Annual Results
30 June 2014

Centrepoint Alliance Limited
ABN 72 052 507 507

FY14 Summary

- Underlying pre-tax profit up 43% to $8.3m, statutory profit up 142%
- Strong performance from Centrepoint Funding
- Centrepoint Wealth repositioned with new strategy and executing well
- Heavily over-subscribed capital raising
- Strong governance and risk management
- Financially strong and improving operating performance
- Resumption of dividends
- Positive outlook with good momentum and client engagement across all business lines

Results highlights

Centrepoint Alliance

Financial	• Underlying profit before tax $8.3m, up 43% • Cost reductions in Centrepoint Wealth offset prior period lost revenue and allowed for investment in new capabilities and systems • Premium Funding loan volumes up 21% to $445m • Strong underlying operating cash flows of $9.5m
Operating	• Single Centrepoint team created • Scale efficiencies continuing in Funding • Wealth service model revamped including new adviser platform • Claims management internalised and claims outcomes improving
Strategic	• Strong progress in developing the Centrepoint brand • Acquired remaining 45% of Associated Advisory Practices • $13.6m in new equity for balance sheet strengthening and growth • New Wealth customer and adviser centric strategy
Regulation	• Professional Standards upgrade and cultural change program implemented • Ongoing monitoring program completed • Regulatory changes (FOFA) implemented without significant impact on revenues to date

Financial summary

Centrepoint Alliance

	FY14	FY13	Change
Underlying PBT	$8.3m	$5.8m	43%
Statutory NPAT	$3.3m	($7.8m)	142%
Total Revenue[1]	$51.7m	$52.6m	(2%)
Total Expenses (ex claims)[1]	$45.5m	$49.2m	(8%)
Cost to Income Ratio	88%	94%	(6%)
Total Assets	$184.8m	$150.2m	23%
Total Equity	$34.5m	$17.2m	101%
Cash & Term Deposits	$21.4m	$9.4m	128%
Underlying PBT EPS (cents)	7.9	6.0	32%
Statutory EPS (cents) (Continuing Operations, Diluted)	3.13	(7.95)	139%

Financial Highlights

- Underlying profit growth from consistently good performances across all teams
- Statutory NPAT up 142% due to strong operational performance combined with lower claims costs
- 6% improvement in Cost to Income ratio. Operational efficiency improvements resulted in an 8% reduction in expenses (ex claims). Further savings were made within claims with the insourcing of claims management
- The financial strength of the Group is strong with cash and term deposits of $21.4m

[1] From Continuing Operations

Centrepoint's vision

Centrepoint Alliance

To be the most respected financial services business in Australia

By:

- Delivering consistent, reliable and valued outcomes for clients and customers
- Having experienced, aligned people who want to deliver the best and who have the resources to deliver
- Having a strong brand and financial performance
- Looking to innovate and find better, simpler solutions for our clients

Attractive markets with strong positions

Centrepoint Alliance

Non-Bank Funding Market

Premium Funding

- $5bn premium funding market growing at a long term avg rate of 5% pa.
- Distributed via General Insurance brokers to SME and corporate customers
- 2 large institutional incumbents, otherwise fragmented market thereafter
- Attractive margins increasing with scale

Mortgage broking and other non-bank funding

- Mortgage broking is a fast growing sector
- A range of product extension opportunities exist

Centrepoint Premium Funding

- c9% market share in premiums funded
- Premiums funded up 21% in FY14
- Profitability increasing with scale
- Well supported by funders
- Experienced and capable management team

Wealth Market

- Australian superannuation market of $1.8 trillion expected to grow at an average of 8% pa over the next 20 years
- The nature of the Australian regulatory, superannuation, welfare and tax environment ensures most Australians would benefit from quality financial advice
- Market controlled by large institutions primarily through acquisition – not service or proposition
- Significant regulatory, customer and technology changes are making customer centric full advice models more achievable
- Attractive margins and scale advantages

Centrepoint Wealth Management

- c8% market share with around one in every two non-institutional advisers associated with Centrepoint
- Largest non-institutional full advice business
- Client-centric wealth management strategy
- Experienced and capable management team

Centrepoint's proposition

Centrepoint Alliance

Funding

Customer

- Quick and easy

Brokers

- Strong relationships, independence
- Consistent, reliable, friendly service and easy to use systems
- Highly profitable

Shareholder

- Loans funded >15% CAGR
- ROE >20%

Centrepoint Group

Customer

- Great experiences
- Quality, reliable outcomes

Clients

- Strong relationships, independence
- Market leading service and solutions
- Highly respected brand
- Financially rewarding

