

# ANNUAL FINANCIAL REPORT 2020

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For the year ended 30 June 2020



Centrepont Alliance Limited  
and its Controlled Entities

ABN 72 052 507 507

**CENTREPONT**  
ALLIANCE



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# Letter from the Chairman

Dear shareholder,

It is my pleasure to present the 2020 Annual Report for Centrepont Alliance Limited (ASX: CAF) as we reflect on a year that has been both challenging and transformational for our company.

The financial services industry continues to undergo once-in-a-generation structural change, while the COVID-19 pandemic has also impacted our business. At the same time, we are taking hold of new opportunities to demonstrate our value to advisers and their clients.

Centrepont Alliance is a leading provider of licensing, advice and business services as well as advice technology solutions for Australian financial advisers. Our model has evolved in recent years as we have executed a strategic refresh, shifting to a fee-based revenue model which is scalable and recurring. As a result, Centrepont Alliance enjoyed a first-mover advantage in adapting our business model during a time of industry disruption, and this has given us an opportunity to grow our reputation for integrity and leadership. This is demonstrated by our retention of nearly 84% of advisers this year under our new pricing structure as well as onboarding 79 new advisers, an improvement of 16% on the record we set in FY19. In addition, our licensed adviser base increased by 6% to 317 in a market that contracted 13% in FY20. These outcomes validate our strategy.

We continue to invest in technology and digital tools, as shown by our acquisition of leading financial planning software solutions provider, Enzumo, just prior to year-end. This was the latest step in our strategic refresh and accelerates our development of a scalable, recurring, fee-based revenue model. Enzumo brings a growing adviser base, increased recurring revenue and provides tangible value for financial advisers and their clients through its capability in consulting and customising of Xplan, an industry-leading software platform for the financial planning and wealth sectors. Our acquisition of Enzumo follows rising demand for technology support services from authorised representatives and self-licensed businesses. Enzumo was a natural fit for Centrepont Alliance, given our shared culture of providing services and support to financial advice firms so that they can provide the best advice to their clients.

We continue to assess partnerships and other acquisition opportunities, as well as looking at ways in which we can deliver stronger financial results and enhanced shareholder value in the years ahead.

I thank our shareholders for their continued support, particularly during the testing times in our market in the recent past, and I also thank my fellow Board members and management and staff for their contributions and dedication during the past year.

We enter FY21 with a positive outlook for growth, with confidence that we can build on the momentum of our new adviser fee model, greater capabilities, improved operating performance and with a strong cash balance. We look forward to providing quality business services and support to a broader audience of financial advice professionals over the next 12 months and beyond.



**Alan Fisher**

Chairman  
**Centrepont Alliance**

# CEO Report

Centrepont Alliance is an Australian company providing technical, compliance and business management support to financial advisers across the country. We have approximately 320 advisers under our own licenses and additionally we provide services to more than 160 self-licensed practices, comprising almost 1,500 advisers.

Our core offering is based on building a community of like-minded peers, and providing the support, services, technology solutions and opportunities for advisers to deliver quality advice to their clients. We provide tools, technologies, and the assistance of in-house technical, research and professional standards experts to our advice community, enabling our members to provide the best solutions to clients.

A key focus of Centrepont Alliance over the past two years has been the transition to a fee-for-service model, as we move the business towards a revenue mix sourced predominantly from service fees paid by advisers. This replaces our previous model which involved traditional product commissions and platform rebates. Having implemented this new revenue structure in FY19, we saw a large increase in adviser fee revenue this year, increasing by 61% to \$10m, and the average annual adviser fee also grew substantially to \$33,000, up 76% on last year. These subscription fees should bring substantial recurring revenue given that the advisers in our network have an average tenure of 11 years, underpinning the resilience of our new service model. We will continue to transition existing self-licensed firms to our new fee structure progressively throughout FY21.

Our acquisition of leading advice technology firm, Enzumo, completed in June 2020 for \$1.5m, has delivered us a high-quality team and further accelerated the transition of our business model to a scalable, recurring subscription fee revenue model. The acquisition of Enzumo enhances our capability and licensee service offering, specifically in advice technology solutions.

Centrepont Alliance posted gross revenue of \$131m, an increase of 11%, driven by our strong growth in new advisers and a significant increase in average gross revenue per advice firm. Our 2H20 gross profit was up \$1.1m. Pleasingly, management expenses were down \$2.0m on 1H20, an important outcome given the uncertain environment we were operating in due to the impacts of COVID-19. Overall, management expenses decreased by 7% through efficiency gains on employment and travel and marketing reductions. Our cost-to-income ratio reached a three-year low of 78% in 2H20, through disciplined cost and execution

management, and we expect to continue this disciplined approach to maintain our cash position.

Due predominantly to an increase of \$3.4m in legacy claims in FY20, lodged ahead of the extension to Australian Financial Complaints Authority's (AFCA) jurisdiction closing on 30 June 2020, our net loss before tax was \$2.2m. The AFCA window on legacy claims is now closed. We expect all legacy claims are now lodged and we look forward to resolving the \$3.0m in legacy claim provisions on our balance sheet as at 30 June 2020.

Despite these challenges, we achieved positive EBITDA of \$0.1m in FY20 (\$3.7m excluding legacy claims), with a robust closing cash balance of \$12.2m, up 54% year-on-year. This strong cash balance sheet will empower us to grow quickly and nimbly take advantage of new opportunities in the year ahead.

The past two years has underlined the importance of the services Centrepont Alliance provides to financial advice firms and their clients across Australia. During the last 12 months, our services have included more than 60 education webinars and masterclasses, 6,500 coaching interactions, more than 10,000 advice technology enquiries and 4,000 technical or regulatory enquiries.

While we have built a strong customer base to date, we see significant potential for further growth. Australia has a licensed financial adviser market of more than 16,000 advisers with an addressable revenue pool of about \$800m in licensee fees. We understand the opportunity this provides for us to grow at scale and expect to execute on this further in the year ahead.

Our plans for FY21 include continuing to attract high quality advisers and self-licensed firms to our community, enhancing the value of our scalable service platform, and exploring opportunities for industry consolidation and opportunistic acquisitions. Based on our achievements in the past 12 months, we are well-positioned to achieve these goals, in what is expected to be a more stable operating environment.



**Angus Benbow**

Chief Executive Officer  
Centrepont Alliance





**“ The past two years  
has underlined  
the importance  
of the services  
Centrepoint  
Alliance provides  
to financial advice  
firms and their  
clients across  
Australia. ”**



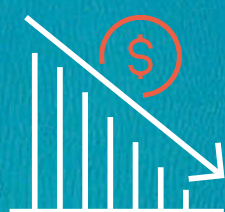
# FY20 Highlights



Gross revenue up by  
**11%**



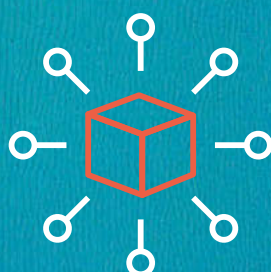
2HY20 gross profit up  
**\$1.1m**



Management expenses decreased by  
**7%\***



Closing cash balance of  
**\$12.2m** up **54%**



New offers launched – largest scale  
service provider for self-licensed  
advice firms and new dealer to dealer  
wholesale licensee service



Adviser recruitment  
running at record levels



Acquisition of leading advice  
technology firm, Enzumo



Launch of advice technology  
solutions, Centrepont Connect  
and Centrepont AI

\* Management expenses noted above comprises total expenses per the financial statements of \$31,452k (2019: \$29,444k) and excludes client claims \$3,608k (2019: \$363k), depreciation and amortisation \$1,368k (2019: \$777k), impairment expenses \$271k (2019: \$84k) and finance costs \$57k (2019: \$26k).

# Directors' Report

For the Year Ended 30 June 2020

The Directors of Centrepoint Alliance Limited (the Company) present their report together with the financial statements of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2020.

## Directors



### Alan Fisher

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



### Georg Chmiel

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

### Experience and expertise

Alan has extensive and proven experience in restoring and enhancing shareholder value. He spent 24 years at the 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 mergers and acquisitions, strategic advice, business restructuring and capital raisings.

Alan holds a Bachelor of Commerce from the University of Melbourne, is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

### Other current directorships

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

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

### Special responsibilities

Chairman of the Board

### Interests in shares and options

Nil

### Experience and expertise

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

Previously he was Managing Director and CEO of iProperty Group, the owner of Asia's market-leading network of property portal sites and related real estate services. He played a key role in finalising the sale of iProperty Group to REA Group. 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, and Diplom-Informatiker (Computer Science Degree).

### Other current directorships

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

Non-Executive Director of Real Estate Investar Group Limited (ASX:REV).

### Former directorships

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

### Special responsibilities

Chairman of the Group Audit, Risk and Compliance Committee

### Interests in shares and options

800,000





### Martin Pretty

**Graduate Diploma of Applied Finance, BA, CFA, GAICD**  
*Appointed on 27 June 2014.*

#### Experience and expertise

Martin brings to the Board over 18 years' experience in the finance sector. The majority of this experience was gained within ASX-listed financial services businesses, including Hub24 Limited, Bell Financial Group Limited and IWL Limited. Martin has also previously worked as a finance journalist with the Australian Financial Review.

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

#### Other current directorships

Non-Executive Director of Scout Security Limited (ASX:SCT) and MGM Wireless Limited (ASX:MWR).

#### Special responsibilities

Chairman of the Nomination, Remuneration and Governance Committee

#### Interests in shares and options

105,000



### Alexander Beard

**BCom, FCA, MAICD**  
*Appointed on 1 January 2020.*

#### Experience and expertise

Alexander has a long and distinguished career as a chief executive of ASX-listed CVC Limited and as a director of numerous public companies over the past 17 years.

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

#### Other current directorships

Non-Executive Director of Probiotec Limited (ASX:PBP), TasFoods Limited (ASX:TFL) and Pure Foods Tasmania Limited (ASX:PFT).

#### Interests in shares and options

555,000 shares directly held

10,443,296 shares indirectly held

## Company Secretary



### Dr Marty Carne

**BM, BBus, LLB, LLM,  
DBA, GDLP, GCAIF**  
Chief Legal Officer and  
Company Secretary



### Debra Anderson

**B. Law (LLB) Hons, Post  
Graduate Diploma in Legal  
Practice, Diploma of Financial  
Planning, AGIA, ACIS, MAICD**  
Senior Corporate Counsel and  
Company Secretary  
*Resigned on 27 November  
2019.*

#### Experience and expertise

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

Marty has over 26 years' experience in regulation and financial services.

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

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

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

#### 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 15 years and was appointed Company Secretary in November 2013.

Debra is a member of the Queensland Law Society and a qualified Chartered Secretary. She is an Associate of the Governance Institute of Australia, and a member of the Australian Institute of Company Directors.

### Julian Rockett

**B. Law (LLB), B. Arts (Social Science), Graduate  
Diploma of Legal Practice (GDLP)**  
Company Secretary

*Appointed on 27 November 2019.*

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

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



## Meetings of Directors

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

Members	Board of Directors		Nomination, Remuneration and Governance Committee		Group Audit, Risk and Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended
A. D. Fisher <sup>1</sup>	13	13	2	2	2	2
M. P. Pretty <sup>1</sup>	13	13	2	2	2	2
G. Chmiel <sup>2</sup>	12	12	1	1	3	3
A. Beard <sup>3</sup>	9	9	N/A	N/A	1	1

## Principal Activities

Centrepont 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 mortgage aggregation services to mortgage brokers.

## Operating and Financial Review

### Operating Review

The Group provides technical, compliance and business management support to financial advisers. The Group has circa 320 advisers under its own licenses and provides services to over 160 self-licensed practices (who themselves have almost 1,500 advisers).

The Group's core offer is based on building a community of like-minded peers, providing the support, services, technology solutions and opportunities for advisers to deliver quality advice to their clients.

The Group provides tools, technologies, and the assistance of inhouse technical, research and professional standards experts to its advice community to provide the best solutions to clients.

A key focus of the Group over the last two years has been to transition the business to a fee for service model, from a legacy revenue model with cross-subsidisation. In 2018 the Group announced that fees would increase progressively to firms that are authorised under the Group's licenses. Pleasingly, the Group has completed this process, having successfully retained more than 86% of firms following the fee increase last financial year, and has continued to attract quality practices to its community throughout this financial year, with 79 new advisers joining. In the first half of this financial year, the Group launched a new fee for service offer to self-licensed firms, and will continue to progressively transition existing self-licensed firms throughout the course of the next financial year.

During the 2020 financial year, the Group continued to invest in its digital capabilities including the implementation of a portal for advisers to access over 700 essential standards and policies, plus critical technical information to ensure compliant client advice. The Group also delivered a practice management tool that harnesses its previous investment in data and analytics. This tool takes information held on various Centrepont systems, and provides real-time insights to advisers, helping them better understand and run their businesses. This leverages the scale of the Group, and is a unique data offering in the advice market.

1. During the year Alan Fisher and Martin Pretty were members for only two of the GARCC meetings.

2. During the year Georg Chmiel was not required to attend the 13th Board meeting which was a sub-committee of only two directors. Mr Chmiel was a member for only one of the Nomination, Remuneration and Governance Committee (NRGC) meetings.

3. During the year Alexander Beard was a member for only one of the Group Audit, Risk and Compliance Committee (GARCC) meetings.

Through its adviser community, the Group is focused on providing the breadth and depth of services that advisers need, without conflict or vested interest, through digital, data and technology innovation. This focus has allowed the Group to continue to develop a suite of services to meet the needs of all types of advice businesses, whether they are looking to be supported by a licensee or are working under a self-licensed model.

The Group is proactively leading the evolution of the delivery of financial advice licensee and services, not only through its transparent fee for service model, but importantly through providing scale and breadth of services that meet the needs of licensed and self-licensed firms and other licensees, powered by investments in digital and data tools and the technology solutions advisers need to evolve their businesses. In June 2020, the Group acquired Enzumo Corporation Pty Limited and Enzumo Consulting Pty Limited (Enzumo) from Chant West Holdings Limited. Enzumo is a leading provider of technology and software services to the financial planning industry. Enzumo enhances the Group's capability and licensee service offering, specifically in advice technology solutions. This acquisition accelerates the Group's development of a scalable, recurring fee-based revenue model. Enzumo brings a strong track record of delivering expansion in its adviser base, growth in recurring revenue and tangible value for financial advisers and their clients.

