



**CENTURIA CAPITAL LIMITED
AND CONTROLLED ENTITIES**

A.B.N. 22 095 454 336

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

Corporate Governance Statement

For the year ended 30 June 2014

This statement sets out the eight core principles identified by the ASX Corporate Governance Council (the Council) as underlying good corporate governance and outlines the approach of Centuria Capital Limited (Centuria, CCL or the Company) to each of the principles.

As recognised by the Council, corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. At Centuria, corporate governance will evolve with our changing circumstances and will be tailored to meet those circumstances.

Principle 1: Lay solid foundations for management and oversight

The Role of the Board

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Centuria. It is responsible for overseeing the financial position, and for monitoring the business and affairs of Centuria on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues relating to internal controls and approaches to risk management. It ensures that there are processes in place to conform to legal requirements and corporate governance standards and that risk exposures are adequately managed.

For full details of the role of the Board please refer to our Board Charter, a link to which is contained under the Corporate Governance page of our website.

Delegation to Senior Executives

The role of the Chief Executive Officer (CEO) and Senior Executives is to manage Centuria in accordance with the direction given by the Board. The CEO's responsibilities include:

- Formulating and reviewing, with the Board, the vision and strategy for Centuria;
- Developing actions and plans to achieve the vision and implement the strategy and to report to the Board on the progress against those plans;
- Appointing a management team and negotiating terms and conditions of their employment; and
- Approving the remuneration levels of all staff.

Performance review of Senior Executives

The performance of the CEO is reviewed periodically by the Nomination and Remuneration Committee and the Board. This assessment is made against pre-determined criteria including Key Performance Indicators relating to Centuria's performance as determined in Centuria's Strategic Plan.

Performance reviews of Senior Executives are carried out by the CEO who reports the findings to the Nomination and Remuneration Committee. The CEO conducts the reviews each year by comparing performance against agreed measures, evaluating any efficiencies or improvements during the course of the year and deciding upon targets for next year.

Corporate Governance Statement

For the year ended 30 June 2014

Principle 2: Structure the Board to add value

Directors

The Directors' Report in the Annual Report contains details of the directors' skills, experience and qualifications. It also states the date the individual director was appointed to the board, their status as non-executive or executive directors and the committees on which they sit. The directors seek to ensure the Board consists of directors with an appropriate range of experience, skills, knowledge and vision to enable it to operate Centuria's business with excellence. The number of directors is limited by Centuria's constitution to a minimum of 5 and a maximum of 13. The Board considers that the ideal size is 5 to 8 directors. The Board is reviewing its structure as it aims to have a majority of independent directors. Any future new appointments shall continue to adhere to Centuria's desire to maintain the appropriate skills, experience and qualification mix, keeping in mind a commitment to diversity of gender and background.

Currently the Board consists of 6 directors. Three of the six directors, namely Roger Dobson, Peter Done and John Slater are considered to be independent as per independence criteria set out in the Board Charter. The three independent directors do not have relationships with Centuria which affect their independent status, such as substantial shareholdings or direct employment. They do not provide material professional consultancy services, they are not a material supplier or customer and they do not have a material contractual relationship with Centuria or other group member except as a director. Our CEO, John McBain and Jason Huljich and Nicholas Collishaw are executive directors. Directors are required to disclose at each Board meeting any interests that may affect their independence. Independent directors reconfirm their independent status to the Board by way of a written confirmation on an annual basis.

Directors are selected and appointed in accordance with documented procedures. For full details on the procedures for the selection and appointment of directors please see our policy, a link to which is contained under the Corporate Governance page of our website.

Chairman

Centuria's chairman, Roger Dobson, is considered to be an independent director for the reasons given above. There is a clear division of responsibility at the head of the Company as the roles of chairman and the CEO are not performed by the same person. The Board Charter also provides that the chairman shall be an independent non-executive director. A Statement of Position Authority is in place for the CEO which details the responsibilities and authorities for that position.

Nomination & Remuneration Committee

The Nomination and Remuneration Committee formulates criteria for appointment of directors to the Board, identifies potential candidates and recommends remuneration of directors and senior management. A link to the charter of the Nomination and Remuneration Committee can be found on the Corporate Governance page of our website. Specific activities of the Nomination and Remuneration Committee include:

- Annual review of Board composition to ensure that the necessary skills are represented, together with the appropriate continuity and balance;
- Assessment of the effectiveness and composition of Board committees;
- Regular evaluation of the performance of the CEO;
- Recommending remuneration for Non-Executive Directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs, are in place.

Corporate Governance Statement

For the year ended 30 June 2014

The Nomination and Remuneration Committee consists of three directors, all of whom are independent and is chaired by an independent director. Details of membership of the Nomination and Remuneration Committee, including meeting attendance, is set out in at the end of the Corporate Governance Statement. Each director's skills, experience and expertise is contained in the Director's Report.

Board performance

The Board reviews and assesses its performance each year. Detailed consideration is given to the following areas:

- The Board's composition;
- The operations and effectiveness of the Board and its Committees;
- Decision making processes, including agendas, frequency of meetings and content of papers;
- Communications between Board and Executives;
- Determination of company strategy; and
- The Board's policies for Board renewal.

Continuing education to update and enhance director knowledge is seen as an important factor in ensuring optimum performance by each director.

Clause 5 of the Board Charter gives directors the authority to seek professional advice as considered necessary in the performance of its duties at Centuria's expense. The directors also have full access to the company secretary to assist them to carry out their role.

Re-election of Directors

The Company's constitution stipulates that a number of directors not exceeding one-third of their number should retire by rotation at each annual general meeting (AGM). A director must offer themselves for re-election at the third AGM since their election or re-election. The CEO, if also a director, is not subject to the retirement by rotation process, and is not included when calculating the number of directors required to retire by rotation.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has established a Directors and Employee Code of Conduct that sets the standard by which all officers and employees of the company are to conduct themselves in the course of their duties. Potential breaches of the Code of Conduct can be reported to management, the Audit, Risk Management & Compliance Committee or an external auditor using the guide outlined in Centuria's Whistleblower Policy.

A link to the Code of Conduct can be found under the Corporate Governance page of our website.

Trading in Centuria's securities

The Board has established a policy concerning trading in Centuria's securities by directors, officers and employees. The policy prohibits Directors and employees trading in Centuria's securities if they are aware of any price sensitive information and also, at nominated times when a 'black-out period' is imposed. A link to Centuria's Directors & Employee's Securities Trading Policy can be found under the Corporate Governance page of our website.

Corporate Governance Statement

For the year ended 30 June 2014

Diversity at Centuria

Amendments to the ASX Corporate Governance Principles and Recommendations have focussed the Board's attention on formalising into policy the Company's belief that a diverse workforce with equality of opportunity will achieve strong business results.. Whilst ultimately all new appointments, whether of a director or an employee will be made on the basis of merit, meeting the targets will provide evidence of the effectiveness of the policy.

The Board has established the following measurable objectives regarding gender diversity and aims to achieve these objectives over the next few years as directors and senior executive positions become available and appropriately qualified candidates come forward:

- i) 30% of the Company's employees and consultants be women;
- ii) 20% of the Company's senior executives be women; and
- iii) One member of the Board be a woman.

The table below details the objectives set by the Company during the reporting period for gender diversity and the Company's performance against these objectives:

Objective	2014
30% of Employees and consultants be women	33%
20% of Senior Executives be women	0.05%
One female member of the Board	0%

Principle 4: Safeguard integrity in financial reporting

Audit, Risk Management and Compliance Committee

Our Audit, Risk Management & Compliance Committee consists of three independent directors and is chaired by an independent chair who is not the chair of Centuria's Board. All members are financially literate either holding financial or accounting qualifications and/or having professional experience in a financial or accounting related field. The Committee chairman, Peter Done is a chartered accountant with over 40 years of experience. John Slater has 25 years' experience in the financial services and investment management industry. The third member of the committee, Roger Dobson, is a senior partner in the banking and finance practice at the legal firm in which he is a partner. The Committee meets at least six times per year. The external and internal auditors of the Group attend on a regular basis. Detail of the Audit, Risk Management & Compliance Committee member's names, appointment date, status, qualifications and meeting attendance is set out in the Directors' report of this Annual Report.

Charter

The Board has formulated an Audit, Risk Management & Compliance Committee Charter, a link to which is contained under the Corporate Governance page of our website.

External auditor

Procedures have been established in relation to the external auditor selection, appointment and lead partner rotation. A link to the procedures relating to the external auditor selection, appointment and lead partner rotation can be found under the Corporate Governance page of our website.

Corporate Governance Statement

For the year ended 30 June 2014

Principle 5: Make timely and balanced disclosure

The Company has policies and procedures on information disclosure. The focus of these policies and procedures is to effect Centuria's commitment to:

- Comply with the general and continuous disclosure principles contained in the ASX Listing Rules and the Corporations Act;
- Prevent the selective or inadvertent disclosure of price sensitive information;
- Ensure that shareholders and the market are provided with full and timely information about its activities; and
- Ensure that all market participants have equal opportunity to receive externally available information issued by Centuria.

A summary of our Continuous Disclosure Policy can be found under the Corporate Governance page of our website.

Responsibility for compliance with Centuria's continuous disclosure obligations rests with the Company Secretaries. Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the company. Information is posted on Centuria's website as soon as reasonably practicable after the stock exchange confirms an announcement has been made, with the aim of making the information accessible to the widest audience.

Principle 6: Respect the rights of shareholders

Centuria aims to provide prompt, accurate and accessible information to its shareholders. It has established a Communications Policy detailing steps to be taken to achieve this objective, a copy of which can be viewed under the Corporate Governance page of our website. The main mechanisms through which Centuria communicates with its shareholders are:

- The Annual Report, the half and full-year financial reports;
- Announcements made to the Australian Stock Exchange;
- The Annual General Meeting (AGM);
- Notices and explanatory memoranda of AGMs; and
- Centuria's website www.centuria.com.au.

Centuria's website forms an important part of the strategy for communicating with shareholders. Centuria's website has a shareholders page which includes share details, company reports, company announcements and press releases (including copies of any significant presentations made to analysts), and items relating to AGMs.

In designing notices and explanatory statements / memoranda of AGMs, Centuria gives consideration to the guidelines given by the ASX Corporate Governance Council in its Corporate Governance Principles and Recommendations.

At the time of providing a notice of meeting and explanatory memoranda for the AGM a form is provided for shareholders to mail back to Centuria if they wish to raise any issues. At the AGM, the Company will, where appropriate, endeavour to address issues raised by shareholders in these forms. During the course of the AGM the floor is opened for questions.

Corporate Governance Statement

For the year ended 30 June 2014

Principle 7: Recognise and manage risk

The Centuria Board has established a Risk Management Framework for the Group, a summary of which can be viewed under the Corporate Governance page of our website. Risk management is an integral part of the governance of Centuria and is one of the main responsibilities of the Board and Senior Management. The Board is ultimately responsible for approving and reviewing Centuria's Risk Management Framework. The monitoring and management of risk on an ongoing basis is the responsibility of management as represented by the heads of the respective business units of Centuria.

At Centuria, managing risk is a continuous process for both Management and the Board. Centuria's comprehensive risk management framework requires a detailed annual business risk review, which seeks to define all the major risks that could prevent or impact the Company from achieving its objectives. This review has been completed for this financial year and the Board has accepted management's report that material business risks have been managed effectively.

The management of risk is continually addressed during the year at the business unit level. Periodically, a review of the effectiveness of Centuria's risk management framework is undertaken. Combined with this, is an embedded compliance culture to ensure Centuria meets the requirements of the Australian Securities and Investments Commission for conducting a financial services business and operating managed investment schemes. A robust compliance framework has been implemented which requires the business to monitor its activities and those of its outsourced service providers. The compliance function at Centuria reports directly to the Audit, Risk Management & Compliance Committee and the Board.

A co-sourced internal audit function has also been established with a focus on Centuria's control environment. The annual internal audit plan is determined having regard to the risk profile of the business arising from the annual business risk review.

The Audit, Risk Management & Compliance Committee has the following risk management responsibilities:

- Assessing risks arising from the Group's operations and ensuring the adequacy of measures taken to moderate those risks;
- Reviewing and assessing the effectiveness of the Group's Risk Management Framework and internal control practices and ensure there is a continuous process for the management of significant risks throughout the Group; and
- Monitoring compliance with the Company's Risk Management Framework.

Quarterly risk management reporting is provided to the Audit, Risk Management and Compliance Committee by management.

The CEO and CFO have declared in writing to the Board for both the half-year and full-year financial statements that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Corporate Governance Statement

For the year ended 30 June 2014

Principle 8: Remunerate fairly and responsibly

Nomination & Remuneration Committee

The Nomination and Remuneration Committee consists of three Directors, all of whom are independent and is chaired by an independent Director. Detail of membership of the Nomination and Remuneration Committee including meeting attendance is set out at the end of this Corporate Governance Statement.

Remuneration related responsibilities of the Nomination and Remuneration Committee include:

- Recommending fees for Directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs and incentive schemes, are in place.

Centuria recognises the important role people play in the achievement of its long-term objectives and as a key determinant of competitive advantage. To grow and be successful, Centuria must be able to attract, motivate and retain capable individuals.

Senior Executive remuneration structure

The key principles that underpin Centuria's Senior Executive Remuneration Policy are:

- Competitive rewards are provided to attract and retain executive talent;
- Remuneration is linked to performance so that higher levels of performance attract higher rewards;
- Rewards to all staff but particularly executives are linked to the creation of value to shareholders;
- The criteria used to assess and reward staff include financial and non-financial measures of performance;
- The overall cost of remuneration is managed and linked to the ability of the company to pay; and
- Severance payments due to the CEO on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

The remuneration policy assists Centuria to achieve its business strategy and objectives. Centuria recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. Centuria's values and its ability to provide interesting and challenging career opportunities, also play an important role.

Non-Executive Director remuneration structure

The Board has established a policy relating to the remuneration of Non-Executive Directors. Centuria pays Non-Executive Directors fees at a level which is sufficient to attract individuals with the appropriate skills, and to fairly reimburse those Directors for services provided. Non-Executive Directors' remuneration does not include incentive schemes or performance related payments.

Executive Directors are paid a salary commensurate with their position and responsibilities and at a level which attracts high calibre executives with appropriate skills and experience. Executive Directors also participate in Centuria's long-term and short term incentive plans.

Further information regarding Director and senior executive remuneration can be found in the Remuneration Report.