Our People and Shareholders

- Well trained, highly respected team
- Sustainable profit growth >20% pa

Wealth

Customer

- Peace of mind
- Low risk/volatility
- Maximise retirement financial outcomes

Adviser / Accountant

- Strong relationships, independence
- Consistent, reliable, friendly service and easy to use systems
- Highly profitable

Shareholder

- Sustainable profit growth >20% pa

Profit summary

Centrepoint Alliance

Segment	FY14	FY13	Change
Centrepoint Wealth	$6.5m	$6.7m	(3%)
Centrepoint Funding	$5.3m	$3.7m	43%
Corporate	($3.5m)	($4.6m)	24%
Group Underlying PBT	**$8.3m**	**$5.8m**	**43%**
Legacy claims expense	($1.9m)	($10.0m)	
Impairments & amortisation	($0.9m)	($2.0m)	
Restructure & other	($1.2m)	($0.4m)	
Group Statutory PBT	**$4.3m**	**($6.6m)**	**165%**

Summary

- Centrepoint Wealth stabilised and positioned for growth. Prior period lost revenue offset by operational efficiencies in FY14
- Strong performance from Centrepoint Funding, particularly during a period of intense competitor activity in 2H14
- Corporate expenses were further contained as a result of cost savings initiatives
- Claims costs down $8.1m to $1.9m

Centrepoint Funding highlights

Financial	• Underlying PBT up 43% to $5.3m • Premiums funded up 21% to $445m and growing at circa three times market • Premium Funding's east coast sales up 43% YOY • Mortgage broking PBT up 2% to $0.2m
Operating	• Operational efficiencies continued to be gained from prior year IT investment. Further capacity available • Customer experience further improved • Strong credit risk and expense management maintained
Strategy and people	• Strengthened east coast sales team and rebalanced client base • Renewed IBNA and CQIB premium funding agreements • Reweighted business to higher margin small loan size business • Low risk profile maintained • Investment in developing the team continuing

Centrepoint Funding results

Centrepoint Alliance

	FY14	FY13	Change
Revenue	$18.6m	$16.0m	16%
Expenses	($13.3m)	($12.3m)	8%
Underlying PBT	**$5.3m**	**$3.7m**	**43%**
Impairments & amortisation	($0.2m)	($0.1m)	
Statutory PBT	**$5.1m**	**$3.6m**	**43%**

Key metrics –
(Premium Funding unless specified)

	FY14	FY13	Change
Loan volume ($m)	445	368	21%
Active brokers	321	245	31%
Loans	27,168	19,801	37%
Average size ($)	16,370	18,585	(12%)
Bad debts written off (bps)	7.6	12.1	(37%)
Mortgage book ($bn)	4.4	4.5	(2%)

Summary

- Active general insurance brokers up 31% - underpins future growth
- FY14 premiums funded up 21%. Revenue growth at 16% as a result of lower interest rates
- Rebalancing business to higher margin east coast clients
- Improved risk and credit management with lower bad debt write-off ratio

Statutory profit comprises	FY14	FY13
Premium Funding	$4.7m	$3.4m
Australian Loan Company	$0.2m	$0.2m
Inter-segment	$0.2m	$0.0m
	$5.1m	**$3.6m**

Centrepoint Wealth highlights

Centrepoint Alliance

Financial	• Underlying profit flat at $6.5m and statutory PBT up 149% • Prior year revenue reductions offset by operational efficiency program • $6m in annualised savings achieved, partially offset by new investments
Operating	• Significant investment in people, processes and systems funded by operational efficiencies • Successfully re-engaged with advisers • Claims management process transformed • Range of market leading services launched for independent advisers significantly strengthening quality of proposition and service
Strategy and people	• New customer and adviser centric strategy launched • Disposed of non-core assets i.e. Malaysian advice business, GPS, New Zealand advice business • Acquired remaining 45% of Associated Advisory Practices • Launched salaried advice
Regulation	• Completed transformation of professional standards team and processes • Strong relationship with regulators and industry bodies • Ongoing Monitoring Program completed in July 2014 • Regulatory changes (FOFA) implemented without any significant impact on revenues to date

