000
Cash and cash equivalents	8.1.1	Cash and cash equivalents	7,917	-
Trade and other receivables	8.1.2	Trade and other receivables	11,265	2,082
Loans	8.1.3	Loans	6,651	602
<b>Total</b>			<b>25,833</b>	<b>2,684</b>

### Accounting policies

#### Impairment of financial assets

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

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### 8.2 Financial risk management (cont.)

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

- 12-month ECL, i.e. 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, i.e. 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 simplified 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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## 8.2 Financial risk management (cont.)

### Forward looking scenarios

The Group establishes the number and relative weightings of forward-looking scenarios for each type of product/market and determines the forward-looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

### Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

### Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

#### 8.2.3.1. Measurement of Expected Credit Loss (ECL)

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The Group has developed a PD model for loans and advances based on the likelihood of a default event occurring within the next 12 months, based on the current status of each loan. A lifetime PD is also computed where appropriate. Historical data on loan behaviours is captured to enable projections on loans going into default. This provides statistical data that is used in the PD model for calculating the probability of default.

LGD is an estimate of the loss arising on default.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and principal and interest, and expected drawdowns on committed facilities. The Group has developed a single EAD model to cover all applicable loan exposures.

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 macro-economic variables, credit risk and credit losses.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 8.2 Financial risk management (cont.)

The principal macroeconomic indicators included in the economic scenarios used at 1 July 2018 and 31 June 2019 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 2 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	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	7,917	-	-	7,917	-	-	-	-
Trade and other receivables*	-	11,265	-	11,265	-	2,082	-	2,082
Loans	-	-	6,651	6,651	-	-	602	602
<b>Total</b>	<b>7,917</b>	<b>11,265</b>	<b>6,651</b>	<b>25,833</b>	<b>-</b>	<b>2,082</b>	<b>602</b>	<b>2,684</b>

\*There are no trade receivables at stage 1, because the Group's accounting policy is to apply the simplified approach to measure lifetime credit losses on trade receivables

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

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.2 Financial risk management (cont.)

### 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:

	<b>Loans</b>	<b>Trade and other receivables</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Expected credit loss</b>			
Loss allowance as at 1 July 2018	557	3,653	4,210
Loss allowance recognised during the year	45	(1,571)	(1,526)
Loss allowance at 30 June 2019	<b>602</b>	<b>2,082</b>	<b>2,684</b>

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 include Professional Investment Services Pty Ltd.

At 30 June 2019, the Group made a downward estimate of the fair value of the RFE convertible note based on future expected cash flows discounted at a determined weighted average cost of capital (WACC). The downward adjustment was attributed to the risk in the RFE business and profitability forecasts. As per AASB 9 transitional provisions, the Group revised the fair value of the convertible note at 1 July 2018 to \$0.8m with a further fair value reduction at 30 June 2019 of \$0.3m.

#### Financial instruments classified at FVTPL

The maximum exposure to credit risk of the convertible notes held designated at FVTPL is their carrying invested amount, which was \$0.5m at 30 June 2019 (2018: \$1.2m). The change in fair value due to credit risk is \$0.2m for the year (2018: \$nil) and \$0.5m on a cumulative basis as at 30 June 2019 (2018: \$0.3m). The Group uses the performance of the portfolio to determine the change in fair value attributable to changes in credit risk.

#### Equity instruments classified at FVTOCI

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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30 June 2019

## 8.2 Financial risk management (cont.)

Ageing Analysis	2019						
	Total	0-30 Days	31-60 Days	61-90	61-90	+91 Days PDNI	+91 Days CI
				Days	Days		
				PDNI	CI		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Trade receivables	9,183	8,907	8	-	-	268	-
Loan receivables - advisers	752	12	7	7	-	106	620

Ageing Analysis	2018						
	Total	0-30 Days	31-60 Days	61-90	61-90	+91 Days PDNI	+91 Days CI
				Days	Days		
				PDNI	CI		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Trade receivables	9,754	9,472	21	20	-	241	-
Loan receivables - advisers	1,038	157	4	4	-	404	469

\* Past due not impaired (PDNI)

### 8.2.4. Market risk

#### 8.2.5. 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 risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:



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8.2 Financial risk management (cont.)

	2019					Total carrying amount per balance sheet
	Weighted average effective interest rate	Fixed		Variable	Non-interest bearing	
		≤ 6 Months	> 6 Months			
		%	\$'000			
<b>Financial Assets</b>						
Cash and cash equivalents	1.46%	3,664	-	4,253	-	7,917
Trade and other receivables		-	-	-	9,183	9,183
Loans	3.28%	36	716	5,297	-	6,049
Convertible notes	2.87%	-	-	530	-	530
Investments in unlisted shares		-	-	-	116	116
<b>Total financial assets</b>		<b>3,700</b>	<b>716</b>	<b>10,080</b>	<b>9,299</b>	<b>23,795</b>
<b>Financial Liabilities</b>						
Trade and other payables		-	-	-	9,430	9,430
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,430</b>	<b>9,430</b>
<b>Net Exposure</b>		<b>3,700</b>	<b>716</b>	<b>10,080</b>	<b>(131)</b>	<b>14,365</b>

  

	2018					Total carrying amount per balance sheet
	Weighted average effective interest rate	Fixed		Variable	Non-interest bearing	
		≤ 6 Months	> 6 Months			
		%	\$'000			
<b>Financial Assets</b>						
Cash and cash equivalents	2.90%	4,904	-	4,565	-	9,469
Trade and other receivables		-	-	-	9,754	9,754
Loans	2.77%	181	857	-	-	1,038
Convertible notes	3.02%	-	-	6,439	-	6,439
Investments in unlisted shares		-	-	-	2,482	2,482
<b>Total financial assets</b>		<b>5,085</b>	<b>857</b>	<b>11,004</b>	<b>12,236</b>	<b>29,182</b>
<b>Financial Liabilities</b>						
Trade and other payables		-	-	-	9,715	9,715
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,715</b>	<b>9,715</b>
<b>Net Exposure</b>		<b>5,085</b>	<b>857</b>	<b>11,004</b>	<b>2,520</b>	<b>19,467</b>

8.2.6. 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.

