



**CENTURIA CAPITAL LIMITED  
AND CONTROLLED ENTITIES**

**A.B.N. 22 095 454 336**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report together with the consolidated financial statements of the Group comprising Centuria Capital Limited (the 'Company'), and its controlled entities for the financial year ended 30 June 2016 and the auditor's report thereon.

The Company is the head entity of the Centuria Capital Limited Group, its shares are listed on ASX Limited under the code "CNI".

### Directors

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<b>Mr Garry S. Charny</b> , BA. LL.B Chairman Independent Non-Executive Director	<p>Garry was appointed to the Board on 23 February 2016, and appointed as Chairman of the Board on 30 March 2016. Garry is also Chairman of the Nomination and Remuneration Committee and a member of the Audit, Risk Management and Compliance Committee.</p> <p>Garry is the Managing Director and founder of Wolseley Corporate, an Australian corporate advisory and investment house. He has had broad experience in both listed and unlisted companies across a diverse range of sectors including property, retail, technology and media.</p>
<b>Mr Roger W. Dobson</b> , LL.B, LL.M Independent Non-Executive Director	<p>Roger was appointed to the Board in 2007 and was Chairman until his retirement on 30 March 2016. He was also Chairman of the Nomination and Remuneration Committee and a member of the Audit, Risk Management and Compliance Committee.</p>
<b>Mr Peter J. Done</b> , B.Comm, FCA Independent Non-Executive Director	<p>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 Committee. 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.</p>
<b>Mr John R. Slater</b> Dip.FS (FP), F Fin Independent Non-Executive Director	<p>John was appointed to the Board in 2013 having been an adviser to the Centuria Life Friendly Society Investment Committees since 2011.</p> <p>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.</p> <p>In 2008, John founded boutique Financial Advisory firm Riviera Capital and has a wealth of financial services experience.</p> <p>John is also a member of the Audit, Risk Management and Compliance Committee and the Nomination and Remuneration Committee.</p>

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

**Mr John E. McBain**, Dip.  
Urban Valuation  
Chief Executive Officer

John was a founding director and major shareholder in boutique property funds manager Century Funds Management, which was established in 1999 and was acquired by Over Fifty Group in July, 2006. He joined the Over Fifty Group Board on 10 July, 2006 and was appointed Chief Executive Officer in 2008. In 2011 the company was renamed Centuria Capital.

John is also a director of QV Equities Limited, a licensed investment company listed on the ASX.

Prior to forming Century, in 1990 John founded Hanover Group, a specialist property investment consultancy and in 1995 he formed Waltus Investments Australia, a dedicated property fund manager. John formerly held senior positions in a number of property development and property investment companies in Australia, New Zealand and the United Kingdom.

John holds a Diploma in Urban Valuation (University of Auckland).

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**Mr Jason C. Huljich**, B. Comm  
Executive Director

Jason was appointed to the Board in 2007.

As CEO – Unlisted Property Funds, Jason is responsible for providing strategic leadership and ensuring the effective operation and growth of Centuria's unlisted 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 \$125 billion direct property investment industry.

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**Mr Nicholas R. Collishaw**,  
SAFin, FAAPI, FRICS  
Executive Director

Nicholas was appointed CEO – Listed Property Funds at Centuria Property Funds on 1 May, 2013.

Prior to this role, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac (2005-2012), Nicholas was responsible for successfully guiding the business through the GFC and implementing a strategy of sustained growth for the real estate development and investment company. During Nicholas' 30 year career, he has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.

Nicholas is Deputy Chair of the UNSW Built Environment Advisory Council.

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The above named directors held office during the entire financial year and up to the date of this report, unless otherwise noted.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### 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).

Director	Board Meetings		Audit, Risk, Management & Compliance Committee Meetings		Nomination & Remuneration Committee Meetings	
	A	B	A	B	A	B
G. Charny	11	11	1	1	1	1
R. W. Dobson	12	14	2	4	2	2
P. J. Done	21	23	6	6	3	3
J. R. Slater	22	23	6	6	3	3
J. E. McBain	23	23	#	#	#	#
J. C. Huljich	22	23	#	#	#	#
N. R. Collishaw	23	23	#	#	#	#

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

# – Not a member of the committee

### Directors' interests

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

Directors	Number of Fully Paid Ordinary Shares
G. Charny	1,627
P. J. Done	500,000
J. R. Slater	1,700,000
J. E. McBain <sup>(i)</sup>	4,604,549
J. C. Huljich <sup>(i)</sup>	2,342,715
N. R. Collishaw <sup>(i)</sup>	850,051

<sup>(i)</sup> These directors have also been granted Performance Rights as detailed in the Remuneration Report.

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

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### Company secretary

Mr James Lonie was appointed Company Secretary on 14 August 2015. James is a partner in the Sydney office of HWL Ebsworth Lawyers and has extensive financial services experience with a particular focus on:

- funds management including advising on licensing issues;
- general securities/corporate transactions and advice; and
- mergers and acquisitions including off-market takeover bids, schemes, capital reductions and buy-backs and in preparing and negotiating offer, disclosure and shareholder meeting documentation.

James' experience includes addressing regulatory and compliance issues relating to, and documenting transactions and investment vehicles regulated by, the Corporations Act.

James graduated from Sydney University and holds a Bachelor of Arts, a Bachelor of Laws and a Masters of Laws.

Mr Matthew Coy was the previous Company Secretary, appointed on 21 October 2009 and resigned effective 14 August 2015.

### Principal activities

The principal activities of the Group during the financial year were the marketing and management of investment products (including friendly society investment bonds and property investment funds), management of Over Fifty Guardian Friendly Society Limited and management of a reverse mortgage lending portfolio.

There were no significant changes in the nature of the activities of the Group during the financial year.

### Operating and financial review

The Group recorded a consolidated statutory net profit after tax for the year of \$12.1 million (FY15 \$8.6 million). Underlying net profit after tax was \$10.4 million (FY15 \$6.3 million). Underlying net profit after tax is the statutory net profit after tax adjusted for changes in the fair value of financial instruments and significant items of a non-recurring nature.

Reconciliation of Statutory Profit to Underlying Profit	FY16	FY15
	\$ million	\$ million
Statutory Profit after tax	12.123	8.561
Less non-recurring items:		
Unrealised gain on fair value movements in derivatives	5.493	1.148
Impairment charges in relation to seed capital valuations	(2.779)	(1.795)
Accounting gains on sale of non-core assets		5.194
Unrealised profit on non-core investment (net of costs)	0.990	-
Tax impact of the above	(1.998)	(2.266)
Underlying Profit after tax	10.417	6.280

Operational highlights for the year at a divisional level were as follows:

#### **Property Funds Management**

- Underlying net profit after tax of \$11.8 million was up 97% on the prior year (FY15: \$6.0 million). Earnings growth was driven by growth in fee income due to some a number of significant acquisitions and divestments during the year.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

- The following acquisitions were completed during the year;
  - 203 Pacific Highway, St Leonards - acquired in December 2015 as a co-investment between Centuria's unlisted funds and the Centuria Metropolitan REIT for \$86 million.
  - Australian Technology Park, Eveleigh (ATP) – a \$104 million stake in ATP was purchased in April 2016 by an unlisted fund.
- During the year the Group also realised value of its existing portfolio via the following assets sales;
  - 175 Castlereagh Street, Sydney – acquired by an unlisted fund in 2013 for \$56 million, the Group completed the sale of the asset for \$98.0 million in December 2015.
  - 80 Waterloo Road and 16 Byfield Street, North Ryde (“Macquarie Park”) – acquired for \$25.3 million in 2001 & 2002, the Group completed the sale of the assets for \$101 million

### Investment Bonds Division

- The Group's key focus continues to be on growing Funds Under Management (“FUM”) through creating new and innovative products that meet market demand, prudent investment decision making and maintaining informative and regular policyholder communication.
- Underlying net profit after tax of the division was \$2.5 million compared with \$3.4 million for the prior year as a result of newer funds having lower fees than the older capital guaranteed funds.
- The number of primary policy holders under administration continued to steadily increase throughout the year with 85,186 primary policyholders at 30 June 2016 (30 June 2015: 83,814).
- FUM increased modestly during the year – up from \$715.2 million at 30 June 2015 to \$720 million at 30 June 2016.

### Dividends

Dividends paid or declared by the Company during the current financial year were:

Declared and paid during the current financial year	Cents per share	Total amount \$'000	Date paid
Final 2015 dividend	2.75	2,111	18 September 2015
Interim 2016 dividend	2.25	1,724	18 March 2016
<b>Total amount</b>	<b>5.00</b>	<b>3,835</b>	

Subsequent to year end, the following dividend was declared by the directors. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial reports.

Declared after the end of the current financial year	Cents per share	Total amount \$'000	Date payable
Final 2016 dividend	3.00	2,299	14 September 2016

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Events subsequent to the reporting date

### a) Final Dividend

On 18 August 2016, the Company declared a dividend of 3.0 cents per share franked to 100%. The dividend is expected to be paid on 14 September 2016.

### b) Investment in GPT Metro Office Fund

In May 2016, the group announced the acquisition of a 12.6% stake in GPT Metro Office Fund (GMF). On 24 May 2016, the Group's subsidiary Centuria Property Funds Limited (CPFL) in its capacity as responsible entity of the Centuria Metropolitan REIT (CMA) submitted a non-binding proposal to merge CMA and GMF via a trust scheme. This was followed on 16 June 2016 with a takeover bid for GMF via an off market takeover. At the same time the Company entered into a number of agreements, including a Facilitation and Property Rights Deed with the GPT Group. On 1 August 2016, GMF's Independent Board Committee announced its support for a competing offer. Also on 1 August 2016, CMA announced it would not be proceeding with its offer for GMF. As at the date of this report, the Group retains its 12.6% interest in GMF.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2016 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## Likely developments

The Group continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## Environmental regulation

The Group's operations are not subject to any significant environmental regulation.

