# Announcement to the Market

**29 February 2012**

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## Half Year Financial Report - Substantial Turnaround

**Financial Performance**

The Directors of Centrepoint Alliance Limited (ASX Code 'CAF") are pleased to advise that the profit before tax for the half year to 31 December 2011 is $845,000 ($209,000 after non-controlling interests) with a prior period equivalent loss of $6,079,000.

The Appendix 4D and Half Year Financial Report at 31 December 2011 is attached.

The improvement in the result is largely the product of:

- Inclusion of a full six months of trading for the pre-merger Centrepoint businesses including the Premium Funding business and;
- A significant reduction in cost including:
  - Claims provisioning down to $1.9 million for the period from $3.9 million, for the prior corresponding period (PCP) of the $1.9 million only $1.5 million related to new claims, the balance related to prior period claims
  - Insurance down to $1.6 million from $2.0 million (PCP) reflecting improving arrangements
  - Impairment of intangibles of $246,000 down from $2,879,000 (PCP) for the prior period
  - Property costs down to $2.1 million from $3.1 million

Balancing these positive factors was a significant increase in professional fees expense largely as a consequence of the acceleration of work to complete the Enforceable Undertaking between PIS and ASIC.

Revenue on a like for like basis for the Centrepoint Wealth group of businesses has declined, reflecting both internal factors, for example regrettable losses of advisers to other licence holders and external factors, for example, continued falls in asset values affecting both activity and funds under advice volumes.

Centrepoint Alliance recorded a net loss after tax of ($828,000). This was due to a significant tax expense for the 6 month period which is the product of tax timing differences relating to claims settlements and the decision not to increase the deferred tax assets for carried forward tax losses.

**Operations**

The operations continue to improve with achievements in most business units including:

- Premium Funding continues to grow its market share and achieved meaningful improvements in its banking facilities with the NAB during the period
- AAP continued to expand its footprint in the boutique licensee market
- All Star Ventura re-negotiated its principal outsourcing arrangements with Russell which has resulted in a material uplift in margins for that business unit
- Professional Investment Services continues to make changes to its compliance framework in the time frame set by the Enforceable Undertaking. The final Independent Expert Report related to the Enforceable Undertaking is due to be lodged with ASIC in March 2012.

**Outlook**

The outlook for the business remains positive with the financial performance expected to improve as costs related to the Enforceable Undertaking and claims continue to reduce.

The business continues to look for opportunities to expand both organically and by acquisition.

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# CENTREPOINT ALLIANCE LIMITED

## AND ITS CONTROLLED ENTITIES

ABN 72 057 507 507

## Appendix 4D

Half year ended 31 December 2011

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | |
|---|---|---|---|---|
| **Revenues from ordinary activities** | **Up** | **20%** | **to** | **$33,268,000** |
| **Net profit/(loss) for the period attributable to members** | **Up** | **84%** | **to** | **$(1,308,000)** |

| **Dividends (distributions)** | **Amount per security** | **Franked amount per security** |
|---|---|---|
| **Interim dividend** | **0.0 cents** | **0.0 cents** |
| **Previous corresponding period** | **0.0 cents** | **0.0 cents** |
| **Record date for determining entitlements to dividend** | **Not applicable** | |
| **Payment date of dividend** | **Not applicable** | |
| | **31 Dec 2011** | **31 Dec 2010** |
| **Net tangible assets per share** | **35.12 cents** | **38.29 cents** |

- Results are extracted from the attached Half Year Financial Report for the six months ended 31 December 2011 which was subject to an independent review.
- For explanation and commentary on the results refer to the Directors' Report in the attached Half Year Financial Report.

# CENTREPOINT ALLIANCE LIMITED

## AND ITS CONTROLLED ENTITIES

ABN 72 052 507 507

Half Year Financial Report

for the six months ended 31 December 2011

# Directors' Report
## For the half year ended 31 December 2011

The directors of Centrepoint Alliance Limited (ASX code and herein 'CAF') submit their report for the half year ended 31 December 2011.

## Directors

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

- Rick Nelson (Chairman)
- Tony Robinson (Managing Director)
- Grahame Evans (Executive Director)
- Noel Griffin (Non Executive Director)
- Christopher Castles (Non Executive Director)
- Stephen Maitland (Non-Executive Director) – Appointed 20 December 2011
- Matthew Kidman (Non-executive Director) – Appointed 21 February 2012
- Stephen Murphy (Non Executive Director) – Resigned 30 September 2011

## Review of Results and Operations

### Financial Performance

The Consolidated Statement of Comprehensive Income shows that the profit before tax for the half year to 31 December 2011 is $845,000 (prior period loss $6,079,000).

In making a comparison between periods it is important to be aware that the prior period equivalent numbers did not include a full six months of trading for the pre-merger Centrepoint business units.

The improvement in the pre-tax result is largely the product of:

- Inclusion of a full six months of trading for the pre-merger Centrepoint businesses including the Premium Funding business and;
- A significant reduction in costs including
  - Claims provisioning down to $1.9 m for the period (from $3.9m) of which only $1.5 million related to new claims (the balance related to prior period claims)
  - Insurance (reflecting improving arrangements) down to $1.6m (from $2.0m)
  - Property costs down to $2.1m (from $3.1m)

Balancing these positive factors was a significant increase in professional fees largely as a consequence of the acceleration of work to complete the Enforceable Undertaking between Professional Investment Services Ltd ('PIS') and the Australian Securities & Investments Commission ('ASIC').

Also revenue on a like for like basis in the Centrepoint Wealth group of businesses has declined, reflecting both internal (regrettable losses of advisers to other dealer groups) and external (continued fall in asset volume affecting both activity and funds under advice values) factors.

A significant tax expense was incurred for the period, which was a product of the reversal of tax timing differences relating to claims settlements and the decision not to increase the deferred tax asset for carried forward tax losses.

This resulted in a net loss after tax of $828,000 compared with a loss of $7,698,000 for the corresponding period in financial year 2010.

## Cash Flows

The Consolidated Statement of Cash Flows for the six months shows a net decrease in cash and cash equivalents of $2,560,000. This includes net inflows from operations of $4,754,000 and cash outflows of $6,686,000 in claims and litigation settlements.

## Financial Position

The Group has net assets at 31 December 2011 of $44,527,000 and net tangible assets of $36,126,000 representing net tangible assets per share of 35.12 cents (2010: 38.29 cents).

Net assets increased by $2,415,000 during the period, which was primarily as a result of the issue of shares to acquire the externally owned balance of shares in Ventura Investment Management Ltd.

The Group held a total of $17,995,000 in cash and cash equivalents at 31 December 2011, of which in excess of $9,000,000 was uncommitted and available for corporate initiatives.

## Operations

### *Centrepoint Wealth (CPW) Division*
***(Previously known as Professional Investment Holdings)***

The Centrepoint Wealth division comprises the businesses acquired as a result of the merger in December 2010 with Professional Investment Holdings Ltd (which changed its name in November 2011 to Centrepoint Wealth Ltd). The name change was made to better represent its primary activities in wealth management and investment.

As indicated above, these businesses have continued to be adversely impacted, during the Half Year to 31 December 2011, by declining funds under management and advice. They may also have been adversely impacted by the uncertainty and difficulties created as a result of the current Government's proposed Future of Financial Advice (FOFA) legislation. Nevertheless considerable progress has been made across the division to address legacy issues, improve structures and systems, and reduce costs to position them for an improvement in market conditions when that occurs.

1) Advice Services (Australia)
   - The major business in the CPW division is Professional Investment Services Pty Ltd ('PIS'), which manages and is licensee for one of the largest non-institutionally owned network of financial planners and accountants in Australia.

   - In August 2011 a new CEO, Mr Peter Walther, was appointed for this business. Since his appointment Peter has made significant change to the business and a significant contribution through that change.

   - As detailed above, Advice revenues were adversely affected during the half year by external economic and regulatory issues. PIS revenue was also impacted by a number other factors including adviser losses. Expenses and activity for the period were dominated by the increased application of resources and the significant additional professional fees incurred as a result of accelerating the completion of an Enforceable Undertaking ('EU') with ASIC. The EU is due for completion in March 2012.