Centrepont Alliance Limited continues to introduce internal robust compliance and governance measures allowing it to be resilient to regulatory reform. The Group's revenue transformation and investments in infrastructure and core systems led to the successful implementation of its Business Continuity Plan throughout the COVID-19 crisis, with no material impact to the delivery of services to the advisers the Group supports.

The Group's strategy remains unchanged for the coming year, being fit for purpose to take advantage of opportunities in the disrupted financial advice industry market, and it will continue to focus on and deliver against its strategic priorities.

## Financial Performance and Position

For the financial year ended 30 June 2020, the Group reported a net loss after tax of \$2.0m compared to a net loss after tax of \$1.6m for the financial year ended 30 June 2019.

	2020 \$'000	2019 \$'000
<b>Gross profit from contracts with customers</b>	28,800	30,016
<b>Gross profit</b>	29,283	30,664
<b>Expenses</b>	(31,452)	(29,444)
<b>(Loss)/Profit before tax</b>	(2,169)	1,220
<b>Net (loss) for the year</b>	(2,000)	(1,576)

The Group had contractual fee increases to advisers in three stages on 1 January, 1 April and 1 July of 2020. In response to COVID-19, the Group provided special dispensation to not pass on the fee increase for 1 April. This fee deferral resulted in a revenue reduction of \$0.3m.

Gross profit on customer contracts for the quarter ended 30 June 2020 was \$7.6m (\$7.3m for the quarter ended 31 March 2020), increasing by \$0.3m. Note that the increase would have been a further \$0.3m, if the previously mentioned fee waiver had not been offered to advisers after the onset of COVID-19.

The largest increase in expenses during the year arose from legacy claims of \$3.6m (2019: \$0.4m) and \$1.4m (2019: \$0.8m) relating to depreciation and amortisation. The major increase in legacy claims is a result of an additional provision of \$2.1m being taken up in June 2020 to factor in probability-based settlements of claims lodged within the Australian Financial Complaints Authority (AFCA) window, which closed on 30 June 2020. The increase in depreciation and amortisation expense is mainly a result of the impact of AASB 16 on the depreciation of right-of-use assets pertaining to the Group's operating leases reclassified from property costs.

The Group implemented a purchased leave scheme and a temporary 20% reduction in executive salaries, which delivered a \$0.2m saving. In addition, a \$0.3m saving was achieved for marketing and travel and entertainment expenses in the quarter ending 30 June 2020 (compared to prior comparable quarter). Overall, these initiatives have resulted in no negative impact to the financial performance of the Group. There have been no other adverse impacts to the Group, and the Board approved the reinstatement of salaries to normal levels from 1 July 2020.



The Group has net assets at 30 June 2020 of \$14.8m (2019: \$16.9m) and net tangible assets of \$8.6m (2019: \$11.8m) representing net tangible assets per share of 5.86 cents (2019: 7.92 cents).

The Group's net assets reduced by \$2.0m during the year due to the increase in legacy claims provisions of \$1.8m and \$0.5m due to a fair value reduction of the R Financial Educators Pty Ltd (RFE) convertible note from \$0.53m to nil, as a result of underlying business performance.

The Group held \$12.2m in cash and cash equivalents as at 30 June 2020 (2019: \$7.9m). Cash receipts during the year included \$5.8m from operations (2019: \$3.2m) and \$2.5m from the Australian Life Development Pty Ltd (ALD) for loan repayments (2019: \$1.2m). Tax payments of \$1.4m were deferred as a result of an Australian Taxation Office (ATO) concession relating to COVID-19.

Cash payments during the year included \$1.5m paid out for the acquisition of Enzumo (2019: nil), \$1.7m was paid out in legacy claims (2019: \$4.5m), \$0.6m for repayment of lease liabilities and finance costs (2019: nil), \$0.2m for the acquisition of software (2019: \$1.3m) and \$0.37m for a share buy-back (2019: nil).

The Group's financial and non-financial assets have been assessed for impairment as a result of COVID-19, with the Group applying an additional 25% (\$18.8k) expected credit losses (ECL) to the collectability of adviser fees receivable on the basis that past models and historical experience may not be representative of current expectations. Consideration has been given to negative macroeconomic factors and systematic market risk, which could have an adverse impact on repayment behaviour and future collectability of debt.

## Dividends

No dividends were paid during the year (2019: nil). No dividends have been declared since the end of the financial year to the date on this report.

## Shares and Performance Rights

The Board approved the grant of 4,000,000 performance rights on 20 February 2020 to senior executives of the Group under the CESP at \$0.0579 per performance right.

On 11 March 2020, the Group purchased 4,600,000 ordinary shares for \$0.37m via an on-market share buy-back (refer to Note 10).

## Significant Changes in the State of Affairs

On 11 March 2020, the Group announced the intention to undertake an on-market buy-back to acquire up to 10% of its ordinary shares during the ensuing 12 months. On 30 March 2020, the Group launched its on-market buy back, purchasing 4,600,000 shares (\$0.37m).

The Enzumo unconditional acquisition was completed on 17 June 2020 for consideration of \$1.5m in cash. The purchase price represents a multiple of approximately 0.6 unaudited 2020 financial year revenue and 4.2 unaudited stand-alone 2020 financial year EBITDA. Both the Group and Enzumo will continue to service and support advisers and licensees and their advisers, and there will be no immediate changes to either business model. The Enzumo brand name is retained and will continue to trade under its existing name, branding and corporate structure.

From 1 July 2019, Australian consumers were able to lodge complaints with AFCA about the conduct of financial firms dating back to 1 January 2008. AFCA had a 12-month window to accept and investigate these complaints. This window closed on 30 June 2020.

## Events After the Financial Year Other Than Outlined Above

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

## Likely Developments

Likely developments in the operations of the Group (including COVID-19 considerations) and the expected results of those operations in future financial years have been addressed in the Operating and Financial Review and in the subsequent events disclosure, Note 22. 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 2020 was approved by the Board on 19 August 2020. The Corporate Governance Statement is available on the Group's website: [www.centrepoinalliance.com.au/investor-centre/corporate-governance/](http://www.centrepoinalliance.com.au/investor-centre/corporate-governance/).

## Indemnification and Insurance of Directors and Officers

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

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

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

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 the 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.



# Remuneration Report

The Remuneration Report for the year ended 30 June 2020 outlines the remuneration arrangements of the Key Management Personnel of the Group in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

- Key Management Personnel
- Remuneration philosophy
- Group performance
- Nomination, Remuneration and Governance committee (NRGC)
- Employment contracts
- Remuneration of Key Management Personnel
- Short-term incentives
- Long-term incentives

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

## Key Management Personnel

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

A. D. Fisher	Chairman and Director (non-executive)
M. P. Pretty	Director (non-executive)
G. Chmiel	Director (non-executive)
A.D.H Beard	Director (non-executive), (appointed 1 January 2020)
A.G.R. Benbow	Chief Executive Officer
P. Loosmore	Interim Chief Financial Officer (resigned 7 April 2020)
B.M. Glass	Chief Financial Officer (appointed 4 June 2020)

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.

## Group Performance

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

GROUP	2020 \$'000	2019 \$'000	2018 restated \$'000	2017 \$'000	2016 \$'000
Net (loss)/profit after tax	(2,000)	(1,576)	(6,884)	6,544	4,262
EPS (basic) – (cents per share)	(1.35)	(1.06)	(4.62)	4.41	2.94
EPS (diluted) – (cents per share)	(1.35)	(1.06)	(4.62)	4.11	2.75
Share price (\$)	0.09	0.10	0.38	0.63	0.41
Dividends paid – (cents per share)	–	–	9.40	3.45	2.20

## Nomination, Remuneration and Governance Committee (NRGC)

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

Non-Executive Directors are not employed under specific employment contracts but are subject to provisions of the Act in terms of appointment and termination. The Company applies the ASX listing rules that specify aggregate remuneration shall be determined from time to time by shareholders in a general meeting. The maximum aggregate remuneration for the financial year ended 30 June 2020, which was approved by a resolution of shareholders at the Annual General Meeting on 29 November 2016, is \$550,000.

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

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

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

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

Details of current incentive arrangements for KMPs, where they exist, are shown 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:**

*Short-term incentive*

A short-term incentive to the value of \$237,500 at target (50% of fixed salary) up to a potential STI to a value of \$356,250 (75% of fixed salary) (refer to page 18 for further details).

A short-term incentive of \$250,000 was paid in September 2019 in recognition of the CEO's achievements based on the structure outlined in the CEO Transitional Terms disclosed in the Remuneration Report.

A short-term incentive for the 2020 financial year will be payable based on structure outlined in the Remuneration Report.

*Long-term incentive*

As approved in the 2019 Annual General Meeting, the CEO was issued with 2,700,000 performance rights issued on 29 February 2019 under the Company's approved Long-Term Incentive Plan (LTIP). The 2019 Annual General Meeting also approved the issue to the CEO of a further 5,400,000 performance rights under the LTIP in two equal tranches of 2,700,000 each. Neither of these have been issued.

**Required notice by Executive and Company:**

Six months.

**Termination entitlement:**

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

### Peter Loosmore Interim Chief Financial Officer

**Employment period:**

17 December 2018–07 April 2020

**Term:**

12 months

**Required notice by Executive and Company:**

Four weeks

**Termination entitlements:**

Not applicable

### Brendon Glass Chief Financial Officer

**Employment commencement date:**

4 June 2020

**Term:**

No term specified

**Discretionary incentives:**

*Short-term incentive*

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

**Required notice by Executive and Company:**

Six months

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 \$	Superannuation \$	Incentives \$	Cash \$	Long service leave \$	Performance rights \$	Shares \$				
A.D. Fisher	2020	366	117,123	-	11,127	-	-	-	-	-	128,250	-	-
	2019	365	123,288	-	11,712	-	-	-	-	-	135,000	-	-
H.W. Robertson <sup>1</sup>	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	121	25,875	-	2,458	-	-	-	-	-	28,333	-	-
M.P. Pretty	2020	366	73,744	-	7,005	-	-	-	-	-	80,749	-	-
	2019	365	77,626	-	7,374	-	-	-	-	-	85,000	-	-
G.J. Chmiel	2020	366	73,744	-	7,005	-	-	-	-	-	80,749	-	-
	2019	365	77,626	-	7,374	-	-	-	-	-	85,000	-	-
A.G.R. Benbow	2020	366	430,249	250,000	21,003	-	-	-	-	-	701,252	35.65%	-
	2019	365	454,469	178,125	20,568	-	-	7164	120,000	-	780,326	22.83%	16.30%
J.S. Cowan <sup>1</sup>	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	129	126,885	162,000	25,000	-	-	161,667	-	233,164	708,716	22.86%	22.81%
A.E. Slattery <sup>1</sup>	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	87	18,610	-	1,768	-	-	-	-	-	20,378	-	-
P. Loosmore <sup>2</sup>	2020	143	286,000	-	-	-	-	-	-	-	286,000	-	-
	2019	119	238,000	-	-	-	-	-	-	-	238,000	-	-
A.D.H. Beard <sup>3</sup>	2020	182	34,932	-	3,319	-	-	-	-	-	38,251	-	-
	2019	-	-	-	-	-	-	-	-	-	-	-	-
B.M. Glass <sup>3</sup>	2020	27	21,689	-	2,061	-	-	-	-	-	23,750	-	-
	2019	-	-	-	-	-	-	-	-	-	-	-	-
Total	2020		1,037,481	250,000	51,520	-	-	-	-	-	1,339,001		
Total	2019		1,142,379	340,125	76,254	-	-	168,831	120,000	233,164	2,080,753		

1. Resigned during the previous financial year.

2. Resigned during the year.

3. Appointed during the year.

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

Name	Year	Grant date	Fair value at grant date \$	Vesting date	Exercise price \$	Expiry date	Vested in year No.	Lapsed in year No.	Forfeited in year No.
<b>Performance rights<sup>1</sup></b>									
A.G.R. Benbow	2019	28-Feb-2019	0.0199	01-Sep-2021	-	01-Sep-2024	-	-	-
J.S. Cowan <sup>2</sup>	2018	02-Oct-2017	0.41	25-Sep-2020	-	25-Sep-2023	-	-	-
	2017	19-Dec-2016	0.51	09-Dec-2019	-	09-Dec-2022	-	750,000	-

## 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	Granted as compensation during the period	Exercised during the period		Lapsed during the period		Forfeited during the period		Balance at the end of the period	Vested and exercisable	Unvested
				No.	Value (\$)	No.	Value (\$)	No.	Value (\$)			
<b>Performance rights<sup>1</sup></b>												
A.G.R. Benbow	2019	2,700,000	-	-	-	-	-	-	-	2,700,000	-	2,700,000
J.S. Cowan <sup>1</sup>	2018	250,000	-	-	-	-	-	-	-	250,000	-	250,000
	2017	750,000	-	-	-	750,000	382,500	-	-	-	-	-

The following assumptions were used for the valuation of Performance Rights with a valuation date of 31 January 2020:

- The share price used was the Volume Weighted Average Price of Centrepoint Alliance Limited shares traded on the Australian Securities Exchange and Chi-X Australia during the 10 days up to and including the valuation date (rounded to the nearest cent);
- Performance Rights have a nil exercise price;
- Performance Rights vest on the vesting date, there is no exercise period therefore the life of the Performance Rights is from the grant date to the vesting date being 2.84 years;
- The risk-free interest rate of 0.62% is a yield on zero-coupon Australian Government bonds issued in Australian Dollars with a remaining term equal to the expected life of Performance Rights being valued. The yield is converted into a continuously compounded rate in the valuation model.
- In adopting the dividend yield, two scenarios were considered. Scenario 1 assumed dividend yield of 0% per annum due to the Group not paying any dividends in the preceding year. Scenario 2 assumed a dividend yield of 3.76% per annum, by taking into consideration the annualised historical daily dividend yield over the 3-year period to the valuation date. The yield is converted into a continuously compounded rate in the valuation model. Fair value per Scenario 1 was applied given no dividends were declared in line with the Group's dividend policy.
- The expected volatility of 47.7% was determined based on historic share price volatility of the Group, implied volatility of publicly traded options over the Group's shares and the tendency of volatility to revert to its mean. The Group's volatility on annualised historical daily volatility over the 3-year period to the valuation date was considered.