8.2.7. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of instruments such as bank overdrafts, bank loans, subordinated debt, preference shares, finance leases and other committed available credit lines from time to time as required.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 8.2 Financial risk management (cont.)

The Group's policy is to match debt with the nature and term of the underlying assets. At reporting date over 88% 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 liability based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital e.g. trade receivables. These assets are considered in the Group's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established reporting requirements which monitor maturity profiles and anticipated cash flows from Group assets and liabilities.

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

	2019			
	≤ 6 Months	6-12 Months	1-5 Years	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	7,917	-	-	7,917
Trade and other receivables	9,007	-	176	9,183
Loans	36	716	-	753
Convertible notes	-	-	530	530
Investments in unlisted shares	-	-	116	116
<b>Total financial assets</b>	<b>16,960</b>	<b>716</b>	<b>822</b>	<b>18,499</b>
<b>Financial Liabilities</b>				
Trade and other payables	9,430	-	-	9,430
<b>Total financial liabilities</b>	<b>9,430</b>	<b>-</b>	<b>-</b>	<b>9,430</b>
<b>Net Maturity</b>	<b>7,530</b>	<b>716</b>	<b>822</b>	<b>9,069</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.2 Financial risk management (cont.)

	2018			
	≤ 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	9,469	-	-	9,469
Trade and other receivables	9,625	29	100	9,754
Loans	181	857	-	1,038
Convertible notes	-	-	6,439	6,439
Investments in unlisted shares	-	-	2,482	2,482
<b>Total financial assets</b>	<b>19,275</b>	<b>886</b>	<b>9,021</b>	<b>29,182</b>
<b>Financial Liabilities</b>				
Trade and other payables	9,715	-	-	9,715
	9,715	-	-	9,715
<b>Net Maturity</b>	<b>9,560</b>	<b>886</b>	<b>9,021</b>	<b>19,468</b>

### 8.2.8. Foreign currency risk

The Group undertakes transactions denominated in foreign currencies (THB, NZD, USD and EURO); consequently, exposures to exchange rate fluctuations arise. The transactions include the annual conference and recruitment agency fees.

### 8.3. 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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## 8.3 Fair value measurements (cont.)

### 8.3.1. Financial instruments measured at fair value on recurring basis

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2019</b>				
<i>Investment securities mandatorily measured at FVTPL</i>				
Convertible notes	-	-	530	530
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	116	116
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>646</b>	<b>646</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2018</b>				
<i>Investment securities mandatorily measured at FVTPL</i>				
Convertible notes	-	-	6,439	6,439
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	2,482	2,482
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>8,921</b>	<b>8,921</b>

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

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.3 Financial risk management (cont.)

### 8.3.2. Reconciliation of Level 3 fair value measurements of financial assets

	FVTOCI	FVTPL
	Unlisted shares \$'000	Convertible notes \$'000
<b>30 June 2019</b>		
<b>Balance at beginning of year</b>	2,482	6,439
Fair value loss on adoption of AASB 9	-	(384)
Conversion of convertible loan to interest bearing loan	-	(5,239)
Sale of investment	(1,750)	-
Total gains or losses:		
- in profit or loss	(16)	(286)
- in other comprehensive income	(600)	-
<b>Balance at end of year</b>	<b>116</b>	<b>530</b>

	FVTOCI	FVTPL
	Unlisted shares \$'000	Convertible notes \$'000
<b>30 June 2018</b>		
<b>Balance at beginning of year</b>	1,632	6,439
Total gains or losses:		
- in profit or loss	(900)	-
Purchases	1,750	-
<b>Balance at end of year</b>	<b>2,482</b>	<b>6,439</b>

### Accounting policies

#### 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 (i.e. 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 (i.e. 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 (i.e. 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).

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 8.2 Financial risk management (cont.)

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.

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.

### 8.3.3. 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 that 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

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## 8.2 Financial risk management (cont.)

Financial Asset/Liability	Fair value assumptions
<b>Cash and Cash equivalents</b>	Fair value approximates the carrying amount as these assets are receivable on demand or short term in nature.
<b>Loans</b>	<p>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 2019.</p> <p>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 \$7,721 (2018: \$10,353).</p> <p>For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently.</p>
<b>Trade and other receivables</b>	The carrying values of variable rate trade and other receivables approximate their fair value as they are short term in nature and reprice frequently.
<b>Trade and other payables</b>	The carrying values of variable rate trade and other payables approximate their fair value as they are short term in nature and reprice frequently.

## 9. Dividends

Dividends payable are recognised when declared by the Group.

	2019 \$'000	2018 \$'000
<b>a) Dividends paid or payable</b>		
The following fully franked dividends were provided for or paid during the year:		
Dividends paid on ordinary shares	-	4,035
Special Dividends paid on ordinary shares	-	10,985
<b>Total dividends</b>	<b>-</b>	<b>15,020</b>
<b>b) Franking credit balance</b>		
	2019 \$'000	2018 \$'000
Franking account balance as at the end of the financial year	17,563	17,563

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

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## 10. 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 dividend by ordinary shares.