- A considerable amount of progress has been made over the six months, not only in relation to the EU, but also in restructuring, recruiting new skills, improving systems and in controlling costs. It is important to note that while the EU has set the timetable for change, it has not set the direction of change, which has been the product of management's decision that the business should strive to be one of Australia's best Advice Services businesses. A key component of which is to ensure our advisers have the compliance and quality assurance programmes necessary to ensure that sound advice is provided through a structure that is consistent with all regulatory requirements.

- One area which has received considerable attention has been the management and resolution of client claims. Existing client claims to a value of $6,686,000 have been settled during the period, which has impacted cash generation but has also seen the claims provision decrease despite a claims expense of $1,889,000 for the Half Year, which includes $1,500,000 of additional provisioning for claims lodged during the period. Resources both internal and external continue to be applied to resolving existing claims and improving the management of new ones. The vast majority of existing and new claims emanate from advice provided in 2008 and prior.

- The other significant Advice Services business is Associated Advisory Practices ('AAP'). This business provides support services to a range of independently-licensed, boutique advisory practices. AAP comprises two subsidiaries which are partly owned by adviser practices. It has also been adversely impacted by the external factors identified, but has continued to trade profitably and on-budget throughout the period.

2) Investment Products & Services (Australia)

- The CPW Group provides a number of investment products and services including funds management and investment platforms.

- Although revenues in these businesses were also impacted by market indices and the adverse economic climate, they all traded profitably in the Half Year.

- During the period the CAF Group moved to increase its ownership to 100% of two of the key businesses in this segment:
    - Through the completion of a Scheme of Arrangement on 16 August 2011, CAF acquired the 83% of externally-owned shares in funds management business, Ventura Investment Management Ltd ('VIML'), for a consideration of $3,788,946 in the form of 4,457,583 CAF shares at a deemed value of 85 cents per share.
    - On 30 December 2011 CAF Group acquired 100% ownership of platform business Mentor Investment Services Pty Ltd. This was achieved through the payment of compensation and incentive payments to participating advisers and the redemption of the 63% of externally-owned shares in the Company.

- During the period VIML also completed a project to expand and restructure its investment funds and to renegotiate terms with its investment managers, which have improved the competitiveness of its products and increased its share of revenue.

3) Advice Services (International)

- In July 2011, the Group completely exited its business interests in Hong Kong and China.

- Considerable work has been done to improve systems and reduce costs in the Singapore and Malaysian businesses, but they were also impacted by the adverse economic climate and both recorded small operating losses for the Half Year.

- Centrepoint's belief remains that the best interests of both those businesses will be served by identifying new shareholders to take over the role of supporting shareholder previously held by Centrepoint.

- The impact on the Group of the New Zealand business is now immaterial as the investment has been effectively written off and the operational involvement reduced to Board positions.

4) Other Operations (Australia)

- The various other businesses which existed in the CPW Group prior to the Merger with CAF have been significantly rationalised over the last twelve months and now consist primarily of its group corporate functions, a finance-broking business and two small loan finance operations.

- Australian Loan Company Ltd ('ALCo') operates the finance-broking business, which is also an important adjunct to the Advisory network services in PIS. On 10 November 2011, the CAF Group acquired the externally-owned 50% of this business for a consideration of $1,250,000. The company traded profitably during the period and holds a significant loan book with trailing commissions.

- One of the finance businesses is operated by the wholly owned subsidiary M.I. Professional Funding Pty Ltd ('MIPF'), which since 2006 has been providing finance to investors in certain nominated managed investment schemes. The loan funds were sourced through a facility with the Bendigo & Adelaide Bank and selected other lenders. For the majority of these loans, the amounts outstanding where either repaid during the period (the Bendigo & Adelaide facility) or now have offset arrangements agreed whereby any losses in the receivables result in an equal reduction in the payable to the lender.

- The other finance business in this segment provides business finance to adviser practices in the PIS network. During the financial period considerable work was undertaken to resolve legacy issues and to restructure certain receivables within this loan book.

- It is recognised that the provision of finance to advisers, to enable business improvement or expansion, is a critical service to be provided to the Group's adviser networks, and during the period a process and a panel of external funders was established and formalised to provide access to a range of funding sources for these purposes. This is expected to provide ample and effective finance to our advisers, through a delivery system which is more equitable and efficient than using Group funds. It has enabled the Group to cease internal funding and will allow a run-down of the existing book.

### *Centrepoint Alliance Insurance Premium Funding Division (CAPF)*

The insurance premium funding operations of the Group are now contained within Centrepoint Alliance Premium Funding Pty Ltd ('CAPF'). The business, which provides short term finance to both commercial and domestic clients to fund their annual insurance premiums, has continued to grow its business volumes and interest revenues over the previous corresponding period.

The business, which is ably managed and lead by Bob Dodd, traded profitably during the Half Year, recording a net profit after tax of $932,000.

The company sources its funds for on-lending from the National Australia Bank and in December 2011 renegotiated its facility with NAB for calendar year 2012. The new facility has reduced covenant obligations for the CAF Group and has a limit that varies during the year to match the seasonal nature of the Premium Funding business. The revised facility is expected to further improve the net interest margin for the business.

### *Centrepoint Alliance Limited Corporate (CAF)*

At a CAF Group corporate level the Company has progressed a number of initiatives including:

- Completion of the Scheme of Arrangement and issue of shares to acquire the externally-owned balance of Ventura Investment Management Ltd referred to above.
- The launch of a buy-back of the Company's shares through the Australian Securities Exchange.
- A rationalisation of the Group's corporate structure with a view to reducing overhead expenses. This exercise has seen the de-registration or disposal of a series of legal entities with a further twelve entities to be removed through a Scheme of Arrangement, which is expected to be completed within the next two to three months.
- A consolidation of office facilities around Australia to reduce property expenses.

### Outlook

As reflected in the earlier commentary, considerable progress has been made across the Group and particularly in the Centrepoint Wealth division to re-organise, reposition and strengthen the core business operations by resolving legacy issues, improving structures and systems, and reducing costs. The major elements of this process are expected to be largely finalised by the end of this calendar year and as a consequence the Directors believe the Group will be well-positioned for an improvement in market conditions when that inevitably occurs. This outlook reflects an expectation of a reasonable outcome from the final Independent Expert's report in relation to the Enforceable Undertaking between PIS and ASIC.

The insurance premium funding division is expected to continue to further expand its market share and increase its profitability in the coming months.

At the Corporate level, suitable further acquisition opportunities are continuing to be sourced and evaluated.

## Rounding

The amounts contained in the Half Year Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

## Auditor's Independence Declaration

Ernst & Young, our auditors, have provided a written independence declaration to the Directors in relation to their review of the Half Year Financial Report for the period ended 31 December 2011. This independence declaration can be found at page 6 and forms part of this report.

Signed in accordance with a resolution of the directors.

Tony Robinson
**Managing Director**

29 February 2012

# Auditors Independence Declaration
## For the half year ended 31 December 2011

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**Auditor's Independence Declaration to the Directors of Centrepoint Alliance Limited**

In relation to our review of the financial report of Centrepoint Alliance Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
29 February 2012

PM:MB:CENTREPOINT:069

# Consolidated Statement of Comprehensive Income
## For the half year ended 31 December 2011

| | Notes | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Advice and product margin revenue | | 91,263 | 91,965 |
| Advice and product margin fees | | (69,790) | (69,513) |
| Advice and product margin revenue (net) | | 21,473 | 22,452 |
| Interest income | 5 | 7,959 | 1,995 |
| Other revenue/income | 6 | 3,836 | 3,391 |
| | | **33,268** | **27,838** |
| **Expenses** | | | |
| Borrowing expenses | | (3,201) | (1,851) |
| Other general and administration expenses | 7 | (29,222) | (32,066) |
| **Profit/(loss) before tax** | | **845** | **(6,079)** |
| Income tax expense | | (1,673) | (1,619) |
| **Net loss for the period** | | **(828)** | **(7,698)** |
| | | | |
| **Other comprehensive income** | | | |
| Foreign currency translation | | 105 | (299) |
| Change in fair value of investments | | - | 286 |
| **Total comprehensive loss for the period** | | **(723)** | **(7,711)** |
| | | | |
| **Net loss attributable to:** | | | |
| Owners of the parent | | (1,308) | (8,002) |
| Non-controlling interests | | 480 | 304 |
| **Net loss for the period** | | **(828)** | **(7,698)** |
| | | | |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent | | (1,239) | (8,339) |
| Non-controlling interests | | 516 | 628 |
| **Total comprehensive loss for the period** | | **(723)** | **(7,711)** |
| | | | |
| **Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the parent** | | | |
| | | **Cents** | **Cents** |
| Basic and diluted loss per share | 9 | (1.32) | (11.10) |

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the attached notes included in pages 11 to 25.

