

ANNUAL REPORT 2018

For the year ended 30 June 2018

Partnering for growth

Centrepoint Alliance Limited
and its Controlled Entities
Annual Report
30 June 2018

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Directors' Report

The Directors of Centrepont 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 2018.

Directors

Directors were in office for this entire period unless otherwise stated.

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows.



Alan Fisher
Bcom, FCA, MAICD.
Chairman of the Board,
Independent Non-Executive
Director.
*Appointed on 12 November
2015.*

Experience and expertise

Alan has extensive and proven experience in restoring and enhancing shareholder value.

He spent 24 years at world-leading accounting firm Coopers & Lybrand where he headed and grew the Melbourne Corporate Finance Division. Following this tenure, he developed his own corporate advisory business specialising in M&A, strategic advice, business restructuring and capital raisings.

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.

Other current directorships

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

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

Special responsibilities

Chairman of the Board.

Chairman of the Nomination, Remuneration and Governance Committee.

Interest in shares and options

Nil



Georg Chmiel
Diplom-Informatiker,
MBA, CPA (USA), FAICD
Independent Non-Executive
Director, Chairman of the
Group Audit Risk &
Compliance Committee.
Appointed on 7 October 2016.

Experience and expertise

Georg brings over 24 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.

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

Other current directorships

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

Non-Executive Director of Mitula Group Limited (ASX: MUA).

Former Directorships

Director of iProperty Group Limited (ASX:IPP) (from 1 January 2011 to 16 February 2016).

Special responsibilities

Chairman of the Group Audit, Risk & Compliance Committee.

Interest in shares and options

25,000



Martin Pretty
BA, CFA, Graduate Diploma of Applied Finance
Independent Non-Executive Director, Chairman of the Group Investment Committee.
Appointed on 27 June 2014.



Hugh Robertson
Independent Non-Executive Director.
Appointed on 2 May 2016.

Experience and expertise

Martin brings to the Board over 17 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.

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 member of the Australian Institute of Company Directors.

Other current directorships

No other directorships of Australian listed entities.

Special responsibilities

Chairman of the Group Investment Committee.

Member of the Group Audit, Risk and Compliance Committee.

Interest in shares and options

Nil

Experience and expertise

Hugh has over 30 years' experience in the financial services sector having been involved in a number of successful stockbroking and equity capital markets businesses. Hugh is a senior investment adviser with Bell Potter. He has worked with a variety of stockbroking firms including Falkiners stockbroking, Investor First and Wilson HTM. Previously, Hugh has also held directorships with NSX Ltd, OAMPS Ltd and Catalyst Recruitment Ltd.

Other current directorships

Non-Executive Director and Chairman of the Audit and Risk Committee of Primary Opinion Limited (ASX:POP) (appointed 26 October 2015).

Former directorships

Non-Executive Director of TasFoods Limited (ASX: TFL) (21 February 2014 to 10 February 2017), he also held the position of Chairman (25 May 2015 to 3 September 2015).

Executive and Non-Executive Directorship positions with HUB24 Limited (ASX:HUB) (20 April 2011 to 29 February 2016).

Non-Executive Director of AMA Group Limited (ASX: AMA) (2 June 2015 to 3 August 2018).

Special responsibilities

Member of the Group Audit, Risk and Compliance Committee (until 21 October 2016).

Member of the Nomination, Remuneration and Governance Committee (from 21 October 2016).

Member of the Group Investment Committee (from 21 October 2016).

Interest in shares and options

Nil

Company Secretary



Debra Anderson

B. Law (LLB) Hons, Post Graduate Diploma in Legal Practice, Diploma of Financial Planning, AGIA, ACIS, MAICD
Senior Corporate Lawyer & Company Secretary



Marty Carne

BM, BBus, LLB, LLM, MBA (Grad), GDLP, GCAIF
General Counsel & Company Secretary

Experience and expertise

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 14 years and was appointed Company Secretary in November 2013.

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.

Experience and expertise

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

Marty has over 25 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 has strong commercial and client-centric skills and experience in the delivery of strategic legal advice and management of risk.

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

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

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		Group Investment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
A. D. Fisher	23	23	5****	5	2****	2	-	-
J. A. O'Shaughnessy**	14	14	3	3	3	3	-	-
H. W Robertson#	21	19	5	1	-	-	4	-
J. M. de Zwart*#	6	6	-	-	-	-	-	-
J.S. Cowan	-	-	-	-	-	-	4	4
M. Walker***	-	-	-	-	-	-	-	-
M. P. Pretty	21	21	2****	2	5	5	4	4
G. Chmiel	22	22	-	-	3	3	-	-

changed to an alternate member from 21 October 2016 *resigned 19 September 2017 **retired effective 27 November 2017

resigned 11 August 2017 *Change of membership effective 27 November 2017

Corporate Information

Strategies and Prospects

As a result of the new CEO, Angus Benbow starting on 3 April 2018, a whole of company strategy refresh program was undertaken. This coincided with the significant uncertainty resulting from the initial Royal Commission hearings on financial advice. The resultant uncertainty, through the fundamental industry structural change emerging and the likelihood of further regulatory change, has been a key input to this work. The program identified six macro themes and when matched to Centrepoint's key competencies, the regulatory and market environment, there is an opportunity for Centrepoint to become a leader in providing advice and business services, free of conflict, focussed on supporting advisers of a similar mindset.

Centrepoint has already started the journey to the new model recently restructuring the business. The speed and impact of the transition will to a large extent be driven by the Royal Commission findings and thereafter the regulatory changes that are approved.

Centrepoint is well positioned in an industry that remains very attractive for long-term growth driven by growing national savings, the greater need for advice and the services and solutions that are required to support advisers given the complexity of the regulatory environment, tax system and market.

As regulatory, technology and consumer driven change occurs, the Group is well positioned to realise opportunities that emerge from the disruption occurring across financial services and is ahead of the curve in creating a differentiated contemporary adviser-centric advice and business services company that leverages our scale. The Group has a strong balance sheet and will continue to explore further opportunities to transform the wealth advice market.

History

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

On 30 September 2005, Centrepoint Alliance Limited merged with Centrepoint Finance Pty Ltd.

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

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

The insurance premium funding business was sold on 30 December 2016 to BOQ Finance (Aust) Limited as part of the Group's business strategy to focus on and grow the Wealth business.

Principal Activities

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

- Licensee and Advice Services, which provides a range of financial advice and licensee support services (including licensing, technology, business support, training, compliance and professional standards); and
- Funds Management and Administration, which is a provider of investment solutions (platforms and managed portfolios and funds) to financial advisers, accountants and their clients across Australia.

Post balance date the business restructured to have two business lines, Advice and Advice Services and Solutions. The new structure also reflects the important role we believe data and technology will play in the future.

Corporate Structure

Centrepoint Alliance Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the ASX (ASX: CAF). Information on the Group structure is provided in Note 23 to the Consolidated Financial Statements.

Operating and Financial Review

Group Business Operation

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.

Financial Performance

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year to 30 June 2018 was \$5.5m (2017: \$5.3m), excluding, CEO replacement and restructure costs (\$0.3m), legacy claims adjustment (\$5.4m) and regulatory costs largely associated with the impacts of the Royal Commission (\$0.7m). The 4% increase in EBITDA is a reflection of the increasing pace of transformation and growth of the Wealth business, which is performing well in challenging regulator and competitor markets. Based on the significant regulatory and competitor environment and the transition of strategy, the deferred tax assets related to prior tax losses (\$4.5m) has been taken off the Balance Sheet.

	Licensee and Advice Services	Funds Management and Administration
Description	Provider of a range of financial advice and licensee support services (including licensing, technology, business support, training, compliance and professional standards) to financial advisers, accountants and their clients across Australia.	Provider of funds management and platform solutions to financial advisers, accountants and their clients across Australia.
Business Model	<p>Services are provided to authorised representatives under its Australian Financial Services Licences (AFSL) through Professional Investment Services Pty Ltd (PIS) and Alliance Wealth Pty Ltd (AW). Services are also provided to authorised representatives of other AFSL holders through Associated Advisory Practices Pty Ltd (AAP).</p> <p>Centrepont Alliance Lending Pty Ltd (CALP) is an aggregator of mortgage and asset finance solutions. It is a boutique player in a large market, designed to primarily service the needs of advice businesses and offers lending services to financial planning clients.</p>	The business sources best of breed fund managers and platforms, constructs portfolio solutions and managed funds through Investment Diversity Pty Ltd and Ventura Investment Management Ltd.
Key Drivers	The number of advice firms, fee income, operating costs, funds under distribution agreements, lending volumes and lending margins.	Funds under administration, funds under management, margins and operating costs.
Overview	<p>Licensee and Advice Services operates with non-institutionally owned financial advisers and operates in a market alongside large institutions. The market is attractive with over \$2.6 trillion in superannuation assets¹ expected to continue to grow over the next twenty years and the need for quality advice continuing to grow.</p> <p>The Group continues to focus on being a client-centric business, which involves improving the quality of advice and wealth solutions provided to Australians, and is capturing the benefits from industry disruption.</p>	<p>Funds Management and Administration provides financial advisers, accountants and their clients with world class investment solutions across the risk/return spectrum, which are managed by world class investment managers and provide a choice of investment styles to deliver on overall client and business objectives.</p> <p>The Group is an early promoter of managed accounts, which has continued to grow during the financial period. The Group has \$4.1b of funds under management and administration.</p>

¹ APRA Quarterly Superannuation Performance - March 2018

	Licensee and Advice Services	Funds Management and Administration
Financial Performance	<p>Segment revenue was \$24.1m (FY17 \$24.0m) and Profit before tax was \$3.0m (FY17 \$4.0m). Recruitment of quality advisers continues as the business transitions away from rebate revenue.</p> <p>The EBITDA excludes the impact of \$5.4m legacy claims expenses. (Claims from advice provided prior to 1 July 2010). The business specifically monitors these claims to provide a best estimate amount for each claim on a case by case basis.</p>	<p>Gross revenue was \$12.9m (FY17 \$12.6m) and profit before tax was \$3.9m (FY17: \$4.0m). The result reflects consistent growth of Centrepoint solutions.</p>

Corporate

The costs of the Centrepoint Board of Directors, company secretarial functions and the administration of the listed public entity are reflected in Corporate.

In 2016, the Long Term Incentive Plan (LTIP) was reviewed and re-structured to performance rights based on total shareholder return against peer group.

Minority Investments

The Group has made several investments in start-up businesses.