1. Performance rights are held by CESPT.

2. Resigned in the previous financial year.



## Shareholdings of Key Management Personnel

### Shares held in Centrepont Alliance Limited (Number)

	Balance 1 July 2019 Ordinary	Granted as remuneration Ordinary	On exercise of options Ordinary	Net change other <sup>1</sup> Ordinary	Balance 30 June 2020 Ordinary
A.D. Fisher	–	–	–	–	–
M.P. Pretty	105,000	–	–	–	105,000
G. Chmiel	150,000	–	–	650,000	800,000
A.G.R. Benbow	571,878	–	–	626,556	1,198,434
A.D.H. Beard <sup>2</sup>	–	–	–	10,998,296	10,998,296
B.M. Glass <sup>2</sup>	–	–	–	–	–
Former KMPs					
P. Loosmore <sup>3</sup>	50,000	–	–	(50,000)	–

Objective	<b>Short-term incentives</b>  The objective of short-term incentives (STI) is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and the cost to the Group is reasonable. The purpose of STI is to focus the Group's efforts on those performance measures and outcomes that are priorities for the Group for the relevant financial year and to motivate the employees to strive to achieve stretch performance objectives.
	<b>Long-term incentives</b>  The objective of long-term incentives (LTI) is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to significantly influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdle.
Structure	<b>Short-term incentives</b>  In August 2017 the Directors approved a new executive STI scheme based on EBITDA and the achievement of underlying organisational and team goals. The target EBITDA is approved by the Board for each financial year. To be eligible for a STI payment a threshold EBITDA must be met and executives must achieve at least 70% of their individual performance objectives and minimum job competency and core values ratings. The Target STI payable to executives is 40% (CEO is 50%) of Total Fixed Remuneration. The Maximum STI payable for executives is 60% (CEO 75%) of Total Fixed Remuneration. On an annual basis, after consideration of performance against KPIs the NRGC will review results and determine individual amounts approved for payment.  For other employees there is an STI scheme where a bonus pool based on results, and approved by the Board, is weighted by a two-tiered approach with weightings assigned to each level, being Centrepont Group results and individual KPIs.
	<b>Long-term incentives</b>  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.  Performance rights are rights that can be converted to fully paid ordinary shares in the Company for no monetary consideration subject to specific performance criteria being achieved. The performance rights will only vest if certain profit targets are met.

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

2. Appointed during the year.

3. Resigned during the year.

## Shareholdings of Key Management Personnel continued

### Awards

#### Long-term incentives

##### **CAESP17 and CAESP18**

On 21 November 2017, the Board and the CAESPT approved the termination of participants (including the former Managing Director and Chief Executive Officer and other senior executives) in the CAESP17 and CAESP18 plans. The participants' loan shares were purchased by the CAESPT at \$0.59 per share (which was the equivalent to the ASX market close price of CAF shares on 17 November 2017) in accordance with the plan rules. The LTI awards – CAESP17 and CAESP18, were terminated in the prior year. The 8,050,000 ordinary shares associated with these plans, and legally held by the CAESPT, were cancelled in 2019 financial year, following approval by shareholders at the 2018 Annual General Meeting.

##### **CESP19**

The Board approved the grant of 3,750,000 performance rights on 19 December 2016 to the former Managing Director and Chief Executive Officer and other senior executives of the Group under the CESP at 51.0 cents per performance right. All of these performance rights have lapsed unvested.

##### **CESP20**

On 2 October 2017, the Board approved the grant of 700,000 performance rights to the senior executives of the Group under the CESP at 41.0 cents per performance right.

These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 25 September 2020 based on the following:

If the Total Shareholder Return (TSR) for the peer group for 30 June 2020 financial year is:

- 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.

The TSR of Centrepont 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 vesting schedule.

##### **CESP21**

On 7 February 2019, the Board approved the grant of 6,850,000 performance rights to the senior executives and other senior leaders of the Group under the CESP at 0.0144 cents per performance right. The Board approved the grant of 2,700,000 performance rights on 28 February 2019 to the CEO under the CESP at 0.0199 cents per performance right.

These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 1 September 2021 based on the following:

If the absolute Total Shareholder Return (TSR) for the financial year ended 30 June 2021 is:

- Target share price hurdle of 28.0 cents, 50% of the performance rights will vest;
- Stretch share price hurdle of 32.0 cents, 100% of the performance rights will vest.

The VWAP<sup>1</sup> at the start of the performance period – being 1 February 2019, was \$0.10 for the awards granted on 7 February 2019. The VWAP at the start of the performance period – of 25 February 2019, was \$0.12 for the awards granted on 28 February 2019.

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

## Shareholdings of Key Management Personnel continued

### Awards (continued)

#### **CESP22**

The Board approved the grant of 4,000,000 performance rights on 20 February 2020 to senior executives of the Group under the CESP at \$0.0579 per performance right.

These are legally held by the CESPT and not converted into fully paid ordinary CAF shares until satisfaction of the vesting conditions determined on 1 December 2022 based on the following:

If the absolute Total Shareholder Return (TSR) for 30 June 2022 financial year is:

- Target share price hurdle of 18.0 cents, 50% of the performance rights will vest;
- Stretch share price hurdle of 20.0 cents, 100% of the performance rights will vest.

The VWAP<sup>1</sup> at the start of the performance period – 29 November 2019, was \$0.13 for the awards granted on 31 January 2020.

#### **CEO Transitional Terms (short-term and long-term incentives)**

The CEO will be entitled to STI (50–75%) and LTI (40–60%) benefit limits, varied in accordance with the commencement and ending periods noted below:

- 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

The CEO's STI will continue for successive annual periods.

## 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.

1. Volume Weighted Average Price of Centrepunt Alliance Limited Shares traded on the Australian Securities Exchange and Chi-X Australia during the ten trading days prior to, and including, the start date of the performance period.



## 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 2020. The Independence Declaration which forms part of this report is on page 22.

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.

	2020 \$'000	2019 \$'000
Fees for the audit or review of the statutory financial report and assurance services that are required by legislation to be provided by the auditor	497	476
Fees for other services	60	141
	<b>557</b>	<b>617</b>

Signed in accordance with a resolution of the Directors.



**A. D. Fisher**

**Chairman**

19 August 2020

# Auditor's Independence Declaration



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

19 August 2020

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

Dear Board members

## **Centrepont Alliance Limited and its controlled entities**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Centrepont Alliance Limited and its controlled entities.

As lead audit partner for the review of the financial statements of Centrepont Alliance Limited and its controlled entities for the year ended 30 June 2020, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jonathon Corbett".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Jonathon Corbett".

Jonathon Corbett  
Partner  
Chartered Accountants  
Sydney, 19 August 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	4(a)	130,480	116,859
Contractual payments to advisers	4(a)	(101,680)	(86,843)
Gross profit from contracts with customers		28,800	30,016
Interest income	4(b)	417	628
Other revenue	4(c)	66	20
<b>Gross Profit</b>		<b>29,283</b>	<b>30,664</b>
<b>Expenses</b>			
Employee related expenses	4(d)	(17,470)	(18,735)
Marketing and promotion		(306)	(420)
Travel and accommodation		(612)	(907)
Property costs <sup>1</sup>	14(c)	(19)	(705)
Low value and variable costs related to property & equipment <sup>2</sup>	14(c)	(732)	(423)
Subscriptions & licences		(1,401)	(1,551)
Professional services		(2,379)	(2,108)
Client claims	16(a)	(3,608)	(363)
IT and communication expenses <sup>2</sup>		(428)	(912)
Depreciation and amortisation	14(b)	(1,368)	(777)
Fair value loss on financial instrument	7.3.2	(530)	(286)
Impairment expenses		(271)	(84)
Finance costs	14(a)	(57)	(26)
Other general and administrative expenses		(2,271)	(2,147)
		<b>(31,452)</b>	<b>(29,444)</b>
<b>(Loss)/Profit before tax</b>		<b>(2,169)</b>	<b>1,220</b>
Income tax (benefit)/expense	5(a)	(169)	2,796
<b>Net (loss) for the year</b>		<b>(2,000)</b>	<b>(1,576)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value loss on equity investment designated at FVTOCI <sup>3</sup>		-	(600)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(2,000)</b>	<b>(2,176)</b>
<b>Net (loss) attributable to:</b>			
Owners of the parent		(2,000)	(1,576)
<b>Net (loss) for the year</b>		<b>(2,000)</b>	<b>(1,576)</b>
<b>Total comprehensive (loss) attributable to:</b>			
Owners of the parent		(2,000)	(2,176)
<b>Total comprehensive (loss) for the year</b>		<b>(2,000)</b>	<b>(2,176)</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>		<b>Cents</b>	<b>Cents</b>
Basic loss cents per share	9	(1.35)	(1.06)
Diluted loss cents per share	9	(1.35)	(1.06)

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

1. For comparative purposes the Group reclassified property costs for FY19 due to the adoption of AASB 16 *Leases* standard.

2. Year on year IT and low value property cost movements are driven by classification changes per AASB 16 *Leases* standard.

3. Fair value through other comprehensive income.



# Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	6(a)	12,187	7,917
Trade and other receivables	7.1.2	7,835	9,183
Loan receivables	7.1.3	2,448	2,572
Other assets		469	756
<b>Total current assets</b>		<b>22,939</b>	<b>20,428</b>
<b>Non-current</b>			
Loan receivables	7.1.3-4	1,199	4,007
Investments	7.1.5	116	116
Other assets		803	886
Property, plant & equipment	13	424	531
Right-of-use assets	14(d)	954	-
Intangible assets and goodwill	15	3,622	2,675
Deferred tax assets	5(d)	2,578	2,409
<b>Total non-current assets</b>		<b>9,696</b>	<b>10,624</b>
<b>TOTAL ASSETS</b>		<b>32,635</b>	<b>31,052</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	7.1.6	9,960	9,430
Lease liabilities	14(e)	708	-
Lease incentives		-	19
Provisions	16	6,309	4,221
<b>Total current liabilities</b>		<b>16,977</b>	<b>13,670</b>
<b>Non-current</b>			
Lease liabilities	14(e)	280	-
Provisions	16	527	502
<b>Total non-current liabilities</b>		<b>807</b>	<b>502</b>
<b>TOTAL LIABILITIES</b>		<b>17,784</b>	<b>14,172</b>
<b>NET ASSETS</b>		<b>14,851</b>	<b>16,880</b>
<b>EQUITY</b>			
Contributed equity	10(a)	34,301	34,673
Reserves	11	12,918	12,610
Accumulated losses		(32,486)	(30,521)
<b>Equity attributable to shareholders</b>		<b>14,733</b>	<b>16,762</b>
Non-controlling interests		118	118
<b>TOTAL EQUITY</b>		<b>14,851</b>	<b>16,880</b>

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

# Consolidated Statement of Cash Flows

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		143,858	128,456
Cash paid to suppliers and employees		(138,058)	(125,239)
Cash provided by operations		5,800	3,217
Restructure costs		-	(550)
Claims and litigation settlements	16(a)	(1,705)	(4,520)
<b>Net cash flows provided by/(used in) operating activities</b>	6(b)	<b>4,095</b>	<b>(1,853)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		386	398
Repayments on interest bearing loan		2,500	500
Proceeds from investment		-	750
Acquisition of intangible assets	15	(173)	(1,336)
Acquisition of property, plant & equipment	13	(37)	(11)
Acquisition of subsidiary	12	(1,500)	-
<b>Net cash flows provided by investing activities</b>		<b>1,176</b>	<b>301</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(600)	-
Finance costs	14(a)	(30)	-
Dividends paid	8(a)	-	-
Payments in respect of share-buy backs and costs		(372)	-
<b>Net cash flows used in financing activities</b>		<b>(1,001)</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>4,270</b>	<b>(1,552)</b>
Cash & cash equivalents at the beginning of the year		7,917	9,469
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>12,187</b>	<b>7,917</b>

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 2020

	Notes	Ordinary shares \$'000	Dividend reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>		<b>34,673</b>	<b>11,659</b>	<b>951</b>	<b>(30,521)</b>	<b>16,762</b>	<b>118</b>	<b>16,880</b>
Loss for the year		-	-	-	(2,000)	(2,000)	-	(2,000)
Enzumo current year earnings <sup>1</sup>		-	-	-	35	35	-	35
<b>Total comprehensive income for the year</b>		<b>34,673</b>	<b>11,659</b>	<b>951</b>	<b>(32,486)</b>	<b>14,797</b>	<b>118</b>	<b>14,915</b>
Share buy-back	10(a)	(372)	-	-	-	(372)	-	(372)
Share-based payment	11(a)	-	-	308	-	308	-	308
<b>Balance at 30 June 2020</b>		<b>34,301</b>	<b>11,659</b>	<b>1,259</b>	<b>(32,486)</b>	<b>14,733</b>	<b>118</b>	<b>14,851</b>
<b>Balance at 1 July 2018 restated</b>		<b>34,673</b>	<b>11,659</b>	<b>515</b>	<b>(27,961)</b>	<b>18,886</b>	<b>118</b>	<b>19,004</b>
Fair value loss on financial instrument		-	-	-	(384)	(384)	-	(384)
Loss for the year		-	-	-	(2,176)	(2,176)	-	(2,176)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,560)</b>	<b>(2,560)</b>	<b>-</b>	<b>(2,560)</b>
Share-based payment	11(a)	-	-	436	-	436	-	436
<b>Balance at 30 June 2019</b>		<b>34,673</b>	<b>11,659</b>	<b>951</b>	<b>(30,521)</b>	<b>16,762</b>	<b>118</b>	<b>16,880</b>

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



# Notes to the Consolidated Financial Statements

30 June 2020

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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 2020 were authorised for issue in accordance with a resolution of the Directors on 19 August 2020.

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 20.