Directors' Report

For the year ended 30 June 2014

The directors of Centuria Capital Limited (the "Company" or "CCL") submit herewith the annual financial report of the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	Particulars
Mr Roger W. Dobson (LL.B, LL.M)	Roger was appointed to the Board in 2007. He is Chairman of the Board, Chairman of the Nomination and Remuneration Committee and is also a member of the Audit, Risk Management and Compliance Committee. Roger is a senior partner of Henry Davis York and works primarily for clients in the financial services sector, including in the areas of property funds management, corporate governance and regulatory issues.
Mr Peter J. Done (B.Comm, FCA)	Peter was appointed to the Board in 2007 and is the Chairman of the Audit, Risk Management and Compliance Committee. He is also a member of the Nomination and Remuneration Committee and the Investment Committees. Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.
Mr John R. Slater (Dip.FS (FP), F Fin)	John was a senior executive in the KPMG Financial Services practice from 1989 to 1999 and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital and has been an adviser to the Centuria Life Friendly Society Investment Committees since 2011. In 2008, John founded boutique Financial Advisory firm Riviera Capital and has a wealth of financial services experience.

Directors' Report**For the year ended 30 June 2014****Information about the directors and senior management (cont'd)**

Mr John E. McBain (Dip. Urban Valuation)	John was appointed CEO of the Company in April 2008. He was the founder of Century Property Funds, which was acquired by Centuria Capital in 2006. John gained his valuation qualification from Auckland University in 1978 and since then has been continuously involved in commercial property investment and consulting in Australia, New Zealand and the UK. From 1986 to 1989 he was Managing Director of a commercial property investment company based in the U.K. In 1990 he established boutique property advisory firm Hanover Property Group in Australia. Entering the financial services market in 1995, he founded Waltus Investments Australia Limited, one of the first ASIC regulated direct property fund managers. In 1998 he formed Century Funds Management and in 2006 he joined the Board of Centuria Capital and the Investment Committees of both Centuria Life (formerly the Over Fifty Group) and the Over Fifty Guardian Friendly Society.
Mr Jason C. Huljich (B. Comm)	Jason became the CEO of Centuria Property Funds in 2006 and joined the Board in 2007. He is responsible for providing strategic leadership and ensuring the effective operation of Centuria's property portfolio. Jason has been involved in the unlisted property sector in Australia since 1996 and has considerable expertise in investment property selection, fund feasibility and funds management. Jason is the President of the National Executive Committee of the Property Funds Association of Australia, the peak industry body representing the \$32 billion direct property investment industry.
Mr Nicholas R. Collishaw (SAFin, FAAP, FRICS) (Appointed 27 August 2013)	Nicholas was appointed CEO – Listed Property Funds on 1 May 2013. Prior to this position, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac (2005-2012), he was responsible for successfully guiding the business through the impact of the GFC and implementing a strategy positioning the real estate developer and investor for sustained growth. Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He is currently a National Director of the Property Industry Foundation and a member of the UNSW Faculty of the Built Environment Advisory Council.

The above named directors held office during the entire financial year, unless otherwise noted.

Directors' Report

For the year ended 30 June 2014

Directors' shareholdings

The following table sets out each director's relevant interest in shares in the Company as at the date of this report.

Directors	Fully Paid Ordinary Shares
	Number
R.W. Dobson	997,728
P.J. Done	400,000
J.R. Slater	1,402,297
J.E. McBain	4,590,286
J.C. Huljich	2,387,715
N.R. Collishaw (Appointed 27 August 2013)	850,051

Directors hold ordinary interests, with equal rights to other shareholders.

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

Company Secretaries

Mr Terry Reid, Chartered Accountant, has been the Company Secretary since December 2007. He is a member of the Institute of Chartered Accountants in Australia. Mr Reid resigned on 27 May 2014 and Mrs Lucy Rowe (BA, Grad Dip Legal Studies) was appointed as Company Secretary on that same date.

Mr Matthew Coy (BBus, CPA), Chief Financial Officer, was appointed in October 2009 as a Company Secretary.

Principal activities

The principal activities of the consolidated entity (being the Company, and its controlled entities, together 'the Group') during the course of the financial year, were the marketing and management of investment products (including friendly society investment bonds and property investment funds), general insurance through agency arrangement, mortgage lending and management, and management of Over Fifty Guardian Friendly Society Limited.

Directors' Report

For the year ended 30 June 2014

Review of operations

The Consolidated Group recorded a consolidated net profit after tax for the year is \$9.078 million (2013: \$7.338 million). The main sources of revenue continue to be derived from the Centuria Life, Property Funds Management and Residential Mortgages divisions.

Operational highlights for the respective divisions within the Group for the financial year were as follows:

Centuria Life

- The Company's key focus on preserving Funds under Management (FUM) in the Centuria Life business is through prudent investment decision making, maintaining strong and regular policyholder communication, and creating new and innovative products that meet market demand.
- The number of primary policy holders under administration has steadily increased throughout the year with 83,316 policies at 30 June 2014 (30 June 2013: 82,210), or a net increase of 1.3%.
- Centuria Life has begun marketing the release of its new Product Disclosure Statements for the "TaxAstute Series". Centuria TaxAstute Series will be offered across a variety of portfolios. The first of these is known as the Centuria Credit Bond Fund. This Fund seeks to generate before tax returns in excess of the RBA Cash Rate (Benchmark) by 3.5% per annum after fees and expenses. The Fund seeks to do this by investing directly or indirectly in fixed income securities that are expected to deliver income and yield. The second of the portfolios is expected to be released during September 2014.
- Funds Under Management grew over the 12 month period – FUM at 30 June 2014 is \$714 million (30 June 2013: \$710 million). A solid result considering the declining result of Funds under Management over recent years.

Property Funds Management

- Centuria Property Funds Limited as Responsible Entity successfully launched Centuria 8 Central Avenue Fund which facilitated the purchase of 50% interest in 8 Central Avenue Everleigh for \$99.6 million (valued at purchase at \$102.0 million) representing Centuria's largest property purchase to date. Moreover, but just as important, the Fund received Centuria's first significant overseas wholesale investor through the property funds management arm of SEB, a major Nordic bank, following the opening of Centuria Singapore Office in 2012 (as reported last year).
- During the year, the Property division sold 17 assets across the portfolio at an average sale price of approximately \$14.3 million per asset. All these assets had reached term and were sold at an average 5% over book value as at 30 June 2013. The sale of these assets is very complementary to Centuria's longer term strategy of managing larger assets which generate better economies of scale to the Property Funds Management function.
- The Company continues to actively work hard at its other strategic growth objective of listing its first Real Estate Investment Trust, under the directive of Mr. Nick Collishaw, an experienced executive.
- Profit before tax for Centuria Property Funds Management grew substantially to \$5.043 million (2013: \$3.850 million) for 2014, largely driven by fund and property management fees.

Directors' Report

For the year ended 30 June 2014

Residential Mortgages

The Company continues to manage the Residential Mortgage Loan Portfolio diligently, which remains in long term run down by:

- Ensuring a strong relationship is maintained with the warehouse loan facility provider. Accordingly, the current facility has a maturity date extended to 30 August 2015.
- Maintaining competitive pricing on its loan products,
- Maintaining a high service ethic of the loan portfolio to the highest possible standard via the Company's in-house personnel,
- Playing an active role in industry advocate groups to ensure that management maintains best industry practices, and
- Amortising the underlying warehouse debt facility via natural attrition of the portfolio, which will eventually unlock substantial shareholder value and cash flow to be redeployed by the Group.

Insurance

- Policyholder renewals continue for another year to track at 90%.
- The Insurance Agency division contributed a net profit before tax of \$1.090m to the Group's results.

Significant expenses/adjustments incurred

The Group's net profit for the year contains particular items of non-cash or one off nature that in the opinion of the Directors need to be adjusted for in order to provide shareholders a better understanding of the Group's underlying profit from operations.

In the current financial year, the most significant of these relates to the Group's application of the new fair value measurements required by AASB 13 *Fair Value Measurement* which was effective from 1 July 2013. AASB 13 requires the Group to include credit risk when determining the fair value of financial assets and liabilities. The impact of this new requirement has resulted in a \$5.007 million unrealised gain being recognised, resulting from a decrease in the fair value of financial instruments (interest rate swaps) when including credit risk in the fair value measurement. This new standard is applied prospectively from 1 July 2013, hence there is no comparative.

In the prior financial year, the net profit result reflected tax benefits from the disposal of non-core assets amounting to \$2.413 million and a discounting charge to the time value of seed capital invested by Centuria Life of \$0.772 million.

Corporate governance practices

The directors have, in striving to achieve the highest standards of corporate behaviour and accountability, complied with the principles and practices set out in the corporate governance statement contained in this annual report.

Changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

Directors' Report

For the year ended 30 June 2014

Subsequent events

On 22 July 2014, Centuria Capital Limited acquired Centuria Capital Private Limited, an entity incorporated in Singapore.

On 22 August 2014, the Board declared a final dividend in respect of the year ended 30 June 2014 of 1.5 cents per share franked to 100%.

Dividends

In respect of the financial year ended 30 June 2014, an interim dividend of 1.25 cents per share franked to 100% was paid to the holders of fully paid ordinary shares on 27 March 2014 and subsequent to year end, a final dividend of 1.5 cents per share franked to 100% has been declared.

Indemnification of officers and auditors

CCL has agreed to indemnify all current and former directors and executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a director or executive officer unless the liability relates to conduct involving a lack of good faith. CCL has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments. The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' Liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

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).

Directors	Board of Directors	Audit, Risk, Management & Compliance Committee	Investment Committee	Nomination & Remuneration Committee
R.W. Dobson	8/10	4/6	#	1/1
P.J. Done	10/10	6/6	11/13	1/1
J. R. Slater	10/10	6/6	12/13	1/1
J.E. McBain	10/10	#	10/13	#
J. C. Huljich	10/10	#	#	#
N. R. Collishaw (appointed 27 August 2013)	9/9	#	#	#

Not a member of the committee

Number of meetings attended / Number of meetings held whilst a member of the Board or Committee

Directors' Report

For the year ended 30 June 2014

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 22 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk Management & Compliance committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 26 of the annual report and forms part of the Directors' Report for the year ended 30 June 2014.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (audited)

For the year ended 30 June 2014

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of CCL's directors and its senior management for the financial year ended 30 June 2014. The prescribed details for each person covered by this report are detailed under the following headings:

- 1 Director and senior management details;
- 2 Remuneration policy;
- 3 Relationship between the remuneration policy and company performance;
- 4 Non-executive director remuneration;
- 5 Remuneration of executive directors and senior management;
- 6 All other employees' remuneration; and
- 7 Key terms of employment contracts.

1 Director and senior management details

The following persons acted as directors of the Company during or since the end of the financial year:

- Mr R.W. Dobson (Independent Chairman)
- Mr P.J. Done (Independent Director)
- Mr J.R. Slater (Independent Director)
- Mr J.E. McBain (Group CEO - Centuria Capital and Executive Director)
- Mr J.C. Huljich (CEO - Direct Property Trust and Executive Director)
- Mr. N.R. Collishaw (CEO - Listed Property Funds and Executive Director) Appointed 27 August 2013

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Mr M.J. Coy (Chief Financial Officer and Company Secretary)
- Mr T.D. Reid (General Manager - Centuria Life Limited and Company Secretary until resignation on 27 May 2014)
- Mr D.B. Govey (Head of Assets)

2 Remuneration policy

CCL recognises the important role people play in the achievement of its long-term objectives and as a key source of competitive advantage. To grow and be successful, CCL must be able to attract, motivate and retain capable individuals. CCL's remuneration policy focuses on the following:

- Ensuring competitive rewards are provided to attract and retain executive talent;
- Linking remuneration to performance so that higher levels of performance attract higher rewards;
- Aligning rewards of all staff, but particularly executives, to the creation of value to shareholders;
- Making sure the criteria used to assess and reward staff include financial and non-financial measures of performance;
- Ensuring the overall cost of remuneration is managed and linked to the ability of the Company to pay; and
- Ensuring severance payments due to the Chief Executive Officer on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

Remuneration Report (audited)

For the year ended 30 June 2014

3 Relationship between the remuneration policy and company performance

The main objective in rewarding the Company executives for their performances is to ensure that shareholders' wealth is maximised through the Company's continued growth moving forward. It is necessary to structure and strengthen this focus to drive this strategy so that they are aligned with the Company's objectives and successes.

Under the remuneration policy, senior management's remuneration includes a fixed remuneration component, short-term and long-term incentive arrangements. The long-term incentives are based on CCL's performance for the year in reference to specific Earnings per Share (EPS) hurdles and Key Strategic Goals being met.

The short-term incentives are based on the individual's performance in the preceding 12 months compared to pre-agreed goals.

Where senior management is remunerated with shares, the Remuneration Policy places no limitations to their exposure to risk in relation to the shares. Target incentive remuneration refers to the incentive pay provided for meeting performance requirements. Actual incentive remuneration can vary for executive directors and senior management depending on the extent to which they meet performance requirements.

In accordance with the Company's corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

4 Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. Clause 63.2 of the Constitution provides an aggregate maximum amount of not more than \$750,000 per year.

Directors' Fees

Each director receives a fee for being a director of Group companies and an additional fee is paid to the Chairman and to the Chairman of each Board Committee. The payment of the additional fees to each Chairman recognises the additional time commitment and responsibility associated with the position.

5 Remuneration of executive directors and senior management

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of stakeholders;
- Link rewards with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Remuneration Report (audited)**For the year ended 30 June 2014****5 Remuneration of executive directors and senior management (cont'd)****Structure**

In determining the level and make-up of executive remuneration, the CEO seeks independent advice regarding market levels of remuneration for comparable executive roles.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives. The proportion of fixed and variable remuneration is established for each executive by the CEO after consultation with the Nomination & Remuneration Committee. While the allocation may vary from period to period, the table below details the approximate fixed and variable components for the executives.

	% of total target annual remuneration	
	Fixed remuneration %	Variable remuneration %
<i>Executive directors</i>		
Mr J.E. McBain	80%	20%
Mr J.C. Huljich	80%	20%
Mr N.R. Collishaw	80%	20%
<i>Senior management</i>		
Mr M.J. Coy	80%	20%
Mr T.D. Reid	80%	20%
Mr D.B. Govey	80%	20%

(a) Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. This is reviewed annually by the CEO and the process consists of a review of Company, business unit and individual performance as well as relevant comparative remuneration in the market. The same process is used by the Nomination & Remuneration Committee when reviewing the fixed remuneration of the CEO.

The CEO and senior management are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and salary sacrifice items such as motor vehicles, motor vehicle allowances and/or additional superannuation contributions. It is intended that the manner of payment chosen will be optimal without creating undue cost for the Group but always contained in their respective fixed total remuneration.

(b) Variable Remuneration

Under CCL's Senior Management Remuneration Policy, long and short-term performance incentives may be made under the Company's incentive plans. These are discussed further below.

(b)(i) Short-term Incentives (STI)

The objective of the STI program is to link the achievement of the Group's operational and financial 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 operational targets and such that the cost to the Group is reasonable in the circumstances.

At the Board's absolute discretion, employees may be provided with the opportunity to receive an annual, performance-based cash incentive, or the issue of Performance Rights under the Performance Rights plan, or a combination of both.