R Financial Educators Pty Ltd (RFE) establishes joint ventures with accountants to leverage their client base and provide financial advice. Centrepoint has a 15% interest in the business and provided a convertible loan which if converted would increase our interest by 12% to 27%. RFE has struggled to achieve its revenue forecast and has refocused on generating positive cash earnings. As a result the Group reviewed and reduced the holding value of the asset.

Neos Life (Neos) is a registered business name of Australian Life Development Pty Ltd (ALD), who released their products in June 2018. It is an Australian based insurance distribution business offering non-complex, customer-focused life insurance products through the financial adviser channel. The Group has \$6.75m invested in ALD, now branded as Neos. There is a \$5m convertible loan which if converted would equate to a minimum 30%. The Group exercised an option for \$1.75m during the period which represents a 5% equity stake. As part of the strategy review, the Group declined to take up an additional option post balance date.

Ginger Group Financial Services Limited (Ginger Group) is a New Zealand based business with the sole asset of 37.5% interest in Kepa Financial Services Limited (Kepa). Kepa provides support services to its New Zealand network of financial advisers. The Group has a 50% interest in Ginger Group.

Refer to Note 15 for further details.

Cash Flows

The Group held \$9.5m in cash and cash equivalents as at 30 June 2018 (2017: \$31.2m).

Cash provided by continuing operations was \$6.4m (2017: \$5.4m) from which \$5.2m was paid out in legacy claims (2017: \$4.2m), \$15.0m paid in dividends (2017: \$5.1m) and \$6.7m for investment (2017: \$3.0m) resulting in an overall cash movement of \$21.7m in the year (2017: \$21.0m).

Financial Position

The Group has net assets at 30 June 2018 of \$19.6m (2017: \$41.6m) and net tangible assets of \$13.3m (2017: \$30.4m) representing net tangible assets per share of 8.46 cents (2017: 19.35 cents).

Risks and Risk Management

The business regularly reviews operational and strategic risks faced by the Group that could affect its financial prospects. These include:

- Legacy advice claims – the Consolidated Statement of Financial Position includes a provision for client advice claims in relation to advice provided prior to 1 July 2010.

The provision is based on a detailed review of legacy claims as a specific provision for each claim. Actual claims may exceed the provision and it is impracticable to quantify the amount of any such additional liability. The provision includes a discrete estimate set aside for claims incurred but not yet reported.

Class action lawyers and the Australian Securities & Investments Commission have been active within the financial advice industry in relation to poor advice and failed investment products. There is an unquantifiable risk that such action may be taken against a Group subsidiary in the future.

- Loss of financial advisers – The Company depends on revenue generated from financial advisers. Financial advisers are able to leave the Group if they are dissatisfied with the services provided. Considerable effort and progress is being made towards the Company being the leading advice business in Australia.
- Regulatory change – Regulatory change continues to evolve the future direction of Australia's financial system. Depending on the outcome of these changes, including any changes that result from recommendations from the Royal Commission, possible impacts on the Group could include costs relating to operational change, reduced numbers of advisers recruited and increased ongoing costs, loss of grandfathered revenue and risks associated with regulatory compliance including remediating clients for non-compliance.
- Loss of rebate income – the Group receives rebates from product issuers in relation to products that it placed with them prior to the introduction of Future of Financial Advice Reforms (FOFA). The natural consequence of FOFA is that as time goes by and consumers receive advice this grandfathered rebate income will reduce.
- Loss of key personnel – Centrepoin has a relatively small team and could be negatively impacted if one or more of the key team members were to leave. A comprehensive staff review and feedback process is actively employed. Regular reviews of remuneration to ensure market competitiveness are undertaken, short-term and long-term incentive programs are in place for staff.
- Competitor behaviour – the financial services industry has several participants which have large market shares and are subsidiaries or operating divisions of large financial services businesses. The size of these competitors and their greater access to the resources of their institutions provide them with a strong position on which to compete. There is also the emergence of smaller businesses looking to disrupt the traditional business models. There is a risk that earnings of the Group could be adversely impacted by the activities of competitors. The Group is focused on building and maintaining the leading service propositions in the industry and its position as a non-institutional service provider helps to mitigate this risk.

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

Risk management is monitored and assessed by the Group Audit, Risk and Compliance (GARC) Committee of the Board, which comprises three Non-Executive Directors. The Chief Executive Officer, General Counsel and Chief Financial Officer are standing attendees. As detailed in the Corporate Governance Statement the GARC Committee is governed by a charter and is responsible on behalf of the Board for overseeing:

- The Group's system of risk management and internal controls; establishing an active risk management framework; the current and future risk appetite; recommendations to the risk appetite statement and active risk management strategic plan; and
- The Group's systems and procedures for compliance with applicable legal and regulatory requirements.

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

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

Dividends

On 23 February 2018 the Board approved an interim ordinary dividend of 1.2c fully franked, paid on 4 April 2018. Based on the current strategic direction and with reference to the dividend policy, the Board agreed not to pay a final dividend.

Shares and Performance Rights

During the year, under a Long-Term Incentive (LTI) award CAESP20, 700,000 performance rights were issued in October 2017 and have not yet vested. 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.

The LTI awards CAESP17 and CAESP18 were terminated in November 2017. At the date of this report there are 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). These shares will be cancelled, subject to approval by shareholders at a General Meeting.

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

On 3 April 2018 Angus Benbow started as CEO. A Strategic Refresh was initiated which included an assessment of the issues arising from the Royal Commission. Post balance date the business was restructured to deliver the strategy with a key focus of the strategy on data and technology. It was announced that the Chief Financial Officer, John Cowan will leave Centrepoint on 6 November 2018.

Events After Reporting Period

The following matters have occurred subsequent to the end of the financial year:

On 7 August 2018, the business was restructured to align with the strategy. This included the announcement that John Cowan, CFO will leave in November 2018.

On 23 August 2018, the Directors of Centrepont Alliance Limited resolved not to pay a final dividend with reference to the dividend policy and based on the current strategic direction.

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

Likely Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have been addressed in the Operating and Financial Review and in the subsequent events disclosure. The Directors are not aware of any other significant material likely developments 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 2018 was approved by the Board on 23 August 2018. The Corporate Governance Statement is available on our website:

<http://www.centrepontalliance.com.au/investor-centre/corporate-governance/>

Indemnification and Insurance of Directors and Officers

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

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

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

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

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, 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.



**“ ...there is an opportunity for
Centrepont to become a
leader in providing advice
and business services, free of
conflict, focused on supporting
advisers of a similar mindset. ”**

Remuneration Report

This Remuneration Report for the year ended 30 June 2018 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)
J. A. O'Shaughnessy	Director (non-executive) – Retired 27 November 2017
J. M. de Zwart	Managing Director & Chief Executive Officer – Resigned 19 September 2017
H. W. Robertson	Director (non-executive)
M. P. Pretty	Director (non-executive)
G. Chmiel	Director (non-executive)
J. S. Cowan	Chief Financial Officer
E. Cargakis	Interim Chief Executive Officer - appointed from 24 November 2017 to 2 April 2018
A. G. R. Benbow	Chief Executive Officer - appointed 2 April 2018

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.

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 and committee fees.

Group Performance

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

GROUP	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Net profit/(loss) after tax	(6,333)	6,544	4,262	5,880	3,223
EPS (basic) - (cents per share)	(4.25)	4.41	2.94	4.14	3.20
EPS (diluted) - (cents per share)	(4.25)	4.11	2.75	3.96	3.13
Share price (\$)	0.38	0.63	0.41	0.50	0.37
Dividends paid - (cents per share)	9.40	3.45	2.20	3.20	-

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 2018, 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, shares or options 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

Discretionary Incentives:

Sign-on incentive

A one-off equity allocation of fully paid ordinary Centrepoint Alliance Limited shares up to a value of \$120,000, which have yet to be issued

Short-term incentive

A short-term incentive to a value of \$237,500 at target, subject to Transitional Terms (*refer to page 22 for further details*)

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 22 for further details*)

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 de Zwart – Managing Director & Chief Executive Officer

Employment period: 15 April 2013 - 19 September 2017

Term: Resigned as Managing Director effective 19 September 2017 and as Chief Executive Officer effective 24 November 2017.

Incentives:

Short-term incentive

A short-term incentive of \$232,048.80 was paid after the end of the 2017 financial year and on achievement of key performance targets set by the Board. The key performance targets are measures of underlying EBITDA, growth in business lines, improvement of customer retention and engagement, strengthening the organisational capability and business sustainability through talent acquisition, retention and development, improvement in compliance levels and risk management.

An additional short-term incentive of \$350,000 was paid after the end of the 2017 financial year based on recognition of achievement of outstanding performance resulting in increased shareholder value during the period since June 2013.

Long-term incentive – (Refer to page 20 for further details)

CAESP19

Issue of up to 1,500,000 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.

Required notice (Executive): 3 months.

Required notice (Company): 6 months.

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

John Cowan - Chief Financial Officer

Contract commencement date: 12 January 2015

Term: No term specified

Incentives:

Short-term incentive

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

A short-term incentive of \$147,048.80 was paid after the end of the 2017 financial year based on the Group-wide short-term incentive scheme structure. An additional short term incentive of \$100,000 was paid after the end of the 2017 financial year based on recognition of outstanding performance resulting in increased shareholder value during the period since June 2013.

A short-term incentive for the 2018 financial year will be payable based on the objective and structure outlined in this Remuneration Report.

A retention incentive of \$75,000 was paid in September 2017.

A retention incentive was approved by the Board in September 2017 for a payment of \$100,000 on or after 30 September 2018.

The incentive is subject to employment criteria.

Long term incentive - (Refer to page 20 for further details)

CAESP19

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.

CAESP20

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.

Required notice by Executive and Company: 6 months.

Termination Entitlements: Statutory entitlements.

Efrossiney (Soula) Cargakis, Interim Chief Executive Officer (24 November 2017 to 2 April 2018) and Distribution and Marketing Executive

Contract commencement date: 15 October 2008. A Higher Duties allowance was paid for the period that Efrossiney (Soula) Cargakis acted as Interim Chief Executive Officer.

Term: No term specified

Incentives:

Short-term incentive

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

A short-term incentive for the 2018 financial year will be payable based on the objective and structure outlined in this Remuneration Report.

There were no short-term incentives paid during the period as acting Interim Chief Executive Officer.

Required notice by Executive and the Company: 6 months.

Termination Entitlements: Statutory entitlements.