## 2. Summary of significant accounting policies

### Basis of preparation

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

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

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

The Group identified various sections in the financial statements where additional disclosure was imperative in relation to COVID-19:

- Asset impairment/changes in assumptions for impairment testing (AASB 136) – Note 15, which covers recoverability and impairment of intangible assets
- Change in fair value of assets (AASB 13) – Note 7.3
- Changes in expected credit losses for loans and other financial assets (AASB 9) – Note 7.2
- Leases (AASB 16) – Note 2.2
- Revenue from contracts with customers (AASB 15) – consideration for COVID-19 impact has been highlighted under the Directors' Report within operating and financial review
- Expenses – consideration for COVID-19 impact is further discussed below in Summary of significant accounting policies.

AASB 1 *Presentation of Financial Statement* requires management to assess the entity's ability to continue as a going concern. In making the assessment, the standard requires that all available information about the future 12 months from the reporting period or date of issue of financial statements, needs to be taken into consideration. Any material uncertainties that cast significant doubt on the capability to continue as a going concern such as scope of the impact on future costs and revenues, need to be disclosed in the financial statements.

The Group considered the below factors when making the assessment:

- the extent of operational disruption;
- potential diminished demand for products or services;
- contractual obligations due or anticipated within one year;
- potential liquidity and working capital shortfalls;
- access to existing sources of capital (e.g. available line of credit, government aid); and
- any commercial or operational impact from COVID-19.

To minimise the impact on operational cash flow in the current financial year 2020 and early 2021, the Group has utilised the COVID-19 Government stimulus where eligible, which included securing monthly deferrals of the Group's tax obligations including GST, PAYG and payroll tax. The payment of these obligations at 30 June 2020 amounts to \$1.4m and is currently forecast for payment commencing from September 2020 and will be funded by cash reserves.

In addition, in order to manage working capital shortfalls, further COVID-19 cash saving initiatives were implemented from March 2020 via a purchased leave scheme for employees and a 20% executive pay cut. This has resulted in a monthly cash saving of \$0.2m (expense saving \$0.1m per month). This was a temporary measure to manage operational cash flow with the Board approving employment costs reverting to normal from 1 July 2020.

## 2. Summary of significant accounting policies continued

### Basis of preparation continued

Positive cash balances are projected over the next 14 months. Apart from the deferred taxation obligations, requiring payment from September 2020, the outflows relate to general operational spend unrelated to events of COVID-19. Inflows are projected to increase due to the commencement of the fee increase from 1 July 2020. At 30 June 2020, the Group has factored the risk of not realising revenue due to COVID-19 through an additional 25% ECL to the collectability of adviser fees receivable relating to the Group's authorised representative fees charged to advisers. This amounted to an additional \$18.8k bringing the total ECL provision to \$94k.

### Compliance with International Financial Reporting Standards

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

### Standards and interpretations issued but not yet effective

There are no new Australian Accounting Standards and Interpretations, that have recently been issued or amended, which have not been adopted by the Group for the annual reporting year ended 30 June 2020.

### New and revised Standards

#### AASB 16 Leases

##### 2.1. Impact of initial application of AASB 16 Leases

In the current year, the Group has applied AASB 16 Leases for the first time (as issued by the AASB in January 2016), which is effective for annual periods beginning on or after 1 January 2019.

The date of initial application of AASB 16 for the Group is 1 July 2019.

AASB 16 introduces new and amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, and requiring the recognition of right-of-use assets and lease liabilities at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those contracts entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has determined that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

### (b) Impact on Lessee Accounting

#### Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance-sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- (a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss or other comprehensive income; and
- (c) separates the total amount of cash paid into a principal and interest portion (both presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (such as free rent periods) are recognised as part of the measurement of right-of-use assets and lease liabilities, whereas under AASB 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

## 2. Summary of significant accounting policies continued

### (b) Impact on Lessee Accounting continued

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as telephone equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'Other expenses' in the consolidated statement of profit or loss or 'Other comprehensive income'.

### (c) Financial impact of initial application of AASB 16

The application of AASB 16 to leases resulted in the recognition of right-of-use assets and leases liabilities. This resulted in a decrease in property expense and an increase in depreciation and amortisation expense and interest expense. The Group has applied an incremental borrowing rate of 3.51% to lease liabilities recognised in the statement of financial position at the date of initial application. The below table summarises the financial impact for the financial year end.

#### AASB 16 Lease Standard Application

Asset Class	Building (\$'000)	Equipment (\$'000)	Total (\$'000)
Depreciation charge on right-of-use assets	652	12	664
Interest expense on lease liabilities	29	1	30
Variable lease payments	275	4	279
Total cash outflows for leases	587	13	600
Carrying amount of right-of-use assets for the year end	930	24	954

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group. Under AASB 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liabilities as either operating activities or financing activities, (the Group has opted to include the interest paid as part of financing activities); and
- cash payments for the principal portion for leases liabilities, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities.

### 2.2. The Group as a lessee

The Group assesses whether a contract is, or contains, a lease at inception of a contract. The Group recognises right-of-use assets and corresponding lease liabilities with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.



## 2. Summary of significant accounting policies continued

### 2.2 The Group as a lessee continued

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired, and accounts for any identified impairment loss. The impairment assessment performed by the Group concluded that COVID-19 did not have any adverse impact and therefore no impairment was taken up for the year end.

The Group considered below factors:

- incremental borrowing rate for lease calculation needed to be reconsidered due to the impact of the COVID-19 pandemic, this included changes to interest rate and the entity's own credit risk; and
- operational disruptions associated with COVID-19 (such as office closures) could result in lessors and lessees agreeing to modify the lease arrangements. The modification may be in the form of a new lease or a modified lease.

AASB 16 proposes a practical expedient where the lessee may select not to assess whether a COVID-19 related rent concession is a lease modification. If the lessee makes this election, they shall account for any amendment in lease payments resulting from the COVID-19 related rent concession in the same way it would account for the change applying AASB 16 if the change were not a lease modification.

The Group believes COVID-19 has not impacted the incremental borrowing rate for lease calculation as it continues to generate surplus cash at year end and continues to maintain a strong liquidity management framework and sufficient cashflow from operations available to fund general working capital without the requirement for external funding.

The Queensland office lessor offered deferral of payment on rent from April to June 2020. The Group decided to take up this offer and only paid 50% of rent for those periods. The offer did not modify the lease contract as it was a deferral of payment not a rent-free period. The lease contract was not modified in any way, however the lease liabilities calculation was adjusted to take into account the deferral of 50% of the rent amount. The balance of rent from April to June 2020 of \$30k has been accrued to be paid out from July to December 2020 on a monthly repayment of \$5k.

The Group was assigned a commercial lease as a result of the acquisition of Enzumo. The office building has been added to the lease portfolio from the acquisition date of 17 June 2020.

AASB 16 *Leases*, requires the acquirer to measure the acquiree's lease liability at the present value of the remaining lease payments as if the acquired lease were a new lease at the date of acquisition. Measuring the acquired lease as if it were a new lease at the date of acquisition includes undertaking a reassessment of all of the following:

- the lease term;
- any lessee options to purchase the underlying asset;
- lease payments (for example, amounts probable of being owed by the lessee under a residual value guarantee); and
- the discount rate for the lease.

The right-of-use asset amortisation continues on a straight-line basis over the remaining term of the lease.

The Group recalculated the Enzumo building lease and recognised right-of-use asset and lease liability at the same amount using the Group's IBR of 3.5%.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020.

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 20.

## 2. Summary of significant accounting policies continued

### Business combinations

The Group applies the acquisition method in accounting for business combinations in accordance with AASB 3 *Business combinations*. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with AASB 112 *Income taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

With the exception of deferred tax assets and liabilities related to employee benefits, the Group recognises the assets acquired and the liabilities assumed of Enzumo at fair value on acquisition date of 17 June 2020. The Group has recorded goodwill on acquisition as the consideration transferred is in excess of the net identifiable assets acquired. The Group does not have any previously held equity interest in Enzumo or has acquired any assets held for sale.

### Significant accounting judgements, estimates and assumptions

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

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

- Intangible assets and goodwill recoverable amounts – Note 15
- Provision for client claims – Note 16
- Recognition of deferred tax assets – Note 5
- Convertible loan write-down – Note 7.1.4
- Adviser service fees – Note 17.

### Foreign currency

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

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

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

Exchange differences relating to monetary items are included in the Statement of Profit or Loss and Other Comprehensive Income, as exchange gains or losses, in the year when the exchange rates change.

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

### 3. Segment information

#### Key accounting policies

##### Operating Segments

Under AASB 8 *Operating Segments*, the Group determines and presents operating segments based on the nature of the products and services provided and the markets in which it operates.

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

Business segment	Operations
Licensee and advice services	This segment represents the business that provides Australian Financial Services Licence services to financial advisers and their clients and mortgage broking services
Fund management and administration	This segment provides investor directed portfolio services and investment management services to financial advisers, accountants and their clients
Corporate and unallocated	This segment represents Board, corporate finance, company secretarial and other administration functions of the Group

The Group operated only in Australia during the financial year. A detailed review of these segments is included in the 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.

### 3. Segment information continued

Year ended 30 June 2020	Licensee & Advice Services \$'000	Funds Management & Administration \$'000	Corporate & Unallocated \$'000	Total \$'000
<b>Segment revenue</b>				
<i>Revenue from contracts with customers</i>				
- Authorised representative fees	7,936	-	-	7,936
- Advice revenue	100,890	-	2	100,892
- Product revenue	9,499	11,231	-	20,730
- Virtual services	922	-	-	922
<i>Contractual payments to advisers</i>				
- Advice revenue paid to advisers	(96,580)	-	-	(96,580)
- Fees paid to advisers/fund managers	(1,330)	(3,770)	-	(5,100)
<b>Gross profit from contracts with customers</b>	<b>21,337</b>	<b>7,461</b>	<b>2</b>	<b>28,800</b>
<i>Interest income</i>	22	171	224	417
<i>Other revenue</i>	91	(23)	(2)	66
<b>Total segment gross profit</b>	<b>21,450</b>	<b>7,609</b>	<b>224</b>	<b>29,283</b>
<b>Segment results</b>				
- Interest charges & interest on lease liabilities	(13)	(0)	(44)	(57)
- Client claims	(3,618)	10	-	(3,608)
- Depreciation and amortisation	(1,044)	(75)	(249)	(1,368)
- Fair value loss on the financial instrument	-	-	(530)	(530)
- Impairment of assets	(263)	-	(8)	(271)
- Inter-segment expenses <sup>1</sup>	(14,575)	(1,740)	16,315	-
<b>Segment profit/(loss) before tax</b>	<b>598</b>	<b>5,189</b>	<b>(7,956)</b>	<b>(2,169)</b>
Income tax (benefit)/expense	(155)	-	(14)	(169)
<b>Segment profit/(loss) after tax</b>	<b>753</b>	<b>5,189</b>	<b>(7,942)</b>	<b>(2,000)</b>
Addback: Legacy claims expense	3,463	-	-	3,463
<b>Segment profit/(loss) before tax (excl legacy claims)</b>	<b>4,061</b>	<b>5,189</b>	<b>(7,956)</b>	<b>1,294</b>
<b>Statement of Financial Position at 30 June 2020</b>				
Total assets	10,862	18,430	3,343	32,635
Total liabilities	(9,728)	(477)	(7,579)	(17,784)
<b>Net assets</b>	<b>1,134</b>	<b>17,953</b>	<b>(4,236)</b>	<b>14,851</b>

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



### 3. Segment information continued

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

1. The Inter-segment expenses represent employee related costs and other expenses paid centrally which are allocated to the segments in which they are incurred. Year on year intersegment expense reduction for Licensee & Advice Services and Funds Management & Administration is primarily due to executive employment costs retained in the Corporate segment for FY20, \$1.5m and \$0.1m respectively. Non-executive headcount savings have contributed to a further \$0.5m saving for Licensee & Advice Services, and \$0.6m saving for Funds Management & Administration as part of the overall Group expense saving initiative.

## 4. Revenue and expenses

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

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

**Advice revenue:** Commission is received from product providers earned either at inception or renewal of products on the approved product list. Under the contract with the adviser, the Group receives the full commission from the product provider and subsequently pays the portion relating to the adviser. The Group's obligation is to act as an intermediary between the product provider and the adviser. Where the advisers are employed by the Group, the commission earned is retained in the Group.

**Product revenue:** The Group earns revenue from its customers through the provision of fund management services. Under this arrangement, the fee charged is calculated based on a fixed percentage of Funds Management and Administration (FUMA) as stated in the contract with the customer. Revenue is recognised as the service is provided, given the customer is receiving and consuming the benefits as they are provided by the Group. Included within investment products revenue are rebates paid to the Group by platform providers, who offer the advisers an integrated insurance, superannuation and investment web-based solution. The Group performance obligation is to act as an agent for the platform providers, enabling them access to their adviser network. The rebate earned by the Group is dependent on the nature of the underlying product sold, either based on in-force policies or funds under management invested through the platform. Revenue is recognised monthly based on management's best estimate using the most recent information provided by the platform provider, and is trued up based on rebate receipts as and when they are received from the platform provider.

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

### (b) Interest income (AASB 9 *Financial instruments*)

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

### (c) Other revenue

Other revenue represents other sundry income received by the Group.

### (d) Employee related expenses

Employee related expenses represent employee costs payable by the Group.

#### 4. Revenue and expenses continued

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>			
<b>Revenue from contracts with customers</b>	4(a)		
– Authorised representative fees		7,936	5,185
– Advice revenue		100,892	86,048
– Product revenue		20,730	25,080
– Virtual services		922	546
<b>Total revenue from contracts with customers</b>		<b>130,480</b>	<b>116,859</b>
<b>Contractual payments to advisers</b>			
– Advice revenue paid to advisers		(96,580)	(81,971)
– Fees paid to advisers/fund managers		(5,100)	(4,872)
<b>Total contractual payments to advisers</b>		<b>(101,680)</b>	<b>(86,843)</b>
<b>Gross profit from contracts with customers</b>		<b>28,800</b>	<b>30,016</b>
<b>Interest income</b>	4(b)	<b>417</b>	<b>628</b>
<b>Other revenue</b>	4(c)		
– Cost recoveries from advisers		25	8
– Retail and wholesale asset and service fees		41	10
– Other		–	2
<b>Total other revenue</b>		<b>66</b>	<b>20</b>
<b>Gross profit</b>		<b>29,283</b>	<b>30,664</b>
	Note	2020 \$'000	2019 \$'000
<b>Employee related expenses</b>	4(d)		
– Wages and salaries		17,396	18,167
– Share-based compensation expense		–	436
– Termination costs		74	132
<b>Total employee related expenses</b>		<b>17,470</b>	<b>18,735</b>

## 5. Income tax

### (a) Income tax (benefit)/expense

The major components of income tax (benefit)/expense for the years ended 30 June 2020 and 2019 are:

	2020 \$'000	2019 \$'000
<i>Current income tax</i>		
Adjustment to current tax of prior period	–	338
<i>Deferred income tax</i>		
Deferred income tax charge	(169)	2,458
<b>Income tax (benefit)/expense</b>	<b>(169)</b>	<b>2,796</b>

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

No income tax was charged directly to equity for the year ended 2020 (2019: nil).