## Indemnification of officers and auditors

The Company 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.

The Company 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' REPORT FOR THE YEAR ENDED 30 JUNE 2016**

### **Non-audit services**

During the financial year, KPMG, the Group's auditor, has performed services in addition to the audit and review of the financial statements. Details of amounts paid or payable to KPMG are outlined in Note 20 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 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.

### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the year ended 30 June 2016.

### **Rounding of amounts to the nearest thousand dollars**

The Group is an entity of a kind referred to in the "ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191". Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, unless otherwise indicated.



# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report - Audited

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's directors and its senior management for the financial year ended 30 June 2016. 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 Key terms of employment contracts; and
- 7 Director and senior management equity holdings and other transactions.

### 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 G. S. Charny (Independent Chairman) appointed as Independent Director 23 February 2016 and appointed Chairman 30 March 2016.
- Mr R. W. Dobson (Independent Chairman) retired 30 March 2016
- 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 – Unlisted Property Funds and Executive Director)
- Mr. N. R. Collishaw (CEO - Listed Property Funds and Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons in addition to the directors listed above:

- Mr S. W. Holt (Chief Financial Officer), appointed 4 May 2016.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 2 Remuneration policy

The Company 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, the Company must be able to attract, motivate and retain capable individuals. The Company'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.

### 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. 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 the Company's performance for the year in reference to specific Earnings per Share (EPS) hurdles and Key Strategic Goals being met. The Group's remuneration is directly related to the performance of the Group through the linking of short and long-term incentives to these financial measures.

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.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 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.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 5 Remuneration of executive directors and senior management (continued)

#### Structure

In determining the level and make-up of executive remuneration, the CEO and Board have regard to 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
<b>Executive directors</b>		
Mr J. E. McBain	80%	20%
Mr J. C. Huljich	80%	20%
Mr N. R. Collishaw	80%	20%
<b>Senior management</b>		
Mr S. W. Holt	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 Nomination & Remuneration Committee. 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.

#### (b) Variable Remuneration

Under the Company'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.

##### (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.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 5 Remuneration of executive directors and senior management (continued)

At the Board's absolute discretion, employees may be provided with the opportunity to receive an annual, performance-based incentive, either in the form of cash or the issue of shares in the Company, or a combination of both.

During the current financial year, the Company issued Nil (FY15 320,000) ordinary shares to employees in addition to cash bonuses provided to employees.

#### (ii) Long-term incentive (LTI)

The Company has an Executive Incentive Plan ("LTI Plan") which forms a key element of the Company's incentive and retention strategy for senior executives under which Performance Rights ("Rights") are issued.

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.

Rights issued under the LTI Plan are issued in accordance with the thresholds approved at the 2013 AGM.

A summary of the key terms of the Performance Rights are set out below.

Term	Detail
<b>Performance Rights ("Rights")</b>	Each 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 Rights vest and Shares are allocated. 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.
<b>Vesting conditions</b>	The Rights will vest to the extent that the board determines that: <ul style="list-style-type: none"><li>• The Performance Conditions that apply to the Rights were satisfied; and</li><li>• The employee was continuously employed by the Company until the end of the Performance Period.</li></ul>
<b>Vesting date</b>	The date on which the Board determines the extent to which the Performance Conditions are satisfied and the Rights vest.
<b>Performance Conditions</b>	The Performance Conditions set out in the LTI Plan relate to: <ul style="list-style-type: none"><li>• Growth in Earnings Per Share ("EPS hurdle");</li><li>• Growth in property and friendly society funds under management ("Growth in FUM Hurdle"); and</li><li>• Absolute Total Shareholder Return Performance ("Absolute TSR Hurdle").</li></ul>

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### Remuneration Report – Audited (continued)

#### 5 Remuneration of executive directors and senior management (continued)

There have been three tranches of Rights granted under the LTI plan to date:

Tranche	Grant Date	Performance Period
1	1 January 2014	1 July 2013 to 30 June 2016
2	1 February 2015	1 July 2014 to 30 June 2017
3	1 February 2016	1 July 2015 to 30 June 2018

The Performance Conditions and their associated weighting applicable to each tranche is summarised in the following table:

#### **EPS Hurdle**

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (70%)		Tranches 2 and 3 (45%)	
<b>Maximum % or above</b>	12.5% or greater	100%	10% or greater	100%
<b>Between threshold % and maximum %</b>	More than 7.5%, less than 12.5%	Pro-rata between 50% to 100%	More than 6%, less than 10%	Pro-rata between 50% to 100%
			More than 4%, less than 6%	Pro-rata between 25% to 50%
<b>Threshold %</b>	7.5%	50%	4%	25%
<b>Less than the threshold %</b>	Less than 7.5%	0%	Less than 4%	0%

The Board has 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).

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### Remuneration Report – Audited (continued)

#### 5 Remuneration of executive directors and senior management (continued)

##### *Growth in FUM Hurdle*

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (15%)		Tranches 2 and 3 (15%)	
<b>Maximum % or above</b>	25% or greater	100%	18% or greater	100%
<b>Between threshold % and maximum %</b>	More than 15%, less than 25%	Pro-rata between 50% to 100%	More than 14%, less than 18%	Pro-rata between 50% to 100%
			More than 10%, less than 14%	Pro-rata between 25% to 50%
<b>Threshold %</b>	15%	50%	10%	25%
<b>Less than the threshold %</b>	Less than 15%	0%	Less than 10%	0%

##### *Absolute TSR Hurdle*

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (15%)		Tranches 2 and 3 (40%)	
<b>Maximum % or above</b>	18% or greater	100%	18% or greater	100%
<b>Between threshold % and maximum %</b>	More than 12%, less than 18%	Pro-rata between 50% to 100%	More than 15%, less than 18%	Pro-rata between 50% to 100%
			More than 12%, less than 15%	Pro-rata between 25% to 50%
<b>Threshold %</b>	12%	50%	12%	25%
<b>Less than the threshold %</b>	Less than 12%	0%	Less than 12%	0%

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### *Rights Granted*

The following Rights were granted to key management personnel.

Employee	No. of Rights Granted	Vesting Conditions	Fair value at Grant Date
<b>Tranche 1 (grant date of 1 January 2014)</b>			
Mr J.E. McBain	376,903	EPS Hurdle	\$0.73
	80,765	FUM Growth Hurdle	\$0.73
	80,765	Absolute TSR Growth Hurdle	\$0.18
Mr J.C. Huljich	231,837	EPS Hurdle	\$0.73
	49,679	FUM Growth Hurdle	\$0.73
	49,680	Absolute TSR Growth Hurdle	\$0.18
Mr N. R. Collishaw	231,837	EPS Hurdle	\$0.73
	49,679	FUM Growth Hurdle	\$0.73
	49,680	Absolute TSR Growth Hurdle	\$0.18
<b>Total</b>	<b>1,200,825</b>		
<b>Tranche 2 (grant date of 1 February 2015)</b>			
Mr J.E. McBain	216,496	EPS Hurdle	\$0.81
	72,165	FUM Growth Hurdle	\$0.81
	192,441	Absolute TSR Growth Hurdle	\$0.28
Mr J.C. Huljich	135,000	EPS Hurdle	\$0.81
	45,000	FUM Growth Hurdle	\$0.81
	120,000	Absolute TSR Growth Hurdle	\$0.28
Mr N. R. Collishaw	135,000	EPS Hurdle	\$0.81
	45,000	FUM Growth Hurdle	\$0.81
	120,000	Absolute TSR Growth Hurdle	\$0.28
Mr M. J. Coy	60,037	EPS Hurdle	\$0.81
	20,012	FUM Growth Hurdle	\$0.81
	53,366	Absolute TSR Growth Hurdle	\$0.28
Mr D. B. Govey	44,270	EPS Hurdle	\$0.81
	14,757	FUM Growth Hurdle	\$0.81
	39,350	Absolute TSR Growth Hurdle	\$0.28
Other executives	233,564	EPS Hurdle	\$0.81
	77,855	FUM Growth Hurdle	\$0.81
	207,613	Absolute TSR Growth Hurdle	\$0.28
<b>Total</b>	<b>1,831,926</b>		



## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

During the year ended 30 June 2016, the following rights lapsed due to the resignation of the relevant employee:

<b>Tranche 2 – lapsed grants (grant date of 1 February 2015)</b>			
Mr M. J. Coy	60,037	EPS Hurdle	\$0.81
	20,012	FUM Growth Hurdle	\$0.81
	53,366	Absolute TSR Growth Hurdle	\$0.28
Mr D. B. Govey	44,270	EPS Hurdle	\$0.81
	14,757	FUM Growth Hurdle	\$0.81
	39,350	Absolute TSR Growth Hurdle	\$0.28
Other executives	94,143	EPS Hurdle	\$0.81
	31,381	FUM Growth Hurdle	\$0.81
	83,683	Absolute TSR Growth Hurdle	\$0.28
<b>Total</b>	<b>440,999</b>		

<b>Tranche 3 (grant date of 1 February 2016)</b>			
Mr J.E. McBain	216,496	EPS Hurdle	\$0.87
	72,165	FUM Growth Hurdle	\$0.87
	192,441	Absolute TSR Growth Hurdle	\$0.19
Mr J.C. Huljich	135,000	EPS Hurdle	\$0.87
	45,000	FUM Growth Hurdle	\$0.87
	120,000	Absolute TSR Growth Hurdle	\$0.19
Mr N. R. Collishaw	135,000	EPS Hurdle	\$0.87
	45,000	FUM Growth Hurdle	\$0.87
	120,000	Absolute TSR Growth Hurdle	\$0.19
Other executives	317,976	EPS Hurdle	\$0.87
	105,993	FUM Growth Hurdle	\$0.87
	282,645	Absolute TSR Growth Hurdle	\$0.19
<b>Total</b>	<b>1,787,715</b>		

Subject to the Boards' overriding discretion, unvested Rights lapse upon the earliest of ceasing employment, corporate restructuring, 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 7<sup>th</sup> anniversary of the date of the grant.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

### Remuneration Report – Audited (continued)

#### 5 Remuneration of executive directors and senior management (continued)

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 past five years.