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

Details of Remuneration

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

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		Cash Incentives	Long service leave	Performance rights	Shares				
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
A. D. Fisher	2018	365	123,288	-	11,712	-	-	-	-	135,000	-	-
	2017	365	123,288	-	11,712	-	-	-	-	135,000	-	-
J. A. O'Shaughnessy ¹	2018	149	32,344	-	3,072	-	-	-	-	35,416	-	-
	2017	365	77,626	-	7,374	-	-	-	-	85,000	-	-
H. W. Robertson	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-
	2017	365	77,626	-	7,374	-	-	-	-	85,000	-	-
M. P. Pretty	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-
	2017	365	72,396	-	7,374	-	-	-	-	79,770	-	-
G. J. Chmiel ⁵	2018	365	77,626	-	7,374	-	-	-	-	85,000	-	-
	2017	266	56,826	-	5,398	-	-	-	-	62,224	-	-
J. M. de Zwart ²	2018	146	201,674	582,048	14,975	-	-	-	440,500	1,239,197	46.97%	-
	2017	365	455,384	145,000	19,616	-	-	-	-	620,000	23.39%	-
E. Cargakis ³	2018	129	139,308	-	5,198	-	-	-	-	144,506	-	-
A. G. R. Benbow ³	2018	89	108,447	-	5,012	-	-	-	-	113,459	-	-
J. S. Cowan	2018	365	367,357	322,048	25,000	-	-	-	-	714,405	34.58%	-
	2017	365	360,999	189,615	35,000	-	-	-	-	585,614	32.38%	-
R. M. Dodd ⁴	2017	182	187,500	542,075	17,500	-	-	-	-	747,075	72.56%	-
Total	2018		1,205,296	904,096	87,091	-	-	-	440,500	2,636,983		
Total	2017		1,411,645	876,690	111,348	-	-	-	-	2,399,683		

¹ Retired during the year

² Resigned during the year

³ Appointed during the year

⁴ Resigned during the previous financial year

⁵ Appointed during the prior year

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.
Performance rights *										
J. M. de Zwart	2017	1,500,000	19 Dec 2016	0.51	9 Dec 2019	-	9 Dec 2022	-	-	1,500,000
J. S. Cowan	2018	250,000	2 Oct 2017	0.41	24 Sep 2020	-	24 Sep 2023	-	-	-
	2017	750,000	19 Dec 2016	0.51	9 Dec 2019	-	9 Dec 2022	-	-	-
Shares under CAESP **										
	2016	1,500,000	14 Dec 2015	0.21	13 Dec 2018	-	21 Dec 2015	-	-	1,500,000
J. M. de Zwart	2015	1,400,000	16 Dec 2014	0.16	15 Dec 2017	-	22 Dec 2014	-	-	1,400,000
	2015	1,400,000	16 Dec 2014	0.17	15 Dec 2018	-	22 Dec 2014	-	-	1,400,000
J. S. Cowan	2016	1,200,000	14 Dec 2015	0.21	13 Dec 2018	-	21 Dec 2015	-	-	1,200,000

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

Name	Year	Balance at the start of the period No.	Granted as compensation during the period		Exercised during the period		Lapsed during the period		Forfeited during the period		Balance at the end of the period No.	Vested and exercisable No.	Unvested No.
			No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)			
Performance rights *													
J. M. de Zwart	2017	1,500,000	-	-	-	-	-	-	-	1,500,000	765,000	-	-
J. S. Cowan	2018	-	250,000	102,500	-	-	-	-	-	-	250,000	-	250,000
	2017	750,000	-	-	-	-	-	-	-	-	750,000	-	750,000
Shares under CAESP **													
J. M. de Zwart	2016	1,500,000	-	-	-	-	-	-	-	1,500,000	310,061	-	-
	2015	2,800,000	-	-	-	-	-	-	-	2,800,000	458,347	-	-
J. S. Cowan	2016	1,200,000	-	-	-	-	-	-	-	1,200,000	248,049	-	-

* Performance rights are held by CESPT

** Shares are held by CAESPT



“

The 4% increase in EBITDA is a reflection of the increasing pace of transformation and growth of the Wealth business, which is performing well in challenging regulator and competitor markets.

”

Shareholdings of Key Management Personnel*

Shares held in Centrepoint Alliance Limited (Number)

	Balance 1 July 2017	Granted as remuneration	On exercise of options	Net change other #	Balance 30 June 2018
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
A. D. Fisher	-	-	-	-	-
M. P. Pretty	-	-	-	-	-
J. S. Cowan	-	-	-	-	-
H. W. Robertson	-	-	-	-	-
G. Chmiel	25,000	-	-	-	25,000
E. Cargakis ³	-	-	-	-	-
A. G. R. Benbow ³	-	-	-	-	-
Former KMP's					
J. M. de Zwart ¹	3,230,743	-	-	-	3,230,743 ⁴
J. A. O'Shaughnessy ²	100,000	-	-	-	100,000 ⁴

¹ Resigned during the year ² Retired during the year ³ Appointed during the year ⁴ Balance as at date of Resignation and Retirement

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

	Short-term incentives	Long-term incentives
Structure	<p>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% and the former Managing Director and CEO is 50% of Total Fixed Remuneration. The Maximum STI payable for Executives is 60% and the former Managing Director and CEO 75% of Total Fixed Remuneration. On an annual basis, after consideration of performance against KPIs the NRGC will review results and determine individual amounts approved for payment.</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>	<p>LTI awards to Executives are made under the Executive LTI plans and are delivered in the form of shares or rights. Shares vest in tranches over a specified time period and may also have other performance hurdle requirements, typically related to shareholder return, as determined by the NRGC.</p> <p>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.</p>
Awards		<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 & Chief Executive Officer and other senior executives) of the CAESP17 and CAESP18 plans. The participants loan shares were purchased by the CAESP 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.</p> <p><u>CAESP19</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 CAESP at 51.0 cents per performance right. These are legally held by the CAESPT 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>Awards</p>		<p>If the Total Shareholder Return²(TSR) for the peer group for 30 June 2019 financial year is:</p> <ul style="list-style-type: none"> • Below 25th percentile, none will vest; • Between 25th percentile and 49th percentile, 25% of the performance rights will vest; • Between 50th percentile and 74th percentile, 50% of the performance rights will vest; • Above 75th percentile, 100% of the performance rights will vest <p>CAESP20</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 CAESP at 41.0 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 24 September 2020 based on the following:</p> <p>If the Total Shareholder Return (TSR) for the peer group for 30 June 2020 financial year is:</p> <ul style="list-style-type: none"> • Below 25th percentile, none will vest; • Between 25th percentile and 49th percentile, 25% of the performance rights will vest; • Between 50th percentile and 74th percentile, 50% of the performance rights will vest; • Above 75th percentile, 100% of the performance rights will vest; <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>CEO Transitional Terms (short-term and long-term incentives)</p> <p>The CEO will be entitled to STI (50% - 75%) and LTI (40% - 60%) benefit limits as set out on page 15, varied in accordance with the below commencement and ending periods:</p> <ul style="list-style-type: none"> • On or before 2 April 2018 to 30 September 2018, pro-rata portion of STI and LTI benefit • 1 October 2018 to 30 June 2019, pro-rata portion of STI and LTI benefit • 1 July 2019 to 30 June 2020 <p>Successive annual periods</p>	

²Total 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

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 2018. The Independence Declaration which forms part of this report is on page 24.

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.

	2018	2017
	\$	\$
Taxation services provided by Deloitte Touche Tohmatsu	66,830	96,598
Other regulatory services	72,207	61,132
Total	139,037	157,730

Signed in accordance with a resolution of the directors.



A. D. Fisher
Chairman

23 August 2018



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

23 August 2018

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
CONTINUING OPERATIONS			
Revenue			
Advice and financial product revenue (gross)		121,781	128,624
Advice and financial product fees		(90,943)	(97,193)
Advice and financial product revenue (net)		30,838	31,431
Interest income	4(a)	1,298	458
Other revenue	4(a)	926	362
Gross Profit		33,062	32,251
Expenses			
Interest charges		(35)	(53)
Employee related expenses	4(b)	(18,246)	(18,609)
Marketing and promotion		(579)	(481)
Travel and accommodation		(827)	(949)
Property costs		(1,142)	(710)
Restructuring provision		(550)	-
Subscriptions & licences		(1,504)	(1,309)
Professional services		(2,072)	(1,180)
Client claims	19(a)	(6,056)	(4,193)
IT and communication expenses		(888)	(1,195)
Depreciation and amortisation		(923)	(1,106)
Impairment expenses		(837)	(134)
Other general and administrative expenses		(2,007)	(2,156)
		(35,666)	(32,075)
(Loss)/Profit before tax from continuing operations		(2,604)	176
Income tax expense	5	(3,729)	(264)
Net loss from continuing operations after tax		(6,333)	(88)
Discontinued operations			
Profit after tax from discontinued operations		-	6,632
Net (loss)/profit for the year		(6,333)	6,544
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,333)	6,544
Net (loss)/profit attributable to:			
Owners of the parent		(6,333)	6,544
Net (loss)/profit for the period		(6,333)	6,544
Total comprehensive (loss)/profit attributable to:			
Owners of the parent		(6,333)	6,544
Total comprehensive (loss)/profit for the period		(6,333)	6,544
Earnings per share for profit attributable to the ordinary equity holders of the parent		Cents	Cents
Basic earnings per share	10	(4.25)	4.41
Diluted earnings per share	10	(4.25)	4.11
Basic (loss)/earnings per share from continuing operations	10	(4.25)	(0.06)
Diluted (loss)/earnings per share from continuing operations	10	(4.25)	(0.06)

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Current			
Cash and cash equivalents	6(a)	9,469	31,242
Trade and other receivables	8	10,540	11,362
Interest-bearing receivables	14	345	345
Other assets		789	529
Current tax asset		286	-
Total current assets		21,429	43,478
Non-current			
Interest-bearing receivables	14	6,572	1,642
Investments	15	2,482	1,632
Other assets		890	1,015
Property, plant & equipment	16	951	976
Intangible assets & goodwill	17	1,651	2,231
Deferred tax assets	5(d)	4,632	9,018
Total non-current assets		17,178	16,514
TOTAL ASSETS		38,607	59,992
LIABILITIES			
Current			
Trade and other payables	8	9,715	9,109
Lease incentives		82	32
Provisions	19	8,781	8,020
Current tax liability		-	372
Total current liabilities		18,578	17,533
Non-current			
Lease incentives		19	252
Provisions	19	455	590
Total non-current liabilities		474	842
TOTAL LIABILITIES		19,052	18,375
NET ASSETS		19,555	41,617
EQUITY			
Contributed equity	11	34,673	34,673
Reserves	12	12,174	15,689
Accumulated losses		(27,410)	(8,863)
Equity attributable to shareholders		19,437	41,499
Non-controlling interests		118	118
TOTAL EQUITY		19,555	41,617