# Consolidated Statement of Financial Position
## As at 31 December 2011

| | Notes | As at 31 Dec 2011 $'000 | As at 30 Jun 2011 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | 10 | 17,995 | 20,420 |
| Trade and other receivables | | 22,033 | 26,184 |
| Interest bearing receivables | 11 | 107,686 | 88,562 |
| Other assets | 12 | 5,145 | 5,115 |
| **Total current assets** | | **152,859** | **140,281** |
| **Non-current** | | | |
| Trade and other receivables | | 821 | 655 |
| Interest bearing receivables | 11 | 3,108 | 8,053 |
| Other assets | 12 | 1,957 | 1,810 |
| Investments | 13 | 275 | 1,425 |
| Property, plant and equipment | | 2,169 | 2,546 |
| Intangible assets and goodwill | 14 | 8,401 | 6,332 |
| Deferred tax assets | | 8,716 | 9,801 |
| **Total non-current assets** | | **25,447** | **30,622** |
| **Total assets** | | **178,306** | **170,903** |
| | | | |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables | | 42,483 | 43,414 |
| Interest bearing liabilities | 15 | 75,455 | 65,928 |
| Provisions | 16 | 6,864 | 9,191 |
| Current tax liability | | 465 | 351 |
| **Total current liabilities** | | **125,267** | **118,884** |
| **Non-current** | | | |
| Trade and other payables | | 329 | 461 |
| Interest bearing liabilities | 15 | 937 | 1,114 |
| Provisions | 16 | 7,246 | 8,332 |
| **Total non-current liabilities** | | **8,512** | **9,907** |
| **Total liabilities** | | **133,779** | **128,791** |
| **Net assets** | | **44,527** | **42,112** |
| | | | |
| **Equity** | | | |
| Contributed equity | 17 | 71,923 | 68,140 |
| Reserves | 18 | (1,352) | (1,434) |
| Accumulated losses | | (26,602) | (24,989) |
| **Equity attributable to shareholders** | | **43,969** | **41,717** |
| Non-controlling interests | | 558 | 395 |
| **Total equity** | | **44,527** | **42,112** |

The Consolidated Statement of Financial Position is to be read in conjunction with the attached notes included in pages 11 to 25.

# Consolidated Statement of Cash Flows
## For the half year ended 31 December 2011

| | Notes | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 106,376 | 115,709 |
| Cash paid to suppliers and employees | | (101,622) | (115,416) |
| Cash provided by operations | | 4,754 | 293 |
| Claims and litigation settlements | | (6,686) | (8,506) |
| Cash on sale of property inventory | | - | 36,500 |
| Income tax refunded/(paid) | | 15 | (395) |
| **Net cash flows (used in)/provided by operating activities** | | **(1,917)** | **27,892** |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | 665 | 1,496 |
| Proceeds from sale of investments | | 1,381 | - |
| Cash acquired on acquisitions | | 3,566 | 18,927 |
| Cash disposed on redesignation of subsidiaries to associates | | - | (3,006) |
| Acquisition of investments | | (1,553) | - |
| Acquisition of property, plant and equipment | | (391) | (32) |
| **Net cash flows provided by investing activities** | | **3,668** | **17,385** |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest and borrowing expenses paid | | (135) | (1,872) |
| Net increase/(decrease) in borrowings | | 13,034 | (31,486) |
| Net (increase)/decrease in loan funds advanced | | (17,210) | 995 |
| Loans recognised on redesignation of subsidiaries to associates | | - | (1,454) |
| Proceeds from issuance of share capital | | - | 250 |
| **Net cash flows used in financing activities** | | **(4,311)** | **(33,567))** |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,560)** | **11,710** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 20,420 | 16,726 |
| Effect of exchange rate fluctuations on cash held | | 135 | 70 |
| **Cash and cash equivalents at the end of the period** | **10** | **17,995** | **28,506** |

The Consolidated Statement of Cash Flows is to be read in conjunction with the attached notes included in pages 11 to 25.

# Consolidated Statement of Changes in Equity

## For the half year ended 31 December 2011

| | Notes | Ordinary Shares $'000 | Reserves $'000 | Accumulated Losses $'000 | Total $'000 | Non-Controlling Interests $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2010** | | 36,862 | (842) | (11,662) | 24,358 | 6,797 | 31,155 |
| (Loss)/profit for the period | | - | - | (8,002) | (8,002) | 304 | (7,698) |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | | - | (300) | - | (300) | 1 | (299) |
| Net change in fair value of available for sale assets | | - | (37) | - | (37) | 323 | 286 |
| **Total comprehensive (loss)/income for the period** | | **-** | **(337)** | **(8,002)** | **(8,339)** | **628** | **(7,711)** |
| Issue of share capital | 14 | 750 | - | - | 750 | - | 750 |
| Merger share issue | 14 | 26,658 | - | - | 26,658 | - | 26,658 |
| Share-based payment | 15 | - | 3 | - | 3 | - | 3 |
| Extinguishment of balance of share option reserve | 15 | - | (196) | 196 | - | - | - |
| Redesignation of subsidiaries to associates | | - | - | - | - | (5,581) | (5,581) |
| Acquisition of additional non-controlling interest in subsidiary | | - | - | (760) | (760) | - | (760) |
| Dilution gains/(losses) | | - | - | (74) | (74) | 74 | - |
| Dividends paid | 8 | - | - | - | - | (419) | (419) |
| **Balance at 31 December 2010** | | **64,270** | **(1,372)** | **(20,302)** | **42,596** | **1,499** | **44,095** |
| | | | | | | | |
| **Balance at 1 July 2011** | | 68,140 | (1,434) | (24,989) | 41,717 | 395 | 42,112 |
| (Loss)/profit for the period | | - | - | (1,308) | (1,308) | 480 | (828) |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | | - | 69 | - | 69 | 36 | 105 |
| Net change in fair value of available for sale assets | | - | - | - | - | - | - |
| **Total comprehensive income/(loss) for the period** | | **-** | **69** | **(1,308)** | **(1,239)** | **516** | **(723)** |
| Issue of share capital | 14 | 3,783 | - | - | 3,783 | - | 3,783 |
| Share-based payment | 15 | - | 13 | - | 13 | - | 13 |
| Acquisition of additional non-controlling interest in controlled entities | | - | - | (388) | (388) | (270) | (658) |
| Dilution gains/(losses) | | - | - | 83 | 83 | (83) | - |
| Dividends paid | 8 | - | - | - | - | - | - |
| **Balance at 31 December 2011** | | **71,923** | **(1,352)** | **(26,602)** | **43,969** | **558** | **44,527** |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the attached notes included in pages 11 to 25.

# Notes to the Consolidated Financial Statements
For the half year ended 31 December 2011

## 1. Corporate information

The financial report of Centrepoint Alliance Limited (the Company) and its controlled entities for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 27 February 2012.

Centrepoint Alliance Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

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

## 2. Summary of significant accounting policies

### Basis of preparation

The general purpose condensed financial report for the half year ended 31 December, 2011 has been prepared in accordance with AASB 134: *'Interim Financial Reporting'* and the *Corporations Act 2001*.

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the Half Year Financial Report be considered together with any public announcements made by Centrepoint Alliance Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The Half Year Financial Report has been prepared on a historical cost basis, except for certain financial assets and derivative financial instruments that have been measured at fair value.

The Half Year Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100.

For the purpose of preparing the Half Year Financial Report, the half year has been treated as a discrete reporting period.

*Going Concern*
The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business as and when they fall due.

At balance date the Group had net assets of $44,527,000, net tangible assets of $36,126,000 and its market capitalisation exceeded its net assets. The Group also holds $17,995,000 in cash and cash equivalents at 31 December 2011 which is sufficient to meet its operational needs. The Group had a net decrease in cash and cash equivalents for the financial period, largely as a consequence of claims settlements, but is projecting a positive cash flow from operating activities in financial year 2012.