Remuneration Report (audited)

For the year ended 30 June 2014

5 Remuneration of executive directors and senior management (cont'd)

(b)(i) Short-term Incentives (STI) (cont'd)

Performance Rights Plan (PRP)

At the 2009 AGM, shareholders approved the issue of up to 3 million Performance Rights for nil consideration. The PRP applies to executive directors, senior management and other employees within the Group.

A Performance Right is one share in the Company for nil consideration (unless otherwise determined by the Board at the time of grant). Performance Rights may not be transferred, or encumbered without the approval of the Board and will not be listed for quotation on any stock exchange.

The Board may determine from time to time the performance conditions (if any) that will apply to Performance Rights. Only Performance Rights which satisfy these conditions or which vest following a Change of Control Event will vest and become exercisable.

Only those persons employed on the relevant Performance Rights Grant Date by the Company or one of its subsidiaries will be eligible to receive a grant of Performance Rights. The Performance Rights of an eligible employee will be forfeited upon termination of the eligible employee ceasing to be an employee or director of the Company (other than as a result of certain circumstances such as death, total and permanent disability or redundancy or the sale of a CCL company or business which employs the CCL employee or as otherwise determined by the Board).

Incentive Performance Rights

These provide eligible employees with a short-term incentive, and the Board may elect to award an employee with either Performance Rights or a cash bonus or a combination of both, bearing in mind the total remuneration the employee is awarded in a particular year.

The Performance Rights will vest on, and are exercisable after, dates specified at the time of grant subject to the achievement of certain performance hurdles by the Company. If the capital of the Company is reconstructed then the hurdles will be adjusted as necessary for the plan.

	Performance Rights Grant date	Number of Performance Rights Granted	EPS Hurdle	Vesting Date
Compensation Performance Rights	10 February 2010	685,308 ⁽ⁱ⁾	No EPS hurdle	1 July 2010
Incentive Performance Rights	30 June 2010	300,000	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	700,000	7.50 cents	30 June 2011
Incentive Performance Rights	30 June 2012	85,000	8.00 cents ⁽ⁱⁱ⁾	31 July 2012
Incentive Performance Rights	29 August 2013	144,310	8.20 cents ⁽ⁱⁱⁱ⁾	29 August 2013

- (i) CCL issued 685,308 new shares in July 2010 in respect of the Compensation Performance Rights. All other Incentive Performance Rights issued to date have been satisfied by Treasury shares held by the Centuria Employee Share Trust (the Trust) which were acquired by the Trust as part of the Unmarketable Parcel Selling Plan executed by the Company.
- (ii) Based on underlying net profit after tax, the EPS hurdle wasn't met at 30 June 2012; hence only a discretionary 85,000 performance rights were granted.
- (iii) Based on underlying net profit after tax, the EPS hurdle was met at 30 June 2013 and 144,310 Incentive Performance Rights vested. A cash bonus equivalent to 685,691 Performance Rights was also issued.
- (iv) There are 399,691 performance rights available for potential future issuance by the Nomination and Remuneration Committee.

Remuneration Report (audited)**For the year ended 30 June 2014****5 Remuneration of executive directors and senior management (cont'd)****(b)(ii) Long-term incentive (LTI)**

Following a review of the Company's incentive arrangements for executive directors and select senior management roles undertaken in the previous financial year, the Board approved the adoption of the Centuria Capital Limited Executive Incentive Plan ("LTI Plan").

The new LTI Plan forms a key element of the Company's incentive and retention strategy for senior executives and is the Company's principle vehicle to grant long term incentive awards.

The Board considers long term incentive awards to be an important component to the remuneration of senior executives, and therefore, the primary objectives of the Plan include:

- focusing executives on the longer term performance of the Group to drive long term shareholder value creation;
- ensure executive remuneration outcomes are aligned with shareholder interests, in particular, the strategic goals and performance of the Group; and
- ensure remuneration is competitive and aligned with general market practice by ASX listed companies.

A summary of the key terms of the Performance Rights awarded during the current year are set out below. Performance Rights issued under the LTI Plan are issued in accordance with the thresholds approved at the 2013 AGM.

Term	Detail
Performance Rights	Each Performance Right is a right to receive a fully paid ordinary share in the Company ("Share"), subject to meeting the Performance Conditions. Upon meeting the Performance Conditions, the Performance Rights vest and Shares are allocated. Performance Rights do not carry a right to vote or to dividends or, in general, a right to participate in other corporate actions such as bonus issues.
Vesting conditions	The Performance Rights will vest to the extent that the board determines that: • The Performance Conditions that apply to the Performance Rights were satisfied; and • The employee was continuously employed by the Company until the end of the Performance Period.
Vesting date	The date on which the Board determines the extent to which the Performance Conditions are satisfied and the Performance Rights vest.
Performance Conditions	The Performance Conditions and portion of Performance Rights tested against each hurdle granted in the current year are: • Earnings Per Share (EPS) – 70% ("EPS Hurdle") • Key Strategic Goals: ○ Growth in property and friendly society funds under management – 15% ("Growth in FUM Hurdle") ○ Absolute Total Shareholder Return Performance – 15% ("Absolute TSR Hurdle")

Remuneration Report (audited)**For the year ended 30 June 2014****5 Remuneration of executive directors and senior management (cont'd)****(b)(ii) Long-term incentive (LTI) (cont'd)**

Further details on the Performance Conditions are set out below.

EPS Hurdle

The percentage of Performance Rights subject to the EPS Hurdle that vest, if any, will be determined as follows:

Annual compound growth in underlying EPS over the Performance Period		Performance Rights subject to EPS Hurdle that vest (%)
Maximum % or above	12.5% or greater	100%
Between threshold % and maximum %	More than 7.5%, less than 12.5%	Progressive pro-rata vesting between 50% to 100% (i.e. on a straight line basis)
Threshold %	7.5%	50%
Less than the threshold %	Less than 7.5%	0%

The Board retains a discretion to adjust the EPS performance hurdle to ensure that participants are neither advantaged nor disadvantaged by matters outside managements' control that affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Growth in FUM Hurdle

The percentage of Performance Rights subject to the Growth in FUM Hurdle that vest, if any, will be determined as follows:

Annual compound growth in FUM over the Performance Period		Performance Rights subject to FUM Growth Hurdle that vest (%)
Maximum % or above	25% or greater	100%
Between threshold % and maximum %	More than 15%, less than 25%	Progressive pro-rata vesting between 50% to 100% (i.e. on a straight line basis)
Threshold %	15%	50%
Less than the threshold %	Less than 15%	0%

Remuneration Report (audited)**For the year ended 30 June 2014****5 Remuneration of executive directors and senior management (cont'd)****(b)(ii) Long-term incentive (LTI) (cont'd)*****Absolute TSR Hurdle***

The percentage of Performance Rights subject to the Absolute TSR Hurdle that vest, if any, will be determined as follows:

Annual compound growth in Absolute TSR over the Performance Period		Performance Rights subject to Absolute TSR Hurdle that vest (%)
Maximum % or above	18% or greater	100%
Between threshold % and maximum %	More than 12%, less than 18%	Progressive pro-rata vesting between 50% to 100% (i.e. on a straight line basis)
Threshold %	12%	50%
Less than the threshold %	Less than 12%	0%

Performance Rights Granted

During the year ended 30 June 2014, the following Performance Rights were granted to the Group's three Executive Directors, as approved at the 2013 AGM:

Employee	Number of Performance Rights Granted	Grant Date	Performance Period	Vesting Conditions	Fair value at Grant Date
Mr J.E. McBain	376,903	1 January 2014	1 July 2013 to 30 June 2016	EPS Hurdle	\$0.73
	80,765	1 January 2014		FUM Growth Hurdle	\$0.73
	80,765	1 January 2014		Absolute TSR Growth Hurdle	\$0.18
Mr J.C. Huljich	231,837	1 January 2014	1 July 2013 to 30 June 2016	EPS Hurdle	\$0.73
	49,679	1 January 2014		FUM Growth Hurdle	\$0.73
	49,680	1 January 2014		Absolute TSR Growth Hurdle	\$0.18
Mr N. R. Collishaw	231,837	1 January 2014	1 July 2013 to 30 June 2016	EPS Hurdle	\$0.73
	49,679	1 January 2014		FUM Growth Hurdle	\$0.73
	49,680	1 January 2014		Absolute TSR Growth Hurdle	\$0.18

Subject to the Boards' overriding discretion, unvested Performance Rights lapse upon the earliest of ceasing employment, variations of capital, divestment of a material business or subsidiary, change of control, clawback and lapse for fraud and breach, failure to satisfy the Performance Conditions and the 7th anniversary of the date of the grant.

Remuneration Report (audited)**For the year ended 30 June 2014****5 Remuneration of executive directors and senior management (cont'd)**

The Company's overall objective is to reward senior management based on the Company's performance and build on shareholders' wealth but this is subject to market conditions for the year. The table below sets out summary information about the Group's earnings for the five years to 30 June 2014:

Summary of earnings

	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Total income	43,806	46,734	46,239	51,804	51,583
Net profit/(loss) before tax	17,383	10,905	3,702	1,347	12,880
Net profit/(loss) after tax	9,078	7,338	1,967	(2,891)	6,318

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	\$0.82	\$0.42	\$0.57	\$0.52	\$0.42
Share price at end of year	\$0.80	\$0.82	\$0.42	\$0.57	\$0.52
Interim dividend	1.25cps	1.25cps	1.25cps	2.5cps	2.5cps
Final dividend	1.50cps	0.0cps	0.0cps	3.5cps	2.5cps
Basic earnings per share	11.6cps	9.4cps	2.5cps	(3.7)cps	9.3cps
Diluted earnings per share	11.6cps	9.4cps	2.5cps	(3.7)cps	8.4cps

Remuneration for the year ended 30 June 2014

	Short-term employee benefits				Post employment benefits	Share-based payment	Total
	Salaries \$	Fees \$	Bonus \$	Car allowance \$	Superannuation \$	Share issue \$	\$
Directors							
R.W. Dobson	-	140,000	-	-	12,950	-	152,950
J.E. McBain	514,261	-	80,873	-	24,000	73,631	692,765
J.C. Huljich	463,842	-	74,641	15,000	17,775	45,291	616,549
P.J. Done	-	120,000	-	-	11,100	-	131,100
J.R. Slater	-	98,266	-	-	9,090	-	107,356
N.R. Collishaw ^{(i),(ii)}	482,442	-	75,120	-	17,776	45,291	620,629
Sub-total	1,460,545	358,266	230,634	15,000	92,691	164,213	2,321,349
Senior management							
M.J. Coy	351,738	-	55,591	-	17,775	-	425,104
T.D. Reid	217,894	-	11,111	-	17,775	-	246,780
D.B. Govey	312,724	-	50,564	-	25,000	-	388,288
Sub-total	882,356	-	117,266	-	60,550	-	1,060,172
Grand total	2,342,901	358,266	347,900	15,000	153,241	164,213	3,381,521

(i) Mr N. R. Collishaw commenced employment on 1 May 2013 and was appointed as a Director on 27 August 2013.

(ii) At the time of his employment in May 2013, Mr Collishaw became eligible to receive a one-off \$500,000 incentive payment upon successful listing of a listed property fund once the fund reaches \$500 million of assets under management.

No directors or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Non-executive Directors' Remuneration

The aggregate non-executive directors' remuneration paid in 2014 was \$391,406 (2013: \$316,861).

Remuneration Report (audited)

For the year ended 30 June 2014

5 Remuneration of executive directors and senior management (cont'd)**Remuneration of directors and senior management (cont'd)****Remuneration for the year ended 30 June 2013**

	Short-term employee benefits				Post employment benefits	Share-based payment	Total
	Salaries	Fees	Bonus	Car allowance	Superannuation	Share issue	
	\$	\$	\$	\$	\$	\$	\$
Directors							
R.W. Dobson	-	130,000	-	-	11,700	-	141,700
J.E. McBain	498,750	-	82,711	-	24,000	-	605,461
J.C. Huijich	370,854	-	63,131	20,000	16,470	-	470,455
P.J. Done	-	100,000	-	-	9,000	-	109,000
J.R. Slater (Appointed 22 May 2013)	7,155	-	-	-	708	-	7,863
D.K. Gupta (Resigned 22 May 2013)	-	53,484	-	-	4,814	-	58,298
N.R. Collishaw ^{(i), (ii)}	80,588	-	25,000	-	2,745	331,500	439,833
Sub-total	957,347	283,484	170,842	20,000	69,437	331,500	1,832,610
Senior management							
M.J. Coy	342,280	-	56,763	-	16,470	-	415,513
T.D. Reid	209,972	-	6,567	-	18,897	-	235,436
D.B. Govey	303,000	-	51,897	-	25,000	-	379,897
Sub-total	855,252	-	115,227	-	60,367	-	1,030,846
Grand total	1,812,599	283,484	286,069	20,000	129,804	331,500	2,863,456

(i) 500,000 CNI shares issued upon commencement of employment.

(ii) Mr N. R. Collishaw commenced employment on 1 May 2013 and was appointed as a Director on 27 August 2013.

6 All other employees' remuneration

Except as detailed in section 5(b)(ii) there were no cash and performance rights granted to staff in respect of the 2014 financial year (30 June 2013: \$585,000).

7 Key terms of employment contracts**CEO**

Mr John McBain, was appointed as CEO of CCL in April 2008. He is also an executive director of CCL. Mr McBain is employed under contract. The summary of the major terms and conditions of Mr McBain's employment contract are as follows:

- Fixed Compensation plus superannuation contributions.
- Car parking within close proximity to CCL's office.
- Eligible to participate in the bonus program determined at the discretion of the Board.
- CCL may terminate this employment contract by providing 6 months written notice or provide payment in lieu of the notice period. Any payment in lieu of notice will be based on the Total Fixed Compensation Package.
- CCL may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the CEO is only entitled to remuneration up to the date of termination.

Remuneration Report (audited)

For the year ended 30 June 2014

Other executives (standard contracts)

All executives are employed under contract. The Company may terminate the executive's employment agreement by providing between 1 and 6 months written notice or providing payment in lieu of the notice period (based on the Total Fixed Compensation package).

On behalf of the Board

A blue ink signature of R.W. Dobson, consisting of a large, stylized 'D' followed by a horizontal line.

R.W. Dobson
Chairman

A blue ink signature of P.J. Done, consisting of a large, stylized 'D' followed by a horizontal line.