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

	2019 \$'000	2018 restated * \$'000
<b>a) Profit used in calculating profit per share</b>		
Net (loss) attributable to ordinary equity holders of the Company	(1,576)	(6,884)
Net (loss) attributable to ordinary equity holders of the Company	(1,576)	(6,884)
<b>b) Weighted average number of shares</b>	<b>No. of shares</b>	<b>No. of</b>
Weighted average number of ordinary shares	148,882,969	148,882,969
<i>Effect of dilution:</i>		
Performance rights and LTI shares	9,101,781	12,321,644
<b>Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution</b>	<b>157,984,750</b>	<b>161,204,613</b>
Basic loss cents per share	(1.06)	(4.62)
Diluted loss cents per share	(1.06)	(4.62)

\* Refer note 21 on restatement to prior year comparative for details

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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 11. 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.

	Reference	2019 \$'000	2018 \$'000
<b>a) Paid up capital</b>			
Ordinary shares	(i)	34,673	39,108
Reserved shares	(ii)	-	(4,435)
		<b>34,673</b>	<b>34,673</b>

  

	Number of shares	2019 \$'000	Number of shares	2018 \$'000
<b>i) Ordinary shares (issued &amp; fully paid)</b>				
Balance at start of year	156,932,969	39,108	156,932,969	39,108
Movements during the year:-				
- cancellation of shares	(8,050,000)	(4,435)	-	-
<b>On issue at end of year</b>	<b>148,882,969</b>	<b>34,673</b>	<b>156,932,969</b>	<b>39,108</b>
<b>ii) Reserved shares</b>				
Balance at start of year	(8,050,000)	(4,435)	(8,050,000)	(4,435)
Movements during the year:-				
- cancellation of shares	8,050,000	4,435	-	-
<b>On issue at end of year</b>	<b>-</b>	<b>-</b>	<b>(8,050,000)</b>	<b>(4,435)</b>
<b>Total contributed equity</b>	<b>148,882,969</b>	<b>34,673</b>	<b>148,882,969</b>	<b>34,673</b>

### b) Capital management

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

Subsequent to balance date the Directors resolved not to declare a final dividend having referred to the dividend policy and strategic direction of the business.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 12. Reserves

	2019 \$'000	2018 \$'000
Employee equity benefits reserve	951	515
Dividend reserve	11,659	11,659
<b>Total</b>	<b>12,610</b>	<b>12,174</b>

a) Employee equity benefits reserve	2019 \$'000	2018 \$'000
Balance at start of year	515	1,224
Value of share-based payments provided or which vested during the year	436	354
Value of share based payments expired during the year	-	(1,063)
<b>Balance at end of year</b>	<b>951</b>	<b>515</b>

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

During the current year, 9,550,000 performance rights were issued to chief executive officer and senior executives and other senior leaders of the Group as follows:

Performance rights	No. of shares	Vesting period	Issue price	Fair Value at issue date
Chief Executive Officer	2,700,000	2.50 years	\$0.1350	\$0.0199
Senior Executives and other senior leaders	6,850,000	2.58 years	\$0.1150	\$0.0144

b) Dividend reserve	2019 \$'000	2018 \$'000
Balance at start of year	11,659	14,465
Dividends paid	-	(15,020)
Transfer from current year profits	-	12,214
<b>Balance at end of year</b>	<b>11,659</b>	<b>11,659</b>

## 13. 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 is carried at cost, net of accumulated depreciation and any accumulated impairment losses. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 13. Property, plant and equipment (cont.)

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
Motor vehicles	5 years

*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 & Equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 July 2017	1,986	2,786	4,772
Additions	-	322	322
Disposals	-	(9)	(9)
<b>At 30 June 2018</b>	<b>1,986</b>	<b>3,099</b>	<b>5,085</b>
Reclassification	-	(135)	(135)
Additions	-	11	11
Disposals	-	(110)	(110)
<b>At 30 June 2019</b>	<b>1,986</b>	<b>2,865</b>	<b>4,851</b>
<b>Depreciation and impairment</b>			
At 1 July 2017	1,522	2,274	3,796
Depreciation charge for the year	155	186	341
Disposals	-	(3)	(3)
<b>At 30 June 2018</b>	<b>1,677</b>	<b>2,457</b>	<b>4,134</b>
Depreciation charge for the year	99	157	256
Disposals	-	(70)	(70)
<b>At 30 June 2019</b>	<b>1,776</b>	<b>2,544</b>	<b>4,320</b>
<b>Net carrying value</b>			
At 30 June 2019	<b>210</b>	<b>321</b>	<b>531</b>
At 30 June 2018	<b>309</b>	<b>642</b>	<b>951</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 14. Intangible assets

### 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 is expected to benefit from the synergies of the business combination.

A cash-generating unit or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash-generating unit 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 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 is included in the determination of the profit or loss on disposal.

#### 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)

#### Key estimates

Impairment testing of goodwill was carried out by comparing the net present value of cash flows from the cash-generating unit to the carrying value of the cash-generating unit. The cash flows were based on projections of future earnings before taxation, depreciation and amortisation, minus forecast capital expenditure.

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 2020 – 2024 represents the Group's estimate of future cashflows 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% (2018: 1.0%) represents the terminal growth rate (beyond five years).
- Discount rate 12.35% (2018: 12.35%) is the discount rate used in impairment testing for all CGUs at 30 June 2019. The business believes the discount rate applied is appropriate based upon the risks inherent in the business.

The goodwill disclosed in the Statement of Financial Position at 30 June 2019 was supported by the impairment testing and no impairment adjustment was required.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 14. Intangible assets (cont.)