On 20 December 2010 the main operating entity of the Group, Professional Investment Services Pty Ltd (PIS), executed an Enforceable Undertaking (EU) with the Australian Securities & Investments and Commission (ASIC). The EU, which commenced in late December 2010 and is scheduled to be completed in March 2012, will address the concerns raised by ASIC with regard to matters of compliance, documentation and systems within PIS. There is a risk that, if the EU is not successfully completed, ASIC may potentially suspend or even withdraw PIS's Australian Financial Services Licence which would mean that it would not be able to continue its operations. Management are confident however that the EU is progressing satisfactorily.

**Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of Centrepoint Alliance Limited and its subsidiaries as at 31 December 2011 ('the Group').

The acquisition of the balance of the shares, not previously owned by the Group, in Ventura Investment Management Ltd ('VIML') and Australian Loan Company Ltd ('ALCo') on 16 August 2011 and 10 November 2011 respectively have, in accordance with IFRS 3, been accounted for using the 'step acquisition' method of accounting. The step acquisition method requires the acquirer to re-measure its previously held non-controlling equity investment at its acquisition-date fair value and recognise any resulting gain or loss in profit or loss. The additional portion acquired which takes the investment to a controlling interest is then treated as a separate acquisition using the traditional purchase method of accounting, which allocates the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the half-year consolidated financial statements include the results of VIML since its acquisition on 16 August 2011 and ALCo since its acquisition on 10 November 2011. Prior to these dates VIML and ALCo were accounted for using the equity method.

**Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements of the Group for the year ended 30 June 2011, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2011, as described below.

*Changes in accounting policy*
The Group has adopted all accounting standards and interpretations applicable from 1 July 2011. The adoption of the new standards and interpretations has had no impact on the recognition, measurement and disclosure of any assets, liabilities or the income statement for the period.

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

**Significant estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

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

- Business combinations – note 3.
- Goodwill and intangible assets recoverable amounts.
- Impairment of loan receivables – adviser loans.
- Provision for client claims.
- Recognition of deferred tax assets.
- Contingencies – note 19.

## 3. Business combinations

**Partial acquisition of Ventura Investment Management Ltd during the period**

Under a Scheme of Arrangement which took effect on 16 August 2011, the Centrepoint Alliance Limited Group ('the Group') acquired 83% of the issued shares in Ventura Investment Management Ltd ('VIML'), a funds management business in which the Group already owned 17%, thereby making it a wholly owned subsidiary.

In the previous accounting period, the investment in VIML was treated as an investment in an associate and was equity accounted. The new acquisition gave the Group control of the business and consequently, in accordance with the accounting standards, this was accounted for as a step acquisition whereby the initial holding is revalued to fair value and then the new purchase is recorded.

Upon the acquisition of the additional shareholding, the Group's existing investment was transferred within the Group from Centrepoint Wealth Ltd to Centrepoint Alliance Limited for a cash consideration, calculated at the same rate per share as the additional 83%, of $779,902. This is considered to be the fair market value and consequently the deemed consideration for a notional sale of the initial holding.

The consideration for the additional 83% was $3,788,946, in the form of 4,457,583 ordinary shares in Centrepoint Alliance Limited at a deemed value of $0.85 each, based on the quoted price of the shares of Centrepoint Alliance Limited at the date of acquisition.

The accounting for the acquisition of VIML has only been provisionally determined at the reporting date as fair values on acquisition may be impacted by final fair value determinations. The details of the provisional fair value of the identifiable assets and liabilities of VIML as at the date of acquisition are:

| | | | Existing Holding | Acquired During Period | Total |
|---|---|---|---|---|---|
| **Components of consideration** | | | **$'000** | **$'000** | **$'000** |
| | **No. of Shares** | **Value per share** | | | |
| Deemed consideration (Fair value) | - | - | 780 | - | 780 |
| Fully paid ordinary shares in CAF | 4,457,583 | $0.85 | - | 3,789 | 3,789 |
| | | | **780** | **3,789** | **4,569** |

| **Assets acquired and liabilities assumed** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|
| Cash and cash equivalents | 258 | 1,260 | 1,518 |
| Trade and other receivables | 240 | 1,170 | 1,410 |
| Interest bearing receivables | 252 | 1,232 | 1,484 |
| Other assets | 3 | 14 | 17 |
| Current tax asset | 42 | 205 | 247 |
| Investments | 31 | 150 | 181 |
| Deferred tax asset | 2 | 13 | 15 |
| | 828 | 4,044 | 4,872 |
| Trade and other payables | 67 | 329 | 396 |
| **Total identifiable net assets at fair value** | **761** | **3,715** | **4,476** |
| Goodwill arising on acquisition | 19 | 74 | 93 |
| **Purchase consideration** | **780** | **3,789** | **4,569** |

The goodwill arising on acquisition is attributable to various factors, including synergistic savings arising from combining administrative activities with existing group operation.

The consolidated statement of comprehensive income for the half year ended 31 December 2011 includes revenue of $1,233,343 and net profit of $314,224, as a result of the acquisition of VIML. Had the acquisition of VIML occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue of $1,584,345 and a profit of $631,679.

The consolidated statement of financial position includes the following significant assets and liabilities as a result of the acquisition of VIML:

*Cash and cash equivalents*

Included in the business acquired was cash and cash equivalents of $3,018,751. This is not free cash as VIML is required, as a responsible entity, to have minimum assets equal to 0.5% of assets of the management investment schemes it manages, to a maximum of $5,000,000.

**Acquisition of Australian Loan Company Ltd during the period**

Effective 10 November 2011, the Group acquired 50% of the shares in Australian Loan Company Ltd ('ALCo'), a finance broking business in which the Group already owned 50%, thereby making it a wholly owned subsidiary.

In the previous accounting period, the investment in ALCo was treated as an investment in an associate and was equity accounted. The new acquisition gave the Group control of the business and consequently, in accordance with the accounting standards, this was accounted for as a 'step acquisition' whereby the initial holding is revalued to fair value and subsequently the new purchase is recorded.

In assessing fair market value of the assets and liabilities at acquisition a separable intangible asset was identified in the form of the broker trail book and net of deferred tax liabilities this was valued at $379,968. In accordance with accounting standards this was then amortised for the period between acquisition and balance date.

The fair market value of the assets at acquisition was assessed to be $1,243,174, which was allocated $298,870 to the initial holding and $944,304 to the remaining 50% acquired in this Half Year. The carrying value for the initial holding was $26,314 resulting in a gain on revaluation of $272,557.

The consideration for the second 50% was $1,250,000 in cash, which was settled by the forgiving of a loan due from the vendor of $1,200,000 with the balance by cash payments.

The surplus of consideration over net assets for the total acquisition was $1,116,275, but impairment testing based on discounted future cash flows supported a goodwill figure of only $863,206, and hence an impairment of goodwill was recognised of $253,069.

The accounting for the acquisition of ALCo has only been provisionally determined at the reporting date as fair values on acquisition may be impacted by final fair value determinations.

The details of the provisional fair value of the identifiable assets and liabilities of ALCo as at the date of acquisition are:

| | Existing Holding | Acquired During Period | Total |
|---|---|---|---|
| **Components of consideration** | **$'000.** | **$'000** | **$'000** |
| Deemed consideration (Fair market value) | 299 | - | 299 |
| Cash | - | 1,250 | 1,250 |
| | **299** | **1,250** | **1,549** |

| | | | |
|---|---|---|---|
| **Assets acquired and liabilities assumed** | **$'000.** | **$'000** | **$'000** |
| Cash and cash equivalents | 282 | 282 | 564 |
| Trade and other receivables | 564 | 564 | 1,128 |
| Other assets | 7 | 7 | 14 |
| Plant and equipment | 1 | 1 | 2 |
| Intangible assets | 190 | 190 | 380 |
| Deferred tax asset | 2 | 2 | 4 |
| | 1,046 | 1,046 | 2,092 |
| Trade and other payables | 827 | 827 | 1,654 |
| Current tax liability | 3 | 3 | 6 |
| | 830 | 830 | 1,660 |
| **Total identifiable net assets at fair value** | **216** | **216** | **432** |
| Goodwill arising on acquisition | 109 | 755 | 864 |
| Goodwill impairment | (26) | 279 | 253 |
| **Purchase consideration** | **299** | **1,250** | **1,549** |

The consolidated statement of comprehensive income for the half year ended 31 December 2011 includes net advice revenue of $225,750 and net profit of $6,570, as a result of the acquisition of ALCo Had the acquisition of ALCo occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included net advice revenue of $729,125 and a profit of $53,144.