### (c) Reconciliation between aggregate tax (benefit)/expense recognised in the income statement and tax (benefit)/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:

	2020 \$'000	2019 \$'000
(Loss)/Profit before tax	(2,169)	1,220
At the Company's statutory income tax rate of 30% (2019: 30%)	(651)	366
Non-assessable income	268	217
Effective tax losses not recognised	–	2,213
Derecognition of deferred tax on increase of provision for claims	526	–
Utilisation of tax losses	(305)	–
Adjustment in respect of current tax of prior years	(7)	–
<b>Aggregate income tax (benefit)/expense</b>	<b>(169)</b>	<b>2,796</b>

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



## 5. Income tax continued

### (d) Recognised deferred tax assets and liabilities

Deferred income tax relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Deferred tax liabilities</i>				
Prepayments	(11)	-	(11)	7
<b>Gross deferred tax liabilities</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>	<b>7</b>
<i>Deferred tax assets</i>				
Provisions for claims	378	378	-	(1,247)
Provisions for doubtful debts	699	625	74	(471)
Provision for restructure	-	-	-	(165)
Provision for impairment of loan receivables	337	253	84	162
Provision for leases	85	92	(8)	(28)
General accruals and other costs	134	110	23	(619)
Employee benefits	957	951	6	(94)
<b>Gross deferred tax assets</b>	<b>2,589</b>	<b>2,409</b>	<b>179</b>	<b>(2,462)</b>
<b>Net deferred tax assets</b>	<b>2,589</b>	<b>2,409</b>		

### (e) Unrecognised tax losses

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

	2020 \$'000	2019 \$'000
Revenue losses	26,626	27,642
Capital losses	35,953	35,953
<b>Total unrecognised losses</b>	<b>62,579</b>	<b>63,595</b>

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

The above losses are available indefinitely for offset against future taxable income and capital gains subject to continuing to meet relevant statutory tests. Unrecognised tax losses were decreased by \$1.0m.

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

## 5. Income tax continued

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

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

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

The Parent Entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. These amounts are payable at call.

## Key accounting policies

### Taxation

#### (a) Income tax

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

#### (b) Current tax

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

#### (c) Deferred tax

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

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

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

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

- When a deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 5. Income tax continued

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow a deferred tax asset to be recovered.

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

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

### (d) Goods and Services Tax (GST)

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

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

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

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

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

## 6. Notes to Statement of Cash flows

### (a) Reconciliation of cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank	12,187	7,917
<b>Total</b>	<b>12,187</b>	<b>7,917</b>

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

	2020 \$'000	2019 \$'000
Net loss after income tax	(2,000)	(1,576)
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortisation	1,368	777
Fair value loss on financial instrument	530	286
Expected credit losses	271	86
Loss on disposal of non-current assets	35	39
Interest received	(386)	(398)
Share-based compensation expense	308	436
<b>Working capital adjustments:</b>		
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	1,137	813
Other assets	370	26
Deferred tax assets	(170)	2,221
<i>(Decrease)/increase in liabilities:</i>		
Trade and other payables	517	(368)
Provisions for employee entitlements	432	301
Provision for client claims	1,758	(4,157)
Provision for property make good	(75)	(24)
Provision for onerous lease	-	(88)
Provision for restructure costs	-	(550)
Provision for tax	-	323
<b>Net cash from operating activities</b>	<b>4,095</b>	<b>(1,853)</b>

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

### 7.1. Categories of financial instruments

	Note	Classification	2020 \$'000	2019 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	7.1.1	Amortised Cost	12,187	7,917
Trade and other receivables	7.1.2	Amortised Cost	7,835	9,183
Loans	7.1.3	Amortised Cost	3,647	6,049
Convertible note	7.1.4	FVTPL	–	530
Investments in unlisted shares	7.1.5	FVTOCI – equity (designated)	116	116
<b>Total financial assets</b>			<b>23,785</b>	<b>23,795</b>
<b>Financial Liabilities</b>				
Trade and other payables	7.1.6	Amortised Cost	9,960	9,430
<b>Total financial liabilities</b>			<b>9,960</b>	<b>9,430</b>

### Key accounting policies

#### Financial instruments

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

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

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

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

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

#### Financial assets

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

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

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (for example, debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.



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

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

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

### Debt instruments at amortised cost or at FVTOCI

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

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

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

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation.

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

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

### Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

### Equity investments

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

### Derecognition of financial assets

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

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

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

### Reclassifications

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

### Financial liabilities

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

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

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

#### 7.1.1. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash and cash equivalents	12,187	7,917
<b>Total cash and cash equivalents</b>	<b>12,187</b>	<b>7,917</b>

#### 7.1.2. Trade and other receivables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Commissions receivable	4,373	7,431
Trade receivables	3,462	1,609
Other	–	143
<b>Total</b>	<b>7,835</b>	<b>9,183</b>

Refer to Note 7.2.3.2 for ageing analysis

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

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

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

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

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

### 7.1.3. Loans

	2020 \$'000	2019 \$'000
<b>Current</b>		
Loan receivables	2,419	2,500
Loan receivables – financial advisers	29	72
Expected credit losses	–	–
<b>Total current loans</b>	<b>2,448</b>	<b>2,572</b>
<b>Non-current</b>		
Loan receivables	1,132	3,399
Loan receivables – financial advisers	671	680
Expected credit losses	(604)	(602)
<b>Total non-current loans</b>	<b>1,199</b>	<b>3,477</b>
<b>Total loans</b>	<b>3,647</b>	<b>6,049</b>

#### Loans – Australian Life Development

The Group has \$3.5m invested in ALD (2019: \$5.9m), represented by the current and non-current loan receivables above. The loan agreement has interest capitalising at the rate of 2.5% above the 6-month Bank Bill Swap Rate (the BBSR) as published by the Australian Financial Markets Association, or 12.35% if any Repayment Amount (or part thereof) is not repaid by the date required under the Loan Agreement. The ALD loan consists of an interest-bearing loan of \$1.0m to Astle Capital Limited (Astle), a related company of ALD which will become due on or by 31 December 2021. In addition, a \$5.1m ALD interest-bearing loan with semi-annual repayments with final payment due by December 2021. To date, \$3.0m has been repaid on the ALD interest-bearing loan. Interest accrued to date of \$0.4m, will be repaid on final loan repayment date in accordance with ALD loan agreements.

#### Loans – Financial Advisers

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

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

### Expected Credit Losses

	2020 \$'000	2019 \$'000
<b>Allowance for expected credit losses</b>		
Opening Balance	602	557
Movement in the allowance for expected credit losses	2	45
<b>Closing balance</b>	<b>604</b>	<b>602</b>
<b>Expected credit losses expense</b>		
Expected credit losses expense	2	45
Bad debts (recovery)/written off directly	269	39
<b>Total expense</b>	<b>271</b>	<b>84</b>

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

### 7.1.4. Convertible Note

	2020 \$'000	2019 \$'000
Convertible note	-	530
<b>Total current note</b>	<b>-</b>	<b>530</b>

### Convertible note

The Group subscribed to \$1.2m in a convertible note (the 'Note') in R Financial Educators Pty Ltd to provide seed funding to the business. The first advance of \$1.0m was made on 6 July 2017 and a further \$0.2m was advanced on 28 February 2018. The Group has subsequently fair valued the convertible note to nil (2019: \$0.5m). The Group has a 15% interest in the business and had invested in the convertible note, which if converted would increase the Group's interest by 12% to 27%. The Note is due for repayment in two tranches commencing July 2020. However given the current cash and financial performance of the loan holder and the inability to settle on the contractual maturity dates for payment, the Group has subsequently fair valued the convertible note to nil at 30 June 2020.

### 7.1.5. Investments in unlisted shares

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

	2020 \$'000	2019 \$'000
Investments	116	716
Fair value adjustment	-	(600)
<b>Total investments</b>	<b>116</b>	<b>116</b>

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

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

### 7.1.6. Trade and other payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Amounts payable to financial advisers	5,326	5,694
Trade payables	1,674	1,959
Other creditors and accrued expenses	2,959	1,777
<b>Total</b>	<b>9,960</b>	<b>9,430</b>

## 7.2. Financial risk management

### 7.2.1. Risk exposures and responses

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

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

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

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

### 7.2.2. Credit Risk

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

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

The Group trades only with recognised, creditworthy third parties and the majority of the Group's cash balances are held with National Australia Bank Limited (credit rating: Aa3) and Westpac Banking Corporation (credit rating: Aa2).

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

### 7.2.3. Sources of credit risk

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



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

Class of financial instrument	Note	Financial statement line	Maximum exposure to credit risk \$'000	Expected credit loss \$'000
Cash and cash equivalents	7.1.1	Cash and cash equivalents	12,187	-
Trade and other receivables	7.1.2	Trade and other receivables	10,163	2,328
Loans	7.1.3	Loans	4,251	604
<b>Total</b>			<b>26,601</b>	<b>2,932</b>

### Key accounting policies

#### Impairment of financial assets

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

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

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

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

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

#### Definition of default

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

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

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

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

#### Write off

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

### Key estimates and judgements

#### Significant increase in credit risk

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

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

### Models and assumptions used

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

#### 7.2.3.1. Measurement of Expected Credit Loss

The key inputs used for measuring ECL are:

- **Probability of default (PD)** – is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The Group has developed a PD model for loans and advances based on the likelihood of a default event occurring within the next 12 months, based on the current status of each loan. A lifetime PD is also computed where appropriate. Historical data on loan behaviours is captured to enable projections of loans going into default. This provides statistical data that is used in the PD model for calculating the probability of default.
- **Loss given default (LGD)** – is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- **Exposure at default (EAD)** – is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and principal and interest, and expected drawdowns on committed facilities. The Group has developed a single EAD model to cover all applicable loan exposures.

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

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

### Incorporation of forward-looking information

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

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

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

The principal macroeconomic indicators included in the economic scenarios used at 1 July 2019 and 30 June 2020 are GDP, GDP index, GDP index change and unemployment. Management have derived that GDP has economic correlations to inflation and unemployment, which generally have a corresponding impact on loan performance.

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

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

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

### Significant increase in credit risk

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

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

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

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

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

Class of financial instrument	2020							
	Maximum exposure to credit risk				Expected credit loss			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Cash and cash equivalents	12,187	–	–	12,187	–	–	–	–
Trade and other receivables <sup>1</sup>	–	10,163	–	10,163	–	2,328	–	2,328
Loans	–	–	4,251	4,251	–	–	604	604
<b>Total</b>	<b>12,187</b>	<b>10,163</b>	<b>4,251</b>	<b>26,601</b>	<b>–</b>	<b>2,328</b>	<b>604</b>	<b>2,932</b>

Class of financial instrument	2019							
	Maximum exposure to credit risk				Expected credit loss			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Cash and cash equivalents	7,917	–	–	7,917	–	–	–	–
Trade and other receivables <sup>1</sup>	–	11,265	–	11,265	–	2,082	–	2,082
Loans	–	–	6,651	6,651	–	–	602	602
<b>Total</b>	<b>7,917</b>	<b>11,265</b>	<b>6,651</b>	<b>25,833</b>	<b>–</b>	<b>2,082</b>	<b>602</b>	<b>2,684</b>

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

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

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

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

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

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

2020			
	Loans \$'000	Trade and other receivables \$'000	Total \$'000
<b>Expected credit loss</b>			
Loss allowance as at 1 July 2019	602	2,082	2,684
Loss allowance recognised during the year	2	246	248
Loss allowance at 30 June 2020	<b>604</b>	<b>2,328</b>	<b>2,932</b>

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

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

At 30 June 2020, the Group made a downward estimate of the fair value of the RFE convertible note based on the risk in the RFE business and profitability forecasts. As per AASB 9 transitional provisions, the Group revised the fair value of the convertible note at 30 June 2019 to \$0.5m with a further \$0.5m fair value reduction at 30 June 2020 to nil.

The Group considered the below factors when assessing ECL in relation to impact of COVID-19:

- entity's ECL needs to factor negative economic position and cash flow difficulties suffered by the customers due to COVID-19 into the entity's forecast of future conditions, which may result in increase in provision for ECLs;
- a heightened probability of default across many borrowers, even those that currently do not exhibit significant increases in credit risk but may in the future; and
- a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

The amount and timing of the ECL as well as the probability allocated must be founded on rational and acceptable data that is accessible. This results in a significant judgement area for the Group.

From a review of the recent repayment behaviour and collection history, as a conservative measure giving consideration to COVID-19, an additional 25% expected credit losses (ECL) has been applied to the Group's adviser fee receivables (2019: nil) based on general market risk factoring in potential risk of collectability. An additional \$18.8k in ECL was applied bringing total ECL on trade debtors to \$94k.

It has been concluded that no additional ECL was required to be incurred for the Group's other receivables and loans (ALD) given the historical loan repayment behaviour and current and future forecasted cash and profitability.

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

### Financial instruments classified at FVTPL

The maximum exposure to credit risk of the convertible note held designated at FVTPL is their carrying invested amount, which was nil at 30 June 2020 (2019: \$0.5m). The change in fair value due to credit risk is \$0.5m for the year (2019: \$0.2m) and 100% on a cumulative basis as at 30 June 2020 (2019: \$0.5m). The Group uses the performance of the portfolio to determine the change in fair value attributable to changes in credit risk.

