

ASX Announcement

21 February 2020

Centrepoint Alliance First Half FY20 Results Strengthened revenue mix, positioned for industry consolidation

1H20 financial results

- Recurring, fee-based revenue from advisers increased 37% to \$4.2m
- Group revenue of \$14.1m, down 12% on 1H19
- Positive EBITDA (excluding legacy claims) during transition period
- Net loss before tax of \$1.2m
- Strong balance sheet with \$7.1m in cash holdings and \$15.5m in net assets

Commentary on results

- Record period for recruitment with 55 new licensed advisers and 10% increase in net adviser numbers
- Lower quality revenue from legacy rebates running off as recurring, fee-based revenue ramps up
- One-off increase in legacy claims expense due to change in AFCA's terms of reference

Chief Executive Officer, Angus Benbow, said Centrepoint Alliance's Strategic Refresh transformation, commenced in August 2018, is progressing according to plan.

"Our Strategic Refresh program has ensured the foundations are in place for a scalable, recurring revenue model with a strong value proposition for advisers."

"After successfully transitioning 86% of advice firms to the new pricing model in FY19, all licensed advisers are now on subscription-based fees. Centrepoint Alliance attracted 55 new advisers to the licence during the first half of FY20 and grew net adviser numbers by 10%."

"Centrepoint Alliance largely anticipated the current transformation of the advice industry and we believe we are well placed to capitalise on this disruption both organically and inorganically."

Centrepoint's priorities for the remainder of the financial year are to:

- Drive organic growth in the licensed and self-licensed networks
- Pursue industry consolidation opportunities
- Continue to refine cost base while transitioning to a recurring fee-based revenue model
- Progress capital management initiatives, leveraging a strong balance sheet

Centrepoint's Appendix 4D and Half Year Report are appended. Authorised by the Board of Directors.

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About Centrepoint Alliance

Centrepoint Alliance (ASX: CAF) is a leading provider of advice and business services to financial advice firms throughout Australia. It offers a complete suite of governance, business management, client growth and advice services that enable advisers to spend more time providing advice to their clients.

Centrepoint is proactively leading the evolution of financial advice business models in Australia. It has introduced a clear fee-based pricing model that will support the provision of more transparent and better financial advice for Australia.

**Partnering
for growth**

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CENTREPOINT ALLIANCE LIMITED

AND ITS CONTROLLED ENTITIES

ABN 72 052 507 507

Appendix 4D

Half year ended 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

In thousands of Australian dollars	1H19		1H20		Variance
Revenues from ordinary activities	\$59,879	to	\$61,325	Up	2%
Profit/(loss) before tax and non-controlling interests	\$1,739	to	(\$1,228)		nm
Profit/(loss) after tax attributable to members	\$133	to	(\$1,521)		nm

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	0.0 cents	0.0 cents
Previous corresponding period	0.0 cents	0.0 cents
Record date for determining entitlements to dividend	N/A	
Payment date of interim dividend	N/A	
Dividend Reinvestment Plan		
Plan active	No	
Discount	N/A	
Pricing period	N/A	
Last DRP election date	N/A	
Net tangible assets per share	31 Dec 2019 7.25 cents	30 June 2019 7.92 cents

Results are extracted from the attached Half Year Financial Report for the six months ended 31 December 2019 which was subject to an independent review.

For explanation and commentary on the results refer to the Directors' Report in the attached Half Year Financial Report.

nm refers to 'not meaningful'



CENTREPOINT ALLIANCE LIMITED

AND ITS CONTROLLED ENTITIES

ABN 72 052 507 507

HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Half Year Financial Report
31 December 2019

Contents

Directors' Report	1
Auditor's Independence Declaration	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Cash Flows	6
Condensed Consolidated Statement of Changes in Equity	7
Notes to the Condensed Consolidated Financial Statements	8
Directors' Declaration	24
Independent Auditor's Review Report	25

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

31 December 2019

The Directors present their report for the half year ended 31 December 2019.