The consolidated statement of financial position includes the following significant assets and liabilities as a result of the acquisition of ALCo:

*Intangible Assets and Goodwill*

The acquisition of ALCo generated goodwill on acquisition of $863,206 and intangible broker trail book asset of $379,986 as detailed above. The goodwill arising on acquisition is attributable to various factors including the synergistic savings arising from combining administrative activities with the existing group operation. None of the goodwill recognised is expected to be deductable for income tax purposes.

**Merger of Centrepoint Alliance Limited with Professional Investment Holdings Ltd (prior year)**

In the previous financial period, on 13 December 2010, Centrepoint Alliance Limited ('CAF') acquired 100% of the voting shares of Professional Investment Holdings Ltd ('PIH'), an unlisted public company based in Australia, which is a leading provider of financial planning advice and investment product solutions. PIH has recently changed its name to Centrepoint Wealth Ltd ('CPW').

The consideration was $84,300,726 in the form of an issue of equity instruments to the shareholders of PIH. The Company issued 70,250,605 ordinary shares with a value of $1.20 each, based on the quoted price of the shares of CAF at the date of exchange and in accordance with the Merger Implementation Deed dated 25th August 2010.

In Accordance with AASB 3(B19) the transaction was considered to be a "reverse acquisition" and Professional Investment Holdings Ltd was recognised as the "Accounting Acquirer" and the following was prepared in accordance with AASB 3(B19:B27)

The notional consideration transferred was $26,658,794 calculated as follows:

| **CAF shares on issue prior to acquisition** | **No.** | **Fair Value** | **$** |
|---|---|---|---|
| Fully paid ordinary shares | 22,132,713 | 1.20[1] | 26,559,255 |
| Partly paid ordinary shares | 428,572 | 0.23[2] | 99,539 |
| | | | **26,658,794** |

[1]The fair value of the fully paid shares is based on the quoted price of the shares of CAF at the date of exchange.

[2]The fair value of the partly paid shares is based on the quoted price of the shares of CAF at the date of exchange and the percentage partly paid.

The fair values of the identifiable assets and liabilities of Centrepoint Alliance Limited as of the date of acquisition were:

| | **$'000** |
|---|---|
| Cash and cash equivalents | 18,927 |
| Interest bearing receivables | 98,457 |
| Current tax asset | 349 |
| Other assets | 784 |
| Plant and equipment | 320 |
| Investments | 5,000 |
| Deferred tax asset | 320 |
| | 124,157 |
| | |
| Trade and other payables | 29,115 |
| Interest bearing liabilities | 69,088 |
| Provisions | 472 |
| | 98,675 |
| | |
| Goodwill arising on acquisition | 1,176 |
| **Net assets acquired** | **26,658** |

The consolidated statement of financial position at 31 December 2010 included the following significant assets and liabilities as a result of the acquisition of Centrepoint Alliance Limited:

*Intangible Assets and Goodwill*
The reverse acquisition of CAF generated goodwill on acquisition of $1,176,000 as detailed above. The key factor contributing to the goodwill was the synergy expected to be achieved as a result of combining the operations of Centrepoint Alliance Limited with PIH. None of the goodwill recognised was expected to be deductable for income tax purposes.

*Loan receivables*
Included in the business acquired was insurance premium funding loan receivables with a gross contractual value of $99,140,000 and a fair value of $98,457,000.

*Interest bearing liabilities*
At acquisition the Company had a Multi Option Facility (including bank overdraft) and a Receivables Finance Facility with the National Australia Bank Limited. These facilities continue to be secured by a Registered Mortgage Debenture over all the assets and undertakings of the Centrepoint Alliance Limited Group of companies. In addition, amounts advanced under the Receivables Finance Facility are secured by the assignment to the National Australia Bank of insurance premium funding loan contract receivables.

## 4. Segment information

The Group has identified operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided, the identity of service line manager and country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided or the country of origin, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Based on these criteria, the Group has identified five reporting segments as follows:

- Financial Advice Services – Australia (ADVICE SERVICES)
- Investment Products & Services - Australia (INVESTMENT PRODUCTS)
- Financial Advice Services – International (INTERNATIONAL)
- Insurance Premium Funding (PREMIUM FUNDING)
- Other Businesses (which includes the Group's corporate operations and in the prior period its investment in the Brandsmart Riverbank property project) (OTHER)

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2011 and 31 December 2010.

| | Advice Services $'000 | Investment Products $'000 | International $'000 | Premium Funding $'000 | Other $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | |
| Advice & product margin revenue (net) | 17,062 | 926 | 2,259 | - | 1,226 | 21,473 |
| Interest income | 133 | 308 | - | 6,500 | 1,018 | 7,959 |
| Other revenue | 976 | 2,461 | 1,986 | 468 | (2,055) | 3,836 |
| **Total net revenue** | **18,171** | **3,695** | **4,245** | **6,968** | **189** | **33,268** |
| Borrowing expenses | (85) | (32) | (4) | (2,723) | (357) | (3,201) |
| Client claims | (1,881) | - | (8) | - | - | (1,889) |
| Depreciation and amortisation | (533) | (26) | (114) | (17) | (34) | (724) |
| Impairment expense | (107) | 113 | - | (286) | (495) | (775) |
| Income tax (expense)/credit | (116) | (465) | - | (399) | (693) | (1,673) |
| **Net profit/(loss) after tax** | **284** | **1,122** | **(153)** | **932** | **(3,013)** | **(828)** |
| | | | | | | |
| **Total assets** | **30,237** | **5,938** | **8,161** | **107,835** | **26,135** | **178,306** |
| **Non-current assets** | | | | | | |
| Investment in associates | - | - | - | - | 275 | 275 |
| Property, plant and equipment | 1,639 | 4 | 305 | 191 | 29 | 2,168 |
| Intangible assets and goodwill | 4,568 | 1,044 | 1,386 | 38 | 1,365 | 8,401 |
| Other | 1,957 | - | - | - | - | 1,957 |
| | | | | | | |
| **Total liabilities** | **(31,989)** | **(410)** | **(5,120)** | **(94,084)** | **(2,176)** | **(133,779)** |

| | Advice Services $'000 | Investment Products $'000 | International $'000 | Premium Funding $'000 | Other $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **31 December 2010** | | | | | | |
| Advice and product margin revenue (net) | 17,258 | 3,385 | 1,806 | - | 3 | 22,452 |
| Interest income | 151 | 25 | - | 757 | 1,062 | 1,995 |
| Other revenue | 2,183 | 1,066 | 66 | 18 | 58 | 3,391 |
| **Total net revenue** | **19,592** | **4,476** | **1,872** | **775** | **1,123** | **27,838** |
| Borrowing expenses | (78) | (50) | (15) | (329) | (1,379) | (1,851) |
| Client claims | (3,867) | - | (53) | - | (21) | (3,941) |
| Depreciation and amortisation | (786) | (1) | (139) | (2) | (3) | (931) |
| Impairment expense | (1,969) | - | (1,327) | - | 927 | (2,369) |
| Income tax (expense)/credit | (609) | (277) | (16) | (53) | (664) | (1,619) |
| **Net profit/(loss) after tax** | **(6,521)** | **3,416** | **(2,345)** | **117** | **(2,363)** | **(7,696)** |
| | | | | | | |
| **30 June 2011** | | | | | | |
| **Total assets** | **38,617** | **2,396** | **6,514** | **87,002** | **36,374** | **170,903** |
| **Non-current assets** | | | | | | |
| Investment in associates | - | - | - | - | 1,390 | 1,390 |
| Property, plant and equipment | 1,834 | 4 | 446 | 174 | 88 | 2,546 |
| Intangible assets and goodwill | 4,098 | - | - | - | 2,234 | 6,332 |
| Other | 1,810 | - | - | - | - | 1,810 |
| | | | | | | |
| **Total liabilities** | **(36,173)** | **(1,507)** | **(4,698)** | **(74,149)** | **(12,264)** | **(128,791)** |

## 5. Interest income

| | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|
| Interest income - Insurance premium funding* | 6,507 | 774 |
| Interest Income - Other | 1,452 | 1,221 |
| | **7,959** | **1,995** |

*NOTE: In accordance with Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, the Company is required to adopt the effective interest rate method of disclosure, which means that commission expenses of $3,574,000 (2010: $433,000) on financing activities has been netted off against (i.e. deducted from) interest and fee income.