P.J. Done
Director
Chairman - Audit, Risk Management &
Compliance Committee

Sydney
22 August 2014



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Centuria Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Steven Gatt
Partner

Sydney
22 August 2014

Independent auditor's report to the members of Centuria Capital Limited

Report on the financial report

We have audited the accompanying financial report of Centuria Capital Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the 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 2014 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 16 to 25 of the directors' report for the year ended 30 June 2014. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Centuria Capital Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Steven Gatt
Partner

Sydney
22 August 2014

Directors' Declaration

For the year ended 30 June 2014

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 2 to the financial statements; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors



R.W. Dobson
Chairman



P.J. Done
Director
Chairman - Audit, Risk Management & Compliance
Committee

Sydney
22 August 2014

CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue	3(i)	40,499	44,146
Net revenue from Benefit Funds	3(ii)	3,307	2,533
Share of gain of associates	10	-	55
Total income		43,806	46,734
Finance costs	4	(10,239)	(12,419)
Employee benefits expense	5(a)	(10,888)	(9,314)
Administrative and other expenses	5(b)	(10,303)	(14,096)
Unrealised gain arising from fair value movements of derivative financial instruments	25(c)	5,007	-
Profit before tax		17,383	10,905
Income tax expense relating to shareholders	6(a)	(4,998)	(1,034)
Income tax expense relating to Benefit Funds	3(ii)	(3,307)	(2,533)
Total income tax expense	6(a)	(8,305)	(3,567)
Profit for the year		9,078	7,338
Other comprehensive income:			
Gain on cash flow hedges taken to equity	19(b)	490	408
Income tax expense relating to components of other comprehensive income	6(b)	(147)	(122)
Other comprehensive income for the year (net of tax)		343	286
Total comprehensive income for the year		9,421	7,624
Earnings per share			
Basic (cents per share)	7	11.6	9.4
Diluted (cents per share)	7	11.6	9.4

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 2(a)).

CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

Consolidated statement of financial position

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
Cash and cash equivalents	24	13,115	9,285
Trade and other receivables	8	11,004	13,290
Financial assets at fair value through profit and loss	9	285	3,154
Other financial assets	9	170,321	185,848
Prepayments		1,421	1,382
Investment in associates	10	668	668
Plant and equipment	11	1,031	728
Assets in respect of Benefit Funds	18(ii)	411,238	435,459
Deferred tax assets	6(d)	3,838	6,662
Income tax receivable	6(c)	1,399	7,451
Intangible assets	12	53,025	53,109
TOTAL ASSETS		667,345	717,036
LIABILITIES			
Trade and other payables	13	8,086	16,921
Borrowings	14	126,236	147,298
Other liabilities	16	1,082	678
Derivative financial liabilities	17	14,967	20,141
Liabilities in respect of Benefit Funds	18(ii)	411,238	435,459
Provisions	15	1,185	1,129
TOTAL LIABILITIES		562,794	621,626
NET ASSETS		104,551	95,410
EQUITY			
Contributed equity	19(a)	89,167	88,634
Cash flow hedge reserve	19(b)	(38)	(381)
Share-based payment reserve	19(c)	164	-
Profits reserves	19(d)	14,491	6,390
Retained earnings	19(e)	767	767
TOTAL EQUITY		104,551	95,410

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 2(a)).

CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Note	Share capital \$'000	Retained earnings \$'000	Share-based payment reserve \$'000	Profits reserve \$'000	Cash flow hedge reserve \$'000	Attributable to equity holders of the parent \$'000	Non-controlling interests \$'000	Total \$'000
Balance at 1 July 2012		90,276	767	-	-	(667)	90,376	-	90,376
Profit for the year		-	7,338	-	-	-	7,338	-	7,338
Other comprehensive income for the year		-	-	-	-	286	286	-	286
Total comprehensive income for the year		-	7,338	-	-	286	7,624	-	7,624
Transfer between reserves	19	-	(7,338)	-	7,338	-	-	-	-
Employee share scheme	19	37	-	-	-	-	37	-	37
Dividends paid	20	-	-	-	(970)	-	(970)	-	(970)
Distributions received	19	-	-	-	22	-	22	-	22
Executive share issue		332	-	-	-	-	332	-	332
Share buy-back/shares cancelled		(2,011)	-	-	-	-	(2,011)	-	(2,011)
Balance at 30 June 2013		88,634	767	-	6,390	(381)	95,410	-	95,410
Balance at 1 July 2013		88,634	767	-	6,390	(381)	95,410	-	95,410
Profit for the year		-	9,078	-	-	-	9,078	-	9,078
Other comprehensive income for the year		-	-	-	-	343	343	-	343
Total comprehensive income for the year		-	9,078	-	-	343	9,421	-	9,421
Transfer between reserves	19	-	(9,078)	-	9,078	-	-	-	-
Share based payment	19	-	-	164	-	-	164	-	164
Employee share scheme	19	533	-	-	-	-	533	-	533
Dividends paid	20	-	-	-	(977)	-	(977)	-	(977)
Balance at 30 June 2014		89,167	767	164	14,491	(38)	104,551	-	104,551

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 2(a)).

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

		2014 \$'000	2013 \$'000
Cash flows from operating activities			
Interest received		537	845
Management fees received		23,563	21,792
Rent, trust distributions and other income received		3,066	7,026
Benefit Funds net payments		(27,327)	(35,973)
Payments to suppliers and employees		(19,349)	(24,374)
Income tax paid		(159)	(4,892)
Net cash used in operating activities	24	(19,669)	(35,576)
Cash flows from investing activities			
Benefit Funds net receipts		50,960	27,135
Payments for plant and equipment		(784)	(214)
Proceeds from investments in other financial assets		-	2,193
Receipt from sales of National Leisure Trust		-	15,000
Net cash provided by investing activities		50,176	44,114
Cash flows from financing activities			
Loans to related entities		-	(990)
Proceeds from sale of treasury shares		533	-
Payment for share buy-back		-	(2,011)
Collections from mortgage holders		28,379	25,656
Repayment of borrowings - National Leisure Trust		-	(15,530)
Repayment of borrowings - residential mortgages		(21,062)	(17,366)
Repayment of borrowings - other		-	(1,100)
Net dividends and distributions paid		(977)	(970)
Interest paid on residential mortgage loans		(8,666)	(9,972)
Financing costs paid		(1,251)	(1,218)
Net cash used in financing activities		(3,044)	(23,501)
Net increase/(decrease) in cash and cash equivalents		27,463	(14,963)
Cash and cash equivalents at the beginning of the financial year		23,937	38,900
Cash and cash equivalents at the end of the financial year	24	51,400	23,937
Cash attributable to benefit funds	24	38,285	14,652
Cash attributable to shareholders	24	13,115	9,285
		51,400	23,937

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 2(a)).

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

1. General information

Centuria Capital Limited (the Company or CCL) is a public company listed on the Australian Stock Exchange (trading under the symbol CNI), incorporated and operating in Australia. The Consolidated Financial Statements for the year ended 30 June 2014, comprise the financial statements of the Company and its subsidiaries (together "the Group"). As discussed in Note 2(a), the Company is required by AASB 1038 *Life Insurance Contracts* to recognise the assets, liabilities, income, expenses and equity of the benefit funds of its subsidiary, Centuria Life Limited.

CCL's registered office and its principal place of business are as follows:

Registered office

Level 39
100 Miller Street
Sydney NSW 2060
Tel: 1300 50 50 50

Principal place of business

Level 39
100 Miller Street
Sydney NSW 2060
Tel: 1300 50 50 50

The Company is a for-profit entity and its principal activities are the marketing and management of investment products, general insurance through agency arrangements, mortgage lending and property funds management.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the directors on 22 August 2014.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for investment properties and those financial assets and financial liabilities which have been valued at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the company's functional currency, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going concern

The directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The going concern assumption has been formed after considering a number of factors including the cash-flow forecast of the business for the next 12 months, the availability of debt finance and projected covenant compliance.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 12 – Goodwill
- Note 25 - Financial Instruments

Critical estimates in applying the entity's accounting policies

A Financial Condition Report was prepared by Centuria Life's Appointed Actuary, Mr Guy Thorburn, BEc, FIAA, ASA. This report covers Benefit Fund liabilities and prudential reserves. The effective date of the report is 30 June 2014.

The amount of the Benefit Fund liabilities has been determined in accordance with the methods and assumptions disclosed in the Financial Condition Report.

Policyholder liabilities for benefit funds, other than the Funeral Benefit Fund, are valued using the accumulation method and are equal to the contributions made by members, net of fees, together with bonus additions to date. The balance of the fund is the unvested policyholder benefit liabilities (or surplus). Each year's bonus declaration results in a movement from unvested policyholder benefit liabilities to the vested policy liability. The bonus rate is limited to ensure that the amount vesting is no more than the distributable portion of unvested policyholder benefit liabilities.

For the Funeral Benefit Fund, the policyholder liability has been taken to be the value of assets of the fund net of other liabilities less the value of the current period bonus. This liability represents the present value of guaranteed benefits (pre-bonus) plus the present value of future bonuses. Following declaration of the bonus, there would then be no surplus under this arrangement. The Over Fifty Guardian Friendly Society ('the Society') currently deducts management fees based on the fund's assets from investment earnings. It has been assumed that interest will be earned in future years at rates after tax sufficient at least to meet this level of expense.

The main variables that determine the bonus rate for a Benefit Fund are the value of the net assets of each benefit fund at the end of the year, the amounts standing to the credit of each investment account through the previous year and the investment return (net of fees and taxes where applicable) earned by the fund throughout the year. The excess of the net assets of the benefit fund over the liabilities after meeting the prudential standards is the surplus that is generally able to be distributed to members as a bonus.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

Critical estimates in applying the entity's accounting policies (cont'd)

There is no provision in the funds' rules for any surplus to be transferred to the Management Fund. The Management Fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members.

Changes in economic conditions and demographics will alter the unallocated surplus. The Capital Requirements, as set by APRA, aim to ensure there is sufficient unallocated surplus to cover the effect of these changes.

APRA has provided the Society with temporary transitional relief from the Capital Adequacy Requirements to the extent of \$12.8 million for the period to 31 December 2014, at which point management and APRA will re-establish future transitional relief requirements based on the profile of the assets within the Funds. The expected recovery by Centuria Capital Limited of seed capital it has transferred into the Society's Benefit Funds and the potential contribution of future injections of seed capital is dependent on the underlying performance of the Funds' net assets.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CCL, as prescribed by AASB 1038 *Life Insurance Contracts*, is required to recognise the assets, liabilities, income, expenses and equity of the benefit funds which it manages, in its consolidated financial statements. The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the equity holders of CCL.

CCL has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, CCL has no legal rights to Guardian's net assets, nor does it derive any benefit from exercising its power and therefore does not control Guardian.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(b) Business combinations (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as a liability are recognised in profit or loss. Changes in the fair value of contingent consideration classified as equity are not remeasured.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets 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 the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

(c) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is achieved (the acquisition date). 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 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.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(c) Goodwill (cont'd)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in the statement of comprehensive income as a bargain purchase gain.

Goodwill is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 2(d).

(d) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

(f) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Management fees

Management fees are recognised on an accruals basis when the Group has the right to receive payment.

Dividend revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Lease incentives are amortised over the lease term and netted against rental income.

Property acquisition income and sale performance fees

Property acquisition income is recognised when an investment property has been acquired in a fund managed by the Group.

Sale performance fee income derived from managed funds is recognised upon settlement of the sale of an investment property.

Commission and application fee income

All insurance agency commissions and application fee income is recognised on an accruals basis when the Group has the right to receive the payment.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are not recognised if the temporary difference arises from the initial goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is unable to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(g) Taxation (cont'd)

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of 1 July 2003. CCL is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'stand-alone' approach based on the allocation specified in the tax funding arrangement.

The Benefit Funds are part of the tax consolidated group, and they are allocated a share of the income tax liability attributable to Centuria Life Limited equal to the income tax liability that would have arisen to the Benefit Funds had they been stand-alone.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the statement of financial position.

(i) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit and loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(i) Financial assets (cont'd)

Financial assets at fair value through profit and loss (continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with investment strategy; or
- it forms part of a contract containing an embedded derivative.

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income. Fair value is determined in the manner described in Note 25.

Other financial assets

Other financial assets include residential mortgage loans. Residential mortgage loans are held directly at amortised cost using the effective interest method except for commercial mortgage loans held by the Benefit Funds which are measured at fair value through profit and loss. An allowance for impairment loss is made at year end for specific amounts when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset 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.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Plant and equipment	3-5 years
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(k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period which they are incurred, using the effective interest method.

(m) Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(m) Leasing (cont'd)

Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

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

(n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long-term employee benefits

Liabilities recognised in respect of long-term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates with respect to non-market vesting conditions, if any, is recognised in profit for the year such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with AASB 132 *Financial Instruments*.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(q) Derivative financial instruments

The Group enters into derivative financial instruments such as interest rate swaps to manage its exposure to interest rate and equity price risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking the hedge. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The Group designates certain derivatives as either hedges of fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(q) Derivative financial instruments (cont'd)

Hedge accounting (continued)

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other expenses or other income line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

(r) Product classification

The accounting treatment of certain transactions varies depending on the nature of the contract underlying the transaction. The major contract classifications are insurance contracts and investment contracts.

Insurance contracts

Insurance contracts are those containing significant risk at the inception, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(r) Product classification (cont'd)

Investment contracts

Contracts not considered insurance contracts are classified as investment contracts. The accounting treatment of investment contracts depends on whether the investment has a Discretionary Participation Feature (DPF). DPF means a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- (a) that are likely to be a significant portion of the total contractual benefits;
- (b) whose amount or timing is contractually at the discretion of the issuer; and
- (c) that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the Company, fund or other entity that issues the contract.

Applications and redemptions on investment contracts with a DPF are accounted for through profit or loss. The gross change in the liability to these policyholders for the period, which includes any participating benefits vested in policyholders and any undistributed surplus attributed to policyholders, is also recognised through profit or loss.

Applications and redemptions on investment contracts without a DPF are accounted for through the statement of financial position as a movement in policyholder liabilities. Distributions on these contracts are charged to profit or loss as a movement in the policyholder liability. Premiums and claims relating to the investment component are accounted for as a deposit through the statement of financial position.

(s) Policyholders' funds

Assets held by the Benefit Funds are included in total assets in the statement of financial position of the Group. A corresponding liability labelled "Liabilities in respect of Benefits Funds" is shown in total liabilities in the statement of financial position. Note 18 shows the movement in bonus funds (with DPF) and unit linked funds (without DPF).

The liability to bonus fund policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets after tax. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB 1038 *Life Insurance Contracts* applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

The policyholders' funds liabilities for unit linked funds are equal to the number of units held, multiplied by the unit redemption price based on market value of the fund's investments as at the valuation date. Applications to these funds are not recorded as income, redemptions from these funds are not recorded separately as expenses, but amounts distributable to policyholders are recorded as an expense. No guarantees are provided by the Society in respect of the unit linked funds.