#### 5 Year Summary

	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Net profit after tax	12,123	8,561	9,078	7,338	1,967
Share price at start of year	\$0.93	\$0.80	\$0.82	\$0.42	\$0.57
Share price at end of year	\$1.05	\$0.93	\$0.80	\$0.82	\$0.42
Interim dividend	2.25cps	2.0cps	1.25cps	1.25cps	1.25cps
Final dividend	3.00cps	2.75cps	1.50cps	-	-
Basic earnings per share	15.8cps	11.0cps	11.6cps	9.4cps	2.5cps
Diluted earnings per share	15.1cps	10.8cps	11.6cps	9.4cps	2.5cps

#### Remuneration for the year ended 30 June 2016

	Short-term employee benefits			Post employment benefits	Other long-term benefits	Share-based payments	Total
	Salaries	Fees	Bonus	Superannuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$	\$

#### Directors

G. Charny	-	53,308	-	5,064	-	-	58,372
R.W. Dobson	-	113,400	-	10,773	-	-	124,173
P.J. Done	-	129,600	-	12,312	-	-	141,912
J.R. Slater	-	97,200	-	9,005	-	-	106,205
J.E. McBain	621,000	-	375,000	24,000	30,947	257,668	1,308,615
J.C. Huljich	530,692	-	250,000	19,308	17,763	159,857	977,620
N.R. Collishaw <sup>(i)</sup>	530,692	-	110,000	19,308	-	159,857	819,857
Sub-total	1,682,384	393,508	735,000	99,770	48,710	577,382	3,536,754

#### Senior management

S.W. Holt	66,576	-	20,000	3,218	-	-	89,794
Sub-total	66,576	-	20,000	3,218	-	-	89,794
<b>Grand total</b>	<b>1,748,960</b>	<b>393,508</b>	<b>755,000</b>	<b>102,988</b>	<b>48,710</b>	<b>577,382</b>	<b>3,626,548</b>

<sup>(i)</sup> As part of his employment agreement, Mr Collishaw is entitled 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. Mr Collishaw is not currently entitled nor has any remuneration been paid in relation to this incentive.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 5 Remuneration of executive directors and senior management (continued)

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.

#### Remuneration for the year ended 30 June 2015

	Short-term employee benefits			Post employment benefits	Other long-term benefits	Share-based payments	Total
	Salaries	Fees	Bonus	Superannuation	Long Service Leave		
	\$	\$	\$	\$	\$	\$	\$

#### Directors

R.W. Dobson	-	140,000	-	13,300	-	-	153,300
P.J. Done	-	120,000	-	11,400	-	-	131,400
J.R. Slater	-	90,000	-	8,550	-	-	98,550
J.E. McBain	541,199	-	150,000	24,000	11,549	215,387	942,134
J.C. Huljich	490,431	-	100,000	18,783	10,505	133,298	753,018
N.R. Collishaw <sup>(i)</sup>	493,716	-	100,000	18,783	-	133,298	745,797
Sub-total	1,525,346	350,000	350,000	94,817	22,054	481,983	2,824,199

#### Senior management

M.J. Coy <sup>(ii)</sup>	359,967	-	-	18,783	7,137	45,248	431,136
D.B. Govey	321,286	-	30,000	25,000	7,144	19,610	403,040
Sub-total	681,253	-	30,000	43,783	14,282	64,858	834,176

<b>Grand total</b>	<b>2,206,599</b>	<b>350,000</b>	<b>380,000</b>	<b>138,600</b>	<b>36,336</b>	<b>546,841</b>	<b>3,658,376</b>
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<sup>(i)</sup> As part of his employment agreement, Mr Collishaw is entitled 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. Mr Collishaw is not currently entitled nor has any remuneration been paid in relation to this incentive.

<sup>(ii)</sup> Mr Coy was awarded 20,000 shares during the year as a short-term incentive in recognition of the achievement of a strategic objective of the Group to monetise a large portion of the reverse mortgage portfolio. The expense is included in the share-based payment amount disclosed in the table above.

### 6 Key terms of employment contracts

#### CEO

Mr John McBain, was appointed as CEO of the Company in April 2008. He is also an executive director of the Company. 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 the Company's office;
- Eligible to participate in the bonus program determined at the discretion of the Board;
- The Company 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; and
- The Company 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.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

## Remuneration Report – Audited (continued)

### 7 Director and senior management equity holdings and other transactions

#### 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).

#### (a) Director and senior management equity holdings

Set out below are details of movements in fully paid ordinary shares held by directors and senior management as at the date of this report.

Number of shares	Balance at 1 July	Shares Purchased / Issued as Part of Remuneration	Shares Sold	Balance at 30 June
<b>2016</b>				
G. Charny	-	1,627	-	1,627
P.J. Done	500,000	-	-	500,000
J.R. Slater	1,630,000	70,000	-	1,700,000
J.E. McBain	4,600,040	4,509	-	4,604,549
J.C. Huljich	2,342,715	-	-	2,342,715
N.R. Collishaw	850,051	-	-	850,051
<b>2015</b>				
R.W. Dobson	997,728	201,614	-	1,199,342
P.J. Done	400,000	100,000	-	500,000
J.R. Slater	1,402,297	227,703	-	1,630,000
J.E. McBain	4,590,286	9,754	-	4,600,040
J.C. Huljich	2,387,715	-	(45,000)	2,342,715
N.R. Collishaw	850,051	-	-	850,051
M.J. Coy	583,311	37,360	-	620,671
D.B. Govey	715,272	-	-	715,272

#### (b) Transactions with key management personnel

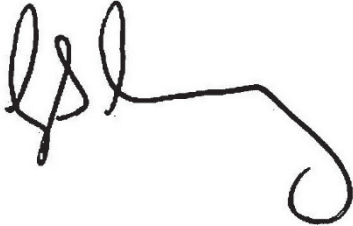
As a matter of Board policy, all transactions with directors and director-related entities are conducted on arms-length commercial or employment terms.

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

- Wolseley Corporate Pty Ltd, a related party of G. Charny, was paid \$88,000 (inclusive of GST) for corporate advisory fees.
- Henry Davis York, a related party of R. Dobson, was paid \$16,374 (inclusive of GST) (2015: \$806,856) for legal consultancy fees.
- Mr J. R. Slater (personally) and Riviera Capital Pty Ltd, a related party of Mr. Slater, were paid a total of \$141,840 (inclusive of GST) (2015: \$141,643) for consultancy services.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

This Director's Report is signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'G. Charny', with a long horizontal stroke extending to the right and ending in a small loop.

**G. Charny**  
Chairman

A handwritten signature in black ink, appearing to be 'P. J. Done', with a large, stylized initial 'P' and 'D'.

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

Sydney  
18 August 2016



***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 2016 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

Nigel Virgo  
*Partner*

Sydney

18 August 2016

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Profit attributable to shareholders</b>			
Revenue	6(a)	46,009	37,201
Gains on sales of non-core assets	6(b)	-	5,194
Unrealised gain arising from fair value movements of derivative financial instruments	23(c)(iv)	5,493	1,148
Expenses		(29,252)	(24,930)
Finance costs	8	(2,707)	(3,890)
Profit before tax attributable to shareholders		19,543	14,723
Income tax expense <sup>(i)</sup>	9(a)	(7,420)	(6,162)
<b>Benefit funds</b>			
Revenue attributable to Benefit Funds <sup>(ii)</sup>	16(a)	20,927	22,015
Expenses attributable to Benefit Funds <sup>(ii)</sup>	16(a)	(19,578)	(20,395)
Income tax expense relating to Benefit Funds <sup>(i), (ii)</sup>	16(a)	(1,349)	(1,620)
Benefit funds contribution to profit, net of tax		-	-
<b>Profit after tax for the period</b>		<b>12,123</b>	<b>8,561</b>
<b>Other comprehensive income:</b>			
Gain on cash flow hedges taken to equity		-	54
Income tax expense on other comprehensive income		-	(16)
Other comprehensive income for the year (net of tax)		-	38
<b>Total comprehensive income for the period</b>		<b>12,123</b>	<b>8,599</b>
<b>Profit attributable to:</b>			
Owners of the Company		12,303	8,566
Non-controlling interests		(180)	(5)
		<b>12,123</b>	<b>8,561</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		12,303	8,604
Non-controlling interests		(180)	(5)
		<b>12,123</b>	<b>8,599</b>
<b>Earnings per share</b>			
From continuing operations:			
Basic (cents per share)	10	15.8	11.0
Diluted (cents per share)	10	15.1	10.8

(i) Total consolidated income tax expense including the benefit funds is \$8.8 million (FY15: \$7.8 million).

(ii) A subsidiary of the Company, Centuria Life Limited (CLL), is a friendly society in accordance with the Life Insurance Act 1995 ("the Act"). The funds operated by CLL, and any trusts controlled by those funds, are treated as statutory funds in accordance with the Act. These statutory funds are required to be consolidated in accordance with accounting standards and are shown separately from shareholder funds in the financial statements.