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		134,503	141,031
Cash paid to suppliers and employees		(128,090)	(135,614)
Cash provided by operations		6,413	5,417
Restructure costs		(1,441)	-
Claims and litigation settlements	19(a)	(5,315)	(4,216)
Regulatory costs associated with the Royal Commission		(77)	-
Net cash flows (used in)/provided by operating activities	6(b)	(420)	1,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		505	458
Interest and borrowing expenses paid		-	(12)
Payments to acquire financial assets		(6,700)	(3,022)
Proceeds from sale of interest in a subsidiary	14, 15	-	21,422
Acquisition of intangible assets	17(a)	(15)	(362)
Acquisition of property, plant & equipment	16	(322)	(213)
Dividend received from investments		199	-
Net cash flows provided by/(used in) investing activities		(6,333)	18,271
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease)/increase in borrowings		-	(26)
Loan repayments received from advisers		-	108
Dividends paid	9	(15,020)	(5,136)
Net cash flows used in financing activities		(15,020)	(5,054)
Net increase/(decrease) in cash & cash equivalents		(21,773)	14,418
Profit after tax from discontinued operations		-	6,632
Cash & cash equivalents at the beginning of the year	6(a)	31,242	10,192
Cash & cash equivalents at the end of the period	6(a)	9,469	31,242

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Ordinary shares \$'000	Dividend reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2017		34,673	14,465	1,224	(8,863)	41,499	118	41,617
Loss for the period		-	-	-	(6,333)	(6,333)	-	(6,333)
Total comprehensive income for the year		-	-	-	(6,333)	(6,333)	-	(6,333)
Transfer to dividend reserve		-	12,214	-	(12,214)	-	-	-
Share-based payment	12(a)	-	-	(709)	-	(709)	-	(709)
Dividends paid		-	(15,020)	-	-	(15,020)	-	(15,020)
Balance at 30 June 2018		34,673	11,659	515	(27,410)	19,437	118	19,555
Balance at 1 July 2016		34,150	14,810	1,088	(10,616)	39,432	118	39,550
Profit for the period		-	-	-	6,544	6,544	-	6,544
Total comprehensive income for the year		-	-	-	6,544	6,544	-	6,544
Transfer to dividend reserve		-	4,791	-	(4,791)	-	-	-
Issue of share capital	11	523	-	-	-	523	-	523
Share-based payment	12(a)	-	-	136	-	136	-	136
Dividends paid		-	(5,136)	-	-	(5,136)	-	(5,136)
Balance at 30 June 2017		34,673	14,465	1,224	(8,863)	41,499	118	41,617

The Consolidated Statement of Changes in Equity is to be read in conjunction with the attached Notes.

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1. Corporate information

The consolidated financial statements of Centrepont Alliance Limited (the Company or the Parent Entity) and its subsidiaries (the Group) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 23 August 2018.

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 23.

2. Summary of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared on a going concern basis and 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 Company is a for profit entity.

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 issued but not yet effective

The Australian Accounting Standards and Interpretations, that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2018 are set out below. The Directors have assessed the impact of the new standards for the reporting period ending 30 June 2019 onwards.

Title	Application date of standard	Application date for Group
<p>AASB 15 Revenue from contracts with customers</p> <p>AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.</p> <p>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.</p> <p>Management are continuing to assess the impact of AASB 15 and have reached initial conclusions on all key revenue types. Based on the work completed to date, the impact of implementing AASB 15 is expected to be immaterial for total Revenue as a whole. For product margins revenue, amounts are paid/ invoiced to product providers on a monthly, quarterly or annual basis and can be in arrears or in advance. A detailed review of each contract will then need to be undertaken in order to identify the performance criteria of each contract. That detailed review on an individual contract level will be completed by 31 December 2018 half year reporting to ensure the Group's current revenue recognition continues to comply with requirements of the standard and/or adjust current and retrospective periods as required.</p>	1 January 2018	1 July 2018

Title	Application date of standard	Application date for Group
<p>AASB 9 Financial Instruments (December 2014), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</p> <p>The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets.</p> <p>This version supersedes AASB 9 (December 2009) and AASB 9 (December 2010).</p> <p>There is no impact to the Group on the changes to the standard.</p>	1 January 2018	1 July 2018
<p>AASB 16 Leases</p> <p>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 balance sheet, or operating leases, which are not recognised on the balance sheet. The application of AASB 16 will result in the recognition of all leases on the balance sheet 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. The Group's operating lease commitments are disclosed in Note 7.</p>	1 January 2019	1 July 2019
<p>AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</p>	1 January 2018	1 July 2018

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018.

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 23.

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

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

- Intangible assets and Goodwill recoverable amounts - Note 17
- Provision for client claims - Note 19
- Recognition of deferred tax assets - Note 5

Foreign currency

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

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

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

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

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

Comparative information

Certain adjustments have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. 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

The Group has organised its businesses reportable segments based on the nature of the products and services provided and the markets in which it operates and Corporate. Internal reports are regularly reviewed by the management on this basis.

The Group's reportable segments are:

Reportable Wealth segments	Operations
Licensee and Advice Services	Provides Australian Financial Services Licence related services to financial advisers and their clients and mortgage broking services.
Funds Management and Administration	Provides investor directed portfolio services and investment management services to financial advisers, accountants and their clients.

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group does not currently manage its assets and liabilities on an individual segment basis.

The segment results are presented on a continuing operations basis.

3. Segment information (cont.)

	Licensee & Advice Services	Funds Management & Administration	Wealth Total	Corporate & Unallocated	Consolidated
Year ended 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Gross Revenue	108,826	12,950	121,776	5	121,781
Commissions paid	(86,255)	(4,688)	(90,943)	-	(90,943)
Net revenue	22,571	8,262	30,833	5	30,838
Other revenue	690	-	690	236	926
External customers	23,261	8,262	31,523	241	31,764
Inter-segment revenue	661	(1,000)	(339)	339	-
Interest income	223	196	419	879	1,298
Segment revenue	24,145	7,458	31,603	1,459	33,062
Total revenue					33,062
Segment results					
Interest charges	(22)	(1)	(23)	(12)	(35)
Client claims	(6,056)	-	(6,056)	-	(6,056)
Depreciation & amortisation	(817)	(74)	(891)	(32)	(923)
Impairment of assets	63	-	63	(900)	(837)
Inter-segment expenses	(16,974)	(3,604)	(20,578)	20,578	-
Segment profit/(loss) before tax	(2,346)	3,948	1,602	(4,206)	(2,604)
Income tax benefit/(expense)	766	(1,184)	(418)	(3,311)	(3,729)
Addback: Legacy claims expense	5,358	-	5,358	-	5,358
Segment profit/(loss) before tax (excl legacy claims)	3,012	3,948	6,960	(4,206)	2,754
Balance Sheet at 30 June 2018					
Current assets					
Interest-bearing receivables	345	-	345	-	345
Other current assets	10,703	3,566	14,269	6,815	21,084
Total current assets	11,048	3,566	14,614	6,815	21,429
Non-current assets					
Interest-bearing receivables	133	-	133	6,439	6,572
Other non-current assets	5,459	-	5,459	5,147	10,606
Total non-current assets	5,592	-	5,592	11,586	17,178
Total Assets	16,640	3,566	20,206	18,401	38,607
Current liabilities					
Other current liabilities	12,791	609	13,400	5,178	18,578
Total current liabilities	12,791	609	13,400	5,178	18,578
Non-current liabilities					
Other non-current liabilities	96	-	96	378	474
Total non-current liabilities	96	-	96	378	474
Total Liabilities	12,887	609	13,496	5,556	19,052
Net Assets	3,753	2,957	6,710	12,845	19,555

3. Segment information (cont.)

Year ended 2017	Licensee & Advice Services \$'000	Funds Management & Administration \$'000	Wealth Total \$'000	Corporate & Unallocated \$'000	Consolidated \$'000
Revenue					
Gross Revenue	116,052	12,567	128,619	6	128,626
Commissions paid	(92,448)	(4,746)	(97,193)	-	(97,193)
Net revenue	23,605	7,821	31,426	6	31,432
Other revenue	300	-	300	61	361
External customers	23,905	7,821	31,726	67	31,793
Inter-segment revenue	-	-	-	6,000	6,000
Interest income (gross)	121	29	150	308	458
Segment revenue	24,026	7,850	31,876	6,375	38,251
Inter-segment elimination					(6,000)
Total revenue					32,251
Segment results					
Interest charges	(39)	-	(39)	(14)	(53)
Client claims	(4,182)	(11)	(4,193)	-	(4,193)
Depreciation & amortisation	(530)	(103)	(633)	(473)	(1,106)
Impairment of assets	(143)	-	(134)	4	(130)
Inter-segment expenses	(16,432)	(3,318)	(19,750)	19,750	-
Segment profit/(loss) before tax	14	4,033	4,047	(3,871)	176
Income tax benefit/(expense)	(34)	(1,232)	(1,266)	1,002	(264)
Addback: Legacy claims expense	4,040	-	4,040	-	4,040
Segment profit/(loss) before tax (excl legacy claims)	4,055	4,033	8,088	(3,871)	4,216
Balance Sheet at 30 June 2017					
Current assets					
Interest-bearing receivables	345	-	345	-	345
Other current assets	12,101	5,559	17,660	25,473	43,133
Total current assets	12,446	5,559	18,005	25,473	43,478
Non-current assets					
Interest-bearing receivables	216	-	216	1,426	1,642
Other non-current assets	6,028	117	6,145	8,727	14,872
Total non-current assets	6,244	117	6,361	10,153	16,514
Total Assets	18,690	5,676	24,366	35,626	59,992
Current liabilities					
Interest bearing liabilities	-	-	-	-	-
Other current liabilities	12,349	1,881	14,230	3,303	17,533
Total current liabilities	12,349	1,881	14,230	3,303	17,533
Non-current liabilities					
Interest bearing liabilities	-	-	-	-	-
Other non-current liabilities	447	-	447	395	842
Total non-current liabilities	447	-	447	395	842
Total Liabilities	12,796	1,881	14,677	3,698	18,375
Net Assets	5,894	3,795	9,689	31,928	41,617

The Inter-segment sales are carried out on an arm's length basis and are eliminated on consolidation.