## 6. Other revenue/income

| | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|
| Retail and wholesale asset fees | 1,575 | 1,068 |
| Wholesale client and service fees | 752 | 445 |
| Rent received | - | 1,271 |
| Recoveries | 840 | 607 |
| Gain on sale of investments | 323 | - |
| Other | 346 | - |
| | **3,836** | **3,391** |

## 7. Other general and administrative expenses

| | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|
| Audit fees | 277 | 180 |
| Client claims | 1,889 | 3,941 |
| Communication expenses | 385 | 236 |
| Computer expenses | 588 | 500 |
| Conference expenses | 405 | 477 |
| Depreciation and amortisation | 724 | 931 |
| Directors fees and expenses | 210 | 216 |
| Employee benefit expenses* | 12,463 | 11,078 |
| Entertainment | 148 | 109 |
| Foreign exchange loss | 60 | 60 |
| Impairment of intangibles | 246 | 2,879 |
| Impairment of receivables | 529 | (10) |
| Impairment reversal of inventory | - | (500) |
| Insurance | 1,575 | 2,002 |
| Licensing, subscriptions and registrations | 253 | 204 |
| Marketing and promotion | 600 | 510 |
| Management fees | 240 | 511 |
| Merger related acquisition costs | 84 | 1,382 |
| Other expenses | 790 | 313 |
| Printing, stationery and postage | 299 | 363 |
| Professional consulting fees | 4,669 | 3,078 |
| Property costs | 2,149 | 3,081 |
| Travel and accommodation | 639 | 525 |
| | **29,222** | **32,066** |
| ***Employee benefit expenses** | | |
| Wages and salaries | 10,622 | 9,044 |
| Other associated personnel expenses | 1,645 | 1,399 |
| Share based compensation expense | 8 | 3 |
| Increase in liability for employee leave | 188 | 632 |
| | **12,463** | **11,078** |

## 8. Dividends

Dividends payable are recognised when declared by the company.

The following fully franked dividends were provided for or paid during the half-year:

| | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|
| **Dividends declared and paid during the half year on ordinary shares:** | - | - |
| | | |
| **Dividends paid to non-controlling interests in:** | | |
| Associated Advisory Practices Limited | - | 384 |
| Associated Advisory Practices (No 2) Ltd | - | 13 |
| De Run Securities Pty Ltd | - | 22 |
| | **-** | **419** |

## 9. Earnings/(loss) per share

The following reflects the income used in the basic and diluted loss per share computations:

| | Half Year to 31 Dec 2011 $'000 | Half Year to 31 Dec 2010 $'000 |
|---|---|---|
| **Earnings/(losses) used in calculating loss per share** | | |
| Net loss attributable to ordinary equity holders of the parent | **(1,308)** | **(8,002)** |
| | | |
| | **No.** | **No.** |
| **Weighted average number of shares** | | |
| | | |
| Weighted average number of ordinary shares (excluding reserved shares) | 99,285,229 | 72,095,233 |
| Effect of dilution: | | |
| Partly paid shares | - | 3,435 |
| Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution | **99,285,229** | **72,098,668** |

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

## 10. Cash and cash equivalents

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 | 31 Dec 2010 $'000 |
|---|---|---|---|
| Cash at bank | 17,995 | 20,420 | 28,506 |
| | **17,995** | **20,420** | **28,506** |

## 11. Interest bearing receivables

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| **Current** | | |
| Loan receivables – insurance premium funding | 105,387 | 84,795 |
| Loan receivables – investment advisers | 697 | 1,430 |
| Loan receivables – other | 1,602 | 2,337 |
| | **107,686** | **88,562** |
| **Non-current** | | |
| Loan receivables – investment advisers | 2,093 | 1,870 |
| Loan receivables – other | 1,015 | 6,183 |
| | **3,108** | **8,053** |

## 12. Other Assets

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| **Current** | | |
| Security deposits | 1,412 | 2,577 |
| Prepayments | 3,733 | 2,538 |
| | **5,145** | **5,115** |
| **Non-current** | | |
| Security deposits | 1,957 | 1,810 |
| | **1,957** | **1,810** |

## 13. Investments

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| Investments available for sale | - | 35 |
| Investments in associates | 275 | 1,390 |
| | **275** | **1,425** |

## 14. Intangible assets and goodwill

| | Goodwill $'000 | Software $'000 | Network & client lists $'000 | Total $'000 |
|---|---|---|---|---|
| **Period ending 31 December 2011** | | | | |
| At 1 July 2011 net of accumulated amortisation and impairment:- | 2,114 | 72 | 4,146 | 6,332 |
| Additions | - | 176 | 1,815 | 1,991 |
| Business combination | 1,209 | - | 543 | 1,752 |
| Disposal | (908) | - | (119) | (1,056) |
| Impairment | (253) | - | (242) | (495) |
| Amortisation | - | (55) | (48) | (103) |
| Effective movements in foreign exchange | (47) | (2) | - | (49) |
| **At 31 December 2011 net of accumulated amortisation and impairment** | **2,115** | **191** | **6,095** | **8,401** |

| | Goodwill | Software | Network & client lists | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2011** | | | | |
| Cost | 6,783 | 2172 | 9,932 | 18,887 |
| Accumulated amortisation and impairment | (4,668) | (1,981) | (3,837) | (10,486) |
| **Net carrying value** | **2,115** | **191** | **6,095** | **8,401** |
| | | | | |
| **Period ending 31 December 2010** | | | | |
| At 1 July 2010 net of accumulated amortisation and impairment:- | 2,783 | 217 | 6,087 | 9,087 |
| Additions | - | - | - | - |
| Business combination | 1,176 | - | - | 1,176 |
| Disposal | - | - | - | - |
| Impairment | (1,770) | - | (1,109) | (2,879) |
| Amortisation | - | (75) | (471) | (546) |
| Effective movements in foreign exchange | (75) | (18) | (17) | (110) |
| **At 31 December 2010 net of accumulated amortisation and impairment** | **2,114** | **124** | **4,490** | **6,728** |
| | | | | |
| **At 30 June 2011** | | | | |
| Cost | 5,545 | 1,898 | 7,575 | 15,018 |
| Accumulated amortisation and impairment | (3,431) | (1,826) | (3,429) | (8,686) |
| **Net carrying value** | **2,114** | **72** | **4,146** | **6,332** |

## 15. Interest bearing liabilities

| | 31 Dec 2011 | 30 Jun 2011 |
|---|---|---|
| | $'000 | $'000 |
| **Current** | | |
| Receivables finance liability– insurance premium funding | 73,796 | 56,504 |
| Loan liabilities | 1,336 | 9,107 |
| Equipment hire and software finance liabilities | 323 | 317 |
| | **75,455** | **65,928** |
| | | |
| **Non-current** | | |
| Loan liabilities – loans for managed investment schemes | 497 | 501 |
| Equipment hire and software finance liabilities | 440 | 613 |
| | **937** | **1,114** |

## 16. Provisions

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| **Current** | | |
| Provision for adviser client claims | 5,843 | 7,494 |
| Provision for employee entitlements | 1,021 | 1,697 |
| | **6,864** | **9,191** |
| **Non-current** | | |
| Provision for adviser client claims | 6,214 | 7,396 |
| Provision for employee entitlements | 1,032 | 936 |
| | **7,246** | **8,332** |

## 17. Contributed equity

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| Ordinary shares | 72,997 | 69,214 |
| Reserved shares | (1,173) | (1,173) |
| Partly paid ordinary shares | 99 | 99 |
| | **71,923** | **68,140** |