The CGUs where a 'reasonably possible' change in estimates could lead to the carrying amount exceeding the value in use are Centrepont Lending Services and Licensee Services. The reasonably possible trigger points at which the carrying value of the cash-generating unit 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 revenue model and forecast fees would need to decrease by 27% and remain flat for five years before carrying amount would exceed recoverable amount. The Group believes the likelihood of this scenario occurring is remote; and
- Centrepont Lending Services – the primary sensitivity for Centrepont Lending Services is the discount rate used in the calculation of value in use. The discount rate would need to increase to 25% 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.

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
Cash Generating Units Goodwill	<p>Goodwill was created during 2012 on the acquisitions of the externally owned interests in Ventura Investment Management Ltd of \$93,000 and in Centrepont Alliance Lending Pty Ltd (previously Centrepont Lending Solutions Pty Ltd) of \$863,000.</p> <p>Other CGUs include Licensee Services, Investment Diversity Pty Ltd and xseedwealth pty ltd.</p> <p>Goodwill is tested on an annual basis and when there is an indication of potential impairment.</p> <p>The current carrying value of Goodwill is \$956,000</p>	<p>Goodwill is tested annually for impairment by calculation of value in use at the CGU level.</p> <p>Management is of the view that core assumptions such as cost of equity and terminal growth rate are the same across all CGUs.</p> <p>Value in use is calculated using discounted cash flow projections for five years and terminal values prepared from current forecasts using the following assumptions:</p> <p>Terminal growth rate 1.00% (2018: 1.00%)</p> <p>Cost of equity: 12.35% (2018: 12.35%)</p> <p>The testing resulted in no impairment being required.</p> <p>The testing resulted in no impairment being required.</p> <p>No indicators of impairment are noted for the remaining CGUs.</p>	<p>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.</p> <p>Following initial recognition, Goodwill is measured at cost less any accumulated impairment losses.</p> <p>Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date, any Goodwill acquired is allocated to each of the CGUs which are expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the CGU to which the Goodwill relates.</p> <p>Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised.</p> <p>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.</p> <p>Impairment losses recognised are not subsequently reversed.</p>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 14. Intangible assets (cont.)

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
Networks and client lists	Intangible assets in the form of adviser network businesses and adviser client lists acquired to expand the adviser network. These had a total book value at 30 June 2019 of \$348,000 (2018: 620,000).	<p>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.</p> <p>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.</p> <p>Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually either individually or at the cash-generating unit level. The assessment of indefinite life of an intangible asset is reviewed each year-end to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.</p>	<p>Adviser network businesses and client lists are regularly tested for impairment by calculation of value in use when indicators of potential impairment arises.</p> <p>Value in use is calculated using discounted cash flow projections associated with the applicable asset using the following assumptions:</p> <p>The number of revenue generating advisers and clients declines to nil over the remaining useful life of 4 years and 1 year respectively.</p> <p>Cash flows associated with remaining advisers and clients are inflated only at CPI with no growth assumed.</p> <p>Cost of equity: 12.35% (2018: 12.35%).</p> <p>The testing resulted in no impairment losses.</p> <p>The value in use calculations are most sensitive to the remaining useful life assumption. Sensitivity analysis indicates a decrease in the assumed useful life of 1 year would have resulted in an impairment expense of \$127,342 (2018: \$187,858).</p>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 14. Intangible assets (cont.)

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
Software	The Group has developed or acquired software, which are being amortised over their expected useful lives.	<p>Under the standard software cost can be capitalised as an asset or expensed in the year in which they are incurred.</p> <p>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 needs to determine the useful life of software assets and amortise the cost over useful life of the assets.</p> <p>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.</p>	The value of the developed or acquired software of the Group is amortised on a straight-line basis over a .5 year period, which the Directors assess as the intangible asset's useful life. No software is considered to be impaired.

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

Software	5 years
Network and Client Lists	5 – 15 years

### Impairment of non-financial assets other than Goodwill

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

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

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 14. Intangible assets (cont.)

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

	Goodwill \$'000	Software \$'000	Network & Client Lists \$'000	Total \$'000
<b>Financial year ending 30 June 2019</b>				
At 1 July 2018 net of accumulated amortisation and impairment	956	75	620	1,651
Reclassification	-	135	-	135
Additions	-	1,202	134	1,336
Amortisation	-	(41)	(406)	(447)
<b>At 30 June 2019 net of accumulated amortisation and impairment</b>	<b>956</b>	<b>1,371</b>	<b>348</b>	<b>2,675</b>
<b>At 30 June 2019</b>				
Cost	1,209	5,110	10,520	16,839
Accumulated amortisation and impairment	(253)	(3,739)	(10,172)	(14,164)
<b>Net carrying value</b>	<b>956</b>	<b>1,371</b>	<b>348</b>	<b>2,675</b>
<b>Financial year ending 30 June 2018</b>				
At 1 July 2017 net of accumulated amortisation and impairment	956	123	1,152	2,231
Disposals	-	(13)	-	(13)
Additions	-	-	15	15
Amortisation	-	(35)	(547)	(582)
<b>At 30 June 2018 net of accumulated amortisation and impairment</b>	<b>956</b>	<b>75</b>	<b>620</b>	<b>1,651</b>
<b>At 30 June 2018</b>				
Cost	1,209	3,773	10,387	15,369
Accumulated amortisation and impairment	(253)	(3,698)	(9,767)	(13,718)
<b>Net carrying value</b>	<b>956</b>	<b>75</b>	<b>620</b>	<b>1,651</b>

## 15. Provisions

### Provision for claims

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) by authorised representatives of the Group. The Group makes a specific provision for claims arising from advice provided prior to 1 July 2010.