Directors

The Directors of Centrepont Alliance Limited (the 'Company') at any time during or since the end of the half year are:

Alan Fisher (Chairman)

Alexander Beard (Non-Executive Director - appointed 1 January 2020)

Martin Pretty (Non-Executive Director)

Georg Chmiel (Non-Executive Director)

Company Secretary

Debra Anderson (resigned 27 November 2019)

Julian Rockett (appointed 27 November 2019)

Marty Carne

Operating and Financial Review

Principal Activities

Centrepont Alliance Limited (the 'Parent Entity') and its controlled entities (the 'Group') operates in the financial services industry within Australia and provides a range of financial advice and licensee support services (including licensing, systems, compliance, training and technical advice) and investment solutions to financial advisers, accountants and their clients across Australia and lending mortgage aggregation services to mortgage brokers.

Operating Review

The Group embarked on a strategic reset following the appointment of the Chief Executive Officer, Mr Angus Benbow. The Group's Strategic Refresh program, announced in August 2018, proactively positioned Centrepont to operate effectively in the financial advice industry, which is experiencing rapid and significant change. Centrepont is today positioned as a fee-based provider of services to financial advisers, with a transparent service offering designed to help advisers navigate the current complex operating and regulatory environment. Centrepont continues to invest in its digital and people capability to enhance scale and deliver better outcomes for the advice businesses it supports.

Financial Performance

At an industry level, advice licensees are experiencing a sharp decline in legacy product-based rebate payments, triggered by the Royal Commission, and this has impacted Centrepont's earnings during the half year period to 31 December 2019. The Group experienced a decline in rebate revenue of \$2.2m compared to the same period last year, which was anticipated and partially offset by a corresponding increase in fee-based revenue of \$1.0m. The Group is in the second year of a three-year transition program to fully replace rebate revenue with fees charged to financial advisers by December 2021. This will be achieved by growing adviser numbers and gradually increasing fees to advisers. Encouragingly, adviser numbers increased by 10% during the six months to 31 December 2019, from 300 to 329.

Expenses for the half year ended 31 December 2019 increased by \$1.1m compared to the prior comparable period, mostly due to a \$0.6m increase in legacy claims. This is largely attributable to the extension of the period for which complaints can be lodged due to the change to the Australian Financial Complaints Authority (AFCA) rules.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report

31 December 2019

This has resulted in previous 'out of time' complaints known to Centrepont being re-lodged due to the AFCA extension rules.

Overall, the Group delivered a net loss before tax of \$1.2m for the half year period (net profit before tax of \$1.7m for the prior comparative period), principally as a result of industry-wide rebate run-off (partially offset by growth in fee-based revenue) as well as claims expenses attributable to AFCA changes.

The Group has net assets at 31 December 2019 of \$15.5m (2019: \$16.9m) and net tangible assets of \$10.8m (2019: \$11.8m) representing net tangible assets per share of 7.25 cents (2019: 7.92 cents).

The Group held \$7.1m in cash and cash equivalents as at 31 December 2019 (2019: \$7.9m). Cash used in continuing operations was \$0.4m (2019: \$3.2m), \$0.9m was paid out in claims (2019: \$4.5m), \$0.2m for acquisition of software (2019: \$1.3m) and \$0.75m was received for semi-annual loan repayment from ALD (2019: \$1.2m).

Dividends

No dividends were paid during the half year ended 31 December 2019.

Events Subsequent to the Balance Sheet Date

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

Rounding

The Company is a company of the kind referred to in *ASIC Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report are presented in Australian dollars and have been rounded to the nearest thousand dollars, unless otherwise stated.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



A. D. Fisher
Chairman

21 February 2020



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

21 February 2020

Dear Board Members

Centrepont Alliance Limited

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

As lead audit partner for the review of the financial statements of Centrepont Alliance Limited for the financial half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Jonathon Corbett
Partner
Chartered Accountants