### Equity instruments classified at FVTOCI

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

#### 7.2.3.2. Analysis of financial instrument by days past due status

Ageing Analysis	2020						
	Total \$'000	0-30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI <sup>1</sup> \$'000	61-90 Days CI \$'000	+91 Days PDNI \$'000	+91 Days CI \$'000
Trade receivables	7,835	7,708	83	10	-	34	-
Loan receivables – advisers	700	15	5	5	-	207	468

Ageing Analysis	2019						
	Total \$'000	0-30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI <sup>1</sup> \$'000	61-90 Days CI \$'000	+91 Days PDNI \$'000	+91 Days CI \$'000
Trade receivables	9,183	8,907	8	-	-	268	-
Loan receivables – advisers	752	12	7	7	-	106	620

### 7.2.4. Market risk

#### 7.2.4.1. Interest rate risk

Interest rate risk is the potential for loss of earnings to the Group due to adverse movements in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations as disclosed below. The Group adopts a policy to minimise exposure to interest rate risk by depositing excess funds in interest-bearing accounts at a variable rate or with short date maturities.

The Group's objective is to minimise exposure to adverse risk and therefore it continuously analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

1. Past due not impaired (PDNI)



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

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

2020						
	Weighted average effective interest rate %	Fixed ≤ 6 Months \$'000	Fixed > 6 Months \$'000	Variable \$'000	Non-interest bearing \$'000	Total carrying amount per balance sheet \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	0.68%	280	–	11,907	–	12,187
Trade and other receivables		–	–	–	7,835	7,835
Loans	3.27%	28	671	2,948	–	3,647
Investments in unlisted shares		–	–	–	116	116
<b>Total financial assets</b>		<b>308</b>	<b>671</b>	<b>14,855</b>	<b>7,951</b>	<b>23,785</b>
<b>Financial Liabilities</b>						
Trade and other payables		–	–	–	9,960	9,960
<b>Total financial liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>9,960</b>	<b>9,960</b>
<b>Net Exposure</b>		<b>308</b>	<b>671</b>	<b>14,855</b>	<b>(2,009)</b>	<b>13,825</b>

2019						
	Weighted average effective interest rate %	Fixed ≤ 6 Months \$'000	Fixed > 6 Months \$'000	Variable \$'000	Non-interest bearing \$'000	Total carrying amount per balance sheet \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	1.46%	3,664	–	4,253	–	7,917
Trade and other receivables		–	–	–	9,183	9,183
Loans	3.76%	36	716	5,297	–	6,049
Convertible note	2.87%	–	–	530	–	530
Investments in unlisted shares		–	–	–	116	116
<b>Total financial assets</b>		<b>3,700</b>	<b>716</b>	<b>10,080</b>	<b>9,299</b>	<b>23,795</b>
<b>Financial Liabilities</b>						
Trade and other payables		–	–	–	9,430	9,430
<b>Total financial liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>9,430</b>	<b>9,430</b>
<b>Net Exposure</b>		<b>3,700</b>	<b>716</b>	<b>10,080</b>	<b>(131)</b>	<b>14,365</b>

### 7.2.4.2. Price risk

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

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

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

### 7.2.4.3. 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% (2019: 88%) of the Group's financial assets mature in less than 12 months. The table below reflects all contractually fixed pay offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing as at reporting date.

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

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

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

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

2020				
	≤ 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	12,187	-	-	12,187
Trade and other receivables	7,827	8	-	7,835
Loans	29	-	671	700
Investments in unlisted shares	-	-	116	116
<b>Total financial assets</b>	<b>20,043</b>	<b>9</b>	<b>787</b>	<b>20,838</b>
<b>Financial Liabilities</b>				
Trade and other payables	9,960	-	-	9,960
<b>Total financial liabilities</b>	<b>9,960</b>	<b>-</b>	<b>-</b>	<b>9,960</b>
<b>Net Maturity</b>	<b>10,083</b>	<b>9</b>	<b>787</b>	<b>10,878</b>

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

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

### 7.2.5. Foreign currency risk

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

### 7.3. Fair value measurements

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

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

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

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Equity instruments designated at FVTOCI</i>				
Unlisted shares	-	-	116	116
<b>Total assets</b>	-	-	116	116

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

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

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

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

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

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

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

#### Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

Financial Asset/Liability	Fair value assumptions
Cash and cash equivalents	Fair value approximates the carrying amount as these assets are receivable on demand or short-term in nature.
Loans	<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 2020.</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 \$6,993 (2019: \$7,721).</p> <p>For variable rate loans, excluding impaired loans, fair value approximates the carrying amount as they are repriced frequently.</p>
Trade and other receivables	The carrying values of variable rate trade and other receivables approximate their fair value as they are short-term in nature and reprice frequently.
Trade and other payables	The carrying values of variable rate trade and other payables approximate their fair value as they are short-term in nature and reprice frequently.

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

Factors considered when assessing fair value of assets:

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

The Group's assets currently measured at fair value is RFE. As per note 7.1.4, the Group has subsequently fair valued the RFE convertible note to nil, which is unrelated to COVID-19.

## 8. Dividends

Dividends payable are recognised when declared by the Group.

	2020 \$'000	2019 \$'000
<b>(a) Dividends paid or payable</b>		
The following fully franked dividends were provided for or paid during the year:		
Dividends paid on ordinary shares	–	–
Special Dividends paid on ordinary shares	–	–
<b>Total dividends</b>	<b>–</b>	<b>–</b>

	2020 \$'000	2019 \$'000
<b>(b) Franking credit balance</b>		
Franking account balance as at the end of the financial year	17,563	17,563

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

## 9. Earnings per share

### Key accounting policies

#### Earnings per share

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

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

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

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

	2020 \$'000	2019 \$'000
<b>(a) Profit used in calculating profit per share</b>		
Net (loss) attributable to ordinary equity holders of the Company	(2,000)	(1,576)
Net (loss) attributable to ordinary equity holders of the Company	(2,000)	(1,576)
<b>(b) Weighted average number of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares	147,739,253	148,882,969
<i>Effect of dilution:</i>		
Performance rights and LTI shares	13,650,273	9,101,781
<b>Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution</b>	<b>161,389,526</b>	<b>157,984,750</b>
Basic loss cents per share	(1.35)	(1.06)
Diluted loss cents per share	(1.35)	(1.06)

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

## 10. Contributed Equity

### Key accounting policies

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

On 30 March 2020, the Group purchased 4,600,000 million ordinary shares for \$0.37m via an on-market share buy-back.

		Reference	2020 \$'000	2019 \$'000
<b>(a) Paid up capital</b>				
Ordinary shares		(i)	34,301	34,673
Reserved shares		(ii)	–	–
			<b>34,301</b>	<b>34,673</b>

	2020		2019	
	Number of shares	\$'000	Number of shares	\$'000
<i>(i) Ordinary shares (issued &amp; fully paid)</i>				
Balance at start of year	148,882,969	34,673	156,932,969	39,108
Movements during the year:				
– cancellation of shares	–	–	(8,050,000)	(4,435)
– share buy-back	(4,600,000)	(372)		
<b>On issue at end of year</b>	<b>144,282,969</b>	<b>34,301</b>	<b>148,882,969</b>	<b>34,673</b>
<i>(ii) Reserved shares</i>				
Balance at start of year	–	–	(8,050,000)	(4,435)
Movements during the year:				
– cancellation of shares	–	–	8,050,000	4,435
<b>On issue at end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total contributed equity</b>	<b>144,282,969</b>	<b>34,301</b>	<b>148,882,969</b>	<b>34,673</b>

### (b) Capital management

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

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

## 11. Reserves

	2020 \$'000	2019 \$'000
Employee equity benefits reserve	1,259	951
Dividend reserve	11,659	11,659
<b>Total</b>	<b>12,918</b>	<b>12,610</b>

	2020 \$'000	2019 \$'000
<b>(a) Employee equity benefits reserve</b>		
Balance at start of year	951	515
Value of share-based payments provided or which vested during the year	308	436
<b>Balance at end of year</b>	<b>1,259</b>	<b>951</b>

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

During the current year, 4,000,000 performance rights were issued to the senior executives of the Group as follows:

Performance rights	No. of shares	Vesting period	Issue price	Fair Value at issue date
Senior Executives	4,000,000	2.83 years	\$0.1250	\$0.0579

	2020 \$'000	2019 \$'000
<b>(b) Dividend reserve</b>		
Balance at start of year	11,659	11,659
Dividends paid	–	–
Transfer from current year profits	–	–
<b>Balance at end of year</b>	<b>11,659</b>	<b>11,659</b>

## 12. Acquisition of subsidiaries

On 17 June 2020, the Group paid \$1.5m in cash to acquire 100% of the Enzumo financial planning technology solutions business comprising Enzumo Corporation Pty Ltd and Enzumo Consulting Pty Ltd, from Chant West Holdings Limited (ASX: CWL). As part of the acquisition, the Group has recognised right-of-use assets (ROU) and lease liability of \$0.17m. This is consolidated in the Group and shown in Note 14.

Enzumo specialises in financial planning software consulting, customisation and implementation across Australia. By delivering technology customisation and integration services to dealer groups and financial planners and advisers, Enzumo helps to improve business efficiencies that contribute to client engagement, as well as revenue growth.

Enzumo's offerings are highly complementary to the Group's advice services business, bringing a new and highly valued extension to the Company's offering to financial advisers, at a time when the Group identifies the rising demand for technology support services from both authorised representatives and self-licensed businesses.

### 12.1. Impact of acquisition on the results of the Group

From the acquisition date to 30 June 2020, Enzumo contributed revenue of \$145k and profit of \$35k to the Group's results. The Group has accounted for this profit in retained earnings at 30 June 2020.

### 12.2. Acquisition related costs

The Group incurred acquisition related costs of \$24.2k for legal and professional fees and these have been expensed.

### 12.3. Consideration transferred

The below table outlines the purchase consideration resulting from the acquisition.

	Enzumo Corporation \$'000	Enzumo Consulting \$'000
Cash	1,135	339
<b>Total</b>	<b>1,135</b>	<b>339</b>



## 12. Acquisition of subsidiaries continued

### 12.4. Assets acquired and liabilities assumed at the date of acquisition

The following table summarises the recognised amount of assets acquired and liabilities assumed at the date of acquisition.

	Enzumo Corporation \$'000	Enzumo Consulting \$'000	Total \$'000
<b>Current assets</b>			
Cash and cash equivalents	223	–	223
Trade receivables	100	125	225
Prepayments	65	–	65
Intercompany loan	(61)	61	–
<b>Non-current assets</b>			
Other assets	32	–	32
Plant and equipment	47	–	47
Right-of-use assets	180	–	180
Intangible assets	885	264	1,149
<b>Current liabilities</b>			
Trade and other payables	(207)	(14)	(221)
Lease liabilities	(64)	–	(64)
Provisions	(113)	–	(113)
<b>Non-current liabilities</b>			
Lease liabilities	(119)	–	(119)
Provisions	(69)	–	(69)
Net identifiable assets acquired	899	436	1,335
Goodwill arising on acquisition			139
<b>Net assets acquired</b>	<b>899</b>	<b>436</b>	<b>1,474</b>

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$0.22m. Note that the assets acquired varied from the \$1.5m cash consideration paid due to \$26k working capital adjustment in the completion accounts.

### 12.5. Goodwill arising on acquisition

Goodwill of \$0.14m arising from the acquisition is principally associated with projected future profitability, growth prospects and significant skill and proficiency of the long-serving Enzumo personnel.

Goodwill arose in the acquisition of Enzumo because the acquisition included the customer lists and trade name of Enzumo as part of the acquisition. These assets were identified and separately recognised from goodwill. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

## 12. Acquisition of subsidiaries continued

### 12.6. Net cash outflow arising on acquisition of businesses

	2020 \$'000	2019 \$'000
Consideration paid in cash	1,474	-
Less: Cash and cash equivalent balances acquired	(255)	-
<b>Net outflow of cash – investing activities</b>	<b>1,219</b>	<b>-</b>

## 13. Property, plant and equipment

### Key accounting policies

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

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

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

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

### 13. Property, plant and equipment continued

	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 July 2018	1,986	3,099	5,085
Reclassification	-	(135)	(135)
Additions	-	11	11
Disposals	-	(110)	(110)
<b>At 30 June 2019</b>	<b>1,986</b>	<b>2,865</b>	<b>4,851</b>
Additions	-	117	117
Disposals	(451)	(23)	(474)
<b>At 30 June 2020</b>	<b>1,535</b>	<b>2,959</b>	<b>4,494</b>
<b>Depreciation and impairment</b>			
At 1 July 2018	1,677	2,457	4,134
Depreciation charge for the year	99	157	256
Disposals	-	(70)	(70)
<b>At 30 June 2019</b>	<b>1,776</b>	<b>2,544</b>	<b>4,320</b>
Depreciation charge for the year <sup>1</sup>	54	134	188
Disposals	(420)	(18)	(438)
<b>At 30 June 2020</b>	<b>1,410</b>	<b>2,660</b>	<b>4,070</b>
<b>Net carrying value</b>			
At 30 June 2020	125	299	424
At 30 June 2019	210	321	531

1. The depreciation charge for the year included plant & equipment for Enzumo. Enzumo Profit or Loss amount has not been reflected in the Statement of Profit or Loss and Other Comprehensive Income. Therefore, the depreciation expense does not agree to the Statement of Profit or Loss and Other Comprehensive Income.