The provision for general claims is the estimated cost of resolving claims from external parties that may arise as the Group becomes aware of them.

Legacy Claims are expected to be reported and resolved by approximately 2021. Resolution is dependent on the circumstances of each claim and the level of complexity involved. Any costs are offset against the provision as incurred.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 15. Provisions (cont.)

### Provision for onerous lease contract

In 2018, the Gold Coast office was consolidated from two floors to one and an onerous contract was created for the unused space. There is no onerous lease provision for 2019 (2018: \$86k). A tenant sub-leased the unused space in the Gold Coast office for the remaining duration of the lease which expired in October 2018.

	<b>Key accounting policies</b>
<b>Provisions</b>	<p>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.</p> <p>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.</p> <p>The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent Entity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. 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. It is measured at the present value of the future costs that the Group expects to incur to settle the claims.</p>
<b>Employee benefits</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Make good costs for leased property</b>	<p>A provision for make good costs for leased property is recognised when a make good obligation exists in the lease contracts.</p> <p>The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the financial year. The unwinding of the discounting is recognised as a finance cost.</p>
<b>Onerous contracts</b>	<p>Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.</p>



CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

15. Provisions (cont.)

	2019 \$'000	2018 \$'000
<b>Current</b>		
Provision for claims	1,232	5,393
Provision for employee entitlements	2,963	2,669
Property make good	26	83
Onerous lease	-	86
Restructuring	-	550
<b>Total</b>	<b>4,221</b>	<b>8,781</b>
<b>Non-current</b>		
Provision for claims	29	25
Provision for employee entitlements	208	198
Property make good	265	232
<b>Total</b>	<b>502</b>	<b>455</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>a) Movement in provision for claims</b>		
Opening balance	5,418	4,589
<i>Movement in the provision is as follows:</i>		
Claims provisioning expense for the year	363	5,992
Claims settlements & fees paid (net of recoveries)	(4,520)	(5,163)
<b>Closing balance</b>	<b>1,261</b>	<b>5,418</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>b) Movement in provision for employee benefits</b>		
Opening balance	2,867	3,275
<i>Movement in the provision is as follows:</i>		
Provision for year	3,332	2,681
Leave and other employee benefits paid	(3,028)	(3,089)
<b>Closing balance</b>	<b>3,171</b>	<b>2,867</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>c) Movement in provision for property make good</b>		
Opening balance	315	315
<i>Movement in the provision is as follows:</i>		
Provision for year	(24)	-
<b>Closing balance</b>	<b>291</b>	<b>315</b>

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 15. Provisions (cont.)

	2019 \$'000	2018 \$'000
<b>d) Movement in provision for onerous lease</b>		
Opening balance	86	343
<i>Movement in the provision is as follows:</i>		
Provision for year	-	-
Onerous lease unwind	(86)	(222)
Sub-lease reduction	-	(35)
<b>Closing balance</b>	<b>-</b>	<b>86</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>e) Movement in provision for restructuring costs</b>		
Opening balance	550	-
<i>Movement in the provision is as follows:</i>		
Provision for year	-	550
Restructuring costs paid	(550)	-
<b>Closing balance</b>	<b>-</b>	<b>550</b>

## 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 the Australian Securities and Investments Commission (ASIC) announced that it has approved a change to Australian Financial Complaints Authority (AFCA) Rules to allow it to investigate certain complaints dating back to 1 January 2008. The Group is unable to reliably estimate the quantum of any such claims and accordingly no specific provision has been made for possible claims. There have been 4 claims re-opened from 1 July 2019 where we have been able to quantify with reasonable certainty, and hence an amount has been put aside as a provision for these at 30 June 2019.

### Adviser Service Fees

Under the service arrangements between clients and their advisers, clients generally pay an adviser service fee to receive an annual review, together with other services. The Group is assessing whether clients 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 client compensation is probable and can be reliably estimated a provision has been taken at 30 June 2018.

The assessment process has commenced identifying clients associated with authorised representatives licensed by the Group's wholly owned subsidiaries, Professional Investment Services and Alliance Wealth. The assessment is still in progress.

Given the early stage of the assessment process and time period and availability of records, it is not practicable to provide an estimate of final remediation costs. The program is ongoing, however refund amounts identified up to 22 August 2019 are not material and accordingly, no provision has been recognised in relation to this matter at 30 June 2019. The costs of the program are being expensed as incurred.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 16. Contingent liabilities (cont.)

### Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) handed down its report on 1 February 2019. The Group has reviewed the report and the Government's response to the report released on 4 February 2019. The proposed ban on grandfathered commissions and other forms of conflicted remuneration is expected to impact the way the Group receives income for some of its products and services. The Strategic Refresh program announced in August 2018, which includes the design of new arrangements with advisers and product providers, is consistent with the recent recommendations from the Royal Commission.

At the date of this report the Directors are not aware of any other material contingent claims. There were no other contingent liabilities at the reporting date.

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 17. Remuneration of auditors

The primary auditor of the Group was Deloitte Touche Tohmatsu.

	2019 \$	2018 \$
<i>Amounts received or due and receivable by Deloitte Touche Tohmatsu</i>		
Fees payable to the Group's auditor for the audit of the financial report for the Company and other controlled entities	259,656	224,780
Fees payable to the Group's auditor for the audit related assurance services to the Company and other controlled entities	63,000	64,600
Fees payable to the Group's auditor for the non-audit services to the Company and other controlled entities		
Taxation services	3,000	2,450
Other non-audit services	72,900	14,000
	<b>398,556</b>	<b>305,830</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 18. Information relating to Centrepont Alliance Limited

The Consolidated Financial Statements of the Group are:

	2019	2018
	\$'000	\$'000
Current assets	23,965	32,323
Non-current assets	5,596	8,968
Current liabilities	(21)	35
<b>Net Assets</b>	<b>29,540</b>	<b>41,326</b>
Issued capital	33,497	37,933
Dividend reserve	10,504	10,504
Accumulated profit	(14,461)	(7,111)
<b>Total Shareholder Equity</b>	<b>29,540</b>	<b>41,326</b>
Net loss after tax of the parent entity	(6,409)	(7,191)
Total comprehensive loss of the parent entity	(6,409)	(7,191)

At reporting date the Group has given nil guarantees to external parties (2018: nil).