4. Revenue and expenses

	2018 \$'000	2017 \$'000
a) Interest and other income		
Interest income	1,298	458
Interest expense	-	(12)
Bank fees & other	(35)	(41)
Interest income (net)	1,263	405

	2018 \$'000	2017 \$'000
Cost recoveries from advisers	331	265
Retail and wholesale asset and service fees	201	80
Services	210	-
Other	184	17
Total other revenue	926	362

Rate of Interest	Average Balance		Interest		Average Rate p.a.	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 %	2017 %
Loan receivables	3,331	692	92	83	2.77%	11.96%
Cash and deposits	14,225	23,611	413	376	2.90%	1.59%

	2018 \$'000	2017 \$'000
b) Employee benefit expenses		
Wages and salaries	17,103	18,313
Share-based compensation expense	354	136
Termination costs	789	160
Total employee benefit expenses	18,246	18,609

Key Accounting Policies

Revenue recognition

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

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

4. Revenue and expenses (cont.)

Revenue type	Recognition
Financial advice and product margin revenue	Financial advice and product margin revenue is recorded at the time business is written as at this point all services have been provided to the client and the right to receive the revenue is established.
Service revenue	Revenue for services provided is recognised at the point of delivery of the service to clients.
Ongoing revenue	Ongoing financial advice fee revenue is recorded monthly for ongoing services provided to clients.
Dividend and distribution revenue	Dividend and distribution revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Leases

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of the incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

5. Income tax

a) Income tax (benefit)/expense

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	2018 \$'000	2017 \$'000
<i>Current income tax</i>		
Current income tax charge	(744)	256
Adjustment to current tax of prior period	-	8
<i>Deferred income tax</i>		
Adjustment to deferred tax of prior period	4,473	-
Income tax expense/(benefit) reported in the income statement	3,729	264

Based on the significant regulatory and competitor environment and the transition of strategy, the deferred tax assets related to prior tax losses (\$4.5m) has been taken off the Balance Sheet.

b) Amounts charged or credited directly to equity

No income tax was charged directly to equity for the year ended 2018 (2017: 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:

	2018 \$'000	2017 \$'000
Accounting profit before tax from continuing operations	(2,604)	176
At the Company's statutory income tax rate of 30% (2017: 30%)	(781)	53
Non-deductible expenses	65	203
Amounts not included in assessable income	(28)	-
Adjustment in respect of current tax of prior years	-	8
Adjustment in respect of deferred tax of prior years	4,473	-
Aggregate income tax expense/(benefit)	3,729	264

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Deferred tax liabilities</i>				
Deferred revenue	(7)	(192)	185	(186)
Gross deferred tax liabilities	(7)	(192)	185	(186)
<i>Deferred tax assets</i>				
Provisions for claims	1,626	1,403	223	(174)
Provisions for doubtful debts	1,096	1,499	(403)	94
Provision for restructure	165	-	165	-
Provision for impairment of loan receivables	(147)	78	(225)	156
Provision for leases	121	195	(74)	(234)
General accruals and other costs	732	563	169	(95)
Employee benefits	1,046	999	47	(151)
Tax losses available	-	4,473	(4,473)	213
Gross deferred tax assets	4,639	9,210	(4,571)	(191)
Net deferred tax assets	4,632	9,018		

The Group has 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.

In addition, 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.

e) Unrecognised tax losses

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

	2018 \$'000	2017 \$'000
Revenue losses	23,969	29,609
Capital losses	35,953	35,953
Total unrecognised losses	59,922	65,562

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 \$4.5m and reduced by \$10.1m related to a review of a historic tax loss.

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 Company measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right, with adjustments for its transactions that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group. The current and deferred tax amounts are measured by reference to the carrying amount of assets and liabilities in the Statement of Financial Position and their tax bases applying under the tax consolidation, this approach being consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

b) Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on taxable profit. The tax funding agreement requires payments to/from the 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 period represents the tax payable on the pre-tax accounting profit adjusted for changes in the deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

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

a) Current tax

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

b) Deferred tax

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

5. Income tax (cont.)

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

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

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

c) Tax consolidation legislation

Centrepont 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.

In addition to its own current and deferred tax amounts, the Company also recognises current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

5. Income tax (cont.)

Assets or liabilities arising under tax funding agreements with tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

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

ii) Goods and Services Tax (GST)

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

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

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

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

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

6. Notes to Statement of Cash flows

a) Reconciliation of cash & cash equivalents

	2018 \$'000	2017 \$'000
Cash and cash equivalents	9,469	31,242
Total cash and cash equivalents	9,469	31,242

6. Notes to Statement of Cash Flows (cont.)

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

	2018 \$'000	2017 \$'000
Net loss after income tax from continuing operations	(6,333)	(88)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	923	1,106
Impairment of investments	900	-
Loss on disposal of non-current assets	17	31
Interest received	(505)	(458)
Interest expense	-	12
Dividend received from investments	(199)	-
Share based compensation (income)/expense	(709)	136
Tax expense current year	(744)	264
Working capital adjustments:		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	1,586	334
Other assets	(128)	4,058
Deferred tax assets	4,386	377
<i>(Decrease)/increase in liabilities:</i>		
Trade and other payables	424	(3,551)
Provisions for employee entitlements	(406)	(488)
Provision for client claims	742	(65)
Provision for property make good	-	(120)
Provision for onerous lease	(255)	(659)
Provision for restructure costs	550	-
Provision for tax	(669)	312
Net cash from operating activities from continuing operations	(420)	1,201

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 Company 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.

	2018 \$'000	2017 \$'000
Not later than one year	1,341	2,272
Later than one year but not later than five years	1,349	2,394
Later than five years	-	-
Total	2,690	4,666

8. Trade and other receivables and payables

	2018 \$'000	2017 \$'000
Current		
Commissions receivable	7,937	8,570
Trade receivables	2,603	2,792
Total	10,540	11,362

Refer Note 18(c) for Ageing analysis.

	2018 \$'000	2017 \$'000
Current		
Amounts payable to financial advisers	5,474	6,292
Trade payables	1,696	1,182
Other creditors and accrued expenses	2,545	1,635
Total	9,715	9,109

Terms and conditions	<p>Trade and other payables are non-interest bearing. The trade payables relate principally to financial advice fees payable to advisers and insurance premiums and commissions payable to insurance brokers.</p> <p>Other creditors and accrued expenses relate mainly to operating expenses and are normally payable within 60 days.</p>
Fair value	Due to the short-term nature of the majority of the current trade and other payables, their carrying value is assumed to approximate their fair value.
Financial guarantees	No guarantees have been given over trade and other payables.
Related party payables	For terms and conditions relating to related party payables refer to Note 23.
Interest rate, foreign exchange and liquidity risk	Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 18.

8. Trade and other receivables and payables (cont.)

Key accounting policies

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are measured at amortised cost using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the Group will not be able to collect the debt. The criterion for impairment is if the debt is 180 days overdue with no repayments or payment arrangement and/or the debtor is placed in administration or liquidation. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Trade and other payables

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

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

9. Dividends

Dividends payable are recognised when declared by the Company.

	2018 \$'000	2017 \$'000
a) Dividends paid or payable		
The following fully franked dividends were provided for or paid during the year:		
Dividends paid on ordinary shares	4,035	5,136
Special Dividends paid on ordinary shares	10,985	-
Total dividends	15,020	5,136

	2018 \$'000	2017 \$'000
b) Franking credit balance		
Franking account balance as at the end of the financial year	17,563	23,886

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

10. Earnings per share

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

	2018 \$'000	2017 \$'000
a) Profit used in calculating profit per share		
Net (loss)/profit attributable to ordinary equity holders of the Company	(6,333)	6,544
Net profit attributable to ordinary equity holders of the Company from discontinued operations	-	6,632
Net (loss)/profit attributable to ordinary equity holders of the Company from continuing operations	(6,333)	(88)
b) Weighted average number of shares	No. of shares	No. of shares
Weighted average number of ordinary shares (excluding reserved shares)	148,882,969	148,533,913
<i>Effect of dilution:</i> Performance rights and LTI shares	12,321,644	10,863,470
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution	161,204,613	159,397,383
Basic earnings per share from discontinued operations	-	4.47
Basic (loss)/earnings per share from continuing operations	(4.25)	(0.06)
Basic earnings per share	(4.25)	4.41
Diluted earnings per share	(4.25)	4.11

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.

c) Information on the classification of securities

Reserved shares (Centrepoint Alliance Employee Share Plan)

As at reporting date 8,050,000 reserved shares were held by the CAESPT and are excluded from the calculations of earnings per share because they are treated as reserved shares under AASB 132 *Financial Instruments: Presentation*.

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 period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, and adjusted for any bonus element.

11. Contributed equity

		Reference	2018 \$'000	2017 \$'000
a) Paid up capital				
Ordinary shares		(i)	39,108	39,108
Reserved shares		(ii)	(4,435)	(4,435)
			34,673	34,673
	Number of Shares	2018 \$'000	Number of Shares	2017 \$'000
i) Ordinary shares (issued & fully paid)				
Balance at start of year	156,932,969	39,108	155,434,080	38,585
Movements during the year:-				
- Share issue - long-term incentive plan	-	-	1,498,889	523
On issue at end of year	156,932,969	39,108	156,932,969	39,108
ii) Reserved shares				
Balance at start of year	(8,050,000)	(4,435)	(8,050,000)	(4,435)
On issue at end of year	(8,050,000)	(4,435)	(8,050,000)	(4,435)
Total contributed equity	148,882,969	34,673	148,882,969	34,673

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.