Sydney, 21 February 2020

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue			
Revenue from contracts with customers	4(a)	61,325	59,879
Contractual payments to advisers	4(a)	(47,426)	(44,079)
Gross profit from contracts with customers		13,899	15,800
Interest income	4(b)	245	278
Other revenue	4(c)	3	12
Gross Profit		14,147	16,090
Expenses			
Employee related expenses		(9,325)	(9,318)
Marketing and promotion		(300)	(200)
Travel and accommodation		(326)	(331)
Property costs	8(c)	(19)	(234)
Low value and variable costs related to property & equipment	8(c)	(359)	(357)
Subscriptions & licences		(748)	(807)
Professional services		(1,376)	(933)
Client claims		(686)	(118)
IT and communication expenses		(198)	(385)
Depreciation and amortisation	8(b)	(633)	(404)
Impairment expenses		(203)	(74)
Finance costs	8(a)	(22)	(15)
Other general and administrative expenses	5	(1,180)	(1,175)
		(15,375)	(14,351)
(Loss)/profit before tax		(1,228)	1,739
Income tax expense		(293)	(1,606)
Net (loss)/profit after tax		(1,521)	133
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value loss on equity investment designated at FVTOCI [^]		-	(600)
Total comprehensive (loss) for the period		(1,521)	(467)
Net (loss)/profit attributable to:			
Owners of the parent		(1,521)	133
Net (loss)/profit for the period		(1,521)	133
Total comprehensive (loss) attributable to:			
Owners of the parent		(1,521)	(467)
Total comprehensive (loss) for the period		(1,521)	(467)
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the parent		Cents	Cents
Basic (loss)/earnings per share	6	(1.02)	0.09
Diluted (loss)/earnings per share	6	(1.02)	0.08

[^] Fair value through other comprehensive income

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

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 \$'000	30 June 2019 \$'000
ASSETS			
Current			
Cash and cash equivalents		7,115	7,917
Trade and other receivables		8,877	9,183
Loan receivables	7	2,792	2,572
Other assets		936	756
Current tax asset		3	-
Total current assets		19,723	20,428
Non-current			
Loan receivables	7	3,095	4,007
Investments		116	116
Other assets		800	886
Property, plant & equipment		429	531
Right-of-use assets	8(d)	1,170	-
Intangible assets and goodwill	9	2,597	2,675
Deferred tax assets	15	2,116	2,409
Total non-current assets		10,323	10,624
TOTAL ASSETS		30,046	31,052
LIABILITIES			
Current			
Trade and other payables		10,013	9,430
Lease liabilities	8(e)	749	-
Lease incentives		-	19
Provisions		2,951	4,221
Total current liabilities		13,713	13,670
Non-current			
Lease liabilities	8(e)	413	-
Provisions		418	502
Total non-current liabilities		831	502
TOTAL LIABILITIES		14,544	14,172
NET ASSETS		15,502	16,880
EQUITY			
Contributed equity	10	34,673	34,673
Reserves	11	12,753	12,610
Accumulated losses		(32,042)	(30,521)
Equity attributable to shareholders		15,384	16,762
Non-controlling interests		118	118
TOTAL EQUITY		15,502	16,880

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
Cash Flows from operating activities		
Cash receipts from customers	68,584	65,254
Cash paid to suppliers and employees	(68,988)	(63,724)
Cash (used in)/provided by operations	(404)	1,530
Restructure costs	-	(533)
Claims and litigation settlements	(936)	(3,787)
Net cash flows used in operating activities	(1,340)	(2,790)
Cash Flows from investing activities		
Interest received	245	278
Repayments on convertible loan	750	-
Proceeds from investments	-	750
Acquisition of intangible assets	(173)	(320)
Acquisition of property, plant & equipment	(12)	(6)
Net cash flows provided by investing activities	810	702
Cash Flows from financing activities		
Repayment of lease liabilities	(260)	-
Finance costs	(12)	-
Net cash flows used in financing activities	(272)	-
Net change in cash and cash equivalents	(802)	(2,088)
Cash and cash equivalents at the beginning of the period	7,917	9,469
Cash and cash equivalents for the period	7,115	7,381

8(a)

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2019

	Ordinary shares	Dividend reserve	Other reserves	Accumulated losses	Total	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	34,673	11,659	951	(30,521)	16,762	118	16,880
Loss for the period	-	-	-	(1,521)	(1,521)	-	(1,521)
Total comprehensive loss for the period	-	-	-	(1,521)	(1,521)	-	(1,521)
Share-based payment	-	-	143	-	143	-	143
Balance at 31 Dec 2019	34,673	11,659	1,094	(32,042)	15,384	118	15,502
Balance at 1 July 2018	34,673	11,659	515	(27,410)	19,437	118	19,555
Restatement on windup of CAESP shares	-	-	-	(551)	(551)	-	(551)
Balance at 1 July 2018 restated	34,673	11,659	515	(27,961)	18,886	118	19,004
Loss for the period	-	-	-	(467)	(467)	-	(467)
Total comprehensive loss for the period	-	-	-	(467)	(467)	-	(467)
Share-based payment	-	-	228	-	228	-	228
Balance at 31 Dec 2018	34,673	11,659	743	(28,428)	18,647	118	18,765

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES

Notes to the Condensed Consolidated Financial Statements

31 December 2019

1. Corporate information

The interim condensed consolidated financial statements of Centrepoint Alliance Limited and its controlled entities (the 'Group') for the half year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 21 February 2020.