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

	2019	2018
	\$'000	\$'000
Not later than one year	146	370
Later than one year but not later than five years	-	370
<b>Total</b>	<b>146</b>	<b>740</b>

The Group has various corporate services agreements for IT and telecommunications hardware and support. The agreements have terms between 1 and 3 years with options to renew at expiry of the initial term on a month to month basis.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 19. Related party disclosures

### a) Information relating to subsidiaries

Name	Country of Incorporation	Ownership Interest		Principal Activity
		2019	2018	
<b>Licensee and Advice Services</b>				
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
<b>Funds Management and Administration</b>				
Investment Diversity Pty Ltd	Australia	100%	100%	Packages investment platforms
Ventura Investment Management Ltd	Australia	100%	100%	Packages managed funds
<b>Corporate</b>				
Centrepoint Alliance Services Pty Ltd	Australia	100%	100%	Trustee – Employee share plan
Centrepoint 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
Professional Investment Services (NZ) Limited**	New Zealand	43%	43%	Dormant
Ginger Group Financial Services Limited	New Zealand	50%	50%	Financial advice

\*\* Currently under Solvent Voluntary Liquidation

### b) Ultimate parent

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

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Consolidated Financial Statements

30 June 2019

### 19. Related party disclosures (cont.)

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

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at 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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: Nil). An impairment assessment is undertaken each financial year through examination of the financial position of related parties and the market in which a related party operates.

#### d) Transactions with Key Management Personnel

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

	2019 \$'000	2018 \$'000
Short term employee benefits	1,485	2,109
Post employment benefits	76	87
Long-term benefits	-	-
Share based payments	289	
Termination/resignation benefits	233	441
<b>Total compensation</b>	<b>2,083</b>	<b>2,637</b>

In addition to the above compensation provided to Directors and other KMP, out of pocket costs for Peter Loosmore (Interim Chief Financial Officer) of \$2,262 has been incurred in the financial year.

### 20. Share-based payment plans

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

##### i) Performance Rights (CESP)

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.

##### ii) Centrepont Alliance Employee Share Plan (CAESP)

The purpose of the CAESP is to provide employees with an opportunity to acquire a financial interest in the Company, which will align their interests more closely with shareholders and provide a greater incentive to focus on the Company's longer-term goals.

#### b) Recognised share-based payment expenses

	2019 \$'000	2018 \$'000
Expense arising from performance rights	436	354
<b>Total</b>	<b>436</b>	<b>354</b>

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 20. Share-based payment plans (cont.)

### 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 Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Profit or Loss and Other Comprehensive Income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Movements during the year

All current option awards are fully vested at reporting date. The 8,050,000 shares that were held within the CAESP which were held as reserved shares were cancelled during the financial year, following approval by shareholders at the 2018 Annual General Meeting.



# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Consolidated Financial Statements

30 June 2019

## 20. Share-based payment plans (cont.)

	2019		2018	
	No	WAEP*	No	WAEP*
<i>(i) Shares under the CAESP</i>				
Outstanding at beginning of the financial year	8,050,000	0.18	8,050,000	0.18
Forfeited during the financial year	(8,050,000)	(0.18)	-	-
<b>Outstanding at end of period</b>	<b>-</b>	<b>-</b>	<b>8,050,000</b>	<b>0.18</b>
<i>(ii) Performance rights under the CESP</i>				
Outstanding at beginning of period	2,450,000	-	3,750,000	-
Granted during the financial year	9,550,000	-	700,000	-
Vested during the financial year	-	-	-	-
Expired during the financial year	-	-	(2,000,000)	-
Outstanding at end of financial year	<b>12,000,000</b>	<b>-</b>	<b>2,450,000</b>	<b>-</b>

\*WAEP is weighted average exercise price

### 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.

## 21. Restatement to prior year comparative

AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" requires corrections to comparative information be disclosed in the financial statements.

During the year, the Company completed the cancellation of 8,050,000 shares which represented the final step in the closure of the Centrepont Alliance Employee Share Plan. Upon full review by the Group, it was identified that a receivable under the Plan in the 31 December 2017 and the 30 June 2018 financial reports was incorrectly recognised. As a result, the receivable and related income and tax impacts have been adjusted in the comparative figures disclosed in these financial statements. The relevant financial statement line items impacted are as follows:

**21. Restatement to prior year comparative (cont.)**

	30 June 2018 previously reported \$'000	Adjustment \$'000	30 June 2018 restated \$'000
<b>Condensed consolidated statement of profit or loss and other comprehensive income</b>			
Interest income	1,298	(787)	511
Total revenue	33,062	(787)	32,275
Total expenses	(35,666)	-	(35,666)
Net loss before tax	(2,604)	(787)	(3,391)
Income tax expense	(3,729)	236	(3,493)
<b>Net loss after tax</b>	<b>(6,333)</b>	<b>(551)</b>	<b>(6,884)</b>
<b>Earnings per share</b>			
Net profit/(loss) attributable to ordinary equity holders of the Company	(6,333)	(551)	(6,884)
Basic earnings/(loss) per share	(4.25)	(0.37)	(4.62)
Diluted earnings/(loss) per share	(4.25)	(0.37)	(4.62)
<b>Condensed consolidated statement of financial position</b>			
Trade and other receivables	10,541	(787)	9,754
Deferred tax assets	4,632	236	4,868
Total assets	38,607	(551)	38,056
Total liabilities	19,052	-	19,052
<b>Net assets</b>	<b>19,555</b>	<b>(551)</b>	<b>19,004</b>
<b>Equity</b>			
Accumulated losses	(27,410)	(551)	(27,961)
Equity attributable to shareholders	19,437	(551)	18,886
Non-controlling interests	118	-	118
<b>Total equity</b>	<b>19,555</b>	<b>(551)</b>	<b>19,004</b>

**22. Events after the financial year**

There are no 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.