Claims incurred in respect of the Benefit Funds represent investment withdrawals (redemptions) and are recognised as a reduction in policyholder liabilities. Redemptions in respect of bonus funds are also disclosed as an expense as set out above.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(s) Policyholders' funds

Benefit Fund expenses which are directly attributable to an individual policy or product are allocated directly to the benefit fund within which that class of business is conducted. The apportionment basis has been made in line with the principles set out in the Life Insurance Actuarial Standards Board (LIASB) Valuation Standard (Actuarial Standard AS1.04) and the apportionment is in accordance with Division 2 of Part 6 of the Life Act.

(t) Unit prices

Unit prices, for the unitised Benefit Funds, are determined in accordance with the Benefit Fund's rules and are calculated as the net assets attributable to unit holders of the fund, divided by the number of units on issue.

(u) New Accounting Standards and Interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- (i) AASB 10 Consolidated Financial Statements (2011)
- (ii) AASB 13 Fair Value Measurement

The nature and effect of the changes are further explained below:

(i) Consolidated Financial Statements

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de- facto circumstances. This change had no significant impact on the Group's financial position or performance.

(ii) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. The change has resulted in a \$5.01 million increase in the fair value of the financial instruments. This has been reflected as an "Unrealised gain arising from fair value movements of derivative financial instruments" in the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

2. Significant accounting policies (cont'd)

(u) New Accounting Standards and Interpretations

Standards, amendments to standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective from annual periods beginning after 1 July 2014 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group except for:

- AASB 9 *Financial Instruments* which becomes mandatory for the Group's 30 June 2016 consolidated financial report and could change the classification and measurement of financial assets and financial liabilities.

The group is currently considering the financial impact of this accounting standard changes.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

3. Revenue

The following is an analysis of the Group's revenue for the year:

(i) Revenue

	2014 \$'000	2013 \$'000
Interest revenue - from residential mortgages	12,852	14,740
Interest revenue - from other sources	537	841
Management fees from property funds	11,054	9,971
Benefit Funds management fee ⁽ⁱ⁾	10,311	11,202
Sale performance fees	1,960	1,514
Incentive fees	1,003	103
Property acquisition fees	1,360	3,139
Rental income	-	57
Commission received	1,160	1,207
Other income	262	1,372
	40,499	44,146

- ⁽ⁱ⁾ During the current financial year, the Group modified the presentation of the Consolidated Statement of Comprehensive Income to present a "Benefit Funds management fee" within "Revenue". In prior periods, this has been separately presented on the face of the Consolidated Statement of Comprehensive Income as "Centuria Life revenue". The comparative amounts have been reclassified for consistency.

(ii) Centuria Life and Benefit Funds results

	30 June 2014		
	Centuria Life Limited \$'000	Benefit Funds \$'000	Total \$'000
Income			
Interest and dividend	251	15,681	15,932
Realised gains	-	5,504	5,504
Unrealised gains	-	2,968	2,968
Management fee income	10,311	-	10,311
Premiums (Discretionary Participation Features only)	-	4,334	4,334
Other income	58	46	104
	10,620	28,533	39,153
Expenses			
Claims (Discretionary Participation Features only)	-	38,703	38,703
Net movement in policyholder liabilities	-	(21,449)	(21,449)
Management fee expense	-	8,184	8,184
Bad debts - mortgage loans	-	(212)	(212)
Management fund operating expenses	4,701	-	4,701
	4,701 ⁽ⁱⁱ⁾	25,226	29,927
Profit before tax	5,919	3,307 ⁽ⁱ⁾	9,226
Income tax expense	(2,516)	(3,307) ⁽ⁱ⁾	(5,823)
Profit after tax	3,403	-	3,403

- ⁽ⁱ⁾ These numbers have also been included in the Consolidated Statement of Comprehensive Income. Refer to Note 18 for further details in respect of the policyholders' funds relating to the Benefit Funds.
- ⁽ⁱⁱ⁾ During the current year, Group modified the presentation of the Consolidated Statement of Comprehensive Income to present "Management fund operating expenses" within "Employee benefits expense" and "Administrative and other expenses". In prior years, this has been separately presented in the Consolidated Statement of Comprehensive Income as "Centuria Life expenses". The comparative amounts have been reclassified for consistency.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

3. Revenue (cont'd)

(ii) Centuria Life and Benefit Funds results

	30 June 2013		
	Centuria Life Limited \$'000	Benefit Funds \$'000	Total \$'000
Income			
Interest and dividend	357	20,405	20,762
Realised losses	-	(10,267)	(10,267)
Unrealised gains	-	21,908	21,908
Management fee income	11,202	-	11,202
Premiums (Discretionary Participation Features only)	-	6,156	6,156
Other income	25	155	180
	11,584	38,357	49,941
Expenses			
Claims (Discretionary Participation Features only)	-	42,662	42,662
Net movement in policyholder liabilities	-	(24,978)	(24,978)
Management fee expense	-	9,161	9,161
Bad debts - mortgage loans	-	8,979	8,979
Management fund operating expenses	5,331	-	5,331
	5,331	35,824	41,155
Profit before tax	6,253	2,533	8,786
Income tax expense	(2,660)	(2,533)	(5,193)
Profit after tax	3,593	-	3,593

4. Finance costs

	2014 \$'000	2013 \$'000
NAB working capital facility	1,040	1,295
Residential mortgage facility	8,666	9,749
Unwinding of discount on non-current related party receivable	511	772
Other finance costs	22	603
Gain arising on derivatives in a designated fair value hedge accounting	(127)	(5,658)
Loss arising on fair value movements of hedged items in a designated fair value hedge	127	5,658
	10,239	12,419

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

5. Profit for the year before tax

Profit for the year includes the following expenses:

	2014 \$'000	2013 \$'000
(a) Employee benefits expense⁽ⁱ⁾		
Wages and salaries	9,892	8,467
Increase in leave provisions	40	69
Payroll taxes	470	415
Other associated personnel expenses	486	363
Total employee benefits expense	10,888	9,314
(b) Administration and other expenses⁽ⁱ⁾		
Consulting and professional fees	2,346	2,928
Management fees	2,913	3,187
Brokerage fees	297	372
Bad debt expense	(23)	18
Non recoverable costs in connection with unsuccessful IPO of Centuria Property Trust	-	2,703
Information systems expenses	372	394
Office administration expenses	707	1,008
Insurance expenses	366	380
Directors' fees	373	317
Travel expenses	301	302
Depreciation and amortisation expense	481	599
Loss on disposal of property, plant and equipment	204	-
Advertising and marketing expense	625	723
Rental expense - operating leases	631	524
Other general expenses	710	641
	10,303	14,096

- ⁽ⁱ⁾ During the current year, the Group modified the presentation within the Consolidated Statement of Comprehensive Income to present "Centuria Life Expenses" within "Employee benefits expense" and "Administrative and other expenses". The comparative amounts have been reclassified for consistency.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

6. Income taxes

a) Income tax recognised in profit or loss

	2014 \$'000	2013 \$'000
Profit before tax	17,383	10,905
Less net revenue relating to Benefit Funds included in profit before tax	(3,307)	(2,533)
Profit before tax attributable to shareholders	14,076	8,372
Income tax expense calculated at 30%	4,223	2,512
Tax effect of amounts which are not deductible (taxable) in:		
- Expenses relating to exempt income and non-allowable expenses	786	783
Adjustments in relation to prior years - National Leisure Trust non assessable debt	-	(2,348)
Adjustments recognised in the current year in relation to the current tax of prior years	(11)	87
Income tax expense relating to Benefit Funds	3,307	2,533
	8,305	3,567
Current tax expense in respect of the current year	3,017	(585)
Adjustments in relation to prior years	(11)	(2,260)
	3,006	(2,845)
Deferred tax expense relating to the origination and reversal of temporary differences	1,992	3,878
Income tax expense relating to Benefit Funds	3,307	2,534
Total tax expense	8,305	3,567
Attributable to:		
Income tax expense relating to shareholders	(4,998)	(1,034)
Income tax expense relating to Benefit Funds	(3,307)	(2,533)
	(8,305)	(3,567)

As a result of tax consolidation, CCL recognises current tax related receivables and corresponding payables from its subsidiaries and the Benefit Funds. The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

b) Deferred tax in comprehensive income

	\$'000	\$'000
Arising on income and expenses recognised in other comprehensive income:		
- Revaluations of financial instruments treated as cash flow hedges	(147)	(122)
Total income tax recognised in other comprehensive income	(147)	(122)

c) Current tax assets and liabilities

Income tax receivable/(payable) attributable to:		
Shareholders	(2,019)	400
Benefit funds (note 13)	3,418	7,051
Income tax receivable	1,399	7,451

CCL is the head company of its income tax consolidation group which includes Centuria Life Limited and its associated Benefit Funds.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

6. Income taxes (cont'd)

(d) Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Opening balance	Charged to income	Charged to equity	Acquisitions/ disposals	Closing balance
2014	\$'000	\$'000	\$'000	\$'000	\$'000
Temporary differences					
<u>Deferred tax asset</u>					
Deferred loss on financial assets	63	-	(12)	-	51
Provisions	1,943	(677)	-	(55)	1,211
Financial derivatives	5,224	(1,505)	-	-	3,719
Capital loss	2,949	-	-	(691)	2,258
<u>Deferred tax (liability)</u>					
Deferred gain on financial assets	(48)	(18)	-	61	(5)
Prepayments	(268)	97	-	-	(171)
Fair value movements in mortgage assets	(3,201)	128	(135)	-	(3,208)
Other	-	(17)	-	-	(17)
	6,662	(1,992)	(147)	(685)	3,838

	Opening balance	Charged to income	Charged to equity	Acquisitions/ disposals	Closing balance
2013	\$'000	\$'000	\$'000	\$'000	\$'000
Temporary differences					
<u>Deferred tax asset</u>					
Deferred loss on financial assets	3,800	(2,023)	(18)	(1,696)	63
Investment properties	1,178	(2,832)	-	1,654	-
Provisions	1,310	633	-	-	1,943
Financial derivatives	6,891	(1,667)	-	-	5,224
Capital loss	2,164	-	-	785	2,949
Cash out guarantees	300	(300)	-	-	-
Other	25	(25)	-	-	-
<u>Deferred tax (liability)</u>					
Deferred gain on financial assets	(16)	(46)	-	14	(48)
Prepayments	(672)	404	-	-	(268)
Fair value movements in mortgage assets	(5,074)	1,978	(105)	-	(3,201)
	9,906	(3,878)	(123)	757	6,662

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

7. Earnings per share

	2014 Cents per share	2013 Cents per share
Basic earnings per share	11.6	9.4
Diluted earnings per share	11.6	9.4

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2014 \$'000	2013 \$'000
Net profit	9,078	7,338
Earnings used in the calculation of basic EPS	9,078	7,338

	2014 No. '000	2013 No. '000
Weighted average number of ordinary shares for the purposes of basic EPS	78,131	78,470

8. Trade and other receivables

	2014 \$'000	2013 \$'000
Amount owing by related entities (non-current assets)	8,260	11,815
Sundry debtors (current assets)	2,064	154
Deferred consideration (current asset) ⁽ⁱ⁾	680	1,321
	11,004	13,290

⁽ⁱ⁾ Deferred consideration relates to the sale of Mortgageport in the previous financial year. Centuria has a first ranking registered mortgage over all of the shares in the Mortgageport business.

Except for the deferred consideration, the Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

9. Financial assets

	2014 \$'000	2013 \$'000
Financial assets at fair value through profit and loss		
Unit trusts (current asset)	17	18
Unit trusts (related party) (current asset)	268	3,136
	285	3,154
Residential Mortgages		
- at cost ⁽ⁱ⁾	157,191	172,740
- at fair value attributable to interest rate risk ⁽ⁱ⁾	13,130	13,108
	170,321	185,848

⁽ⁱ⁾ Whilst some mortgages are likely to be repaid during the next 12 months, Centuria does not control the repayment date and accordingly all amounts are treated as non-current.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

10. Investment in associates

	2014 \$'000	2013 \$'000
Centuria Direct Property Trust ⁽ⁱ⁾	668	668
	668	668

- (i) The Group has a combined 44% investment in Centuria Direct Property Trust (DPT), an unlisted property trust which is a non-current asset. Although the Group holds a 44% investment in DPT, it does not control the voting rights. CCL accounts for its direct investment in DPT as an Investment in an Associate and equity accounts for CCL's 5% interest. The 16% interest held by the Income Accumulation Fund and the 23% held by the Growth Bond Fund are accounted for at fair value.

Reconciliation of movement in investments accounted for using the equity method

	2014 \$'000	2013 \$'000
Balance at 1 July	668	686
Share of profit for the year	-	55
	668	741
Dividends	-	(73)
Balance at 30 June	668	668

Summarised financial information in respect of the Group's associates is set out below:

Financial position:

	2014 \$'000	2013 \$'000
Total assets	14,917	14,940
Total liabilities	(2,940)	(2,963)
Net assets	11,977	11,977
Group's share of associates' net assets	668	668

Financial performance:

	2014 \$'000	2013 \$'000
Total revenue	560	2,115
Total profit for the year	-	981
Group's share of associates' profit	-	55

Distributions received from associates

There were no distributions received in the current year from DPT (2013: \$73,000).

Investment in associates are non-current assets.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

11. Plant and equipment

	2014 \$'000	2013 \$'000
Gross carrying amount		
Balance at beginning of financial year	2,917	2,703
Additions	1,567	214
Disposals	(1,191)	-
Balance at end of financial year	3,293	2,917
Accumulated depreciation		
Balance at beginning of financial year	(2,189)	(1,940)
Disposals	324	-
Depreciation expense	(397)	(249)
Balance at end of financial year	(2,262)	(2,189)
Net book value	1,031	728

Plant and equipment are non-current assets.

12. Intangible assets

	2014 \$'000	2013 \$'000
Goodwill (non-current asset)	53,025	53,025
Other intangible assets (non-current asset)	-	84
	53,025	53,109
Goodwill		
	2014 \$'000	2013 \$'000
Gross amount at beginning of the period	53,025	53,025
Carrying amount at end of the period	53,025	53,025

Goodwill is solely attributable to the Property Funds Management business with recoverability determined by a value in use calculation using profit and loss projections covering a five-year period, with a terminal value determined after 5 years.

The key assumptions used in the value in use calculations for the property funds management cash-generating unit are as follows:

Revenue:	Revenues in 2015 are based on the Board approved budget for FY2015 and are assumed to increase at a rate of 7.5% (2013: 7.5%) per annum for the years 2016-2019. The directors believe this is a prudent and achievable growth rate.
Expenses:	Expenses in 2015 are based on the Board approved budget for FY2015 and are assumed to increase at a rate of 5% (2013: 5%) per annum for the years 2016-2019. Significant investment has already been made to the business infrastructure to accommodate future growth.
Post-tax discount rate:	Discount rates are determined to calculate the present value of future cash flows. A rate of 9.32% (2013: 9.93%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to relevant market data as well as CCL specific inputs.
Terminal growth rate:	Beyond 2019, a growth rate of 3%, in line with long term economic growth, has been applied to determine the terminal value of the asset.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

12. Intangible assets (cont'd)

Sensitivity to changes in assumptions

As at 30 June 2014, the estimated recoverable amount of goodwill relating to the property funds management business exceeded its carrying amount by \$11.5 million (2013: \$6.0 million). The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value:

	Revenue growth rate (average)	Post-tax discount rate:	Expenses growth rate
Assumptions used in value in use calculation	7.50%	9.32%	5.00%
Change required for recoverable amount to equal carrying value	-1.71%	1.35%	1.89%

Intangible assets are non-current assets.