## 14. Leases (Group as a lessee)

### (a) Finance costs

The table below summarises the finance costs for the Group:

	2020 \$'000	2019 \$'000
Bank interest charges	27	26
Interest on lease liabilities	30	-
	<b>57</b>	<b>26</b>

### (b) Depreciation and amortisation

The table below summarises the depreciation and amortisation for the Group:

	2020 \$'000	2019 \$'000
ALD legal costs	36	74
Intangibles	514	447
Property, plant & equipment	154	256
Right-of-use assets	664	-
	<b>1,368</b>	<b>777</b>

### (c) Amounts recognised in statement of profit or loss and other comprehensive income

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

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

	2020 \$'000	2019 \$'000
Depreciation expense on right-of-use assets	664	-
Interest expense on lease liabilities	30	-
Expenses relating to short-term leases	19	-
Expenses relating to low value assets	435	-
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	279	-
	<b>1,427</b>	<b>-</b>

## 14. Leases (Group as a lessee) continued

### (d) Right-of-use assets

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

	Building \$'000	Equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 July 2019	–	–	–
Additions	1,584	36	1,620
At 30 June 2020	<b>1,584</b>	<b>36</b>	<b>1,620</b>
<b>Accumulated depreciation</b>			
At 1 July 2019	–	–	–
Charge for the year	654	12	666
At 30 June 2020	<b>654</b>	<b>12</b>	<b>666</b>
<b>Carrying amount</b>			
At 30 June 2020	<b>930</b>	<b>24</b>	<b>954</b>

The Group leases include buildings and the average lease term is three years (2019: Four years).

Approximately 75% of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. From the adoption date, the Group recognised right-of-use assets of \$1.45m and Enzumo acquisition resulted in the addition of \$0.17m (2019: nil).

### (e) Lease liabilities

The table below summarises the carrying amount of the lease liabilities for the Group's building and equipment leases:

	2020 \$'000	2019 \$'000
Current	708	–
Non-current	280	–
	<b>988</b>	<b>–</b>

### (f) Reconciling operating lease commitments to lease liabilities

The table below summarises the reconciliation process between operating lease commitments to lease liabilities for the Group:

Reconciling operating lease commitments to lease liabilities	\$'000
Commitments as at 30 June 2019	1,246
Adjustment to commitments	39
Operating lease commitments as at 30 June 2019	1,285
Less: Short term leases	(487)
Discounting effects using incremental borrowing rates as at 1 July 2019	(23)
Finance lease liabilities as at 1 July 2019	775
Repayment of lease liabilities	(600)
Additional lease liabilities due to new contract and Enzumo acquisition	813
Lease liabilities as at 30 June 2020	<b>988</b>

## 14. Leases (Group as a lessee) continued

### 14.1. Maturity analysis of lease liabilities

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

	2020 \$'000
Year 1	729
Year 2	232
Year 3	53
<b>Total</b>	<b>1,014</b>

## 15. Intangible assets

### Key accounting policies

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at cost less any accumulated impairment losses.

#### Impairment of assets

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

A cash-generating unit or groups of cash-generating units to which goodwill or other identifiable intangibles, such as Enzumo client lists, have been allocated and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill or other identifiable intangibles might be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss on goodwill or other identifiable intangibles is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

### Intangible assets acquired in a business combination

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

### Key judgements

The cash-generating units determined by management are:

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

### Key estimates

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

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

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

- Budgeted operating cashflows for the financial years ending 30 June 2021-2025 represents the Group's estimate of future cash flows based on the forecast approved by the Board of Directors. The business has moved to a fee-based model, which primarily impacts the Licensee Services CGU and given some uncertainty around this, change sensitivities have been disclosed below.
- Terminal growth rate 1.0% (2019: 1.0%) represents the terminal growth rate (beyond five years).
- Discount rate 13.10% (2019: 12.35%) is the discount rate used in impairment testing for all CGUs at 30 June 2020. The business believes the discount rate applied is appropriate based upon the risks inherent in the business.



## 15. Intangible Assets continued

### Key estimates continued

The goodwill and other identifiable intangibles disclosed in the Statement of Financial Position at 30 June 2020 were supported by the impairment testing and no impairment adjustment was required.

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

- **Licensee Services** – the primary sensitivity for Licensee Services relates to fee income earned under the new revenue model. Forecast fees would need to decrease by 11% in FY22 and remain flat from FY23 to FY25 with a 10% reduction in the employment cost base from FY22 to FY25, before the carrying amount would exceed recoverable amount. The Group believes the likelihood of this scenario occurring is remote; and
- **Centrepont Lending Services** – the primary sensitivity for Centrepont Lending Services is the discount rate used in the calculation of value in use. The discount rate would need to increase to 45% before carrying amount would exceed recoverable amount. The Group believes the risks associated with the cashflows in this CGU are lower than average in the Group and the discount rate used is appropriate.

As a result of COVID-19, the measures undertaken by Federal and State Governments have required businesses to review their operations and follow social distancing rules. These have had an economic and financial impact, and are therefore required to be considered for indication of impairment.

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

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

- Goodwill

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

The impairment assessment performed by the Group concluded that the underlying future cash flows will not be impacted by any business risk, and a further evaluation of COVID-19 impacts also concludes no adverse impact on future cash flows. As a result, no impairment was taken up for the year end.

## 15. Intangible Assets continued

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
<b>Cash Generating Units Goodwill</b>	<p>Goodwill was created during 2012 on the acquisitions of the externally owned interests in Ventura Investment Management Limited of \$93k and in Centrepont Alliance Lending Pty Ltd (previously Centrepont Lending Solutions Pty Ltd) of \$863k.</p> <p>Goodwill was created on the acquisition of Enzumo on 17 June 2020 of \$0.13m.</p> <p>Other CGUs include Licensee Services, Investment Diversity Pty Ltd and xseedwealth Pty Ltd.</p> <p>Goodwill is tested on an annual basis and when there is an indication of potential impairment.</p> <p>The current carrying value of goodwill is \$1.09m.</p>	<p>Goodwill is tested annually for impairment by calculation of value in use at the CGU level.</p> <p>Management is of the view that core assumptions such as cost of capital and terminal growth rate are the same across all CGUs.</p> <p>Value in use is calculated using discounted cash flow projections for five years and terminal values prepared from current forecasts using the following assumptions:</p> <p>Terminal growth rate 1.0% (2019: 1.0%)</p> <p>Cost of capital: 13.10% (2019: 12.35%)</p> <p>The testing resulted in no impairment being required.</p> <p>No indicators of impairment are noted for the remaining CGUs.</p>	<p>Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.</p> <p>Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.</p> <p>Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date, any goodwill acquired is allocated to each of the CGUs, which are expected to benefit from the acquisition.</p> <p>Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates.</p> <p>Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised.</p> <p>Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.</p> <p>Impairment losses recognised are not subsequently reversed.</p>

## 15. Intangible Assets continued

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
<b>Networks and client lists</b>	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 2020 of \$1.1m (2019: \$0.35m).	<p>Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.</p> <p>The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss and Other Comprehensive Income.</p> <p>Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually either individually or at the cash-generating unit level. The assessment of indefinite life of an intangible asset is reviewed each year-end to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.</p>	<p>Adviser network businesses and client lists are regularly tested for impairment by calculation of value in use when indicators of potential impairment arise.</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 four years and one 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 capital: 13.10% (2019: 12.35%).</p> <p>The testing resulted in no impairment losses.</p>

## 15. Intangible Assets continued

Intangible asset	Description of the Group's intangible assets	Key Accounting Policies	Impairment Test
<b>Software</b>	<p>The Group has developed or acquired software, which are being amortised over their expected useful lives.</p> <p>The Group has acquired software as part of the Enzumo acquisition at fair value on acquisition date as determined by an independent valuer.</p> <p>This has been written down to nil at the time of acquisition.</p>	<p>Under the Accounting Standard software cost can be capitalised as an asset or expensed in the year in which they are incurred.</p> <p>Value of software assets recorded by the entity in their financial statement continues to reflect the expected benefits to be obtained from their use. The Group needs to determine the useful life of software assets and amortise the cost over the useful life of the assets.</p> <p>At each reporting date, the entity will assess whether there is any indication that an asset is recorded at greater than its recoverable amount. If applicable, recognise an impairment loss.</p>	<p>The value of the developed or acquired software of the Group is amortised on a straight-line basis over a 5-year period, which the Directors assess as the intangible asset's useful life. No software is considered to be impaired.</p>
<b>Client contracts (Customer relationships)</b>	<p>The Group has acquired client contracts as part of the Enzumo acquisition at fair value on acquisition date as determined by an independent valuer.</p> <p>The current carrying value of customer relationships is \$1m.</p>	<p>The client contracts are acquired in a business combination as its fair value as at the date of acquisition. Following initial recognition, the intangible asset – client contracts, are carried at cost less any accumulated amortisation and any accumulated impairment losses.</p>	<p>The value of the acquired client contracts is amortised on a straight-line basis over the period in which future economic benefits are expected to be derived, being a period of 10 years. No client contracts are considered to be impaired.</p>
<b>Brands and trademarks</b>	<p>The Group has acquired the Enzumo Brand and trademark as part of the Enzumo acquisition at fair value on acquisition date as determined by an independent valuer.</p> <p>The current carrying value of trade name \$0.1m.</p>	<p>The Enzumo brand and trademark is acquired in a business combination as its fair value as at the date of acquisition. They have an indefinite useful life and following initial recognition, Enzumo brand is carried at cost less any impairment losses.</p>	<p>The value of the acquired Enzumo brand is not amortised as they are seen to have an indefinite useful life which will be impairment tested on an annual basis. To date, the brand is not considered to be impaired.</p>

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

<b>Software</b>	5 years
<b>Network and Client Lists</b>	5–15 years

## 15. Intangible Assets continued

### 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.

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

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

Financial year ending 30 June 2019	Goodwill \$'000	Software \$'000	Network & Client Lists \$'000	Trade Name \$'000	Total \$'000
At 1 July 2018 net of accumulated amortisation and impairment	956	75	620	–	1,651
Reclassification	–	135	–	–	135
Additions	–	1,202	134	–	1,336
Amortisation	–	(41)	(406)	–	(447)
At 30 June 2019 net of accumulated amortisation and impairment	956	1,371	348	–	2,675
At 30 June 2019					
Cost	1,209	5,110	10,520	–	16,839
Accumulated amortisation and impairment	(253)	(3,739)	(10,172)	–	(14,164)
Net carrying value	956	1,371	348	–	2,675

## 16. Provisions

The provision for adviser client claims is the estimated cost of resolving claims from clients arising from financial advice provided prior to 1 July 2010 (Legacy Claims) by authorised representatives of the Group.

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.

Based on information currently available, 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.

	Key accounting policies
<b>Provisions</b>	<p>Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.</p> <p>Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.</p> <p>The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent Entity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. A provision for claims is recognised when client claims received by advisers are notified to the Group, or the Group expects to incur liabilities in the future as a result of past advice given. The liability is measured at the present value of the future costs that the Group expects to incur to settle the claims.</p>
<b>Employee benefits</b>	<p>Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.</p> <p>Liabilities for wages and salaries, including non-monetary benefits, annual leave, and other benefits, expected to be settled wholly within 12 months of the reporting date are measured at the amounts due to be paid when the liability is settled.</p> <p>The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.</p>
<b>Make good costs for leased property</b>	<p>A provision for make good costs for leased property is recognised when a make good obligation exists in the lease contracts.</p> <p>The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the financial year. The unwinding of the discounting is recognised as a finance cost.</p>



## 16. Provisions continued

	2020 \$'000	2019 \$'000
<b>Current</b>		
Provision for claims	3,019	1,232
Provision for employee entitlements	3,169	2,963
Property make good	121	26
<b>Total</b>	<b>6,309</b>	<b>4,221</b>
<b>Non-current</b>		
Provision for claims	–	29
Provision for employee entitlements	432	208
Property make good	95	265
<b>Total</b>	<b>527</b>	<b>502</b>

	2020 \$'000	2019 \$'000
<b>(a) Movement in provision for claims</b>		
Opening balance	1,261	5,418
<i>Movement in the provision is as follows:</i>		
Claims provisioning expense for the year	3,463	363
Claims settlements & fees paid (net of recoveries)	(1,705)	(4,520)
<b>Closing balance</b>	<b>3,019</b>	<b>1,261</b>

	2020 \$'000	2019 \$'000
<b>(b) Movement in provision for employee benefits</b>		
Opening balance	3,171	2,867
<i>Movement in the provision is as follows:</i>		
Provision for year	3,499	3,332
Leave and other employee benefits paid	(3,069)	(3,028)
<b>Closing balance</b>	<b>3,601</b>	<b>3,171</b>

	2020 \$'000	2019 \$'000
<b>(c) Movement in provision for property make good</b>		
Opening balance	291	315
<i>Movement in the provision is as follows:</i>		
Provision for year	(75)	(24)
<b>Closing balance</b>	<b>216</b>	<b>291</b>

## 17. Contingent liabilities

### Client claims

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

On 18 June 2019, the Australian Securities and Investments Commission (ASIC) announced that it had approved a change to AFCA rules to allow it to investigate certain complaints dating back to 1 January 2008. It was noted in the 2019 accounts that the Group was unable to reliably estimate the quantum of such claims, and accordingly no specific provision was made for them. The AFCA extension period is now complete and the Group has provided for known obligations based on historical information at 30 June 2020 (refer to provisions note 16 (b)).

### Adviser service fees

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

An assessment of financial advisers employed by the Group (xseedwealth salaried advisers) has been completed, and where customer compensation is probable – and can be reliably estimated, a provision has been taken at 30 June 2018.

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

The assessment process is well progressed. To date, out of 214 PIS and AW practices, 115 (54%) have been reviewed with 10% identified with a Fee for No Service issue. Refunds of \$0.3m are being paid or are expected to be paid by the practices. As no current potential obligation for the Group exists and review is on-going, it is not practicable to provide an estimate of final remediation costs. Refund amounts identified up to 19 August 2020 are not material and accordingly, no provision has been recognised in relation to this matter at 30 June 2020.

## 18. Remuneration of auditors

The primary auditor of the Group was Deloitte Touche Tohmatsu.

	2020 \$'000	2019 \$'000
<i>Amounts received or due and receivable by Deloitte Touche Tohmatsu</i>		
Fees to the group auditor for the audit or review of the statutory financial reports of the Group, subsidiaries and joint operations	396	417
Fees for statutory assurance services that are required by legislation to be provided by the auditor	101	59
Fees for other services	60	141
	<b>557</b>	<b>617</b>

## 19. Information relating to Centrepont Alliance Limited

The Consolidated Financial Statements of the Group are:

	2020 \$'000	2019 \$'000
Current assets	18,260	23,965
Non-current assets	2,906	5,596
Current liabilities	(157)	(21)
Non-current liabilities	(16)	-
<b>Net Assets</b>	<b>20,993</b>	<b>29,540</b>
Issued capital	33,126	33,497
Dividend reserve	10,504	10,504
Accumulated profit	(22,637)	(14,461)
<b>Total Shareholder Equity</b>	<b>20,993</b>	<b>29,540</b>
Net loss after tax of the parent entity	<b>(7,852)</b>	<b>(6,409)</b>
Total comprehensive loss of the parent entity	<b>(7,852)</b>	<b>(6,409)</b>

At reporting date, the Group has given nil guarantees to external parties (2019: nil).