Notes to the consolidated financial statements are included on pages 27 to 70.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016

		30 June 2016	30 June 2015
	Note	\$'000	\$'000
<b>ASSETS</b>			
Cash and cash equivalents	22(a)	13,157	25,487
Trade and other receivables	11	19,656	8,619
Assets classified as held for sale	21(d)(iii)	-	1,040
Prepayments		1,054	797
Income tax receivable	9(b)	-	1,804
Financial assets at fair value	12	47,194	5,456
Property held for development		35,716	23,011
Reverse mortgages at fair value	12	51,561	43,754
Plant and equipment		863	1,134
Deferred tax assets	9(c)	-	819
Intangible assets	13	53,025	53,025
		<u>222,226</u>	<u>164,945</u>
Assets in respect of benefit fund policy holders	16(b)	353,528	386,401
<b>TOTAL ASSETS</b>		<b><u>575,754</u></b>	<b><u>551,346</u></b>
<b>LIABILITIES</b>			
Trade and other payables	14	9,190	6,343
Provisions		1,155	1,264
Borrowings	15	59,951	20,912
Interest rate swap at fair value	23(c)(iv)	20,778	17,576
Income tax payable	9(b)	985	-
Deferred tax Liability	9(c)	2,500	-
		<u>94,559</u>	<u>46,095</u>
Liabilities in respect of Benefit Funds policy holders	16(b)	353,528	386,401
<b>TOTAL LIABILITIES</b>		<b><u>448,087</u></b>	<b><u>432,496</u></b>
<b>NET ASSETS</b>		<b><u>127,667</u></b>	<b><u>118,851</u></b>
<b>EQUITY</b>			
Contributed equity	17	88,058	88,112
Retained earnings		28,452	19,982
Share-based payment reserve		1,459	784
<b>Equity attributable to equity holders of the Company</b>		<u>117,969</u>	<u>108,878</u>
Non-controlling interests		9,698	9,973
<b>TOTAL EQUITY</b>		<b><u>127,667</u></b>	<b><u>118,851</u></b>

The consolidated financial statements include the financial position of the Benefit Funds of Centuria Life Limited (refer to the footnote on page 23).

Notes to the consolidated financial statements are included on pages 27 to 70.



**CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity	Retained earnings	Cash flow hedge reserve	Share-based payment reserve	Attributable to equity holders of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2014	89,167	14,151	(38)	164	103,444	-	103,444
Profit for the year	-	8,566	-	-	8,566	(5)	8,561
Other comprehensive income for the period	-	-	38	-	38	-	38
<b>Total comprehensive income for the period</b>	-	<b>8,566</b>	<b>38</b>	-	<b>8,604</b>	<b>(5)</b>	<b>8,599</b>
Acquisition of subsidiary with NCI	-	-	-	-	-	9,978	9,978
Share-based payment	-	-	-	620	620	-	620
Employee share scheme	284	-	-	-	284	-	284
Dividends paid	-	(2,735)	-	-	(2,735)	-	(2,735)
Share buy-back/shares cancelled	(1,339)	-	-	-	(1,339)	-	(1,339)
<b>Balance at 30 June 2015</b>	<b>88,112</b>	<b>19,982</b>	-	<b>784</b>	<b>108,878</b>	<b>9,973</b>	<b>118,851</b>
Balance at 1 July 2015	88,112	19,982	-	784	108,878	9,973	118,851
Profit for the year	-	12,303	-	-	12,303	(180)	12,123
<b>Total comprehensive income for the period</b>	-	<b>12,303</b>	-	-	<b>12,303</b>	<b>(180)</b>	<b>12,123</b>
Fund Establishment costs	-	-	-	-	-	(95)	(95)
Share-based payment	-	-	-	675	675	-	675
Employee share scheme	57	-	-	-	57	-	57
Dividends paid	-	(3,833)	-	-	(3,833)	-	(3,833)
Share buy-back/shares cancelled	(111)	-	-	-	(111)	-	(111)
<b>Balance at 30 June 2016</b>	<b>88,058</b>	<b>28,452</b>	-	<b>1,459</b>	<b>117,969</b>	<b>9,698</b>	<b>127,667</b>

Notes to the consolidated financial statements are included on pages 27 to 70.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Management fees received		25,310	29,734
Rent, trust distributions and other income received		1,275	2,392
Payments to suppliers and employees		(21,771)	(25,424)
Interest received		1,089	776
Payments for property held for development		(12,705)	(23,011)
Income tax paid		(3,199)	(6,819)
		<u>(10,001)</u>	<u>(22,352)</u>
Benefit Funds net cash used in operating activities		(35,572)	(27,855)
<b>Net cash used in operating activities</b>	22(b)	<b>(45,573)</b>	<b>(50,207)</b>
<b>Cash flows from investing activities</b>			
Benefit Funds net cash provided by investing activities		90,903	5,408
Payments for plant and equipment		(59)	(539)
Acquisition of investments in managed funds		(38,574)	(6,154)
Net proceeds from sale of insurance subsidiary		-	4,873
		<u>-</u>	<u>4,873</u>
<b>Net cash provided by investing activities</b>		<b>52,270</b>	<b>3,588</b>
<b>Cash flows from financing activities</b>			
Payment for shares (buy-back)/issued		(111)	(1,339)
Collections from reverse mortgage holders		3,446	12,994
Repayment of borrowings (reverse mortgages)		(1,503)	(8,395)
Interest paid on reverse mortgage borrowings		(2,208)	(3,765)
Proceeds from partial sale of reverse mortgage loan portfolio		-	126,566
Repayment of borrowings on sale of reverse mortgages loan portfolio		-	(94,864)
Repayment of borrowings (corporate)		-	(12,000)
Proceeds from borrowings (corporate)		26,750	-
Proceeds from borrowings (development)		13,792	9,609
Proceeds from non-controlling interests		-	9,696
Dividends paid		(3,833)	(2,735)
Financing costs paid on corporate borrowings		(28)	776
		<u>(28)</u>	<u>776</u>
<b>Net cash provided by financing activities</b>		<b>36,304</b>	<b>36,543</b>
Net (decrease)/increase in cash and cash equivalents		43,001	(10,076)
Cash and cash equivalents at the beginning of the financial year		41,324	51,400
		<u>84,325</u>	<u>41,324</u>
Less cash attributable to benefit funds	16(b)	71,168	15,838
Cash and cash equivalents attributable to shareholders at 30 June	22(a)	<b>13,157</b>	<b>25,487</b>

Notes to the consolidated financial statements are included on pages 27 to 70.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 1. General information

Centuria Capital Limited (the 'Company') is a public company listed on the Australian Stock Exchange (trading under the symbol CNI), incorporated and operating in Australia. These consolidated financial statements comprise the Company and its controlled entities (together referred to as the 'Group').

The Company is a for-profit entity and its principal activities are the marketing and management of investment products (including friendly society investment bonds and property investment funds), management of Over Fifty Guardian Friendly Society Limited and management of a reverse mortgage lending portfolio.

The Company is required by AASB 10 *Consolidated Financial Statements* to recognise the assets, liabilities, income, expenses and equity of the Benefit Funds of its subsidiary, Centuria Life Limited (the "Benefit Funds"). The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the shareholders of the Company and the shareholders of the Company have no rights over the assets and liabilities held in the Benefit Funds.

The Company's registered office is Level 39, 100 Miller Street, Sydney NSW 2060.

### 2. Basis of accounting

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). They were authorised for issue by the directors on 18 August 2016.

### 3. Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, financial assets at fair value through profit and loss and other financial assets, which have been measured at fair value at the end of each reporting period. 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 an entity of a kind referred to in the "ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191". Amounts in the consolidated financial statements have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, unless otherwise indicated.

### 4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgements, estimates and 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 estimates are recognised prospectively.

#### (i) 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 13 – Intangible Assets
- Note 23 – Financial Instruments

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 5. Operating Segments

The Group has four reportable segments. These reportable segments are the divisions used to report to the Group's CEO and Board for the purpose of resource allocation and assessment of performance.

The operations of the reportable segments are:

- **Property Funds Management:** management of listed and unlisted property funds through Centuria Property Funds Limited and Centuria Strategic Property Limited.
- **Investment Bonds:** management of the Benefit Funds of Centuria Life Limited and management of the Guardian Over Fifty Friendly Society Limited. The Benefit Funds include a range of financial products, including single and multi-premium investments.
- **Reverse Mortgages:** management of a reverse mortgage lending portfolio.
- **Corporate:** includes returns from investment activities.

The accounting policies of reportable segments are the same as the Group's accounting policies.

Following is an analysis of the Group's revenue and results by reportable segment in a format consistent with that presented to the Group's CEO and Board.

	<b>Property Funds Management</b>	<b>Investment Bonds</b>	<b>Reverse Mortgages</b>	<b>Corporate</b>	<b>Group</b>
<b>Financial year ended 30 June 2016</b>	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>					
Interest, dividends and distribution revenue	101	174	2,318	1,879	4,472
Fee income	29,538	9,513	-	75	39,126
Commissions, other income and gains	78	31	17	2,285	2,411
<b>Total segment revenue</b>	<b>29,716</b>	<b>9,718</b>	<b>2,335</b>	<b>4,239</b>	<b>46,009</b>
Underlying profit before tax	16,911	4,677	(260)	(5,489)	15,839
<b>Underlying profit after tax</b>	<b>11,823</b>	<b>2,516</b>	<b>(182)</b>	<b>(3,740)</b>	<b>10,417</b>
<b>Reconciliation to Statutory Profit after tax</b>					
Unrealised gains of fair value movements in derivatives					5,493
Impairment charges in relation to seed capital valuations					(2,779)
Unrealised gains on non-core investments (net of costs)					990
Tax impact of above					(1,998)
<b>Statutory Profit after tax</b>					<b>12,123</b>
<b>Additional segment information</b>					
Finance costs	(15)	(2)	(1,949)	(741)	(2,707)
Employee benefits expense	(8,966)	(1,418)	(174)	(3,820)	(14,378)
Impairment of related party receivable	-	(2,779)	-	-	(2,779)

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

### 5. Operating Segments (continued)

	Property Funds Management	Investment Bonds	Reverse Mortgages	Insurance	Corporate	Group
Financial year ended 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
Interest, dividends and distribution revenue	139	213	5,194	-	838	6,384
Fee income	20,324	9,856	-	-	-	30,180
Commissions, other income and gains	154	9	402	287	4,979	5,831
<b>Total segment revenue</b>	<b>20,617</b>	<b>10,078</b>	<b>5,596</b>	<b>287</b>	<b>5,817</b>	<b>42,395</b>
Underlying profit before tax	8,774	5,803	777	244	(5,422)	10,176
<b>Underlying profit after tax</b>	<b>5,977</b>	<b>3,420</b>	<b>612</b>	<b>170</b>	<b>(3,899)</b>	<b>6,281</b>