13. Trade and other payables

	2014 \$'000	2013 \$'000
Amount owing to related entities (non-current liability)	-	3,024
Tax payable to Benefit funds	3,418	7,051
Sundry creditors ⁽ⁱ⁾	4,668	6,846
	8,086	16,921

⁽ⁱ⁾ Sundry creditors are non-interest bearing current liabilities, payable on commercial terms of 7 to 60 days.

14. Borrowings

	2014 \$'000	2013 \$'000
NAB working capital facility ⁽ⁱ⁾	12,000	12,000
Residential mortgage bill facilities and notes - secured ⁽ⁱⁱ⁾	114,236	135,298
	126,236	147,298

Terms and conditions relating to the above facilities are:

- ⁽ⁱ⁾ CCL has a financing facility with National Australia Bank (NAB) fully drawn to \$12 million at 30 June 2014. The current facility limit of \$12 million (30 June 2013: \$12 million) is required to be amortised at a rate of \$0.8 million per quarter. The facility maturity date was extended during the period to 31 August 2015. \$3.2 million of the NAB working capital facility is a current liability and the balance of \$8.8m repayable at the maturity date is a non-current liability.
- ⁽ⁱⁱ⁾ The Group has \$114.2 million (30 June 2013: \$135.3m) non-recourse notes on issue to the ANZ Bank secured over the residential mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) maturing on 31 August 2015. The facility limit (\$150 million) is reassessed every 6 months with a view to reducing the facility (and therefore the overall facility cost) in line with the reduction in the residential mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month. During the 12 months to 30 June 2014, \$21.1million surplus funds have been applied against the facility (12 months to 30 June 2013: \$17.4m).

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

14. Borrowings (cont'd)

	2014 \$'000	2013 \$'000
NAB working capital facility:		
Amount used	12,000	12,000
Amount unused	-	-
	<u>12,000</u>	<u>12,000</u>
Residential mortgage bill facilities and notes - secured:		
Amount used	114,236	135,298
Amount unused	35,764	44,702
	<u>150,000</u>	<u>180,000</u>

15. Provisions

	2014 \$'000	2013 \$'000
Provision for annual leave (current liability)	528	495
Provision for long service leave (non-current liability)	657	634
	<u>1,185</u>	<u>1,129</u>

16. Other liabilities

	2014 \$'000	2013 \$'000
Accruals (current liability)	1,082	678
	<u>1,082</u>	<u>678</u>

17. Derivative financial liabilities

	2014 \$'000	2013 \$'000
Interest rate swaps at fair value	14,967	20,141

As at 30 June 2014, interest rate swaps at fair value of \$0.9m (2013: \$0.9m) are current liabilities and \$14.1m (2013: \$19.2m) are non-current liabilities.

Refer to Note 25 for details on exposure to interest rates and credit risk.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

18. Policyholders' funds

(i) Movement in policyholder's funds

	2014	2013
	\$'000	\$'000
Bonus Rated Benefit Funds (with Discretionary Participation Features)		
Opening balance	358,234	388,141
Movement in seed capital	-	3,100
Applications received	4,334	6,156
Redemptions paid	(38,703)	(42,662)
Current period income	4,751	3,499
Closing balance	328,616	358,234
Unitised Benefit Funds (non Discretionary Participation Features)		
Opening balance	77,077	76,829
Applications received	3,238	3,416
Redemptions paid	(7,822)	(11,196)
Current period income	8,168	8,028
Closing balance	80,661	77,077
Total policyholders' funds	409,277	435,311

Under Australian Accounting Standards, the income, expenses, assets and liabilities of the Benefit Funds are included in the Group's statement of comprehensive income, statement of financial position and statement of cash flows. The shareholders of the Group have no rights over the assets and liabilities held in the Benefit Funds. The composition and balances of the assets and liabilities held by the Benefit Funds are as follows:

(ii) Assets and Liabilities

	2014	2013
	\$'000	\$'000
Assets and Liabilities		
Assets relating to Benefit Fund policyholders are as follows:		
Cash	38,285	14,652
Trade and other receivables	638	2,086
Financial assets at fair value	368,897	411,176
Income tax receivable	3,418	7,051
Deferred tax assets	-	494
	411,238	435,459
Liabilities relating to Benefit Fund policyholders are as follows:		
Trade and other payables	89	59
Policyholders' funds ⁽ⁱ⁾	409,277	435,311
Deferred tax liabilities	1,872	89
Total liabilities	411,238	435,459

⁽ⁱ⁾ Included within policyholders' funds at 30 June 2014 is \$17.8 million (2013: \$17.6 million) of reserves of which \$5.8 million (2013: \$5.8 million) is seed capital repayable to Centuria Life Limited.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

18. Policyholders' funds (cont'd)

(iii) Commercial Mortgage loans

The ageing of the commercial mortgage loans in the Benefit Funds (i.e. not on the CCL balance sheet) is as follows:

	2014 \$'000	2013 \$'000
<u>Ageing of past due</u>		
1 - 60 days	-	-
60 - 120 days	-	-
120 + days	9,239	10,149
Total	9,239	10,149

The directors believe that all mortgage loan balances are carried at fair value.

(iv) Guarantees to Benefit Fund policyholders

Centuria Life Limited (CLL) provides a guarantee to policyholders of two of its Benefit Funds, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Fund as follows: "If, when CLL, in right of the Bonds, is required under the Bond rules to pay Policy Benefits to a Policy Owner as a consequence of the termination of the Bond or the Maturity or Surrender of a Policy, and CLL determines that the sums to be paid to the Policy Owner from the Bonds shall be less than the amounts standing to the credit of the relevant Accumulation Account Balance, (or in the case of a partial surrender, the relevant proportion of the Accumulation Account Balance), CLL guarantees to take all action within its control, including making payment from its Management Fund to the Policy Owner to ensure that the total sums received by the Policy Owner as a consequence of the termination, Maturity or Surrender equal the relevant Accumulation Account Balance, (or) in the case of a partial surrender, the relevant proportion thereof."

No provision has been raised in respect of these guarantees at this time for the following reasons:

- The funds follow an investment strategy that is appropriate for the liabilities of the fund. The Fund cannot alter their investment strategy without the approval of the members and APRA, following a report from the Appointed Actuary;
- The funds must meet the Capital Adequacy standards of APRA which results in additional reserves being held within the funds to enable the funds to withstand a "shock" in the market value of assets. If the Funds can withstand a shock in asset values and still meet their liabilities from their own reserves, then this further reduces the likelihood of the Funds calling on the guarantee provided;
- The guarantee of benefits requires CCL to inject funds where reserves are insufficient; and
- CLL also continues to meet the ongoing capital requirements set by APRA, taking into account any transitional relief as outlined in note 2.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

19. Issued capital

(a) Shares on issue

	2014		2013	
	No. of Shares	\$'000	No. of Shares	\$'000
Balance at beginning of financial year	78,130,764	88,634	81,841,118	90,276
Employee share scheme	-	533	-	37
Executive share issue	-	-	500,000	332
Share buy-back/shares cancelled	-	-	(4,210,354)	(2,011)
Balance at end of financial year	78,130,764	89,167	78,130,764	88,634

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Unless otherwise stated, ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Cash flow hedge reserve

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	(381)	(667)
Gain recognised on cash flow hedges:		
- Interest rate swaps	490	408
Income tax related to gains recognised in other comprehensive	(147)	(122)
Balance at end of financial year	(38)	(381)

The cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective as cash flow hedges.

(c) Share-based payment reserve

	\$'000	\$'000
Balance at beginning of financial year	-	-
Share based payment	164	-
Balance at end of financial year	164	-

(d) Profits reserve

The share-based incentive reserve is used to record the value of share-based payments provided to employees, including the CEO, as part of their remuneration.

(d) Profits reserve

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	6,390	-
Transfer from retained earnings	9,078	7,338
Dividends paid (note 20)	(977)	(970)
Distributions received	-	22
Balance at end of financial year	14,491	6,390

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

19. Issued capital (cont'd)

(e) Retained earnings

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	767	767
Net profit attributable to shareholders	9,078	7,338
Transfer to profits reserve	(9,078)	(7,338)
Balance at end of financial year	767	767

20. Dividends paid

	2014		2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Interim dividend:				
Fully franked to 100%	1.25 ⁽ⁱ⁾	(977)	1.25 ⁽ⁱⁱ⁾	(970)
	1.25	(977)	1.25	(970)

- (i) CCL declared an interim dividend of 1.25 cents fully franked to 100% with a record date of 6 March 2014 which was paid on 27 March 2014.
- (ii) CCL declared an interim dividend of 1.25 cents fully franked to 100% with a record date of 9 March 2013 which was paid on 30 March 2013.

Franking credits available at 30% (2013: 30%) are:

- Balance as at 1 July
- Increase in franking credits during the financial year

Franking account balance at end of financial year

2014 \$'000	2013 \$'000
5,112	1,070
141	4,042
5,253	5,112

21. Commitments and contingencies

Operating leases

During the current year, the Group entered into a new commercial lease for its Sydney head office premises with a term of 5 years. The Group also has a commercial lease for its Melbourne office with a term of 1 year remaining as at year end.

Future minimum rentals payable under operating leases are as follows:

	2014 \$'000	2013 \$'000
Not longer than 1 year	663	236
Longer than 1 year and not longer than 5 years	2,425	107
	3,088	343

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

22. Remuneration of auditors

	2014 \$'000	2013 \$'000
KPMG		
Audit and review of the financial report	327	294
Other advisory services	75	15
Taxation services	168	173
	570	482

23. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed below:

Name of subsidiary	Country of incorporation	Ownership interest	
		2014 %	2013 %
Centuria Capital Limited	Australia	100%	100%
Over Fifty Capital Pty Ltd	Australia	100%	100%
Centuria Life Limited	Australia	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	Australia	100%	100%
Over Fifty Insurance Pty Ltd	Australia	100%	100%
Over Fifty Investments Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 2 "Dominion"	Australia	100%	100%
Over Fifty Funds Management Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 3 Chisholm	Australia	100%	100%
National Leisure Trust	Australia	100%	100%
OFM Bluegums Leisure Trust	Australia	100%	100%
OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd)	Australia	100%	100%
Senex Warehouse Trust No. 1	Australia	100%	100%
Centuria Property Funds Limited	Australia	100%	100%
Over Fifty Financial Planning Pty Ltd	Australia	100%	100%
Centuria Strategic Property Limited	Australia	100%	100%
Centuria Investment Holdings Pty Limited	Australia	100%	100%
Centuria Investment Management Services Pty Ltd	Australia	100%	100%
Centuria Investment Services Pty Limited	Australia	100%	100%
Centuria Property Services Pty Limited	Australia	100%	100%
Centuria SPC West Gosford Pty Ltd	Australia	100%	100%
Centuria SPV Pty Limited	Australia	100%	100%
Centuria Bulky Goods SPV Pty Limited	Australia	100%	100%
Centuria 4-8 Woodville Street Pty Limited	Australia	100%	100%
Centuria 100 Bennelong Road Pty Limited	Australia	100%	100%
Centuria 924 Pacific Highway Pty Limited	Australia	100%	100%
Centuria 110 Pacific Highway Pty Limited	Australia	100%	100%
Centuria 519 Cross Keys Road Pty Limited	Australia	100%	100%
Centuria Opportunity Fund 2 Pty Limited	Australia	100%	100%
Centuria 601 Bourke Street Pty Limited	Australia	100%	100%
Centuria 339 Military Road Pty Ltd	Australia	100%	100%
Centuria DPF Pty Ltd	Australia	100%	100%
Centuria Employee Share Fund Pty Ltd	Australia	100%	100%
Strategic Property Holdings Pty Ltd	Australia	100%	100%
Strategic Property Holdings No3 Pty Limited	Australia	100%	100%
Strategic Property Holdings No. 5 Pty Ltd	Australia	100%	100%
Strategic Property Holdings No. 7 Pty Limited	Australia	100%	100%
30A Nominees Pty Ltd	Australia	100%	100%

Details of interests in associates are disclosed in Note 10 to the financial statements.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

23. Related party transactions (cont'd)

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 28 to the financial statements.

(ii) Key management personnel equity holdings

Fully paid ordinary shares

	Balance at 1 July 2013	Shares Purchased / Issued as part of remuneration	Shares Sold	Balance at 30 June 2014
	No.	No.	No.	No.
2014				
R.W. Dobson	803,047	194,681	-	997,728
P.J. Done	324,261	75,739	-	400,000
J.R. Slater	1,100,000	302,297	-	1,402,297
J.E. McBain	4,538,359	51,927	-	4,590,286
J.C. Huljich	2,371,429	16,286	-	2,387,715
N.R. Collishaw	585,000	265,051	-	850,051
M.J. Coy	575,024	8,287	-	583,311
T.D. Reid	46,542	-	-	46,542
D.B. Govey	625,661	89,611	-	715,272
2013				
R.W. Dobson	713,639	89,408	-	803,047
P.J. Done	324,261	-	-	324,261
J.R. Slater	-	1,100,000	-	1,100,000
J.E. McBain	4,472,359	66,000	-	4,538,359
J.C. Huljich	2,189,116	182,313	-	2,371,429
D.K. Gupta	119,808	-	(91,283)	28,525
M.J. Coy	559,024	16,000	-	575,024
T.D. Reid	51,542	-	(5,000)	46,542
D.B. Govey	625,661	-	-	625,661
N.R. Collishaw	-	585,000	-	585,000

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

(iii) Other transactions with key management personnel of the Group

As a matter of Board policy, all transactions with directors and director-related entities are conducted on arms-length commercial or employment terms.

During the financial year, the following transactions occurred between the Company and key management personnel:

- Henry Davis York, a related party of R. Dobson, was paid \$61,939 (2013: \$69,313) for legal consultancy fees.
- Riviera Capital Pty Ltd, a related party of J.R. Slater, was paid \$97,715 (2013: \$128,615) for consultancy services.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

23. Related party transactions (cont'd)

(c) Transactions with other related parties

Aggregate amounts received from related parties:

	2014 \$'000	2013 \$'000
Management fees:		
Centuria Life Limited Benefit Funds	10,311	11,202
Property Trusts managed by Centuria	15,377	14,727
	25,688	25,929

Where a management agreement is in place, management fees are charged to controlled entities in accordance with such agreements.