Key accounting policies

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

12. Reserves

	2018 \$'000	2017 \$'000
Employee equity benefits reserve	515	1,224
Dividend reserve	11,659	14,465
Total	12,174	15,689

a) Employee equity benefits reserve	2018 \$'000	2017 \$'000
Balance at start of year	1,224	1,088
Value of share-based payments provided or which vested during the year	354	136
Value of share based payments expired during the year	(1,063)	-
Balance at end of year	515	1,224

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

During the current period, 700,000 performance rights were issued to senior executives of the Group as follows:

Performance rights	No. of shares	Vesting period	Issue price	Fair value at issue date
Senior Executives	700,000	3 years	\$0.585	\$0.410

b) Dividend reserve	2018 \$'000	2017 \$'000
Balance at start of year	14,465	14,810
Dividends paid	(15,020)	(5,136)
Transfer from current year profits	12,214	4,791
Balance at end of year	11,659	14,465

13. Interest-bearing liabilities

Fair value of interest-bearing liabilities	Interest-bearing liabilities are carried at amortised cost. The carrying value of borrowings approximates their fair value.
Financial risk	Refer to Note 18 for interest rate risk and liquidity risk. There is no exchange rate risk as the interest-bearing liabilities are documented and payable in Australian dollars.
Key accounting policies	<p>All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.</p> <p>After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs as well as any discount or premium on settlement.</p>

14. Interest-bearing receivables

	2018 \$'000	2017 \$'000
Current		
Loan receivables - financial advisers	435	435
Provision for impairment - specific	(90)	(90)
	345	345
Total current interest-bearing receivables	345	345
Non-current		
Loan receivables - financial advisers	603	711
Convertible loans	6,439	1,426
Provision for impairment - specific	(470)	(495)
Total non-current interest-bearing receivables	6,572	1,642

An ageing analysis of loan receivables is provided in Note 18(b)

14. Interest-bearing receivables (cont.)

	2018 \$'000	2017 \$'000
Allowance for Impairment		
Opening Balance	585	1,071
<i>Movement in the allowance is as follows</i>		
Adjustment for disposal of subsidiary	-	(522)
Allowance for impairment	(28)	36
Closing balance	557	585
Receivables impairment expense		
Impairment expense	(28)	36
Bad debts (recovery)/written-off directly	(35)	98
Total expense	(63)	134

Term and conditions	<p>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.</p>
Impairment	<p>Impairment expense amounts are included in the Statement of Profit or Loss and Comprehensive Income under 'Other general and administrative expenses'.</p> <p>The Group assesses at each reporting date, whether there is objective evidence that a financial asset or group of financial assets are impaired.</p> <p>The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.</p> <p>An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. If a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.</p>

14. Interest-bearing receivables (cont.)

Related party receivables	There are currently no related party receivables.
Fair value and risk management	<p>The carrying value of interest-bearing receivables approximates their fair value.</p> <p>Credit risk, interest rate risk and currency risk is addressed in Note 18.</p>
Convertible Notes	<p>ALD</p> <p>The Group subscribed to \$5m in a convertible loan in ALD to provide seed funding to the business. The first advance of \$1.25m was made in February 2017 with the remaining amount of \$3.75m transferred in July 2017 on achievement of certain milestones.</p> <p>As part of the convertible note arrangements, the Group was granted four call options of \$1.75m each (totalling \$7.0m) to purchase shares which expire by January 2020.</p> <p>The Group declined to take up an additional option post balance date.</p> <p>The Group exercised the first option for \$1.75m on 11 September 2017 which represents a 5% equity stake. As at 30 June the Group has a total \$6.75m in ALD.</p> <p>RFE</p> <p>The Group subscribed to \$1.2m in a convertible loan in RFE to provide seed funding to the business. The first advance of \$1.0m was made in 6 July 2017 and a further \$0.2m was advanced on 28 February 2018.</p>
Key accounting policies	<p>All loan receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method.</p> <p><i>Financial advisers:</i> These are comprised of loans to advisers for terms varying from 1 to 5 years and attract interest at market rates. The majority of these loans are secured through charges over assets, by guarantees, or by retention of financial advice fees.</p> <p><i>Impairment of loan receivables:</i> Impairment of a loan is recognised when there is objective evidence that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.</p>

14. Interest-bearing receivables (cont.)

Key accounting policies	<p>Bad debts are written-off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.</p> <p>Convertible notes are initially recognised at cost, including acquisition charges associated with the loan. Subsequent to initial recognition, the convertible loans are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.</p>
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15. Investments

	2018 \$'000	2017 \$'000
Investments	3,382	1,632
Impairment on investments	(900)	-
Total investments	2,482	1,632

In October 2016, an investment of \$1.5m was made in RFE which represents a 15% stake of equity. An impairment provision of \$0.9m was raised against this investment during the year. RFE has reduced their revenue growth forecast to reduce cash strain and focus on profitability. As a result the investment was reviewed and the holding value was reduced.

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.

In September 2017 the Group exercised an option for an investment of \$1.75m in ALD, which represents a 5% equity stake. ALD launched in June 2018.

Key accounting policies

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

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

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

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

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

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

16. Property, plant and equipment

	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
Cost			
At 1 July 2016	2,002	3,115	5,117
Additions	-	213	213
Disposals	(16)	(542)	(558)
At 30 June 2017	1,986	2,786	4,772
Additions	-	322	322
Disposals	-	(9)	(9)
At 30 June 2018	1,986	3,099	5,085

Depreciation and impairment			
At 1 July 2016	1,247	2,429	3,676
Depreciation charge for the year	275	186	461
Disposals	-	(341)	(341)
At 30 June 2017	1,522	2,274	3,796
Depreciation charge for the year	155	186	341
Disposals	-	(3)	(3)
At 30 June 2018	1,677	2,457	4,134

Net carrying value			
At 30 June 2018	309	642	951
At 30 June 2017	464	512	976

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.

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.

16. Property, plant and equipment (cont.)

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

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

17. Intangible assets

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

	Goodwill	Software	Network & Client Lists	Total
	\$'000	\$'000	\$'000	\$'000
Period ending 30 June 2018				
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)
At 30 June 2018 net of accumulated amortisation and impairment	956	75	620	1,651
At 30 June 2018				
Cost	1,209	3,773	10,387	15,369
Accumulated amortisation and impairment	(253)	(3,698)	(9,767)	(13,718)
Net carrying value	956	75	620	1,651

Year ending 30 June 2017				
At 1 July 2016 net of accumulated amortisation and impairment	2,132	337	1,362	3,831
Disposals	(1,176)	(141)	-	(1,317)
Additions	-	15	347	362
Amortisation	-	(88)	(557)	(645)
At 30 June 2017 net of accumulated amortisation and impairment	956	123	1,152	2,231
At 30 June 2017				
Cost	1,209	3,786	10,372	15,367
Accumulated amortisation and impairment	(253)	(3,663)	(9,220)	(13,136)
Net carrying value	956	123	1,152	2,231

17. Intangible assets (cont.)

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
<p>Cash Generating Units Goodwill</p>	<p>Cash Generating Units (CGU)</p> <p>Goodwill was created during 2012 on the acquisitions of the externally owned interests in Ventura Investment Management Ltd of \$93,000 and in Centrepoint Alliance Lending Pty Ltd (previously Centrepoint Lending Solutions Pty Ltd) of \$863,000.</p> <p>Other CGUs include Professional Investment Services Pty Ltd and Investment Diversity 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. As there were no indicators of impairments in any CGUs and goodwill only exists within the Centrepoint Alliance Lending Pty Ltd CGU and Ventura Investment Management Limited CGU, impairment testing was only performed for these 2 CGUs.</p> <p>Management is of the view that core assumptions such as cost of equity and terminal growth rate are the same across these 2 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% (2017: 1.00%)</p> <p>Cost of equity: 12.35% (2017: 12.35%)</p> <p>The testing resulted in no impairment being required.</p> <p>The value in use model is not materially sensitive to any of the above assumptions. Sensitivity suggests that no reasonable change in any assumptions gives rise to impairment.</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 cash-generating units which are expected to benefit from the acquisition.</p> <p>Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the Goodwill relates. 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 cash-generating unit and part of the operation within that unit is disposed of, the Goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.</p> <p>Impairment losses recognised are not subsequently reversed.</p>

17. Intangible assets (cont.)

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
<p>Networks and client lists</p>	<p>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 2018 of \$620,000 (2017: \$1,152,000).</p>	<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 reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss and 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 reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.</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% (2017: 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 \$187,858 (2017: \$86,463).</p>

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

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

Software	2.5 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.

18. Financial risk management

a) Risk exposures and responses

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

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

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

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

b) Credit risk

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

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

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

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

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

Trade and other receivables	<p>The Group does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics. Trade and other receivables relate mainly to financial advice revenue and product margins earned as a financial dealer group and the majority is receivable from major financial institutions with high credit ratings assigned by international credit rating agencies. The Group does not require collateral in respect of trade and other receivables.</p> <p>Concentration levels of loan assets were monitored continuously to ensure that there are no significant concentrations of credit risk within the Group.</p>
Loans receivable – financial advisers	<p>Loans to financial advisers have terms ranging from 1 to 5 years. Full credit submissions are prepared and reviewed and security is usually obtained in the form of charges over assets or guarantees and financial advice fees payable.</p> <p>In some cases repayments are deducted from weekly financial advice fee payments.</p>

18. Financial risk management (cont.)

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

Payment terms for some PDNI debtors have been re-negotiated to aid recovery. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Impairment analysis is included at Note 14.

c) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations as disclosed 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.

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

Ageing analysis

Ageing Analysis	2018						
	Total \$'000	0-30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI* \$'000	61-90 Days CI** \$'000	+91 Days PDNI* \$'000	+91 Days CI** \$'000
Trade receivables	10,540	10,259	21	20	-	241	-
Loan receivables - Adviser	1,038	157	4	4	-	404	469
Ageing Analysis	2017						
	Total \$'000	0-30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI* \$'000	61-90 Days CI** \$'000	+91 Days PDNI* \$'000	+91 Days CI** \$'000
Trade receivables	11,362	11,066	266	(28)	-	58	-
Loan receivables - advisers	1,146	157	4	4	-	486	495

* Past due not impaired (PDNI)

** Considered impaired (CI)

18. Financial risk management (cont.)

	2018			
	Weighted average effective interest rate	Fixed	Fixed	Variable
		≤ 6 Months	> 6 Months	
%	\$'000	\$'000	\$'000	
Financial Assets				
Cash and term deposits	2.90%	4,904	-	4,565
Interest bearing receivables	2.77%	181	857	-
Security deposits	-	-	890	-
		5,085	1,747	4,565
Net Exposure		5,085	1,747	4,565
	2017			
	Weighted average effective interest rate	Fixed	Fixed	Variable
		≤ 6 Months	> 6 Months	
%	\$'000	\$'000	\$'000	
Financial Assets				
Cash and term deposits	1.59%	24,517	-	6,725
Interest bearing receivables	11.96%	182	964	-
Security deposits	-	-	1,017	-
		24,699	1,981	6,725
Net Exposure		24,699	1,981	6,725

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.

d) Liquidity risk

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

The Group's policy is to match debt with the nature and term of the underlying assets. At reporting date over 99% 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.

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

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

18. Financial risk management (cont.)

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.