#### Reconciliation to Statutory Profit after tax

Unrealised gains of fair value movements in derivatives	1,148
Impairment charges in relation to seed capital valuations	(1,795)
Accounting gains on sale of non-core assets	5,194
Tax impact of above	(2,266)
<b>Statutory Profit after tax</b>	<b>8,561</b>

#### Additional segment information

Finance costs	(113)	415	(3,662)	48	(578)	(3,890)
Employee benefits expense	(8,360)	(969)	(230)	-	(2,905)	(12,464)
Impairment of related party receivable	-	(2,218)	-	-	-	(2,218)

### 6. Revenue

#### (a) Group revenue (excluding Benefit Funds)

	2016 \$'000	2015 \$'000
Interest revenue - from reverse mortgages	2,300	5,144
Interest revenue - from other sources	1,089	776
Distribution revenue	1,083	464
Management fees from property funds	9,541	9,161
Sales fees	1,143	3,880
Incentive fees	15,813	4,741
Property acquisition fees	3,041	2,542
Management fees from Benefit Funds	9,513	9,856
Unrealised gain on listed investment	2,232	-
Other income	254	637
	<b>46,009</b>	<b>37,201</b>

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### (b) Gains on sale of non-core assets

	2016	2015
	\$'000	\$'000
Gain on sale of Over Fifty Insurance Pty Ltd	-	4,873
Gain on sale of reverse mortgage loan portfolio	-	321
	-	5,194

In October 2014, the Group announced:

- the sale of its subsidiary, Over Fifty Insurance Pty Ltd for \$5.2 million; and
- the sale of a large portion of its reverse mortgage portfolio, releasing \$31.7 million cash to the Group (before transaction costs and taxation). The Group sold its variable rate reverse mortgages with a balance of \$124.4 million and retained a \$27.0 million portfolio of fixed rate reverse mortgages.

### 7. Expenses

	2016	2015
	\$'000	\$'000
Employee benefits	14,378	12,464
Impairment of related party receivable	2,779	2,218
Rental expense (operating leases)	806	760
Depreciation and amortisation	330	341

### 8. Finance costs

	2016	2015
	\$'000	\$'000
Corporate working capital facility	730	473
Reverse mortgage facility	1,949	3,662
Unwinding of discount) on non-current related party receivable	-	(423)
Other finance costs	28	178
	2,707	3,890

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 9. Income taxes

The Company is the head entity of the tax consolidated group, which includes Centuria Life Limited and the Benefit Funds. As a result of tax consolidation, the Company recognises current tax related receivables and corresponding payables from its subsidiaries and the Benefit Funds.

The tax rate used in the reconciliation following 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.

#### (a) Income tax recognised in profit or loss

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	19,543	14,723
Income tax expense calculated at 30%	5,863	4,417
Add/(deduct) tax effect of amounts which are not deductible/(assessable)		
- Non-allowable expenses - seed capital impairment	834	665
- Non-allowable expenses - other	723	1,091
- Adjustments to current tax in relation to prior years	-	(11)
<b>Income tax expense</b>	<b>7,420</b>	<b>6,162</b>
Current tax expense in respect of the current year	4,100	5,444
Adjustments to current tax in relation to prior years	-	(11)
	<b>4,100</b>	<b>5,433</b>
Deferred tax expense relating to the origination and reversal of temporary differences	3,320	729
<b>Income tax expense</b>	<b>7,420</b>	<b>6,162</b>

#### (b) Current tax assets and liabilities

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Current tax assets /(liabilities) attributable to:		
Benefit Funds	841	1,998
Shareholders	(1,826)	(194)
	<b>(985)</b>	<b>1,804</b>

**CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**9. Income taxes (continued)**

**(c) Deferred tax balances**

	<b>Opening balance</b>	<b>Charged to income</b>	<b>Utilised</b>	<b>Closing Balance</b>
<b>Financial year ended 30 June 2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>				
Provisions	1,211	584	-	1,795
Financial derivatives	3,396	(666)	-	2,730
Capital losses	92	111	-	203
<b>Deferred tax liabilities</b>				
Accrued income	(525)	(1,984)	-	(2,509)
Deferred capital gain on financial assets	(25)	(669)	-	(694)
Prepayments	(75)	69	-	(5)
Fair value movements in mortgage assets	(3,255)	(765)	-	(4,020)
	<b>819</b>	<b>(3,320)</b>	<b>-</b>	<b>(2,500)</b>
<b>Financial year ended 30 June 2015</b>				
	<b>Opening balance Restated</b>	<b>Charged to income</b>	<b>Utilised</b>	<b>Closing Balance Restated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>				
Provisions	1,211	-	-	1,211
Financial derivatives	3,719	(323)	-	3,396
Capital losses	2,258	(111)	(2,055)	92
<b>Deferred tax liabilities</b>				
Accrued income	-	(525)	-	(525)
Deferred capital gain on financial assets	(189)	164	-	(25)
Prepayments	(171)	96	-	(75)
Fair value movements in mortgage assets	(3,208)	(47)	-	(3,255)
Other	(17)	17	-	-
	<b>3,603</b>	<b>(729)</b>	<b>(2,055)</b>	<b>819</b>



# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 10. Earnings per share

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Basic earnings per share	15.8	11.0
Diluted earnings per share	15.1	10.8

The earnings used in the calculation of basic and diluted earnings per share is the profit for the year attributable to owners of the Company as reported in the Consolidated Statement of Comprehensive Income.

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

	<b>2016</b>	<b>2015</b>
	<b>No. '000</b>	<b>No. '000</b>
Weighted average number of ordinary shares (basic)	76,650	77,855
Weighted average number of ordinary shares (diluted) <sup>(i)</sup>	80,115	79,024

<sup>(i)</sup> The weighted average number of ordinary shares used in the calculation of diluted earnings per share is determined as if 30 June 2016 was the end of the performance period of the grants of Rights under the LTI plan. All Rights that would have vested if 30 June 2016 was the end of the performance period are deemed to have been issued at the start of the financial year in accordance with the applicable accounting standard.

### 11. Trade and other receivables

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount owing by related entities (current) (refer to Note 21(d)(i))	18,853	8,384
Sundry debtors (current)	803	235
	<b>19,656</b>	<b>8,619</b>

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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 12. Financial assets

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Financial assets at fair value</b>		
Unit trusts (current)	40,516	26
Unit trusts (related party) (non-current) (refer to Note 21(d)(ii))	6,678	5,430
	<u>47,194</u>	<u>5,456</u>
<b>Reverse mortgages at fair value</b>		
Reverse mortgage receivables <sup>(i)</sup>	26,507	26,552
Reverse mortgages (hedged item fair value adjustment) (refer to Note 23 (c) (iv)) <sup>(i)</sup>	25,054	17,202
<b>Reverse mortgages at fair value</b>	<u>51,561</u>	<u>43,754</u>

<sup>(i)</sup> 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.

### 13. Intangible assets

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Goodwill (non-current)	<u>53,025</u>	<u>53,025</u>

There was no movement in the carrying value of goodwill during the current or prior reporting period.

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 2017 are based on the budget for FY2017 and are assumed to increase at a rate of 7.5% (2015: 7.5%) per annum for the years 2017-2020. The directors believe this is a prudent and achievable growth rate based on past experience.
Expenses:	Expenses in 2017 are based on the budget for FY2017 and are assumed to increase at a rate of 5.0% (2015: 5.0%) per annum for the years 2017-2020. The directors believe this is an appropriate growth rate based on past experience.
Post-tax discount rate:	Discount rates are determined to calculate the present value of future cash flows. A pre-tax rate of 10.68% (2015: 11.24%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to relevant market data as well as Company specific inputs.
Terminal growth rate:	Beyond 2020, a growth rate of 3% (2015: 3%), in line with long term economic growth, has been applied to determine the terminal value of the asset.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 13. Intangible assets (continued)

#### Sensitivity to changes in assumptions

As at 30 June 2016, the estimated recoverable amount of goodwill relating to the property funds management business exceeded its carrying amount by \$49.7 million (2015: \$15.3 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)	Pre-tax discount rate	Expenses growth rate
Assumptions used in value in use calculation	7.50%	10.68%	5.00%
Rate required for recoverable amount to equal carrying	2.40%	18.10%	11.33%

### 14. Trade and other payables

	2016 \$'000	2015 \$'000
Sundry creditors (current) <sup>(i)</sup>	3,391	2,120
Accrued expenses (current)	4,958	2,225
Tax payable to Benefit Funds (current) (refer to Note 16(b))	841	1,998
	<u>9,190</u>	<u>6,343</u>

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

### 15. Borrowings

	2016 \$'000	2015 \$'000
Corporate working capital facility (current)	26,750	-
Development facility (current)	23,401	9,609
Reverse mortgage bill facilities and notes - secured (non-current)	9,800	11,303
	<u>59,951</u>	<u>20,912</u>

#### (a) Terms and conditions

The terms and conditions relating to the above facilities are set out below.

##### (i) Corporate working capital facility

The Company entered into a new revolving cash advance facility with National Australia Bank during the reporting period to replace its previous working capital facility. As at 30 June 2016, the total facility limit was \$30.0 million (including \$3.25 million of bank guarantees). \$5.0 million of the facility matures 30 November 2016, with the remaining \$25.0 million due to mature 28 February 2017.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 15. Borrowings (continued)

#### (a) Terms and conditions (continued)

##### (ii) *Development facility - secured*

Centuria Belmont Road Management Pty Limited has entered into a facility agreement with Commonwealth Bank of Australia. The facility is \$38.75 million across three tranches, maturing 31 August 2017. The facility is recourse only to the underlying property assets of the Belmont Road Development Fund.