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

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

2. Summary of significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the half year ended 31 December 2019 have been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2019.

It is recommended that the half year financial report be considered together with any public announcements made by the Group during the half year ended 31 December 2019 and up to the date of this report in accordance with the continuous disclosure obligations of the Australian Stock Exchange (ASX) Listing Rules.

The half year financial report has been prepared on a historical cost basis, except for certain financial assets that have been measured at fair value.

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

The Company has responded to changes in the regulatory and operating environment where traditional product commissions and platform rebates are reducing by replacing these revenues with new pricing arrangements with adviser firms through a contemporary advice and business service offer. During the period the business transitioned the majority of adviser firms to contracts reflecting the new pricing arrangements. The Group continues the phase-in period for transition to the new pricing arrangement. The Group has prepared cash flow forecasts which indicate that the current cash resources will be sufficient to cover a range of reasonably likely scenarios which consider the reduction in product commissions and platform rebates and the transition to the new pricing arrangements. Based on the Group's cash flow forecast, the Directors believe that the Group will be able to continue as a going concern.

The principle accounting policies adopted are consistent with those of the previous financial year, except for those stated below.

Compliance with International Financial Reporting Standards

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

2. Summary of significant accounting policies (cont.)

New and revised Standards

AASB 16 Leases

2.1 Impact of initial application of AASB 16 Leases

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

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

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

(a) Impact of the new definition of a lease

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

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

(b) Impact on Lessee Accounting

Former operating leases

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

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

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

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

2. Summary of significant accounting policies (cont.)

(b) Impact on Lessee Accounting (cont.)

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

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

(c) Financial impact of initial application of AASB 16

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

AASB16 Lease Standard Application			
Asset Class	Building (\$'000)	Equipment (\$'000)	Total (\$'000)
Depreciation charge on right- of-use assets	278	6	284
Interest expense on lease liabilities	11	1	12
Variable lease payments	179	3	182
Total cash outflows for leases	266	6	272
Carrying amount of right- of-use assets at the end of the half year	1,140	30	1,170

2. Summary of significant accounting policies (cont.)

(c) Financial impact of initial application of AASB 16 (cont.)

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, lessees must present:

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

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

2.2 The Group as a lessee

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

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

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

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

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

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

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

The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2. Summary of significant accounting policies (cont.)

Standards issued but not yet effective

The directors anticipate that the application of any new accounting standards not yet effective will have no material impact on the financial statements.

3. Segment information

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

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

The Groups reportable segments are:

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

The Group operated only in Australia during the half year. A detailed review of these segments is included in the Directors' report. The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group does not currently manage its assets and liabilities on an individual segment basis.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

3. Segment information (cont.)

	Licensee & Advice Services	Funds Management & Administration	Corporate & Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Half year to 31 Dec 2019				
Segment revenue				
<i>Revenue from contracts with customers</i>				
- Authorised representative fees	3,575	-	-	3,575
- Advice revenue	46,227	-	2	46,229
- Product revenue	5,082	5,993	-	11,075
- Virtual services	445	1	-	446
<i>Contractual payments to advisers</i>				
- Advice revenue paid to advisers	(44,337)	-	(2)	(44,339)
- Fees paid to advisers/fund managers	(1,062)	(2,025)	-	(3,087)
Gross profit from contracts with customers	9,930	3,969	-	13,899
<i>Interest income</i>	12	92	141	245
<i>Other revenue</i>	3	-	-	3
Total segment gross profit	9,945	4,061	141	14,147
Segment results				
- Finance costs	(4)	-	(18)	(22)
- Client claims	(686)	-	-	(686)
- Depreciation and amortisation	(495)	(33)	(105)	(633)
- Impairment expenses	(203)	-	-	(203)
- Inter-segment expenses*	(7,763)	(928)	8,691	-
Segment profit/(loss) before tax	25	2,740	(3,993)	(1,228)
Income tax (expense)/benefit	38	-	(331)	(293)
Segment profit/(loss) after tax	63	2,740	(4,324)	(1,521)
Total comprehensive (loss)/income for the period	63	2,740	(4,324)	(1,521)
Addback: Legacy claims expense	662	-	-	662
Segment (loss)/profit before tax (excl legacy claims)	687	2,740	(3,993)	(566)
Statement of Financial Position at 31 Dec 2019				
Total assets	12,070	15,790	2,186	30,046
Total liabilities	(9,809)	(285)	(4,450)	(14,544)
Net assets	2,261	15,505	(2,264)	15,502