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Declaration

30 June 2019

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 2019 are in accordance with the *Corporations Act 2001*, including:
    - i) giving a true and fair view of its financial position as at 30 June 2019 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 2019.

On behalf of the Directors:



A. D. Fisher  
**Chairman**

22 August 2019

## Independent Auditor's Report to the members of Centrepont Alliance Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Centrepont Alliance Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of 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 statements, including a summary of significant accounting policies and other explanatory information, 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 2019 and of its financial performance for the year then ended; 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 auditor independence requirements of 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* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## 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 for 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Impairment of non-current assets including goodwill</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- Note 2 Summary of significant accounting policies</li> <li>- Note 14 Intangible assets</li> </ul> <p>Included in the group's consolidated statement of financial position as at 30 June 2019 are intangible assets, goodwill and property, plant and equipment totalling \$3.2m.</p> <p>Management assesses impairment indicators at each reporting date and conducts impairment tests where indicators exist or goodwill exists within a Cash Generating Unit ('CGU') to assess the recoverability of the carrying value of non-current assets. The assessment requires significant judgement due to assumptions and estimates involved in preparing a value in use model to estimate recoverable amount, including:</p> <ul style="list-style-type: none"> <li>- Future cash flows for CGU's</li> <li>- Discount rates; and</li> <li>- Terminal value growth rates</li> </ul>	<p>In conjunction with our valuation specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Inquiring of management and the directors in relation to forecasting assumptions for the new revenue streams</li> <li>• Assessing the design and implementation of key controls in place to manage the Company's liquidity risk</li> <li>• Assessing the accuracy of prior year business forecasts compared to actuals reported</li> <li>• Challenging the assumptions adopted in models supporting the recoverability of non current assets</li> <li>• Challenging the assumptions contained in management's future cash flow forecasts, in particular its future revenue projections and expense projections</li> <li>• Inquiring of management as to the rate of client acceptance of the new fee model; and</li> <li>• Assessing the appropriateness of the disclosures in the financial statements.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 2 and Note 14 to the financial statements.</p>

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<p><b>Fair value of convertible notes</b></p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Note 2 Summary of significant accounting policies</i></li> <li>- <i>Note 8 Financial assets, liabilities and related financial risk management</i></li> </ul> <p>A convertible note carried at \$530k is accounted for at fair value. This is a private placement convertible note with no observable market inputs to determine the fair value of the note. Therefore, management are required to exercise judgement in determining its fair value under the relevant accounting standards.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Challenging the classification of the convertible note in according with AASB 9 <i>Financial Instruments</i> and as a result, the accuracy and completeness of any transitional adjustments required upon adoption of the standard</li> <li>• Assessing the design and implementation of controls relating to the valuation process of the convertible note</li> <li>• Challenging management on the inputs to determine the future cash flow projections of the note through to maturity</li> <li>• Calculating an independent fair value of the note, considering alternative valuations approaches where appropriate; and</li> <li>• Challenging the methodology applied to determine the fair value in line with AASB 13 <i>Fair Value Measurement</i>.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 8 to the financial statements.</p>
<p><b>Customer remediation provisions and contingent liabilities</b></p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Note 15 Provisions</i></li> <li>- <i>Note 16 Contingent liabilities</i></li> </ul> <p>The Group has provided \$1.3m for the estimated cost of resolving adviser client claims for financial advice provided by authorised representatives of the Group prior to 1 July 2010 and the estimated cost of resolving claims from external parties that may arise as the Group becomes aware of them. As disclosed, the Group does not believe it is appropriate to recognise any provision for financial advice provided post 1 July 2010.</p> <p>The determination of the provision for adviser client claims requires management to exercise significant judgement to estimate the likely value of claims already reported and the estimated volume and value of unreported claims.</p> <p>The Group is also conducting a programme to identify instances where fees have been</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Developing an understanding of the Group's processes for identifying and assessing the impact of the conduct risk, legal and regulatory matters</li> <li>• Reviewing the minutes of the group's key governance meetings, engagement with relevant regulatory bodies and key decisions made by the Group regarding the program approach</li> <li>• Assessing the Group's assessment of whether provisions should be recognised and the process to determine a reasonable estimate; and</li> <li>• Where the Group determined that they were unable to reliably estimate the possible financial impact of a legal or regulatory action, we assessed the appropriateness of their conclusion and consideration of whether contingent liabilities exist.</li> </ul>