##### (iii) *Reverse mortgage bill facilities and notes – secured*

At reporting date, the Group has \$9.8 million (30 June 2015: \$11.3 million) non-recourse notes on issue to the ANZ, secured over the remaining reverse mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) maturing on 30 September 2017.

The facility limit is \$15.0 million (30 June 2015: \$18.0 million) and is reassessed every 6 months with a view to reducing the facility in line with the reduction in the reverse 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 year ended 30 June 2016, \$1.5 million surplus funds have been applied against the facility (30 June 2015: \$8.4 million).

#### (b) Available facilities

The Group has access to the following lines of credit<sup>(i)</sup>:

	2016	2015
	\$'000	\$'000
Corporate working capital facility	26,750	12,000
Amount used at reporting date	26,750	-
Amount unused at reporting date	-	12,000
Reverse mortgage bill facilities and notes (secured)	15,000	18,000
Amount used at reporting date	9,800	11,303
Amount unused at reporting date	5,200	6,697

<sup>(i)</sup> Excludes the undrawn portion of the development facility.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. Policyholders' funds

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 each 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 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 capital requirements is the surplus that is generally able to be distributed to members as a bonus.

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.

Transactions with the benefit funds are shown gross on the basis that the shareholders of the company do not have access nor are exposed to the revenue, expenses, assets and liabilities of the benefit funds other than the requirement to maintain capital in the Centuria Capital Guaranteed Bond fund and the Income Accumulation Fund.

#### (a) Contribution to profit or loss of benefit funds

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Income</u>		
Interest and dividends	11,152	11,414
Realised gains	682	3,784
Unrealised gains / (losses)	3,330	2,500
Premiums (Discretionary Participation Features only)	5,762	4,315
Other income	1	2
	<u>20,927</u>	<u>22,015</u>
<u>Expenses</u>		
Claims (Discretionary Participation Features only)	41,705	36,559
Net movement in policyholder liabilities	(29,539)	(26,265)
Management fee expense	7,199	7,735
Bad debts - mortgage loans	213	2,366
	<u>19,578</u>	<u>20,395</u>
<b>Profit before tax</b>	<u>1,349</u>	<u>1,620</u>
Income tax expense	(1,349)	(1,620)
<b>Profit after tax attributable to benefit funds</b>	<u>-</u>	<u>-</u>

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. Policyholders' funds (continued)

The composition and balances of the assets and liabilities held by the Benefit Funds are as follows:

#### (b) Benefit fund policyholder's assets and liabilities

	2016 \$'000	2015 \$'000
Cash	71,168	15,838
Trade and other receivables	3,971	11,184
Financial assets at fair value	277,548	357,381
Income tax receivable	841	1,998
<b>Total assets</b>	<b>353,528</b>	<b>386,401</b>
Trade and other payables	27	-
Policyholders' funds <sup>(i)</sup>	349,878	382,914
Deferred tax liabilities	3,623	3,487
<b>Total liabilities</b>	<b>353,528</b>	<b>386,401</b>

<sup>(i)</sup> Included within policyholders' funds at 30 June 2016 is \$35.2 million (30 June 2015: \$25.2 million) of reserves of which \$6.2 million (30 June 2015: \$6.2 million) is seed capital repayable to Centuria Life Limited. This seed capital receivable by Centuria Life Limited has been impaired and discounted to present value. The carrying value of the receivable in the books of Centuria Life Limited (and therefore the Group) at 30 June 2016 is \$0.4 million (30 June 2015: \$2.8 million).

#### (c) Movement in benefit fund policyholder's funds

	2016 \$'000	2015 \$'000
<b>Bonus Rated Benefit Funds (with Discretionary Participation Features)</b>		
Opening balance	297,513	328,616
Movement in seed capital	-	370
Applications received	5,762	4,315
Redemptions paid	(41,705)	(36,559)
Current period income	1,303	771
<b>Closing balance</b>	<b>262,873</b>	<b>297,513</b>
<b>Unitised Benefit Funds (with non Discretionary Participation Features)</b>		
Opening balance	85,401	80,661
Applications received	17,186	5,472
Redemptions paid	(20,681)	(5,909)
Current period income	5,099	5,177
<b>Closing balance</b>	<b>87,005</b>	<b>85,401</b>
<b>Total policyholders' funds</b>	<b>349,878</b>	<b>382,914</b>

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. Policyholders' funds (continued)

#### (d) 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; and
- CLL also continues to meet the ongoing capital requirements set by APRA.

### 17. Issued Capital

	2016		2015	
	\$'000		\$'000	
	No. of Shares	\$'000	No. of Shares	\$'000
Balance at beginning of financial year	76,756,929	88,112	78,130,764	89,167
Employee share scheme	-	57	-	284
Share buy-back/shares cancelled	(125,230)	(111)	(1,373,835)	(1,339)
<b>Balance at end of financial year</b>	<b>76,631,699</b>	<b>88,058</b>	<b>76,756,929</b>	<b>88,112</b>

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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 18. Dividends

	2016		2015	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
Interim dividend (fully franked)	2.25 <sup>(i)</sup>	1,724	2.00 <sup>(iii)</sup>	1,563
Final dividend (fully franked)	2.75 <sup>(ii)</sup>	2,109	1.50 <sup>(iv)</sup>	1,172
	5.00	3,833	3.50	2,735

<sup>(i)</sup> The Company declared an interim dividend in respect of the year ended 30 June 2016 of 2.25 cents fully franked to 100% with a record date of 26 February 2016 which was paid on 18 March 2016.

<sup>(ii)</sup> The Company declared a final dividend in respect of the year ended 30 June 2015 of 2.75 cents fully franked to 100%. The final dividend had a record date of 28 August 2015 and was paid on 18 September 2015.

<sup>(iii)</sup> The Company declared an interim dividend in respect of the year ended 30 June 2015 of 2.00 cents fully franked to 100% with a record date of 5 March 2015 which was paid on 26 March 2015.

<sup>(iv)</sup> The Company declared a final dividend in respect of the year ended 30 June 2014 of 1.50 cents fully franked to 100%. The final dividend had a record date of 12 September 2014 and was paid on 29 October 2014.

#### (a) Franking credits

	2016 \$'000	2015 \$'000
Franking credits available at 30% (2015: 30%) are:		
Amount of franking credits available to shareholders of the Company for subsequent financial years <sup>(i)</sup>	8,417	7,704

<sup>(i)</sup> Before taking into account the impact of the dividend declared on 18 August 2016.

### 19. Commitments and contingencies

#### Operating leases

The Group has commercial leases with respect to its Sydney and Melbourne office premises.

Future minimum rentals payable under operating leases are as follows:

	2016 \$'000	2015 \$'000
Not longer than 1 year	770	739
Longer than 1 year and not longer than 5 years	1,769	2,539
	2,539	3,278



# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 20. Remuneration of auditors

Amounts received or due and receivable by KPMG:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit and review of the financial report	381	361
Investigating Accounts Report in respect of Centuria Metropolitan REIT	-	300
Other services <sup>(i)</sup>	93	630
Taxation services	96	72
	<u>570</u>	<u>1,363</u>

<sup>(i)</sup> Other advisory services in the prior year include costs incurred for services provided in relation to the sale of the insurance agency and a large portion of the variable rate reverse mortgage portfolio. Refer to Note 6(b) for further details.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 21. 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	
		2016 %	2015 %
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 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%
Senex Warehouse Trust No. 1	Australia	100%	100%
Centuria Property Funds Limited	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	0%	100%
Centuria SPV Pty Limited	Australia	0%	100%
Centuria Bulky Goods SPV Pty Limited	Australia	0%	100%
Centuria 4-8 Woodville Street Pty Limited	Australia	0%	100%
Centuria 100 Bennelong Road Pty Limited	Australia	0%	100%
Centuria 110 Pacific Highway Pty Limited	Australia	0%	100%
Centuria 519 Cross Keys Road Pty Limited	Australia	0%	100%
Centuria Opportunity Fund 2 Pty Limited	Australia	100%	100%
Centuria 601 Bourke Street Pty Limited	Australia	0%	100%
Centuria 339 Military Road Pty Ltd	Australia	0%	100%
Centuria DPF Pty Ltd	Australia	0%	100%
Centuria Employee Share Fund Pty Ltd	Australia	100%	100%
Strategic Property Holdings Pty Ltd	Australia	0%	100%
Strategic Property Holdings No3 Pty Limited	Australia	0%	100%
Strategic Property Holdings No. 5 Pty Ltd	Australia	0%	100%
Strategic Property Holdings No. 7 Pty Limited	Australia	100%	100%
30A Nominees Pty Ltd	Australia	0%	100%
Centuria Capital Private Limited	Singapore	100%	100%
Belmont Road Management Pty Limited	Australia	100%	100%
Belmont Road Development Pty Limited	Australia	100%	100%
Centuria Belmont Road Development Fund	Australia	27%	27%
Centuria Special Opportunities Fund	Australia	100%	0%

All subsidiaries with a 0% ownership interest as at 30 June 2016 were deregistered during the year.

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 21. Related party transactions (continued)

##### (b) Transactions with key management personnel

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:

- Wolseley Corporate Pty Ltd, a related party of G. Charny, was paid \$88,000 (inclusive of GST) for corporate advisory fees.
- Henry Davis York, a related party of R. Dobson, was paid \$16,374 (inclusive of GST) (2015: \$806,856) for legal consultancy fees.
- Mr J. R. Slater (personally) and Riviera Capital Pty Ltd, a related party of Mr. Slater, were paid a total of \$141,840 (inclusive of GST) (2015: \$141,643) for consultancy services.

##### (c) Transactions with other related parties

Management fees are charged to related parties in accordance with the respective trust deeds and management agreements.

	2016	2015
	\$'000	\$'000
Management fees:		
Centuria Life Limited Benefit Funds	7,199	7,735
Over Fifty Guardian Friendly Society	2,314	2,121
Property funds managed by Centuria	29,538	20,324
	<b>39,051</b>	<b>30,180</b>

##### (i) Terms and conditions of transactions with related parties

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

The Company and its related parties 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.