Terms and conditions of transactions with related parties

Investments in benefit funds held by certain directors are made on the same terms and conditions as all other persons. Directors and director-related entities received the same returns on these investments as other policyholders.

The parent entity and its related entities entered into transactions, which are insignificant in amount, with directors and their director-related entities in their domestic dealings and are made in arm's length transactions at normal market prices and on normal commercial terms. These are:

- receipt of general insurance premiums; and
- payment of general insurance benefits.

CCL pays some expenses on behalf of related entities and receives a reimbursement for these payments. There are no loans on non-market terms between the Centuria Capital Group and the Benefit Funds.

(d) Related party balances

The following balances were outstanding at the end of the financial year between the Group and its other related parties:

- Related party receivables of:
 - \$655,612 in monthly management fees owing from the Benefit Funds,
 - \$1,788,885 in monthly management fees from the Property Trusts managed by Centuria;
 - \$197,540 from Over Fifty Guardian Friendly Society Limited;
 - \$979,051 from Centuria Diversified Property Fund earning 10% p.a.
 - \$50,000 from 339 Military Road Fund earning 10% p.a.
 - \$5,800,000 seed capital investment in the Income Accumulate Fund (present valued to \$4,588,392 at 30 June 2014).

Amounts owing by related entities at balance date are set out in Note 8 and amounts owing to related entities at balance date are set out in Note 13.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

23. Related party transactions (cont'd)

(d) Related party balances (cont'd)

- Financial assets carried at fair value through profit or loss:
 - 141,531 units in Centuria Opportunity Fund 2 representing 0.69% of units on issue;
 - 92,398 units in Centuria Diversified Property Fund, representing 0.11% of units on issue;
 - 38,392 units in Centuria Office Fund No. 2, representing 0.5% of units on issue;
 - 2,510 units in Centuria Diversified Direct Property Fund, representing 0.01% of units on issue;
 - 1,485 units in Centuria 2 Lincoln Street Fund, representing 0.01% of units on issue.

The Benefit Funds have the following investments in Property Trusts managed by Centuria:

- Australian Property and Mortgage Bond Fund holds:
 - 458,635 units in 8 Australia Avenue Fund representing 2.42% of units on issue.
 - 30,916 units in Centuria 10 Spring Street Fund representing 0.01% of units on issue.
- Centuria Growth Bond Fund holds:
 - 1,000,000 units in Centuria 8 Australia Avenue Fund representing 5.27% of units on issue.
 - 9,843,702 units in Centuria Direct Property Fund representing 22.74% of total units.
 - 11,119,259 units in Centuria Diversified Property Fund representing 13.43% of units on issue.
 - 3,113,000 units in Centuria 131-139 Grenfell Street Fund representing 28.92% of units on issue.
- Centuria Income Accumulation Fund:
 - Holds 6,914,484 units in Centuria Direct Property Fund representing 15.98% of total units.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

24. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

		2014 \$'000	2013 \$'000
Cash and cash equivalents		51,400	23,937
Attributable to shareholders		13,115	9,285
Attributable to Benefit Fund policyholders	18	38,285	14,652
Total		51,400	23,937

Under AASB 107 *Statement of Cash Flows*, the income, expenses, assets and liabilities of the Benefit Funds are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the Benefit Funds' cash is included in the Group's assets with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the Benefit Funds. Included in cash and cash equivalents attributable to shareholders is an amount held by Centuria Life Limited and Senex Warehouse Trust No.1 which is not readily available for use of \$8.6 million (2013: \$8.0 million).

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2014 \$'000	2013 \$'000
Profit for the year	9,078	7,338
Depreciation and amortisation	481	576
Movement in provision for doubtful debts	(1,171)	(5,174)
Bad debts written off	-	(11,701)
Share-based payment expense	164	-
Unrealised income	-	11,684
Share of gain in associate	-	(57)
Fair value loss on receivables	-	(805)
Fair value (gain)/loss on derivatives	(4,860)	-
Amortisation of borrowing costs	-	(375)
Decrease in deferred income tax assets	(2,824)	(3,244)
Increase/(decrease) in tax provision	2,419	(13,728)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade receivables	(1,115)	(1,913)
Prepayments	(39)	408
Increase/(decrease) in liabilities:		
Trade and other liabilities	5,581	11,152
Provisions	(56)	84
Decrease in policyholder liability	(27,327)	(29,821)
Net cash flows used in operating activities	(19,669)	(35,576)

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments

The CCL consolidated results comprise the assets and liabilities of both the CCL group and the Benefit Funds. The shareholders of CCL are subject only to the risks and rewards of assets and liabilities in CCL and not those of the assets and liabilities held in the Benefit Funds which are required to be aggregated in the financial report as prescribed by AASB 1038 *Life Insurance Contracts*. Therefore this note only addresses the financial assets and financial liabilities held directly on CCL's statement of financial position and not those assets and liabilities held by the benefit funds (as detailed in Note 18).

The only risk to the shareholders of CCL in respect to the Benefit Funds is limited to capital reserving. Centuria Life Limited (CLL), being a subsidiary of CCL, acts in the capacity of manager for two capital guaranteed benefit funds as described in Note 18 (iv). To mitigate the risk of these guarantees being called upon, the Benefit Funds set aside prescribed reserving which is determined upon a "1 in 400 year event" stress testing scenario. The reserving calculations are verified by an independent actuary appointed by CLL. The Benefit Funds at 30 June 2014 have set aside the requisite reserving as determined by the investment profile of the two respective funds. If the required reserving under the "Capital Adequacy Test" increases, in addition to the Benefit Funds assets, CLL would be required to inject additional seed capital. Seed capital is later repaid to CLL when reserving is returned to a normal sustainable level. APRA has provided the Society with temporary transitional relief from LPS 110 (para 25) to the extent of \$12.8 million for the period to 31 December 2014, at which point management and APRA will re-establish future transitional relief requirements based on the profile of the assets within the Funds. The expected recovery of, or future injection of, seed capital into the Society's Benefit Funds is dependent on the underlying performance of the Funds' assets.

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Group.

The Group employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Group.

The Investment & Lending Committee's function is to manage and oversee the Group's investments in accordance with the investment objectives and framework as set down by the Board. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Group's financial performance. These policies may include the use of certain financial derivative instruments.

The Group outsources the investment management of the Benefit Funds to specialist investment managers, who provide services to the Group, co-ordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and the Benefit Funds' product disclosure statements. The Benefit Funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(a) Management of financial instruments (cont'd)

The Group uses interest rate swaps to manage interest rate risk and not for speculative purposes in any situation. Hedging is put in place where the Group is either seeking to minimize or eliminate cash-flow variability, i.e., converting variable rates to fixed rates, or changes in the fair values of underlying assets or liabilities, i.e., to convert fixed rates to variable rates.

Derivative financial instruments of the Benefit Funds, consolidated into the financial statements of the Group under AASB 1038 *Life Insurance Contracts*, are used only for hedging of actual or anticipated exposures relating to investments.

All financial arrangements are backed up by cash or assets (as appropriate) with a fair value at least equal to the notional value of the asset which underlies the financial instrument. The Group does not enter into or trade financial instruments for speculative purposes. The use of financial derivatives in respect of Benefit Funds is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity capital. This overall strategy remains unchanged from the prior year.

The Group's capital structure consists of net debt (borrowings as detailed in Note 14, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings which are all detailed in Note 19).

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of the Centuria Life Limited are regulated by APRA and the Management Fund of the Society has a minimum Prescribed Capital Amount (PCA) that must be maintained at all times. It is calculated monthly and these results are reported to the Board each month. The current level of share capital of the Centuria Life Limited meets the PCA requirements.

In addition, Centuria Property Funds Limited and Centuria Strategic Property Limited have AFSL licences so as to operate registered property trusts. Regulations require these entities to hold a minimum net asset amount which is maintained by way of bank guarantees. Where necessary, the bank guarantees will be increased to ensure the net asset requirement is always met.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and the most appropriate form of funding (capital raising or borrowings) depending on what the funding will be used for.

The capital structure of the Benefit Funds (and management fund) consists of cash and cash equivalents, bill facilities and mortgage assets. The Benefit Funds also hold a range of financial assets for investment purposes including investments in unit trusts, equity and floating rate notes. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

The Benefit Funds have no restrictions or specific capital requirements on the application and redemption of units. The Benefit Fund's overall investment strategy remains unchanged from the prior year.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(c) Fair value of financial instruments

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.
- The valuation technique used to determine the fair value of the Group's residential mortgage loan book is as follows:
 - the weighted average residential mortgage holders' age is 79 years;
 - the future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from public available information released by the government;
 - fixed or variable interest rates charged to borrowers are used to project future cash flows;
 - a redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast; and
 - year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2014 to determine the fair value.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The valuation technique used to determine the fair value of the Fixed For Life interest rate swaps is as follows:
 - the weighted average residential mortgage holders' age is 76 years;
 - the expected future cash flows in relation to the swaps are based on residential mortgage borrowers' expected life expectancy sourced from data released by the government; and the difference between the fixed swap pay rates and forwards rates as of 30 June 2014 is used to calculate the future cash flows in relation to the swaps.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1, 2 and 3 in the period.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(c) Fair value of financial instruments (cont'd)

	Measurement Basis	Fair value Hierarchy	Carrying Amount \$'000	Fair Value \$'000
30 June 2014				
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	13,115	13,115
Trade and other receivables	Amortised cost	Not applicable	11,004	11,004
Financial assets at fair value through profit and loss	Fair value	Level 2	285	285
Other financial assets - residential mortgage loans - at cost	Amortised cost	Not applicable	157,191	185,563
Other financial assets - residential mortgage loans fair value	Fair value	Level 3	13,130	13,130
			194,725	223,096
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	4,392	4,392
Borrowings	Amortised cost	Not applicable	126,236	126,236
Derivative financial liabilities - non fixed-for-life interest rate swaps	Fair value	Level 2	892	892
Derivative financial liabilities - fixed-for-life interest rate swaps	Fair value	Level 3	14,075	14,075
			145,595	145,595
	Measurement Basis	Fair value Hierarchy	Carrying Amount \$'000	Fair Value \$'000
30 June 2013				
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	9,285	9,285
Trade and other receivables	Amortised cost	Not applicable	13,290	13,290
Financial assets at fair value through profit and loss	Fair value	Level 2	3,154	3,154
Other financial assets - residential mortgage loans - at cost	Amortised cost	Not applicable	172,740	234,645
Other financial assets - residential mortgage loans fair value	Fair value	Level 3	13,108	13,108
			211,577	273,482
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	9,933	9,933
Borrowings	Amortised cost	Not applicable	147,298	147,298
Derivative financial liabilities - non fixed-for-life interest rate swaps	Fair value	Level 2	1,818	1,818
Derivative financial liabilities - fixed-for-life interest rate swaps	Fair value	Level 3	18,323	18,323
			177,372	177,372

The Group determines Level 2 fair values for financial assets and liabilities without an active market based on broker quotes.

Level 2 fair values for simple over-the-counter derivatives are also based on broker quotes as well. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty when appropriate.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(c) Fair value of financial instruments (cont'd)

Details of the determination of Level 3 fair value movements the year ended 30 June 2014 are set out as follows:

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Fair value through profit or loss		Total
	Other Financial Assets	Fixed for Life Swaps	
	\$'000	\$'000	\$'000
Balance at 1 July 2013	13,108	(18,323)	(5,215)
Total gains in Profit or Loss			
Attributable to interest rate risk	22	(759)	(737)
Attributable to credit risk ⁽ⁱ⁾	-	5,007	5,007
Balance at 30 June 2014	13,130	(14,075)	(945)

- ⁽ⁱ⁾ In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. The change has resulted in a \$5.007 million decrease in the fair value of financial instrument liabilities. This reduction has been reflected as an "Unrealised gain arising from fair value movements of derivative financial instruments" in the Consolidated statement of profit and loss and other comprehensive income.

Significant assumptions used in determining fair value of financial assets and liabilities

Fixed For Life loans and swaps (FFL)

The objective of 50-year interest rate swap contracts in a hedge relationship is to hedge the exposure to changes in fair value of recognised assets, being Fixed For Life residential mortgage loans, that is attributable to the interest rate risk that could affect profit or loss. This strategy is in accordance with the CCL Treasury Policy.

The fair value of the 50 year residential mortgage loans and 50 years swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 15 years, with the yield curve at 15 years employed as the best proxy for subsequent rates due to non-observable market data.

Mortality rates for males and females have been assumed to be consistent with 2013 Life Tables. Mortality improvements of 3% p.a. are assumed starting at age 70. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100. Joint life mortality is calculated based on last death for loans with joint borrowers. 50% of residential mortgage loan portfolio consists of joint lives.

Adjusting the yield curve by an increase / (decrease) of 100 basis points as at 30 June 2014 would cause the fair value of the 50 year swaps to (decrease) / increase by \$(4,420,192)/\$5,367,085 (2013: (\$7,353,797)/\$6,018,494).

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(c) Fair value of financial instruments (cont'd)

Additionally, the valuations have been calculated with an assumption of deaths (as opposed to early voluntary repayment) of mortgagees during the life of the interest rate swaps. However, the swap agreements provide that in the event of death of a mortgagee there is a nil cost prepayment option.

Accordingly, the assumption on the number of deaths and timing of such deaths will impact the valuation. If the assumption of the death rate was to increase/(decrease) by 10%, the fair value of fixed for life swaps at 30 June 2014 would (decrease)/increase by \$(465,103)/\$567,989 (2013: \$(811,182)/\$1,000,350)).

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised in the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

Credit risk of residential mortgages

Concentration of credit risk in relation to residential mortgage loans is minimal, as each individual residential mortgage loan is secured by an individual residential property. The loan is required to be paid off from the proceeds of disposal of the secured property after the borrower's death.

Individual property valuations are conducted at least every 3 years in accordance with financier's requirements. At 30 June 2014, the highest loan to value ratio (LVR) of a loan in the residential mortgage loan book is 85% (2013: 93%), and there are only 84 out of 1,535 (2013: 64 out of 1,755) residential mortgage loans where the LVR is higher than 50%.

There are no residential mortgage loans that are past due and not impaired.

Credit risk of commercial mortgages

Credit risk on mortgage loans is managed through prudential lending guidelines, appropriate mortgage security arrangements and loan default credit risk insurance, and are reviewed and approved by the risk management committee annually.

Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well-known rating agencies. The exposure of credit risk in respect of financial assets is minimal.

The Group does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2014 or 30 June 2013.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(e) Liquidity risk (cont'd)

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities.

The liquidity risk is managed for the Group at a corporate level. Bank account balances across all entities, current and future commitments, and expected cash inflows are reviewed in detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statements of financial position, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- renegotiate the repayment terms of the borrowings;
- sell assets that are held on the statement of financial position; and/or
- undertake an equity raising.