<p>charged to clients by advisers operating under a Group license but there is no evidence that service was provided. The status of this programme has been disclosed in Note 16.</p>	<p>We also assessed the appropriateness of the disclosures in Notes 15 and 16 to the financial statements.</p>
<p><b>Restatement of prior period financial information:</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- Note 2 Summary of significant accounting policies</li> <li>- Note 4 Revenue and expenses</li> <li>- Note 5 Income tax</li> <li>- Note 8 Financial assets, liabilities and financial risk management</li> <li>- Note 21 Restatement of prior year comparative</li> </ul> <p>The Group identified an error in its application of the Centrepont Alliance Share Plan Rules and its contractual obligation between the Participants, Trustee and Trust, resulting in an incorrect accounting entry for interest income and interest receivable for the year-ended 30 June 2018, given the interest income was irrevocable from the Participants.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of key controls within management’s financial reporting processes</li> <li>• Reviewing management’s restated financial information for the year ended 30 June 2018, and obtaining evidence to support the material adjustments to the previously disclosed financial information of the Group</li> <li>• Engaging our technical accounting specialist to assist in the assessment of the validity, completeness and accuracy of the adjustments; and</li> <li>• Recalculating the impact of the restatement adjustments on the financial statements and notes to the financial statements for the current year and comparative financial information.</li> </ul> <p>We also assessed the appropriateness of the disclosures in the notes to the financial statements.</p>
<p><b>Business model change</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- Note 2 Summary of significant accounting polies</li> <li>- Note 14 Intangible assets</li> <li>- Note 18 Financial assets, liabilities and related financial risk management</li> </ul> <p>In the 2019 financial year the Company announced changes to its business model to respond to a changing market for financial planning licensees where traditional platform commissions and rebates are reducing by establishing a new fee driven model.</p> <p>Modelling related to cash flows generated under the new business model has been performed in relation to impacts on</p>	<p>Our procedures in relation to the impacts of the business model change included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Inquiring of management and the directors in relation to forecasting assumptions for the new revenue streams</li> <li>• Assessing of the design and implementation of key controls in place to manage the Company’s liquidity risk</li> <li>• Challenging the assumptions adopted in models supporting the recoverability of non current assets and deferred tax assets</li> <li>• Challenging the assumptions contained in management’s future cash flow forecasts, in particular its future revenue projections and expense projections; and</li> </ul>

impairment, recoverability of deferred tax assets and liquidity.	<ul style="list-style-type: none"><li>• Inquiring of management as to the rate of client acceptance of the new fee model.</li></ul> <p>We also assessed the appropriateness of the disclosures to the financial statements.</p>
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## *Other Information*

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors Report and the ASX additional information included in the Group's annual report for the year-ended 30 June 2019 but does not include the financial report and our 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

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reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with

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them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 17 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Centrepoint Alliance Limited for the year ended 30 June 2019, 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.



DELOITTE TOUCHE TOHMATSU



David Rodgers  
Partner  
Chartered Accountants  
Brisbane, 22 August 2019

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# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

ASX Additional Information

30 June 2019

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 16 August 2019.

## 1) Class of securities and voting rights

### a) Ordinary shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 1,798 holders of ordinary shares, holding 148,882,969 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	294	
1,001 - 5,000	469	
5,001 - 10,000	239	
10,001 - 100,000	650	
100,000 and over	146	18

The number of shareholders with less than a marketable parcel is 650.

## 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	45,741,871
River Capital Pty Ltd	5,689,719

# CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

ASX Additional Information

30 June 2019

## 4) Twenty largest holders of quoted equity securities

Ordinary Shareholders		Fully paid	
		No. of Shares	% Held
1	UBS NOMINEES PTY LTD	33,695,098	22.63
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,998,216	10.07
3	NATIONAL NOMINEES LIMITED	13,440,630	9.03
4	MR ALEXANDER BEARD + MRS PASCALE MARIE BEARD <AD & MP BEARD SUPER FUND A/C>	5,006,985	3.36
5	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	4,541,382	3.05
6	SUPERTCO PTY LTD <TAG SMALL CAP FUND A/C>	3,000,000	2.02
7	MR RICHARD JOHN NELSON + MRS KAYE MARIE NELSON <NELSON PENSION FUND A/C>	2,729,660	1.83
8	GRIFFIN FUND MANAGEMENT PTY LTD <NOEL GRIFFIN NO 2 S/F A/C>	1,950,930	1.31
9	NSR INVESTMENTS PTY LTD <NSR SUPER FUND A/C>	1,500,000	1.01
10	WAYLEX PTY LTD <NELSON INVESTMENT A/C>	1,418,051	0.95
11	FETTERPARK PTY LTD <O'REILLY FAMILY S/F A/C>	1,200,000	0.81
12	AGRB PTY LTD <THE BENBOW A/C>	1,198,434	0.80
13	AVANTEOS INVESTMENTS LIMITED <2024279 LUBBO A/C>	1,092,000	0.73
14	CATHAYS PTY LTD <A & D GRIFFITHS S/F A/C>	1,089,500	0.73
15	MR DANIEL BARON DROGA + MRS LYNDELL DROGA <DROGA FAMILY SUPER FUND A/C>	1,000,000	0.67
16	KORO KIDS PTY LTD	987,714	0.66
17	MRS CHRISTINE ANN MOSSMAN	829,600	0.56
18	MR PETER HOWELLS	816,857	0.55
19	AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	739,075	0.50
20	MR RICHARD EWAN BROMLEY MEWS + MRS WEE KHOON MEWS <MEWS SUPERANNUATION FUND A/C>	698,175	0.47
		<b>91,932,307</b>	<b>61.74</b>

# CORPORATE DIRECTORY

## SECURITIES EXCHANGE LISTING

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

## SHARE REGISTRY

Computershare Investor Services Pty Limited  
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(outside Australia) +61 3 9415 4870  
Facsimile: +61 3 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## AUDITOR

Deloitte Touche Tohmatsu  
Riverside Centre  
Level 23, 123 Eagle Street  
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## REGISTERED ADDRESS

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