The Group pays some expenses on behalf of related entities and receives a reimbursement for these payments.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 21. Related party transactions (continued)

#### (d) Related party balances

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

#### (i) Trade and other receivables

	2016 \$'000	2015 \$'000
Monthly management fees owing from Benefit Funds	561	630
Monthly management fees owing from Property Trusts	923	673
Acquisition fee, loan receivable and cost recoveries owing from Centuria 8 Central Avenue Fund No. 2	-	3,534
Sales Fee receivable Opportunity Fund No. 2	9,600	-
Receivable from Centuria Zenith Fund	7,072	-
Receivable from Over Fifty Guardian Friendly Society Limited	216	191
Distribution receivable from Centuria Metropolitan REIT	110	106
Present value of \$5.800m seed capital investment in Centuria Income Accumulation Fund	-	2,779
Short-term loan receivable from Property Trust	-	101
Present value of \$0.370m seed capital investment in Centuria Capital Guaranteed Bond Fund	370	370
	<b>18,853</b>	<b>8,384</b>

#### (ii) Financial assets carried at fair value through profit or loss

The following table details related party investments carried at fair value through profit and loss.

	2016			2015		
	Fair value \$'000	Units held	Ownership %	Fair value \$'000	Units held	Ownership %
<b>Financial assets held by the Group</b>						
Centuria Opportunity Fund 2	503	141,531	0.69%	146	141,531	0.69%
Centuria Metropolitan REIT	5,544	2,590,837	2.17%	5,231	2,539,382	2.13%
Centuria 19 Corporate Drive Fund	74	75,452	0.48%	-	-	0.00%
Centuria ATP Fund	500	500,000	0.81%	-	-	0.00%
Centuria Diversified Direct Property Fund	-	-	0.00%	0	3,765	0.01%
Centuria Australian Property and Mortgage Bond Fund	-	-	0.00%	1	395	0.03%
Centuria 2 Wentworth Street Fund	-	18	0.00%	-	-	0.00%
Centuria Australian Shares Bond	22	10,000	0.22%	20	10,000	0.22%
Centuria Balanced Bond	17	9,821	0.11%	15	9,000	0.13%
Centuria High Growth Bond	18	10,000	0.27%	17	10,000	0.28%
	<u>6,678</u>			<u>5,430</u>		
<b>Financial assets held by the Benefit Funds</b>						
<b>Centuria Balanced Bond</b>						
Centuria Metropolitan REIT	764	357,143	0.30%	736	357,143	0.30%
Centuria 8 Australia Avenue Fund	1,327	1,458,635	7.69%	1,307	1,458,635	7.69%
<b>Centuria Growth Bond Fund</b>						
Centuria Metropolitan REIT	10,142	4,739,200	3.97%	9,763	4,739,200	3.98%

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 21. Related party transactions (continued)

##### (d) Related party balances (continued)

##### *(iii) Assets classified as held for sale*

During the prior reporting period the Company acquired 100% of the acquisition units in Centuria 2 Wentworth Street Fund ("the Fund") to seed the Fund and enable the acquisition of the underlying investment property.

Acquisition units rank equally with Ordinary Units, except that the proceeds from the allotment of Ordinary Units may be used to redeem any Acquisition Units.

As at 30 June 2015, the Company held 1,040,018 Acquisition Units which were value at \$1,040,018.

All Acquisition Units in the Fund (except for 18 units to be retained) were redeemed on 1 July 2015.

#### 22. 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 reporting period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	13,157	25,487

Included in cash and cash equivalents attributable to shareholders is \$7.2 million (2015: \$9.6 million) relating to amounts held by Centuria Life Limited and Senex Warehouse Trust No.1 which is not readily available for use by the Group.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 22. Notes to the statement of cash flows (continued)

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

	2016 \$'000	2015 \$'000
Profit for the year	12,123	8,561
<b>Add (deduct) non-cash items:</b>		
Depreciation and amortisation	330	341
Impairment of related party receivable	2,779	2,218
Share-based payment expense	732	904
Gross proceeds on disposals	-	(7,050)
Fair value gain on interest rate swap	(5,493)	(1,148)
Loss on disposal of property, plant and equipment	-	95
Fair value gain on unit trusts	(2,219)	(57)
Interest revenue - from reverse mortgages	(2,300)	(5,144)
Interest expense- reverse mortgage facility	1,949	3,662
Unwinding of discount on non-current related party receivable	-	(423)
Unrealised foreign exchange loss	28	178
<b>Changes in net assets and liabilities:</b>		
(Increase)/decrease in assets:		
Trade receivables	(13,816)	(17)
Prepayments	(256)	(313)
Investment in Associates	-	668
Decrease in deferred income tax assets	2,623	1,507
Property held for development	(12,705)	(23,011)
Increase/(decrease) in liabilities:		
Trade and other liabilities	4,004	(3,403)
Tax provision	(172)	-
Increase in Deferred Tax Liability	2,500	-
Provisions	(109)	79
Policyholder liability	(35,572)	(27,855)
Net cash flows used in operating activities	<b>(45,573)</b>	<b>(50,207)</b>

### 23. Financial instruments

These consolidated results comprise the assets and liabilities of the Group, including the Benefit Funds as required by AASB 10 *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 shareholders of the Company and the shareholders of the Company have no rights over the assets and liabilities held in the Benefit Funds. As a result, this note does not include disclosures in respect of those financial assets and liabilities held by the Benefit Funds (as set out in Note 16).

The only risk to the shareholders of the Company in respect to the Benefit Funds is limited to capital reserving. Centuria Life Limited, (CLL), being a subsidiary of the Company, acts in the capacity of manager for two capital guaranteed benefit funds as described in Note 16(c). 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 performed by an independent actuary appointed by CLL.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### **23. Financial instruments (continued)**

The Benefit Funds at 30 June 2016 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, CLL may be required to inject additional seed capital.

Seed capital is later repaid to CLL when reserving is returned to a normal sustainable level. 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.

CLL has also established an Investment Committee. The Investment Committee's function is to manage and oversee the Benefit Fund investments in accordance with the investment objectives and framework. 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.

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 10 *Consolidated Financial Statements*, are used only for hedging of actual or anticipated exposures relating to investments. 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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### 23. Financial instruments (continued)

#### (b) Capital risk management (continued)

The Group's capital structure consists of net debt (borrowings, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

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 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 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.

#### (c) Fair value of financial instruments

##### (i) *Valuation techniques and assumptions applied in determining fair value*

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 reverse mortgage loan book is as follows:

- the weighted average reverse 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 mortality tables provided by the actuary;
- 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 is used to discount future cash flows back to 30 June 2016 to determine the fair value.



# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 23. Financial instruments (continued)

#### (c) Fair value of financial instruments (continued)

##### *(ii) Valuation techniques and assumptions applied in determining fair value of derivatives*

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 reverse mortgage holders' age is 79 years;
- the expected future cash flows in relation to the swaps are based on reverse mortgage borrowers' expected life expectancy sourced from mortality tables provided by the actuary; and the difference between the fixed swap pay rates and forward rates as of 30 June 2016 is used to calculate the future cash flows in relation to the swaps; and year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2016 to determine the fair value.

##### *(iii) Fair value measurements recognised in the statement of financial position*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

The 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 23. Financial instruments (continued)

#### (c) Fair value of financial instruments (continued)

##### (iii) Fair value measurements recognised in the statement of financial position (continued)

	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>30 June 2016</b>				
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	13,157	13,157
Trade and other receivables	Amortised cost	Not applicable	19,656	19,656
Financial assets at fair value	Fair value	Level 1	5,544	5,544
Financial assets at fair value	Fair value	Level 2	41,650	41,650
Reverse mortgages at fair value	Fair value	Level 3	51,561	51,561
			<b>131,568</b>	<b>131,568</b>
<b>Financial liabilities</b>				
Trade and other payables	Amortised cost	Not applicable	8,349	8,349
Borrowings	Amortised cost	Not applicable	59,951	59,951
Interest rate swaps	Fair value	Level 3	20,778	20,778
			<b>89,078</b>	<b>89,078</b>
<b>30 June 2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	25,487	25,487
Trade and other receivables	Amortised cost	Not applicable	8,619	8,619
Assets classified as held for sale	Fair value	Level 2	1,040	1,040
Financial assets at fair value	Fair value	Level 1	5,456	5,456
Reverse mortgages at fair value	Fair value	Level 3	43,754	43,754
			<b>84,356</b>	<b>84,356</b>
<b>Financial liabilities</b>				
Trade and other payables	Amortised cost	Not applicable	4,345	4,345
Borrowings	Amortised cost	Not applicable	20,912	20,912
Interest rate swaps	Fair value	Level 3	17,576	17,576
			<b>42,833</b>	<b>42,833</b>

The Group determines Level 2 fair values for financial assets and liabilities without an active market based on broker quotes and other observable market data. Level 2 fair values for simple over-the-counter derivatives are also based on broker quotes. 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 where appropriate.

Set out below is a reconciliation of Level 3 fair value movements of financial assets and liabilities. The Level 3 financial asset held by the Group is the fair value of the reverse mortgage receivables attributable to interest rate risk. The Level 3 financial liability held by the Group is the fixed-for-life interest rate swaps.