### Ordinary shares (issued and fully paid)

| | 31 December 2011 | | 30 June 2011 | |
|---|---|---|---|---|
| | Number of shares | $'000 | Number of shares | $'000 |
| Balance at start of year | 96,739,747 | 69,214 | 46,659,530 | 36,862 |
| Movements during the half-year:- | | | | |
| - CPW shares issued (cash) | - | - | 422,157 | 750 |
| - Merger restructure adjustment | - | - | 113,840,157 | 27,732 |
| - Consolidation of share capital (1:7) | - | - | (137,932,702) | - |
| - Business combination share issue | 4,457,583 | 3,783 | 70,250,605 | - |
| - CAF share placement | - | - | 3,500,000 | 3,870 |
| **On issue at end of period** | **101,197,330** | **72,997** | **96,739,747** | **69,214** |

### Reserved shares

| | 31 December 2011 | | 30 June 2011 | |
|---|---|---|---|---|
| | Number of shares | $'000 | Number of shares | $'000 |
| Balance at start of year | (856,429) | (1,173) | - | - |
| Movements during the half-year:- | | | | |
| - Merger restructure adjustment | - | - | (5,995,000) | (1,173) |
| - Consolidation of share capital (1:7) | - | - | 5,138,571 | - |
| **On issue at end of period** | **(856,429)** | **(1,173)** | **(856,429)** | **(1,173)** |

**Partly paid shares**

| | 31 December 2011 | | 30 June 2011 | |
|---|---|---|---|---|
| | Number of shares | $'000 | Number of shares | $'000 |
| Balance at start of year | 428,572 | 99 | - | - |
| Movements during the year:- | | | | |
| - Merger restructure adjustment | - | - | 3,000,000 | 99 |
| - Consolidation of share capital (1:7) | - | - | (2,571,428) | - |
| **On issue at end of period** | **428,572** | **99** | **428,572** | **99** |
| | | | | |
| **Total contributed equity** | **100,769,473** | **71,923** | **96,311,890** | **68,140** |

## 18. Reserves

| | 31 Dec 2011 $'000 | 30 Jun 2011 $'000 |
|---|---|---|
| Employee equity benefits reserve | 41 | 28 |
| Foreign currency translation reserve | (1,393) | (1,462) |
| | **(1,352)** | **(1,434)** |

## 19. Contingent assets and liabilities

The Group is subject to legal claims in the ordinary course of business, primarily relating to client claims. Provisions have been raised for the amount of client claims where it is expected that a future sacrifice of economic benefits will be required and the amount is capable of reliable measurement.

Further amounts may arise beyond the claims recognised, and it is impractical to quantify the amount of the contingent liability. However, if an additional liability was significant it may have a material adverse impact on the financial position of the Group.

The directors are of the opinion that further provisioning is not required in respect of this matter as it is not probable that a future sacrifice of economic benefit will be required.

There were no other contingent liabilities at balance date.

## 20. Events subsequent to reporting date

On 2 February 2012 the company executed an Option Agreement for the sale of its 100% shareholding in M.I. Professional Funding Pty Ltd expiring on 30 April 2012. If the option is exercised the consideration will be equivalent to carrying value and will result in neither a gain nor loss on disposal. Current assets and liabilities would both reduce by approximately $1,150,000 as a consequence of the disposal.

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

## 21. Seasonality of operations

### Provision of financial advice and investment products

Income from the provision of financial advice and investment products and services tends to be higher in the final quarter of the financial year as tax planning and investment activities increase prior to 30 June each year.

### Insurance premium funding

Traditionally, the renewal of insurance policies tends to correlate with the start and finish of financial reporting periods and as a consequence the insurance premium funding business segment experiences higher interest income and profitability when new policies are being written during the first three to four months of the financial year. The majority of the receivables and the interest bearing liabilities in the Balance Sheet derive from this business segment and in accordance with this cycle, they both tend to peak in value in the second quarter of the financial year and reach their lowest levels in the final quarter.

# Directors' Declaration
## For the half year ended 31 December 2011

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

In the opinion of the directors:

The financial statements and notes of the Consolidated entity are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half year ended on that date of the Consolidated entity; and

ii) complying with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the *Corporations Regulations 2001*.

There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Tony Robinson
**Managing Director**
*29 February 2012*

# Independent auditor's report

ERNST & YOUNG

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## To the members of Centrepoint Alliance Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Centrepoint Alliance Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Centrepoint Alliance Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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



PM:MB:CENTREPOINT:070

ERNST & YOUNG

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Centrepoint Alliance Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Peter McIver

P McIver
Partner
Perth
29 February 2012

PM:MB:CENTREPOINT:070

Centrepoint Alliance

# Substantial Turnaround

## 6 Months to December 31 2011

Tony Robinson

# 31 December 2011

Centrepoint Alliance

## Overview

- Continuing to make significant changes to Professional Investment Services (PIS) particularly related to claims and areas under scrutiny via EU
- Other Australian Wealth activities trading profitably
- Australian Wealth business units affected by low activity and asset prices in financial markets
- Continuing the search for partners for overseas activities
- Premium Funding business continues to rebuild funding stability and revenue
- Significantly simplified corporate structure
- Balance sheet sound
- Solid operating cash flows

# 31 December 2011

Centrepoint Alliance

| | 31 December 2011 ($m) | | | | | PCP |
|---|---|---|---|---|---|---|
| | **Advice** | **Invest** | **CPF** | **Other** (Int. and Corp.) | **Group** | **Group** |
| **Revenue** | 18.2 | 3.7 | 7.0 | 4.4 | **33.3** | **27.8** |
| **Pre-tax** | 0.4 | 1.6 | 1.3 | (2.4) | **0.9** | **(6.1)** |
| **Tax** | 0.1 | 0.5 | 0.4 | 0.7 | **1.7** | **1.6** |
| **NPAT** | 0.3 | 1.1 | 0.9 | (3.1) | **(0.8)** | **(7.7)** |

| | 31 December 2011 ($m) | | | | | PCP |
|---|---|---|---|---|---|---|
| | **Advice** | **Invest** | **CPF** | **Other** (Int. and Corp.) | **Group** | **Group** |
| **Pre-tax** | 0.4 | 1.6 | 1.3 | (2.4) | **0.9** | **(6.1)** |
| **Minorities** | 0.7 | - | - | - | **0.7** | **0.4** |
| **Pre-tax attributable to owners** | (0.3) | 1.6 | 1.3 | (2.4) | **0.2** | **(6.5)** |

# 31 December 2011

Centrepoint Alliance

## Balance Sheet Overview

| | $m 31 Dec 2011 | $m 30 Jun 2011 | |
|---|---|---|---|
| **Cash** | 18.0 | 20.4 | Accessible $12.0 (balance with o/s, AAP, AFSL req. etc.) |
| **Trade and Other receivables** | 22.0 | 26.2 | CPW |
| **Interest bearing receivables** | 110.8 | 96.7 | Premium Funding |
| **Intangibles** | 8.4 | 6.3 | ALCo and Mentor purchase |
| **Deferred Tax Asset** | 8.7 | 9.8 | Refer tax expense |
| **Other** | 10.4 | 11.5 | |
| | **178.3** | **170.9** | |
| **Trade Payables** | 42.5 | 43.4 | Premium Funding and CPW |
| **Interest Bearing Loans** | 76.4 | 67.0 | Premium Funding |
| **Provisions** | 14.0 | 17.5 | Client Claims |
| **Other** | 0.9 | 0.9 | |
| | **133.8** | **128.8** | |
| **Net Assets** | **44.5** | **42.1** | |