*The Inter-segment expenses represent employee related costs and other expenses paid centrally which are allocated to the segments in which they are incurred.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

3. Segment information (cont.)

	Licensee & Advice Services	Funds Management & Administration	Corporate & Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Half year to 31 Dec 2018				
Segment revenue				
<i>Revenue from contracts with customers</i>				
- Authorised representative fees	2,595	-	-	2,595
- Advice revenue	43,810	-	3	43,813
- Product revenue	6,594	6,642	-	13,236
- Virtual services	235	-	-	235
<i>Contractual payments to advisers</i>				
- Advice revenue paid to advisers	(41,575)	-	-	(41,575)
- Fees paid to advisers/fund managers	(365)	(2,139)	-	(2,504)
Gross profit from contracts with customers	11,294	4,503	3	15,800
<i>Interest income</i>	21	137	120	278
<i>Other revenue</i>	12	-	-	12
Total segment gross profit	11,327	4,640	123	16,090
Segment results				
- Interest charges	(11)	-	(4)	(15)
- Client claims	(118)	-	-	(118)
- Depreciation and amortisation	(373)	(16)	(15)	(404)
- Impairment expenses	(74)	-	-	(74)
- Inter-segment expenses*	(8,679)	(1,549)	10,228	-
Segment profit/(loss) before tax	1,509	2,773	(2,543)	1,739
Income tax (expense)/benefit	(1,393)	(2,559)	2,346	(1,606)
Segment profit/(loss) after tax	116	214	(197)	133
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value loss on equity investment designated at FVTOCI	-	-	(600)	(600)
Total comprehensive income/(loss) for the period	116	214	(797)	(467)
Addback: Legacy claims expense	51	-	-	51
Segment profit/(loss) before tax (excluding legacy claims)	1,560	2,773	(3,143)	1,190
Statement of Financial Position at 31 Dec 2018				
Total assets	15,243	5,164	13,712	34,119
Total liabilities	(10,079)	(493)	(4,782)	(15,354)
Net assets	5,164	4,671	8,930	18,765

*The Inter-segment expenses represent employee related costs and other expenses paid centrally which are allocated to the segments in which they are incurred.

4. Revenue

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

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

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

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

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

(b) Interest Income (AASB 9 *Financial instruments*)

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

(c) Other revenue

Other revenue represents other sundry income received by the Group.

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

4. Revenue (cont.)

		Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
Revenue			
Revenue from contracts with customers	4(a)		
- Authorised representative fees		3,575	2,595
- Advice revenue		46,229	43,813
- Products revenue		11,075	13,236
- Virtual services		446	235
Total revenue from contracts with customers		61,325	59,879
Contractual payments to advisers			
- Advice revenue paid to advisers		(44,339)	(41,575)
- Fees paid to advisers/fund managers		(3,087)	(2,504)
Total contractual payments to advisers		(47,426)	(44,079)
Gross profit from contracts with customers		13,899	15,800
Interest income	4(b)	245	278
Other revenue	4(c)		
- Cost recoveries from advisers		-	8
- Other		3	4
Total other revenue		3	12
Gross profit		14,147	16,090

5. Other general and administrative expenses

	Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
Audit fees	326	240
Directors fees and expenses	152	231
Insurances	535	437
Entertainment	27	29
Printing and stationery	30	42
Other expenses	110	196
Total other general and administrative expenses	1,180	1,175

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

6. Earnings per share ('EPS')

The following reflects the income used in the basic and diluted EPS computations:

	Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
a) Profit used in calculating profit per share		
Net (loss)/profit attributable to ordinary equity holders of the Company	(1,521)	133
b) Weighted average number of shares	No. of shares	No. of shares
Weighted average number of ordinary shares	148,882,969	148,882,969
<i>Effect of dilution:</i>		
Performance rights and LTI shares	12,000,000	10,487,500
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution	160,882,969	159,370,469
Basic (loss)/earnings per share	(1.02)	0.09
Diluted (loss)/earnings per share	(1.02)	0.08

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

7. Loan Receivables

	31 Dec 2019 \$'000	30 June 2019 \$'000
Current		
Loan receivables	2,750	2,500
Loan receivables - financial advisers	42	72
Expected credit losses	-	-
Total current loans	2,792	2,572
Non-current		
Loan receivables	2,487	3,399
Loan receivables - financial advisers	680	680
Expected credit losses	(602)	(602)
Convertible loan	530	530
Total non-current loans	3,095	4,007
Total loans	5,887	6,579

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

7. Loan Receivables (cont.)

The Group has \$5.2m invested in ALD (2019: \$5.9m), represented by the current and non-current loan receivables above and incorporates \$1.0m interest bearing loan to Astle (related company of ALD) which will become due on or by 31 December 2021 and \$4.2m ALD interest bearing loan with semi-annual repayments with final payment due by December 2021.

The Group also subscribed to a \$1.2m convertible loan (the 'Note') with R Financial Educators Pty Ltd ('RFE'). At 30 June 2019, the Group had fair valued the carrying value of the Note to \$0.5m. At 31 December 2019 the Group continues to carry the Note at this value. The Note is due for repayment in 2 tranches commencing July 2020, however, the Group has classified the Note as non-current in the event RFE cannot settle on the contractual maturity dates.

8. Leases (Group as a lessee)

a) Finance costs

The table below summarises the finance costs for the Group:

	Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
Bank interest charges	10	15
Interest on lease liabilities	12	-
	22	15

b) Depreciation and amortisation

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

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Property, plant & equipment	349	404
Right-of-use assets	284	-
	633	404

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

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

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

8. Leases (Group as a lessee) (cont.)

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

	Half year to 31 Dec 2019 \$'000	Half year to 31 Dec 2018 \$'000
Depreciation expense on right-of-use assets	284	-
Interest expense on lease liabilities	12	-
Expenses relating to short-term leases	19	-
Expenses relating to low value assets	177	-
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	182	-
	674	-

d) Right-of-use assets

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

	Building \$'000	Equipment \$'000	Total \$'000
Cost			
At 30 June 2019	-	-	-
Additions	1,418	36	1,454
At 31 December 2019	1,418	36	1,454
Accumulated depreciation			
At 30 June 2019	-	-	-
Charge for the period	(278)	(6)	(284)
At 31 December 2019	(278)	(6)	(284)
Carrying amount			
At 31 December 2019	1,140	6,217	1,170

The Group leases include buildings and the average lease term is 3 years (2019: nil).

Approximately two thirds of the leases for property expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. From the adoption date the Group made additions to right-of-use assets of \$1.3m (2019: \$nil).

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

8. Leases (Group as a lessee) (cont.)

e) Lease liabilities

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

	31 Dec 2019 \$'000	30 June 2019 \$'000
Current	749	-
Non-current	413	-
	1,162	-

9. Intangible assets and goodwill

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

	Goodwill \$'000	Software \$'000	Network & Client Lists \$'000	Total \$'000
Half year ended 31 December 2019				
At 1 July 2019 net of accumulated amortisation and impairment	956	1,371	348	2,675
Additions	-	173	-	173
Amortisation	-	(109)	(142)	(251)
At 31 December 2019 net of accumulated amortisation and impairment	956	1,435	206	2,597
At 31 December 2019				
Cost	1,209	1,661	7,787	10,657
Accumulated amortisation and impairment	(253)	(225)	(7,582)	(8,060)
Net carrying value	956	1,436	205	2,597
Half year ended 31 December 2018				
At 1 July 2018 net of accumulated amortisation and impairment	956	75	620	1,651
Additions	-	319	-	319
Amortisation	-	(7)	(264)	(271)
At 31 December 2018 net of accumulated amortisation and impairment	956	387	356	1,699
At 30 June 2019				
Cost	1,209	5,110	10,520	16,839
Accumulated amortisation and impairment	(253)	(3,739)	(10,172)	(14,164)
Net carrying value	956	1,371	348	2,675