Financial Assets	2018			
	≤ 6 Months	6-12 Months	1-5 Years	Total
	\$'000	\$'000	\$'000	\$'000
Cash and term deposits	9,469	-	-	9,469
Trade and commissions receivable	10,411	29	100	10,540
Loan receivables - financial advisers	181	254	603	1,038
Security deposits	-	-	890	890
	20,061	283	1,593	21,937
Financial Liabilities				
Trade and other payables	9,715	-	-	9,715
Other liabilities	41	41	19	101
	9,756	41	19	9,816
Net Maturity	10,305	242	1,574	12,121
Financial Assets	2017			
	≤ 6 Months	6-12 Months	1-5 Years	Total
	\$'000	\$'000	\$'000	\$'000
Cash and term deposits	31,242	-	-	31,242
Trade and commissions receivable	11,234	139	(11)	11,362
Loan receivables - financial advisers	181	254	711	1,146
Security deposits	5	-	1,017	1,022
	42,662	393	1,717	44,772
Financial Liabilities				
Trade and other payables	9,109	-	-	9,109
Other liabilities	16	16	252	284
	9,125	16	252	9,393
Net Maturity	33,537	377	1,465	35,379

e) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

18. Financial risk management (cont.)

f) Market and price risk

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

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

g) Fair value of financial instruments

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

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

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

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

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

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

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

There were no transfers between categories during the year. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Financial asset/liability	Fair value assumptions
Cash and Cash equivalents	Fair value approximates the carrying amount as these assets are receivable on demand or short term in nature.
Interest-Bearing Receivables	<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 2018.</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 \$10,353 (2017: \$11,460).</p>

18. Financial risk management (cont.)

Financial asset/liability	Fair value assumptions
Interest-Bearing Receivables	For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently.
Interest-Bearing Liabilities	The carrying values of variable rate interest-bearing liabilities approximate their fair value as they are short term in nature and reprice frequently.

Key accounting policies

Cash and cash equivalents in the Statement of Financial Position are stated at nominal value and comprise cash at bank and in hand and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

19. Provisions

	2018 \$'000	2017 \$'000
Current		
Provision for claims	5,393	4,589
Provision for employee entitlements	2,669	3,093
Property make good	83	83
Onerous lease	86	255
Restructuring	550	-
Total	8,781	8,020
Non-current		
Provision for claims	25	88
Provision for employee entitlements	198	182
Property make good	232	232
Onerous lease	-	88
Total	455	590

	2018 \$'000	2017 \$'000
a) Movement in provision for claims		
Opening balance	4,589	4,743
<i>Movement in the provision is as follows:</i>		
Claims provisioning expense during the period	5,992	4,150
Claims settlements & fees paid (net of recoveries)	(5,163)	(4,216)
Closing balance	5,418	4,677

19. Provisions (cont.)

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.

	2018 \$'000	2017 \$'000
b) Movement in provision for employee benefits		
Opening balance	3,275	3,763
<i>Movement in the provision is as follows:</i>		
Provision for year	2,681	2,954
Leave and other employee benefits paid	(3,089)	(3,442)
Closing balance	2,867	3,275

	2018 \$'000	2017 \$'000
c) Movement in provision for property make good		
Opening balance	315	435
<i>Movement in the provision is as follows:</i>		
Disposal of subsidiary	-	(120)
Closing balance	315	315

	2018 \$'000	2017 \$'000
d) Movement in provision for onerous lease		
Opening balance	343	1,001
<i>Movement in the provision is as follows:</i>		
Provision for year	-	-
Onerous lease unwind	(222)	(523)
Sub-lease reduction	(35)	(135)
Closing balance	86	343

	2018 \$'000	2017 \$'000
e) Movement in provision for restructuring costs		
Opening balance	-	-
<i>Movement in the provision is as follows:</i>		
Provision for year	550	-
Closing balance	550	-

19. Provisions (cont.)

Provision for onerous lease contract

The Gold Coast office was consolidated from two floors to one and an onerous contract was created for the unused space. This resulted in the creation of an onerous lease provision for \$1,001,000. A tenant subleases the unused space in the Gold Coast office for the remaining duration of the lease, being to October 2018 and the remaining amount of the onerous lease provision is \$87,521.

Provision for restructuring costs

On 3 April 2018, Angus Benbow was appointed CEO and initiated a Strategic Refresh of the Group. The implementation of the updated strategy included a formal plan for restructuring and direct expenditure arising from the restructuring.

	Key accounting policies
Provisions	<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 balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.</p> <p>The Company 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 Company. A corresponding amount is recognised directly in equity. A provision for claims is recognised when client claims received by advisers are notified to the Company or the Group expects to incur liabilities in the future as a result of past advice given. It is measured at the present value of the future costs that the Group expects to incur to settle the claims.</p>
Employee benefits	<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>
Make good costs for leased property	<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 reporting period. The unwinding of the discounting is recognised as a finance cost.</p>
Onerous Contracts	<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>

20. Contingent liabilities

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

The Group has provided for claims arising from advice provided prior to 1 July 2010 based on a specific provision as described in Note 19.

The regulatory environment, specifically the Royal Commission is expected to result in changes in regulations and the approach used by the regulator. The Group is actively reviewing and managing these impacts.

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

There were no other contingent liabilities at reporting date.

21. Remuneration of auditors

The primary auditor of the Group was Deloitte Touche Tohmatsu.

	2018 \$	2017 \$
<i>Amounts received or due and receivable by Deloitte Touche Tohmatsu</i>		
Audit of the financial report of the entity and other entities in the consolidated group	204,173	224,074
Other services in relation to the entity and other entities in the consolidated group		
Taxation services - Deloitte Touche Tohmatsu	66,830	96,598
Other regulatory audit services	72,207	61,132
	343,210	381,804
<i>Amounts received or due and receivable by other audit firms for:</i>		
Audit fees - managed funds & international businesses	310,640	53,220
	310,640	53,220

22. Information relating to Centrepoint Alliance Limited

The Consolidated Financial Statements of the Company are:

	2018 \$'000	2017 \$'000
Current assets	32,323	54,939
Non-current assets	8,968	8,370
Current liabilities	35	(39)
Net Assets	41,326	63,270
Issued capital	37,934	37,934
Dividend reserve	10,504	13,971
Accumulated profit	(7,111)	11,365
Total Shareholder Equity	41,326	63,270
Net profit after tax of the parent entity	(7,191)	11,285
Total comprehensive income of the parent entity	(7,191)	11,285

At reporting date the Company has given nil guarantees to external parties (2017: nil).

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

	2018 \$'000	2017 \$'000
Not later than one year	370	1,091
Later than one year but not later than five years	370	740
Total	740	1,831

The Company 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.

23. Related party disclosures

a) Information relating to subsidiaries

Name	Country of Incorporation	Ownership Interest		Principal Activity
		2018	2017	
Licensee and Advice Services				
Centrepoint Alliance Lending Pty Ltd	Australia	100%	100%	Mortgage broker / aggregator
Associated Advisory Practices Pty Ltd	Australia	100%	100%	AFSL licensee support services
xseedwealth Pty Ltd	Australia	100%	100%	Salaried advice
Professional Investment Services Pty Ltd	Australia	100%	100%	Financial advice
Funds Management and Administration				
Investment Diversity Pty Ltd	Australia	100%	100%	Packages investment platforms
Ventura Investment Management Ltd	Australia	100%	100%	Packages managed funds
Corporate				
Centrepoint Alliance Services Pty Ltd	Australia	100%	100%	Trustee - Employee share plan
Centrepoint Services Pty Ltd	Australia	100%	100%	Service company
Centrepoint Wealth Pty Ltd	Australia	100%	100%	Holding company
De Run Securities Pty Ltd	Australia	56%	56%	Financial services
Presidium Research and Investment Management Pty Ltd (formerly Imagine Your Lifestyle Pty Ltd)	Australia	100%	100%	Dormant
Professional Accountants Pty Ltd	Australia	100%	100%	Loans to advisers
Professional Investment Services (NZ) Limited**	New Zealand	43%	43%	Dormant
R Financial Educators Pty Ltd	Australia	15%	15%	Business partnering/ Financial advice
Ginger Group Financial Services Limited	New Zealand	50%	50%	Financial advice

** Currently under Solvent Voluntary Liquidation

23. Related party disclosures (cont.)

b) Ultimate parent

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

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

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). An impairment assessment is undertaken each financial year through examination of the financial position of related parties and the market in which a related party operates.

d) Transactions with Key Management Personnel

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

	2018 \$'000	2017 \$'000
Short term employee benefits	2,109	2,289
Post employment benefits	87	111
Long term benefits	-	-
Share based payments	-	-
Termination/resignation benefits	441	-
Total compensation	2,637	2,400

24. Share based payment plans

a) Types of share-based payment plans

i) Performance Rights

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

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.

iii) Centrepont Alliance Employee Share Option Plan (CAESOP)

Share options may be granted to employees as determined by the Board of Directors. The CAESOP is designed to align participant's interests with those of the shareholder by increasing the value of the Company's shares.

24. Share based payment plans (cont.)

b) Recognised share-based payment expenses

	2018 \$'000	2017 \$'000
Expense arising from equity-settled share-based payment transactions under the CAESP	-	659
Expense arising from performance rights	354	(523)
Total	354	136

c) Movements during the year

All current option awards are fully vested at reporting date. There are 8,050,000 shares which are held within the CAESP which are held as reserved shares.

	2018		2017	
	No	WAEP*	No	WAEP*
i) Shares under the CAESP				
Outstanding at beginning of period	8,050,000	0.18	10,885,001	0.19
Forfeited during the period	-	-	(2,835,001)	0.21
Outstanding at end of period	8,050,000	0.18	8,050,000	0.18
ii) Options under CAESOP				
Outstanding at beginning of period	-	-	400,000	0.40
Expired during the period	-	-	(400,000)	-
Outstanding at end of period	-	-	-	-
iii) Performance rights under the CESP				
Outstanding at beginning of period	3,750,000	-	3,566,666	-
Issued during the period	700,000	-	3,750,000	-
Vested during the period	-	-	(1,498,889)	-
Expired during the period	(2,000,000)	-	(2,067,777)	-
Outstanding at end of period	2,450,000	-	3,750,000	-

*WAEP is weighted average exercise price

d) 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 take into account the terms and conditions upon which they were granted and market based inputs as at the grant date.

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.

24. Share based payment plans (cont.)

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 Comprehensive Income is the product of:

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

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

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

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

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

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

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

ii) Reserved shares

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

25. Events after the reporting period

The following matters have occurred subsequent to the end of the financial year:

On 7 August 2018, the business was restructured to align with the strategy. This included the announcement that John Cowan, CFO will leave in November 2018.