This, combined with a profitable business going forward, should ensure that the Group continues to meet its commitments, including repayments of borrowings, as and when required.

The Group's overall strategy to liquidity risk management remains unchanged from the prior year.

The following tables summarise the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The policy holders in the Benefit Funds are able to redeem their policies at any time and the Benefit Funds are therefore exposed to the liquidity risk of meeting policyholders' withdrawals at any time. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by policyholders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

	On Demand	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities						
Consolidated						
2014						
Borrowings	-	7,469	21,326	104,677	-	133,472
Other payables	-	4,392	-	-	-	4,392
Total	-	11,861	21,326	104,677	-	137,864
2013						
Borrowings	-	5,355	15,523	133,143	-	154,021
Other payables	-	9,873	-	-	-	9,873
Total	-	15,228	15,523	133,143	-	163,894

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(e) Liquidity risk (cont'd)

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis.

	On Demand \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	Total \$'000
Derivative financial liabilities						
Consolidated						
2014						
Interest rate swaps	-	486	612	-	43,864	44,962
Total	-	486	612	-	43,864	44,962
2013						
Interest rate swaps	-	1,257	1,358	-	44,264	46,879
Total	-	1,257	1,358	-	44,264	46,879

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. Due to the nature of assets held by the Group (excluding the Benefit Funds), there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes. The Group manages the market risk associated with its Benefit Funds by outsourcing its investment management. The Investment Manager manages the financial risks relating to the operations of the Benefit Funds in accordance with an investment mandate set out in the Benefit Funds' constitution and product disclosure statement. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates and lend funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(f) Market risk (cont'd)

Interest rate risk management (cont'd)

The tables below detail the Group's interest bearing financial assets and liabilities.

	Weighted average effective interest rate	Variable rate	Fixed rate	Total
2014	%	\$'000	\$'000	\$'000

Financial Assets

Cash and cash equivalents	2.93%	5,948	7,167	13,115
Mortgage loans	7.73%	128,987	28,204	157,191
Total financial assets		134,935	35,371	170,306

Financial liabilities

Borrowings	5.20%	(126,236)	-	(126,236)
Total financial liabilities		(126,236)	-	(126,236)
Net interest bearing financial (liabilities)/assets		8,699	35,371	44,070

	Weighted average effective interest rate	Variable rate	Fixed rate	Total
2013	%	\$'000	\$'000	\$'000

Financial assets

Cash and cash equivalents	3.38%	4,439	4,846	9,285
Mortgage loans	7.93%	139,855	45,979	185,834
Total financial assets		144,294	50,825	195,119

Financial liabilities

Borrowings	5.29%	(147,298)	-	(147,298)
Total financial liabilities		(147,298)	-	(147,298)
Net interest bearing financial (liabilities)/assets		(3,004)	50,825	47,821

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(f) Market risk (cont'd)

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss except for those designated and effective as cash flow hedges in which case the fair value movements will be recorded in equity.

	Average contracted rate		Notional principal amount		Fair value	
	2014 %	2013 %	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Pay fixed for floating contracts designated as effective in fair value hedge						
50 years swaps contracts ⁽ⁱ⁾	7.48%	7.49%	14,108	15,225	(14,075)	(18,323)
			14,108	15,225	(14,075)	(18,323)
Pay fixed for floating contracts designated as effective in cash flow hedges						
Less than 1 year	6.94%	4.95%	3,574	12,318	(892)	(945)
1 - 2 years	N/A	6.94%	-	3,574	-	(873)
2 - 8 years						-
			3,574	15,892	(892)	(1,818)
			17,682	31,117	(14,967)	(20,141)

The objective of cash flow swaps in a hedge relationship is to match the cash flows obtained from the fixed rate book to the floating funding obligations under the warehouse trust facility. This strategy is in accordance with the CCL Treasury Policy. The hedged item (being floating funding obligation) is expected to impact profit or loss over the next 6 months (2013: two years) following year end where the Group has an interest rate exposure from fixed rate residential mortgages from customers at a fixed rate for eight years of the loan.

The hedged item cash flows are expected to occur at the end of the fixed rate loan as the floating funding obligations and fixed rate residential loan mortgages are compounding.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the parent and the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The following table illustrates the effect on profit after tax and other equity reserves if interest rates had been 1% higher or lower and all other variables were held constant.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

25. Financial instruments (cont'd)

(f) Market risk (cont'd)

	Change in variable	Effect On			
		Profit after tax		Other Reserves	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated					
Interest rate risk	+ 1%	(971)	231	9	107
Consolidated					
Interest rate risk	- 1%	1,285	(231)	(9)	(107)

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analyses above take into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only, and does not take into account the bank bill facility margin changes.

Other price risk

Other price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

26. Subsequent events

On 22 July 2014, Centuria Capital Limited acquired Centuria Capital Private Limited, an entity incorporated in Singapore.

On 22 August 2014, the Board declared a final dividend in respect of the year ended 30 June 2014 of 1.5 cents per share franked to 100%.

27. Operating Segments

The Group has seven reportable segments, as described below, which are the divisions used to report to the Board for the purpose of resource allocation and assessment of performance. The reportable segments are consistent with the prior year reportable segments.

For each of the divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- (a) Centuria Life - management of Benefit Funds.
- (b) Benefit Funds - a range of financial products, including single and multi-premium investments.
- (c) Insurances - general, home and contents, motor vehicle and travel insurance agency.
- (d) Residential Mortgages - provides debt funding secured by first mortgages over residential property.
- (e) Other - Commercial Mortgages, Mortgageport, and Property Investments
- (f) Property Funds Management - Centuria Property Funds Limited and Centuria Strategic Property Limited.
- (g) Corporate.

Information regarding these segments is presented below. The accounting policies of these reportable segments are the same as the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

27. Operating Segments (cont'd)

The following is an analysis of the Group's revenue and results by reportable operating segment for the current year under review:

	Centuria Life	Benefit Funds (i)	Insurance	Residential Mortgages	Property Funds Management	Other	Corporate	CONSOLIDATED
2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Interest, dividends and other investment income	251	-	1	12,852	31	31	180	13,346
Management and establishment fees	10,311	-	-	67	13,551	-	-	23,929
Rent and other (i)	58	3,307	1,232	95,01	1,782	39	18	6,531
Total segment revenue	10,620	3,307	1,233	13,014	15,364	70	198	43,806
Profit/(loss) before tax	5,919	3,307	1,090	7,904	5,043	67	(5,947)	17,383
Income tax (expense)/benefit	(2,478)	(3,307)	(327)	(2,371)	(1,524)	(1)	1,703	(8,305)
Net Profit								9,078

- (i) Net revenue received from the Benefit Funds has been presented as a single line item. See note 3(ii) for further information.

	Centuria Life	Benefit Funds (i)	Insurance	Residential Mortgages	Property Funds Management	Other	Corporate	CONSOLIDATED
2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Interest, dividends and other	357	-	1	14,740	1,689	6	327	17,120
Management and establishment fees	11,202	-	-	71	13,055	-	86	24,414
Rent and other (i)	25	2,533	1,283	65	518	484	292	5,200
Total segment revenue	11,584	2,533	1,284	14,876	15,262	490	705	46,734
Profit/(loss) before tax	6,253	2,533	967	3,293	3,850	498	(6,489)	10,905
Income tax (expense)/benefit	(2,660)	(2,533)	(290)	(988)	(1,232)	2,078	2,058	(3,567)
Net profit								7,338

- (i) Net revenue received from the Benefit Funds has been presented as a single line item.

Notes to the Consolidated Financial Statements

For the financial year ended 30 June 2014

27. Operating Segments (cont'd)

The following is an analysis of the Group's assets and liabilities and other information by reportable operating segment:

2014	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	CONSOLIDATED \$'000
Assets	10,574	411,238	2,107	145,260	18,150	5,890	74,127	667,345
Liabilities	(497)	(411,238)	-	(137,744)	(2,983)	(87)	(10,245)	(562,794)
Carrying value of investments accounted for using the equity method	-	-	-	-	-	-	668	668
Depreciation and amortisation	20	-	-	-	180	-	281	481
Significant other non-cash expenses	-	-	-	-	-	-	-	-
2013	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	CONSOLIDATED \$'000
Assets	10,494	435,459	1,316	199,300	25,034	1,872	43,561	717,036
Liabilities	(585)	(435,459)	-	(163,484)	(8,288)	-	(13,810)	(621,626)
Carrying value of investments accounted for using the equity method	-	-	-	-	-	-	668	668
Depreciation and amortisation of segment assets	-	-	-	-	484	-	115	599
Significant other non-cash expenses	-	8,979	-	-	2,910	(222)	34	11,701

Geographical information

The consolidated entity operates in one geographic region, Australia.

Notes to the consolidated financial statements

For the financial year ended 30 June 2014

28. Key management personnel compensation

Details of key management personnel

- R.W. Dobson (Chairman) appointed 28 November 2007.
- P.J. Done (Non-executive director) appointed 28 November 2007.
- J.R. Slater (Non-executive director) appointed 22 May 2013.
- J.E. McBain (Director, CEO) appointed 4 April 2008 as CEO and Director on 10 July 2006.
- J.C. Huljich (Director, CEO - Property division) appointed 28 November 2007.
- N.R. Collishaw (Director, CEO - Listed Property Trust) appointed 1 May 2013 as CEO – Listed Property Trust and Director on 27 August 2013.
- M.J. Coy (CFO and appointed Company Secretary of CCL on 21 October 2009)
- Mr T.D. Reid (General Manager - Centuria Life Limited and Company Secretary until resignation on 27 May 2014)
- D.B. Govey (Head of Assets) appointed 1 May 2006.

Key management personnel compensation

The aggregate compensation paid to key management personnel of the Group is set out below:

	2014 \$	2013 \$
Short-term employee benefits	3,064,067	2,402,152
Post-employment benefits	153,241	129,804
Share-based payments	164,213	331,500
	<u>3,381,521</u>	<u>2,863,456</u>

Detailed information on key management personnel is included in the Remuneration Report.

29. Share-based payments

Performance Rights and Executive Option Plan

The Company's Performance Rights Plan and Executive Option Plan are described in detail in the Remuneration Report which forms part of this document.

Performance Rights Plan

	Performance Rights Grant date	Number of Performance Rights Granted	EPS Hurdle	Vesting Date
Compensation Performance Rights	10 February 2010	685,308 ⁽ⁱ⁾	No EPS hurdle	1 July 2010
Incentive Performance Rights	30 June 2010	300,000	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	700,000	7.50 cents	30 June 2011
Incentive Performance Rights	30 June 2012	85,000	8.00 cents ⁽ⁱⁱ⁾	31 July 2012
Incentive Performance Rights	29 August 2013	144,310	8.20 cents ⁽ⁱⁱⁱ⁾	29 August 2013

(i) CCL issued 685,308 new shares in July 2010 in respect of the Compensation Performance Rights. All other Incentive Performance Rights issued to date have been satisfied by Treasury shares held by the Centuria Employee Share Trust (the Trust) which were acquired by the Trust as part of the Unmarketable Parcel Selling Plan executed by the Company.

(ii) Based on underlying net profit after tax, the EPS hurdle wasn't met at 30 June 2012; hence only a discretionary 85,000 performance rights were granted.

(iii) Based on underlying net profit after tax, the EPS hurdle was met at 30 June 2013 and 144,310 Incentive Performance Rights vested. A cash bonus equivalent to 685,691 Performance Rights was also issued.

(iv) There are 399,691 performance rights available for potential future issuance by the Nomination and Remuneration Committee.

Notes to the consolidated financial statements**For the financial year ended 30 June 2014****30. Parent entity disclosure**

As at, and throughout the financial year ending 30 June 2014, the parent entity of the Group was Centuria Capital Limited.

Result of parent entity

Income for the period

Total comprehensive income for the year

2014	2013
\$'000	\$'000
1,759	3,917
1,759	3,917

Financial position of parent entity at year end

Total assets

Total liabilities

103,437	100,153
16,123	13,813

Total equity of

Share capital

Share-based incentive reserve

Profits reserve

Retained earnings

Total equity

89,484	89,484
164	(28)
1,759	-
(4,092)	(3,116)
87,315	86,340

CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

Additional stock exchange information as at 19 August 2014 For the financial year ended 30 June 2014

Distribution of holders of ordinary shares

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

Holding less than a marketable parcel

Number of holders	Number of ordinary shares
819	409,417
5,250	12,903,258
912	6,188,448
612	15,196,708
65	43,432,933
7,658	78,130,764
520	172,075

Substantial shareholders

Ordinary shareholders

Number of shares held

RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	7,768,327
RESOLUTE FUNDS MANAGEMENT PTY LTD <HANOVER PROPERTY S/F A/C>	4,197,808

Top 20 Shareholders

	Ordinary Shares	
	Number	Percentage
1 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	7,768,327	9.94%
2 RESOLUTE FUNDS MANAGEMENT PTY LTD <HANOVER PROPERTY S/F A/C>	4,197,808	5.37%
3 HWM (NZ) HOLDINGS LIMITED	3,514,141	4.50%
4 J P MORGAN NOMINEES AUSTRALIA LIMITED	3,223,056	4.13%
5 PARITAI PTY LIMITED <PARITAI A/C>	2,104,076	2.69%
6 NATIONAL EXCHANGE PTY LTD <CORP A/C>	1,401,563	1.79%
7 AVANTEOS INVESTMENTS LIMITED <2412987 SLATER A/C>	1,260,000	1.61%
8 AVANTEOS INVESTMENTS LIMITED <1259738 PARSONS A/C>	1,107,822	1.42%
9 VINTAGE CAPITAL PTY LTD	1,100,000	1.41%
10 AVANTEOS INVESTMENTS LIMITED <1703553 JOHNSON A/C>	1,063,608	1.36%
11 NATIONAL NOMINEES LIMITED	835,394	1.07%
12 STERLING GRACE CAPITAL MANAGEMENT LP	802,550	1.03%
13 STERLING GRACE INTERNATIONAL LLC	802,550	1.03%
14 BRYSHAW MANAGEMENT PTY LTD <BRYSHAW ACCOUNT>	765,051	0.98%
15 VEXDAT PTY LTD <VEXDAT SUPER FUND A/C>	714,390	0.91%
16 AVANTEOS INVESTMENTS LIMITED <2469707 N SLATER A/C>	650,000	0.83%
17 AUST EXECUTOR TRUSTEES LTD <HENROTH PTY LIMITED>	637,533	0.82%
18 PHILIP CAIRNS DIXON + JACQUELINE PATRICIA DIXON + STEPHEN THOMAS WRIGHT<D	550,000	0.70%
19 KOONTA PTY LTD <KOONTA SUPER FUND ACCOUNT>	548,112	0.70%
20 NATIONAL EXCHANGE PTY LTD	500,000	0.64%
	33,545,981	42.94%

Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Corporate Directory

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