Centrepoint Wealth results

Centrepoint Alliance

	FY14	FY13	Change
Revenue	$32.5m	$35.9m	(10%)
Expenses	($25.9m)	($29.2m)	(11%)
Underlying PBT	**$6.5m**	**$6.7m**	**(3%)**
Legacy claims expense	($1.9m)	($10.0m)	
Impairments & amortisation	($0.8m)	($1.8m)	
Restructure & other	($0.8m)	($1.0m)	
Statutory PBT	**$3.0m**	**($6.1m)**	**149%**

Key Metrics $m

Funds Under Distribution Agt	8,018	7,651	5%
Funds Under Administration	1,788	1,590	12%
Funds Under Management	684	637	7%
Life Policies in Force	141	131	8%

Summary

- Revenue lower due to reduced number of advisers partially offset by favourable markets
- Expense reductions fully factored into 2H14 results with further savings being reinvested
- Significant investment in the team and new capabilities enabling improved retention and future growth
- Growth in FUM/DA/Admin due to increased support for in-house solutions by advisers offset by outflows driven by advisers leaving in 2013

Centrepoint Wealth plan and priorities

Centrepoint Alliance

Stabilise
2013-14

- Implement FOFA (done)
- Re-engage advisers (done)
- Enhance service to advisers (done)
- Minimise legacy claims costs (ongoing)
- Reduce costs and strengthen financial performance (ongoing)
- Ensure consistent quality advice (ongoing) and complete Ongoing Monitoring Program (done)
- Exit non-core activities (done)
- Integrate and simplify Wealth Management businesses (done)
- Align staff remuneration (done)

Position for Growth
2014-15

- Build experienced transformational management team (done)
- Deliver modern investment solution (Sep 14)
- Standardise business systems, processes and collateral (in progress)
- Develop financial analysis and profitability systems (in progress)
- Build SMART Practice solutions (ongoing)
- Launch practice funding and succession planning solutions (done)
- Build culture and team expertise (ongoing)

Grow
2014-15 onwards

- Strengthen brand and grow awareness (ongoing)
- Support practices build high quality sustainable businesses (ongoing)
- Build marketing capabilities
- Grow and recruit quality practices (net adviser growth since April 14)
- Grow salaried advisers (begun July 14)
- Increase adoption of Centrepoint solutions (ongoing)
- Consider inorganic and collaboration opportunities (ongoing)

Corporate

	FY14	FY13	Change
Revenue	$0.4m	$0.1m	300%
Expenses	($3.9m)	($4.7m)	(17%)
Underlying PBT	($3.5m)	($4.6m)	24%
Restructure & other	($0.4m)	$0.5m	(180%)
Statutory PBT	**($3.9m)**	**($4.1m)**	**5%**

Summary

- Revenue is primarily interest income
- Underlying expenses down 17% on reduced use of external professionals
- Expenses include CEO, Finance Team, Board and shareholder costs

Capital management

Centrepoint Alliance

Key initiatives in 2014:

- Strengthen financial position of the group i.e. $13.6m capital raising, ensure all business lines profitable, exit non-core assets, simplify business
- Secure short and longer term funding lines i.e. NAB refinancing, second lender
- Contain and manage risks and legacy liabilities i.e. Advice based claims
- Position the group for long term sustainable growth – organic and inorganic
- Create tax efficiencies i.e. AAP schemes
- Release capital and franking credits i.e. Resume dividend payments and unlock franking credits

Key initiatives for 2015 and onwards:

- Focus on risk adjusted high return business lines
- Lower cost to income ratio, increase free cash flow and potential for future dividends

Debt management

Centrepoint Alliance

- Refinanced nab receivables funding in July 2013 for 18 months
- Significant increase in funding lines to $145m with improved terms, lower capital requirements and margin
- NAB review and refinancing progressing positively
- Second funder negotiations well progressed to enable future Centrepoint Funding growth. Announcement expected in 1H15
- Nil corporate bank debt. Negligible lease and software financing debt
- Net cash, term deposit and corporate debt of $21m at 30 June 2014
- Corporate gearing (excluding receivables financing) nil

Resumption of dividends

- The Board has declared a final dividend for FY14 of 2.2c per share fully franked
- Record date is 26 September 2014 with payment on 15 October 2014
- There is no dividend reinvestment plan given the cash position and financial strength of the Group
- The aim of the dividend policy is to provide shareholders with sustainable and increasing fully franked dividends. The Board's intention is to distribute the maximum amount of annual profits subject to maintaining the capital required to support the growth of the business