On 23 August 2018, the Directors of Centrepont Alliance Limited resolved not to pay a final dividend with reference to the dividend policy and based on the current strategic direction.

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.

Directors' Declaration

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

1. In the opinion of the Directors:
 - (a) The consolidated financial statements and notes of Centrepont Alliance Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 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 2018.

On behalf of the Directors:



A. D. Fisher
Chairman

23 August 2018



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Independent Auditor's Report to the members of Centrepoint Alliance Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Centrepoint Alliance Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and 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 2018 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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>Provision for claims</p> <p>As disclosed in Note 19a, the Group has provided \$5.4 million 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 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>Our procedures, performed in conjunction with our actuarial specialists included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding the provisioning process management undertook to estimate the claims provision including management's process to assess whether a provision is required for financial advice provided post 1 July 2010 • Evaluating controls over the completeness of the data in the claims database • Selecting a sample of open claims and agreeing details to underlying records and external correspondence to assess the accuracy of the data used to estimate the cost of settling open claims and the value and volume of unreported claims; and • Challenging the core assumptions applied by management in estimating claim volume for unreported claims and value per claim with regard to historical claims experience. <p>We have also assessed the appropriateness of the disclosures included in Note 19a to the financial statements.</p>
<p>Recoverability of deferred tax assets</p> <p>As disclosed in Note 5d and 5e, the Group has recognised deferred tax assets of \$4.6 million which relate to the future reversal of existing temporary differences for which Group expects to utilise against future taxable profits.</p> <p>The ability to recognise deferred tax assets is dependent on the estimation of future taxable profits against which the deferred tax assets can be utilised. Significant judgement is required in forecasting future taxable profit.</p> <p>The Group makes an estimate of the extent of carried forward losses that can be utilised against future taxable profits with reference to the available fraction concept set out in the <i>Income Tax Assessment Act 1997</i>. This applies due to changes in the group structure over time.</p> <p>\$4.5 million of recognised tax losses have been written off during the year in response to continuing sector wide challenge and to reflect that the Group is now conducting a strategic refresh in response to those challenges. The Group has unrecognised revenue losses of \$24.0 million and capital losses of \$36.0 million.</p>	<p>Our procedures, performed with the support of our tax specialists included, but were not limited to:</p> <ul style="list-style-type: none"> • Challenging the reasonableness of management's estimation of future taxable profits (including but not limited to the reasonableness of estimates of growth in financial advice revenues) and assessing whether these estimates were consistent with the forecasts used as part of the impairment testing of goodwill and intangible assets • Evaluating the competence, capabilities and objectivity of management's external tax expert used to assess the available fraction; and • Challenging the appropriateness of the available fraction applied to estimate the extent to which carried forward tax losses can be recognised as a deferred tax asset. <p>We have also assessed the appropriateness of the disclosures included in Note 5d and 5e to the financial statements.</p>



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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 to cease to continue as a going concern.

Deloitte.

- 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 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 13 to 22 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Centrepoint Alliance Limited, for the year ended 30 June 2018, 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, 23 August 2018

ASX Additional Information

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 2018.

1. Class of securities and voting rights

a) Ordinary shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 1,903 holders of ordinary shares, holding 156,932,969 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	295	
1,001 - 5,000	512	
5,001 - 10,000	262	
10,001 - 100,000	733	
100,000 and over	101	3

The number of shareholders with less than a marketable parcel is 380.

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	41,596,497
Adam Smith Asset Management Pty Ltd	10,069,911
River Capital Pty Ltd	5,689,719

ASX Additional Information

4. Twenty largest holders of quoted equity securities

Ordinary Shareholders		Fully paid	
		No. of Shares	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,292,131	21.85
2	UBS NOMINEES PTY LTD	32,804,489	20.90
3	CITICORP NOMINEES PTY LIMITED	9,331,061	5.95
4	CENTREPOINT ALLIANCE SERVICES PTY LTD <CENTREPOINT ALLIANCE EMPLOYEE SHARE PLAN A/C>	8,050,000	5.13
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,127,176	3.27
6	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	4,914,761	3.13
7	NATIONAL NOMINEES LIMITED	2,819,289	1.80
8	MR RICHARD JOHN NELSON + MRS KAYE MARIE NELSON <NELSON PENSION FUND A/C>	2,729,660	1.74
9	SUPERTCO PTY LTD <TAG SMALL CAP FUND A/C>	2,000,000	1.27
10	GRIFFIN FUND MANAGEMENT PTY LTD <NOEL GRIFFIN NO 2 S/F A/C>	1,991,231	1.27
11	WAYLEX PTY LTD <NELSON INVESTMENT A/C>	1,418,051	0.90
12	SOBA PTY LTD	1,352,652	0.86
13	MR DANIEL BARON DROGA + MRS LYNDELL DROGA <DROGA FAMILY SUPER FUND A/C>	1,250,000	0.80
14	FETTERPARK PTY LTD <O'REILLY FAMILY S/F A/C>	1,200,000	0.76
15	CATHAYS PTY LTD <A & D GRIFFITHS S/F A/C>	909,500	0.58
16	EDSONMERE PTY LTD <CHRISTINE ANN MARTIN FT A/C>	829,600	0.53
17	AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	739,075	0.47
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	712,830	0.45
19	LAYUTI PTY LTD <THE MOUATT SUPER FUND A/C>	567,767	0.36
20	MR DAVID O'ROURKE <O'ROURKE FAMILY A/C>	554,944	0.35
		113,594,217	72.38

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
Level 11, 172 St George's Terrace,
Perth Western Australia 6000, Australia
GPO Box 2975, Melbourne Victoria 3001, Australia

Telephone:

(within Australia) 1300 763 925

(outside Australia) +61 3 9415 4870

Facsimile: +61 3 9473 2500

Email: web.queries@computershare.com.au

Website: www.computershare.com.au

Auditor

Deloitte Touche Tohmatsu
Riverside Centre
Level 25, 123 Eagle Street
Brisbane Queensland 4000
Australia

Registered Address

Centrepoint Alliance Limited
Registered Address and Head Office:
Level 9, 10 Bridge Street
Sydney New South Wales 2000
Australia

Telephone:

(within Australia) 1300 557 598

(outside Australia) +61 2 8987 3000

Facsimile: +61 2 8987 3075

Website: www.centrepointalliance.com.au

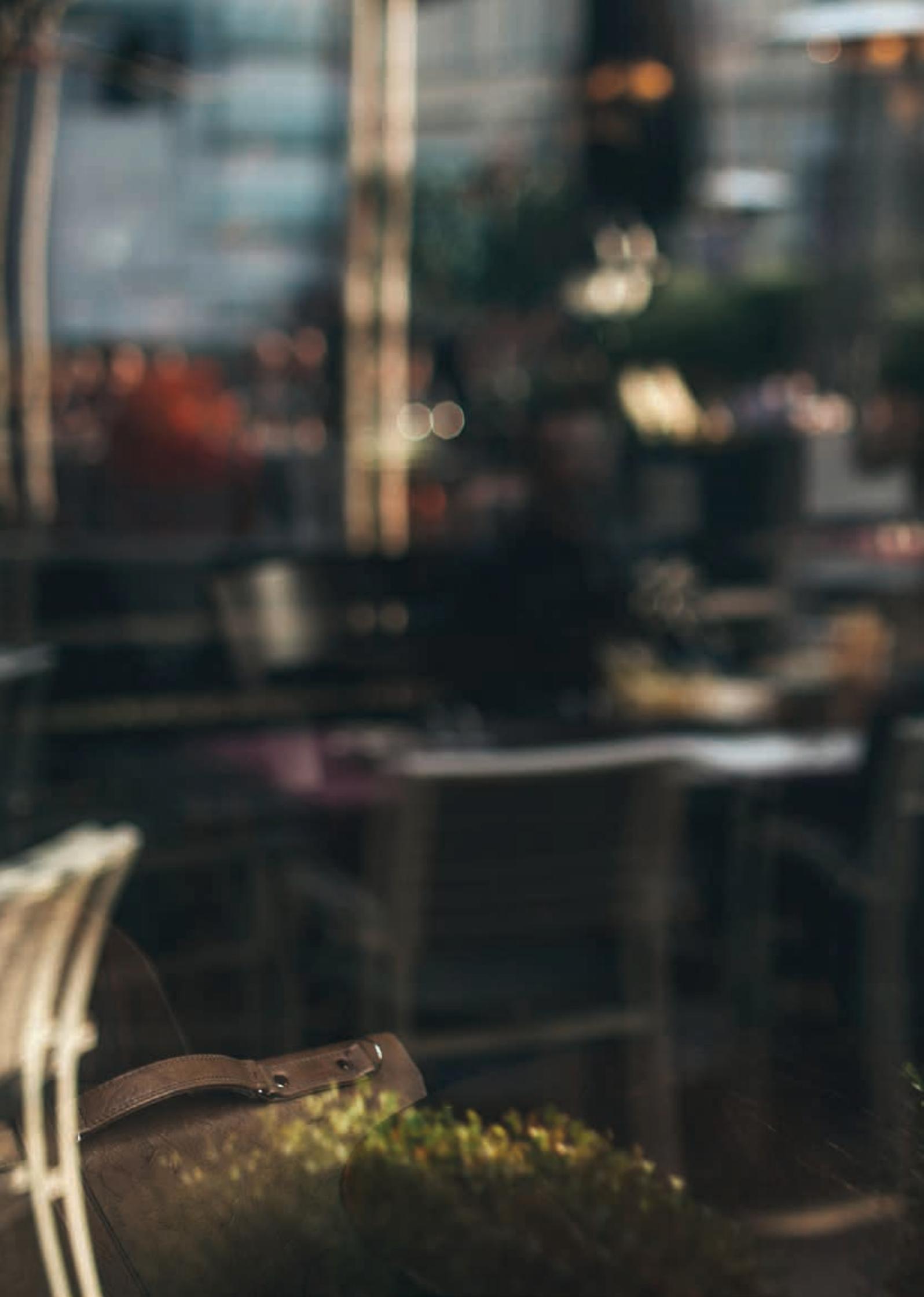
Annual General Meeting

10:30am (AEDT) Tuesday, 30 October 2018

Deloitte Touche Tohmatsu

Level 10, 550 Bourke Street

Melbourne, Victoria Australia







Centrepoint Alliance Limited
and its Controlled Entities
ABN 72 052 507 507

1300 557 598
centrepointalliance.com.au