# 31 December 2011

Centrepoint Alliance

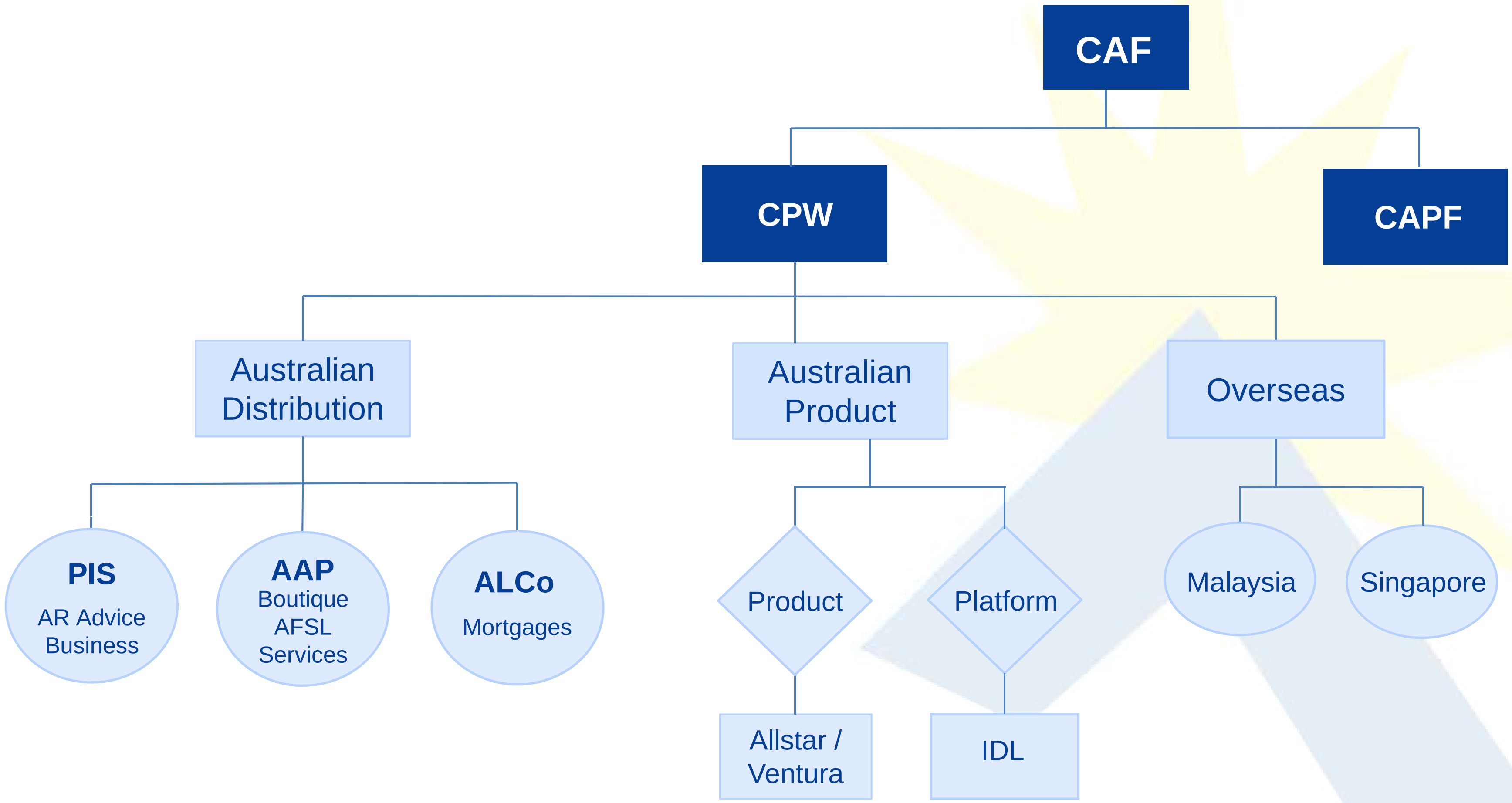
## Cash Flow Overview (6 months)

| | $m<br>31 Dec 2011 | $m<br>31 Dec 2010 | |
|---|---|---|---|
| Cash from operations | 4.8 | 0.3 | |
| Claims | (6.7) | (8.5) | |
| Other | - | 36.1 | Sale of Parramatta Property |
| Net cash from operations | **(1.9)** | **27.9** | |
| Purchase of businesses | (1.6) | - | Mentor and GPS |
| Sale of businesses and acquired / disposed cash | 4.9 | 15.9 | De Run, VIML, Canada |
| Change in Borrowing | 13.0 | (31.5) | Movement in Premium Funding and repayment of property funding |
| Change in Loan Receivables | (17.5) | 1.5 | Premium Funding |
| Other | 0.5 | (2.1) | Includes interest received |
| Net Cash Movement | **(2.6)** | **11.7** | |

# 31 December 2011

Centrepoint Alliance

## Group Activities



# 31 December 2011

Centrepoint Alliance

## Centrepoint Wealth Australia

- **Professional Investment Services (PIS)**
  - Significant change with timing set by EU
  - Claims provisions declining
    - Less new claims and improved claims handling
  - Impact of market on both activity and volumes
  - A regrettable loss of advisers adding to revenue decline
    - Rebuild then regrow
  - Costs include significant EU related and claims related expense
    - Significant opportunity to improve

| Key Numbers | | |
|---|---|---|
| | **31 Dec 2011** | **31 Dec 2010** |
| **Authorised Representatives** | 764 | 935 |
| **FUA - Platforms** | $6.4 billion | $7.9 billion |
| **Life Premiums (inforce)** | $171 million | $172 million |

# 31 December 2011

Centrepoint Alliance

## Centrepoint Wealth Australia (cont.)

- **Associated Advisory Practices Ltd (AAP)**
  - Sound business with manageable risks (e.g. no claims exposure)
  - Lower margin reflecting lower risks
  - Significant scale
  - Solid profit performance

| **Key Numbers** | | |
|---|---|---|
| | **31 Dec 2011** | **31 Dec 2010** |
| **Number of Practices** | 165 | 162 |
| **FUA** | $2.7 billion | $3.0 billion |

# 31 December 2011

Centrepoint Alliance

## Centrepoint Wealth Australia (cont.)

- **Australian Loan Company (ALCo)**
  - Small Mortgage Broker
- **Funds Management**
  - Merged AllStar and Ventura post acquisition of Ventura
  - Adversely affected by decline in asset volumes
  - Restructured key funds management arrangements (Russell)
- **Platforms (IDL)**
  - Established reseller arrangements exist with key players (BT, MLC, Onepath)

| Key Numbers | | |
|---|---|---|
| | **31 Dec 2011** | **31 Dec 2010** |
| **ALCo – Inforce Mortgages** | $4.6 billion | $4.5 billion |
| **AllStar Ventura – FUM** | $710 million | $863 million |
| **Platform - FUA** | $1.2 billion | $1.3 billion |

# 31 December 2011

Centrepoint Alliance

## Centrepoint Wealth - Overseas

- **Singapore and Malaysia**
  - Still looking for partners
- **New Zealand**
  - Written off investment so no further P & L impact

Centrepoint Alliance

## Centrepoint Wealth – Expense opportunities

- **Claims**
  - Direct (payment) – new provisions declining
  - Indirect (legal) – declines as number of open files falls (down 1/3 in 12 months)
  - Professional Indemnity
- **EU related costs**
- **Property**
- **Overheads**

# 31 December 2011

Centrepoint Alliance

## Centrepoint Wealth – Key non trading issue

- **EU**
  - Set timing not direction of change
  - Significant impact on business
    - Need to demonstrate to IER all progress
    - Expense of IER and other consultants (estimated $1.9 million for 6 months)
- **FoFA**
  - Reforms still unclear
  - Key is to rebuild capabilities so best able to support advisors through transition

# 31 December 2011

Centrepoint Alliance

## Premium Funding

- Rebuilding trusted relationship with NAB as key strategic partner
- Reshaped core NAB facility
- Re-growing market share
- Strong focus on improving NI margins
- Key is controlling credit quality (credit assessment plus receivables insurance)

| Key Numbers | | | |
|---|---|---|---|
| | **31 Dec 2011** | **31 Dec 2010** | **30 June 2011** |
| **Receivables** | $109.8 million | $98.9 million | $89.1 million |
| **Total Loans (written in 6 months)** | $176.7 million | $158.7 million | $126.1 million |
| **Bad Debts (expense)** | $295k | $257k | $253k |

# 31 December 2011

Centrepoint Alliance

## Summary

- In rebuilding phase with PIS which will lead to regrowth phase
- Most other CPW business units in reasonable position
- Achieving initial expectations dependent on asset prices
  - 5% movement in All Ordinaries increase Pre Tax profit by about $1 million
- Premium Funding business in solid state

Centrepoint Alliance

# THANK YOU