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Notes to the Condensed Consolidated Financial Statements
31 December 2019

10. Contributed equity

	Reference	31 Dec 2019 \$'000	30 June 2019 \$'000
Paid up capital			
Ordinary shares	(i)	34,673	34,673
Reserved shares	(ii)	-	-
		34,673	34,673

	Number of shares	31 Dec 2019 \$'000	Number of shares	30 June 2019 \$'000
i) Ordinary shares (issued & fully paid)				
Balance at start of year	148,882,969	34,673	156,932,969	39,108
Movements during the period:				
- cancellation of shares	-	-	(8,050,000)	(4,435)
On issue at the end of the period	148,882,969	34,673	148,882,969	34,673
ii) Reserved shares				
Balance at start of year	-	-	(8,050,000)	(4,435)
Movements during the period:				
- cancellation of shares	-	-	8,050,000	4,435
On issue at the end of the period	-	-	-	-
Total contributed equity	148,882,969	34,673	148,882,969	34,673

11. Reserves

	31 Dec 2019 \$'000	30 June 2019 \$'000
Employee equity benefits reserve	1,094	951
Dividend reserve	11,659	11,659
Total	12,753	12,610

a) Employee equity benefits reserve	31 Dec 2019 \$'000	30 June 2019 \$'000
Balance at start of year	951	515
Value of share based payments provided or which vested during the period	143	436
Balance at the end of the period	1,094	951

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

b) Dividend reserve	31 Dec 2019 \$'000	30 June 2019 \$'000
Balance at start of year	11,659	11,659
Balance at the end of the period	11,659	11,659

The dividend reserve represents profits transferred for payment of potential future dividends.

12. Dividends

Dividends payable are recognised when declared by the Company. The company has not declared any dividends in the period (2018: \$nil).

13. Share based payment plans

12,000,000 performance rights issued in previous financial years have not yet vested. The fair value of the performance rights issued are calculated as at the date of grant using the Monte Carlo Model. This Model takes into account the terms and conditions upon which they were granted and market-based inputs as at the grant date.

14. Contingent liabilities

Client Claims

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

On 18 June 2019 the Australian Securities and Investments Commission (ASIC) announced that it has approved a change to Australian Financial Complaints Authority (AFCA) rules to allow it to investigate certain complaints dating back to 1 January 2008. The Group is unable to reliably estimate the quantum of any such claims and accordingly no specific provision has been made for possible claims. Since June 2019, there have been 14 claims as a result of the AFCA rulings extending the period out from 1 January 2008, specific claims received have been provisioned or paid during the half year.

Adviser Service Fees

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

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

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

Due to the on-going assessment process and time period and availability of records, it is not practicable to provide an estimate of final remediation costs. The program is ongoing, however refund amounts identified up to 21 February 2020 are not material and accordingly, no provision has been recognised in relation to this matter at 31 December 2019. The costs of the program are being expensed as incurred.

15. Deferred tax assets

The Group has deferred tax assets of \$2.1m as at 31 December 2019 (2019: \$2.4m).

There has been a reduction in the deferred tax assets of the Group in the half year which has resulted in a tax expense in the current half year of \$0.3m. The primary driver of the reduction in deferred tax assets is the reduction in the provision for claims. The Group has significant unrecognised tax losses available to utilise against taxable profits generated by the Group.

15. Deferred tax assets (cont.)

The recoverability of the deferred tax assets is dependent upon delivering sufficient future taxable profits. Management has re-forecasted an increase in growth in the core business driven by the contemporary fee model and growth through adviser and practice numbers. These judgements will be re-assessed at each reporting date.

16. Events subsequent to the balance sheet date

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

CENTREPOINT ALLIANCE LIMITED AND ITS CONTROLLED ENTITIES
Directors' Declaration
31 December 2019

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

1. In the opinion of the Directors:

- (a) The interim condensed consolidated financial statements and notes of Centrepoint Alliance Limited for the half year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors:



A. D. Fisher
Chairman

21 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Centrepont Alliance Limited, which comprises the condensed statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Centrepont Alliance Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 24.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Centrepont Alliance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Centrepont Alliance Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett
Partner
Chartered Accountants

Sydney, 21 February 2020