Outlook

Centrepoint Alliance

- All business lines expected to continued to perform strongly
- Continue to build brand strength and awareness
- Continued market share growth for premium funding offsetting low or falling general insurance premiums
- Begin to leverage strength of Centrepoint Wealth’s proposition and adviser engagement to grow revenues
- Continue de-risking of the business and building sustainable revenues and margins
- Consider inorganic growth and partnering opportunities
- Work closely with our advisers, business partners, industry associations, ASIC and the Government to continue to improve the quality of advice Australians receive

Appendices

Group balance sheet

Centrepoint Alliance

	FY14	FY13	Change
Cash and Term Deposits	$21.4m	$9.4m	128%
Interest Bearing Receivables	$130.6m	$107.6m	21%
Other Current Assets	$17.2m	$16.7m	3%
Intangible Assets and Goodwill	$6.0m	$6.5m	(8%)
Other Non-current Assets	$9.6m	$10.0m	(4%)
Total Assets	**$184.8m**	**$150.2m**	**23%**
Interest Bearing Liabilities	$95.7m	$71.7m	33%
Other Current Liabilities	$46.5m	$47.9m	(3%)
Non-current Liabilities	$8.1m	$13.4m	(40%)
Total Liabilities	**$150.3m**	**$133.0m**	**13%**
Net Assets	**$34.5m**	**$17.2m**	**101%**

Highlights

- Strong cash position
- Increase in assets due to growth of Premium Funding affecting both Interest Bearing Receivables and Other Current Assets
- Current liabilities increased in line with Premium Funding growth
- Non-current liabilities down in line with claims provisions
- Corporate debt remained insignificant

Cash flows

Centrepoint Alliance

Source and use ($m)	FY14	FY13
Cash flows from operations	$7.5m	$12.5m
Add Underlying PBT cash adjustments	$1.6m	$1.1m
Underlying cash from operations	**$9.1m**	**$13.6m**
Equity raising (net of transaction costs)	$13.5m	0.0
Net change in Premium Funding financing	$1.4m	($5.7m)
Payment of legacy claims	($8.9m)	($11.3m)
Capital expenditure	($2.4m)	($0.4m)
Other net cash movements	$0.9m	($0.5m)
Net underlying cash movement	**$13.6m**	**($4.3m)**

Summary

- Underlying cash flows of $9.1m
- Gearing increased in premium funding to boost return on equity
- Claims payments of $8.9m, 21.4% down on FY13 of $11.3m
- $1.0m software acquisition, $1.0m leasehold improvements and $0.4m furniture & fittings

Legacy claims

Centrepoint Alliance

	FY14	FY13	Change
Opening balance	$20.8m	$22.1m	($1.3m)
Claims provisioning expense during the period	$1.9m	$10.0m	($8.1m)
Claims settlements & fees paid (net of recoveries)	($8.9m)	($11.3m)	$2.4m
Closing balance	**$13.8m**	**$20.8m**	**($7.0m)**

- Legacy claims provision at 30 June 2014 of $13.8m is 34% down from $20.8m in the prior year
- This provision for claims relates to advice given prior to July 2010
- The provision is based on an external actuarial modelling completed in August 2014 based on data to 30 June 2014. The actuarial model does not project claims costs arising from possible class actions
- The number of claims received in 2014 was higher than previously projected and resulted in an increase in the projected number of future claims. This resulted in an additional $0.7m provision. Discount unwind added another $0.6m and other general and specific provisions accounted for $0.4m and $0.2m respectively

Tax benefits

Centrepoint Alliance

	FY14	FY13
Franking account balance as at year end	$28.9m	$28.0m
Ability to fully frank future dividends	$67.4m	$65.3m
Unrecognised Revenue Tax Losses	$48.2m	$49.9m
Unrecognised Capital Tax Losses	$29.1m	$29.1m

Summary

- The company is in a position to begin unlocking its unrecognised (off balance sheet) tax assets
- The company has sufficient franking credits to pay $67m in fully franked dividends
- The company can offset historical tax losses of $48.2m against future taxable profits
- Revenue and capital losses are available indefinitely. The available fraction decreased during the year due to the capital raising (this determines the rate at which losses can be utilised against future profits)
- AAP’s integration increases tax efficiencies

Contact Details:

John de Zwart
Managing Director
Telephone: +61 2 8987 3002
Email: jdezwart@cpal.com.au

Level 6, 2 Elizabeth Plaza
North Sydney NSW 2060

Glenn Toohey
Chief Financial Officer and Company Secretary
Telephone: +61 2 8987 3033
Email: glenn.toohey@cpal.com.au

Level 6, 2 Elizabeth Plaza
North Sydney NSW 2060