## 20. Related party disclosures

### (a) Information relating to subsidiaries

Name	Country of Incorporation	Ownership Interest		Principal Activity
		2020	2019	
Licensee & Advice Services				
Centrepoint Alliance Lending Pty Ltd	Australia	100%	100%	Mortgage broker/aggregator
Alliance Wealth Pty Ltd	Australia	100%	100%	Financial advice
Professional Investment Services Pty Ltd	Australia	100%	100%	Financial advice
Associated Advisory Practices Pty Ltd	Australia	100%	100%	Support services AFSL licensee
xseedwealth Pty Ltd	Australia	100%	100%	Salaried advice
Funds Management and Administration				
Investment Diversity Pty Ltd	Australia	100%	100%	Packages investment platforms
Ventura Investment Management Limited	Australia	100%	100%	Packages managed funds
Corporate				
Centrepoint Alliance Services Pty Ltd	Australia	100%	100%	Trustee – employee share plan
Centrepoint Services Pty Ltd	Australia	100%	100%	Service company
Centrepoint Wealth Pty Ltd	Australia	100%	100%	Holding company
De Run Securities Pty Ltd	Australia	56%	56%	Financial services
Presidium Research and Investment Management Pty Ltd (formerly Imagine Your Lifestyle Pty Ltd)	Australia	100%	100%	Dormant
Professional Accountants Pty Ltd	Australia	100%	100%	Loans to advisers
Ginger Group Financial Services Limited	New Zealand	50%	50%	Financial advice
Enzumo Corporation Pty Ltd	Australia	100%	–	Service company
Enzumo Consulting Pty Ltd	Australia	100%	–	Consulting services

### (b) Ultimate parent

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

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

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at financial year end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: 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.

## 20. Related party disclosures continued

### (d) Transactions with Key Management Personnel

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

	2020 \$'000	2019 \$'000
Short term employee benefits	1,287	1,485
Post employment benefits	52	76
Long-term benefits	-	-
Share based payments	0	289
Termination/resignation benefits	-	233
<b>Total compensation</b>	<b>1,339</b>	<b>2,083</b>

In addition to the above compensation provided to Directors and other KMP, out of pocket costs for Peter Loosmore (Interim Chief Financial Officer) of \$1,322 have been incurred in the financial year (2019: \$2,262).

## 21. Share-based payment plans

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

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

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

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

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

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

	2020 \$'000	2019 \$'000
Expense arising from performance rights	308	436
<b>Total</b>	<b>308</b>	<b>436</b>

## 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 Centrepont Alliance Limited (market conditions) if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Profit or Loss and Other Comprehensive Income is the product of:

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

The charge to the Statement of Profit or Loss and Other Comprehensive Income for the financial year is the cumulative amount as calculated above, less the amounts already charged in previous years. There is a corresponding entry to equity.

## 21. Share-based payment plans continued

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

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

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

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

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

### (ii) Reserved shares:

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

### Movements during the year

The 12,000,000 performance rights issued in previous financial years have not yet vested, and 4,000,000 performance rights were granted in the financial year.

### Performance rights pricing model

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

	2020		2019	
	No	WAEP <sup>1</sup>	No	WAEP <sup>1</sup>
<i>(i) Shares under the CAESP</i>				
Outstanding at beginning of the financial year	–	–	8,050,000	0.18
Forfeited during the financial year	–	–	(8,050,000)	(0.18)
<b>Outstanding at end of period</b>	–	–	–	–
<i>(ii) Performance rights under the CESP</i>				
Outstanding at beginning of period	12,000,000	–	2,450,000	–
Granted during the financial year	4,000,000	–	9,550,000	–
Vested during the financial year	–	–	–	–
Expired during the financial year	–	–	–	–
<b>Outstanding at end of financial year</b>	16,000,000	–	12,000,000	–

## 22. Events after the financial year

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

1. WAEP is weighted average exercise price.



# Directors' Declaration

30 June 2020

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 2020 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of its financial position as at 30 June 2020 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 2020.

On behalf of the Directors:



**A. D. Fisher**

**Chairman**

19 August 2020

# Independent Auditor's Report

## Independent Auditor's report to the Directors of Centrepont Alliance



Deloitte Touche Tohmatsu  
ABN 72 490 121 060  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

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

#### Report on the Audit of the Financial Report

##### *Opinion*

We have audited the financial report of Centrepont Alliance Limited (the "Company") and its controlled entities (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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# Independent Auditor's Report

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### Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Impairment of non-current assets including goodwill and intangible assets</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- Note 2 Significant accounting policies</li> <li>- Note 15 Intangible assets</li> </ul> <p>Included in the group's consolidated statement of financial position as at 30 June 2020 are intangible assets, goodwill and property, plant and equipment totalling \$3.5m arising from acquisitions of businesses, software and client lists.</p> <p>Management assesses impairment indicators at each reporting date and conducts impairment tests where indicators exist, or goodwill exists within a Cash Generating Unit ('CGU') to assess the recoverability of the carrying value of non-current assets. The assessment requires significant judgement due to assumptions and estimates involved in preparing a value in use model to estimate recoverable amount, including:</p> <ul style="list-style-type: none"> <li>- Future cash flows for CGUs</li> <li>- Discount rates; and</li> <li>- Terminal value growth rates</li> </ul>	<p>In conjunction with our valuation specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's forecasting assumptions related to their revenue contracts</li> <li>• Assessing the design and implementation of key controls in place to manage the Company's liquidity risk</li> <li>• Assessing the accuracy of prior year business forecasts compared to actual results</li> <li>• Challenging the assumptions adopted in models supporting the recoverability of non-current assets</li> <li>• Challenging the assumptions contained in management's future cash flow forecasts, in particular its future revenue projections and expense projections; and</li> <li>• Performing a retrospective review of adviser acceptance and attrition rates and comparing this analysis to forecasted assumptions.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 2 and Note 15 to the financial statements.</p>
<p><b>Acquisition of Enzumo Corporation Pty Ltd and Enzumo Consulting Pty Ltd ('Enzumo')</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- Note 12 Acquisition of subsidiaries</li> <li>- Note 15 Intangible assets</li> </ul> <p>During the period, the Company acquired Enzumo for cash of \$1.5m. As a result of the transaction, Goodwill of \$139k, Customer</p>	<p>In conjunction with our valuation specialists our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the acquired business</li> <li>• Assessing the design and implementation of key controls in place for the acquisition accounting of Enzumo</li> <li>• Assessing the competency and objectivity of management's external expert and the scope of their work</li> </ul>

# Independent Auditor's Report

## Deloitte.

<p>Relationships of \$1,173k and Trade names of \$101k were recognised.</p> <p>Accounting for the transaction is complex and includes a number of significant judgements, in particular in the valuation of the acquired intangible assets and allocation of goodwill.</p>	<ul style="list-style-type: none"> <li>• Obtaining and reading management's external expert's report to understand the valuation methodology and key assumptions used in determining the fair values, such as:             <ul style="list-style-type: none"> <li>○ Cash flow projections</li> <li>○ Attrition rates</li> <li>○ Internal rate of return</li> <li>○ Weighted average cost of capital</li> <li>○ Estimated useful economic lives of the intangibles</li> </ul> </li> <li>• Assessing the appropriateness of the valuation methodology of the intangible assets employed by management's external expert and evaluating the key assumptions used in determining the fair values; and</li> <li>• Assessing the appropriateness of the allocation of goodwill to the cash generating unit.</li> </ul> <p>We have also assessed the appropriateness of the disclosures in Note 12 and Note 15 to the financial statements.</p>
<p><b>Provision for adviser client claims</b></p> <p><i>Refer to:</i></p> <ul style="list-style-type: none"> <li>- Note 16 Provisions</li> </ul> <p>The Group has provided \$3.0 million for the estimated cost of resolving:</p> <ul style="list-style-type: none"> <li>• adviser client claims for financial advice provided by authorised representatives of the Group prior to 1 July 2010; and</li> <li>• claims from external parties that the Group has become aware of.</li> </ul> <p>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 included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of the controls in place for the claims provision</li> <li>• Assessing the accuracy of management's prior estimates of the claims provision by comparing the claims provision to the claims paid</li> <li>• Reading claims and risk committee minutes to assess the accuracy and completeness of the provision recognised;</li> <li>• Obtaining and reading adviser client claims information and evaluating the impact of any new information regarding the claim on the provision</li> <li>• Inquiring with management if there was any change to the approach and methodology for calculation of the provision for claims since 30 June 2019; and</li> <li>• Obtaining information up to date of signing of the financial report in relation to the development of claims and assessing the impact on the provision.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 16 to the financial statements.</p>

# Independent Auditor's Report

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<p><b>Business model change</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>- <i>Note 2 Significant accounting policies</i></li> <li>- <i>Note 7 Financial risk management</i></li> <li>- <i>Note 15 Intangible assets</i></li> </ul> <p>In the 2019 financial year the Company announced changes to its business model across a two-year period in order to respond to a changing market for financial planning licensees, where traditional platform commissions and rebates are reducing, by establishing a new fee driven model.</p> <p>Significant judgement has been applied by management in relation to the forecasting of cashflows generated under the new business model in this transition period, which has an impact on assessment of impairment, recoverability of deferred tax assets and liquidity.</p>	<p>Our procedures in relation to the impacts of the business model change included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Inquiring of management in relation to forecasting assumptions for the new revenue streams</li> <li>• Assessing of the design and implementation of key controls in place to manage the Company's liquidity risk</li> <li>• Challenging the assumptions adopted in models supporting the recoverability of non-current assets and deferred tax assets; and</li> <li>• Challenging the assumptions contained in management's future cash flow forecasts, in particular its future revenue projections and expense projections.</li> </ul> <p>We also assessed the appropriateness of the disclosures to the financial statements.</p>
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### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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

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going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

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

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

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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, actions taken to eliminate threats or safeguards applied.

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 on pages 12 to 20 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Centrepoint Alliance Limited for the year ended 30 June 2020, 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



Jonathon Corbett  
Partner  
Chartered Accountants  
Sydney, 19 August 2020



# ASX Additional Information

Additional information required by the Australian Securities Exchange Limited (ASX) and not shown elsewhere in this report is as follows. The information is current as at 15 September 2020.

## (1) Class of securities and voting rights

### (a) Ordinary shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 1,614 holders of ordinary shares, holding 144,282,969 fully paid ordinary shares.

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

### (b) Performance rights

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

## (2) Distribution of shareholders and performance rights

Range	Total holders	Units	% Units
1-1,000	291	110,422	0.08
1,001-5,000	445	1,144,749	0.79
5,001-10,000	225	1,697,258	1.18
10,001-100,000	533	17,974,448	12.46
100,001 Over	129	123,356,092	85.50

The number of shareholders with less than a marketable parcel is 579.

## (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	49,968,226
Mr Alexander Beard and Mr Alexander Beard and Mrs Pascale Marie Beard ATF AD & MP Beard Super a/c	10,998,296

**(4) Twenty largest holders of quoted equity securities**

	Ordinary Shareholders	Fully paid No. of Shares	% Held
1	UBS NOMINEES PTY LTD	37,681,453	26.12
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,864,027	10.30
3	MR ALEXANDER BEARD + MRS PASCALE MARIE BEARD <AD & MP BEARD SUPER FUND A/C>	10,268,889	7.12
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,058,810	2.12
5	BONDIA INVESTMENTS PTY LTD	3,000,000	2.08
5	SUPERTCO PTY LTD <TAG SMALL CAP FUND A/C>	3,000,000	2.08
7	RICHARD JOHN NELSON + KAYE MARIE NELSON <NELSON PENSION FUND A/C>	2,729,660	1.89
8	MRS FIONA WILLIAMS	2,627,140	1.82
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,211,025	1.53
10	MILA INVESTMENT CO PTY LTD <MILA INVESTMENT A/C>	2,023,330	1.40
11	M CONWAY INVESTMENTS PTY LTD <CONWAY FAMILY A/C>	1,600,000	1.11
12	MR JASON MAXWELL YU	1,430,000	0.99
13	WAYLEX PTY LTD <NELSON INVESTMENT A/C>	1,418,051	0.98
14	FETTERPARK PTY LTD <O'REILLY FAMILY SF A/C>	1,217,603	0.84
15	AGRB PTY LTD <THE BENBOW A/C>	1,198,434	0.83
16	MS KYLIE LYNETTE NUSKE + MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C>	1,085,800	0.75
17	MR PETER HOWELLS	1,031,575	0.71
18	CATHAYS PTY LTD <A & D GRIFFITHS S/F A/C>	1,004,914	0.70
19	MR DANIEL BARON DROGA + MRS LYNDELL DROGA <DROGA FAMILY SUPER FUND A/C>	1,000,000	0.69
20	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	897,289	0.62
		<b>93,348,000</b>	<b>64.70</b>

# Corporate Directory

## Securities Exchange Listing

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

## Share Registry

### Computershare Investor Services Pty Limited

Level 11, 172 St George's Terrace  
Perth WA 6000 Australia

GPO Box 2975  
Melbourne VIC 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](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## Auditor

### Deloitte Touche Tohmatsu

ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

## Registered Address

### Centrepont Alliance Limited

Registered Address and Head Office:

Level 9, 10 Bridge Street  
Sydney NSW 2001 Australia

Telephone: (within Australia) 1300 557 598  
(outside Australia) +61 2 8987 3000  
Facsimile: +61 2 8987 3075

Website: [www.centrepontalliance.com.au](http://www.centrepontalliance.com.au)

## Annual General Meeting

**11:00am (AEDT) Friday, 13 November 2020**

Digital videoconference (online) at  
<https://web.lumiagm.com>

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

**1300 557 598**

[centrepointalliance.com.au](http://centrepointalliance.com.au)