These two items are designated in a fair value hedging relationship, with the fair value movements on the swaps, offset by the fair value movements attributable to interest rate risk in the mortgage receivables (refer to Note 23(c)(iv)). However, as the Group has only designated the fair value movements attributable to interest rate risk in the hedging relationship, any other fair value movements impact the profit and loss directly, such as movements attributable to credit risk.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 23. Financial instruments (continued)

#### (c) Fair value of financial instruments (continued)

#### (iv) Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Reverse mortgages fair value \$'000	Interest rate swaps at fair value \$'000	Total \$'000
<b>Year ended 30 June 2016</b>			
<b>Balance at 1 July 2015</b>	17,202	(17,576)	(374)
Total gains in profit or loss:			
Accrued interest	114	(957)	(843)
Attributable to interest rate risk	7,738	(7,738)	-
Attributable to credit risk	-	5,493	5,493
<b>Balance at 30 June 2016</b>	<b>25,054</b>	<b>(20,778)</b>	<b>4,276</b>
<b>Year ended 30 June 2015</b>			
<b>Balance at 1 July 2014</b>	13,130	(14,075)	(945)
Total gains in profit or loss:			
Accrued interest	184	(761)	(577)
Attributable to interest rate risk	3,888	(3,888)	-
Attributable to credit risk	-	1,148	1,148
<b>Balance at 30 June 2015</b>	<b>17,202</b>	<b>(17,576)</b>	<b>(374)</b>

#### (v) Significant assumptions used in determining fair value

The fair value of the 50 year reverse 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 20 years, with the yield curve at 20 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. 53% of reverse mortgage loan portfolio consists of joint lives.

Adjusting the yield curve by an increase/(decrease) of 100 basis points as at 30 June 2016 would cause the fair value of the 50 year swaps to (decrease)/increase by \$(4,686,814)/\$5,587,039 (2015: (\$781,885)/\$943,428).

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 23. Financial instruments (continued)

##### (c) Fair value of financial instruments (continued)

##### (v) *Significant assumptions used in determining fair value (continued)*

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. The swap agreements provide that in the event of death of a mortgagee there is no further cost associated with the prepayment.

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 2016 would (decrease)/increase by \$(781,885)/\$943,428 (2015: \$(665,804)/\$813,657).

##### (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.

##### (i) *Credit risk of reverse mortgages*

Concentration of credit risk in relation to reverse mortgage loans is minimal, as each individual reverse 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 2016, the highest loan to value ratio (LVR) of a loan in the reverse mortgage loan book is 82% (2015: 74%), and there are only 41 out of 247 (2015: 32 out of 263) reverse mortgage loans where the LVR is higher than 50%.

There are no reverse mortgage loans that are impaired.

##### (ii) *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 ongoing 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 23. Financial instruments (continued)

#### (e) Liquidity risk

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 \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>Non-derivative financial liabilities</b>						
<b>Consolidated</b>						
<b>2016</b>						
Borrowings	-	26,850	23,851	9,250	-	59,951
Other payables	-	8,349	-	-	-	8,349
<b>Total</b>	-	<b>35,199</b>	<b>23,851</b>	<b>9,250</b>	-	<b>68,300</b>
<b>2015</b>						
Borrowings	-	1,040	2,724	17,962	-	21,725
Other payables	-	4,345	-	-	-	4,345
<b>Total</b>	-	<b>5,384</b>	<b>2,724</b>	<b>17,962</b>	-	<b>26,070</b>

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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 23. Financial instruments (continued)

#### (e) Liquidity risk (continued)

	On Demand \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	5+ years \$'000	Total \$'000
<b>Derivative financial liabilities</b>						
<b>Consolidated</b>						
<b>2016</b>						
Interest rate swaps	-	-	-	-	48,405	48,405
Total	-	-	-	-	48,405	48,405
<b>2015</b>						
Interest rate swaps	-	-	-	-	45,552	45,552
Total	-	-	-	-	45,552	45,552

#### (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.

#### (i) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Management of this risk is evaluated regularly and interest rate swaps are used accordingly.

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

	Weighted average effective interest rate	Variable rate	Fixed rate	Total
2016	%	\$'000	\$'000	\$'000

#### Financial assets

Cash and cash equivalents	1.51%	13,157	-	13,157
Reverse mortgage receivables	8.75%	1,130	25,377	26,507
Total financial assets		14,287	25,377	39,664

#### Financial liabilities

Borrowings	4.12%	(59,951)	-	(59,951)
Total financial liabilities		(59,951)	-	(59,951)
Net interest bearing financial (liabilities)/assets		(45,664)	25,377	(20,287)

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 23. Financial instruments (continued)

#### (f) Market risk (continued)

#### (i) Interest rate risk management (continued)

2015	Weighted average effective interest rate	Variable rate	Fixed rate	Total
	%	\$'000	\$'000	\$'000

#### Financial assets

Cash and cash equivalents	2.06%	9,771	15,717	25,488
Reverse mortgage receivables	8.72%	1,664	24,888	26,552
Total financial assets		11,435	40,605	52,040

#### Financial liabilities

Borrowings	3.82%	(20,912)	-	(20,912)
Total financial liabilities		(20,912)	-	(20,912)
Net interest bearing financial (liabilities)/assets		(9,477)	40,605	31,128

#### (ii) 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.

	Average contracted rate		Notional principal		Fair value	
	2016	2015	2016	2015	2016	2015
	%	%	\$'000	\$'000	\$'000	\$'000
<b>Pay fixed for floating contracts designated as effective in fair value hedge</b>						
50 years swaps contracts	7.47%	7.48%	11,913	12,745	(20,778)	(17,576)
			<b>11,913</b>	<b>12,745</b>	<b>(20,778)</b>	<b>(17,576)</b>

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

#### 23. Financial instruments (continued)

##### (f) Market risk (continued)

##### (iii) Interest rate sensitivity

The sensitivity analysis below has 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 held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

At reporting date, if variable interest rates had been 100 (2015: 100) basis points higher or lower and all other variables were held constant, the impact to the Group would have been as follows:

	Change in variable	Effect On	
		Profit after tax	
		2016 \$'000	2015 \$'000
<b>Consolidated</b>			
Interest rate risk	+1%	(2,196)	(1,117)
<b>Consolidated</b>			
Interest rate risk	-1%	2,647	1,410

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analysis takes 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.

#### 24. Key management personnel compensation

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

	2016 \$	2015 \$
Short-term employee benefits	2,897,468	2,936,599
Post-employment benefits	102,988	138,600
Other long-term employment benefits	48,710	36,336
Share-based payments	577,382	546,841
	<u>3,626,548</u>	<u>3,658,376</u>

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



## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 25. Share-based payment arrangements

##### (a) Description

The Company has an Executive Incentive Plan (“LTI Plan”) which forms a key element of the Company’s incentive and retention strategy for senior executives under which Performance Rights (“Rights”) are issued.

Each employee receives ordinary shares of the Company on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting.

It is expected that future annual grants of performance rights will be made, subject to the Board’s determination of the overall performance of the Company and market conditions. The vesting of any performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the Company.

Performance rights granted under the plan carry no dividend or voting rights. All plans are equity-settled.

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.

Rights issued under the LTI Plan are issued in accordance with the thresholds approved at the 2013 AGM.

There have been three tranches of Rights granted under the LTI plan to date:

Tranche	Grant Date	Performance Period
1	1 January 2014	1 July 2013 to 30 June 2016
2	1 February 2015	1 July 2014 to 30 June 2017
3	1 February 2016	1 July 2015 to 30 June 2018

The following table summarises the number of rights granted for each tranche:

Tranche	# of rights granted	# of rights lapsed	# of rights outstanding
1	1,200,825	-	1,200,825
2	1,831,926	440,999	1,390,927
3	1,787,715	-	1,787,715

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

### 25. Share-based payment arrangements (continued)

#### (a) Description (continued)

The Performance Conditions and their associated weighting applicable to each tranche is summarised in the following table:

#### *EPS Hurdle*

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (70%)		Tranches 2 and 3 (45%)	
<b>Maximum % or above</b>	12.5% or greater	100%	10% or greater	100%
<b>Between threshold % and maximum %</b>	More than 7.5%, less than 12.5%	Pro-rata between 50% to 100%	More than 6%, less than 10%	Pro-rata between 50% to 100%
			More than 4%, less than 6%	Pro-rata between 25% to 50%
<b>Threshold %</b>	7.5%	50%	4%	25%
<b>Less than the threshold %</b>	Less than 7.5%	0%	Less than 4%	0%

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (15%)		Tranches 2 and 3 (15%)	
<b>Maximum % or above</b>	25% or greater	100%	18% or greater	100%
<b>Between threshold % and maximum %</b>	More than 15%, less than 25%	Pro-rata between 50% to 100%	More than 14%, less than 18%	Pro-rata between 50% to 100%
			More than 10%, less than 14%	Pro-rata between 25% to 50%
<b>Threshold %</b>	15%	50%	10%	25%
<b>Less than the threshold %</b>	Less than 15%	0%	Less than 10%	0%

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

#### 25. Share-based payment arrangements (continued)

##### (a) Description (continued)

###### *Absolute TSR Hurdle*

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

	Compound Annual Growth Rate	Portion of Rights that vest	Compound Annual Growth Rate	Portion of Rights that vest
	Tranche 1 (15%)		Tranches 2 and 3 (40%)	
<b>Maximum % or above</b>	18% or greater	100%	18% or greater	100%
<b>Between threshold % and maximum %</b>	More than 12%, less than 18%	Pro-rata between 50% to 100%	More than 15%, less than 18%	Pro-rata between 50% to 100%
			More than 12%, less than 15%	Pro-rata between 25% to 50%
<b>Threshold %</b>	12%	50%	12%	25%
<b>Less than the threshold %</b>	Less than 12%	0%	Less than 12%	0%

##### (b) Measurement of fair values

The fair value of the rights was calculated using a binomial tree valuation methodology for the Rights with non-market vesting conditions and a Monte-Carlo simulation for the Rights with market vesting conditions.

The inputs used in the measurement of the fair values at grant date of the rights were as follows:

	Tranche 1	Tranche 2	Tranche 3
Expected vesting date	31 August 2016	31 August 2017	31 August 2018
Share price at the grant date	\$0.80	\$0.91	\$0.96
Expected life	2.7 years	2.6 years	2.6 years
Volatility	25%	25%	20%
Risk free interest rate	2.85%	1.94%	1.85%
Dividend yield	3.4%	4.3%	5.4%

The following table sets out the fair value of the rights at the respective grant date:

Performance condition	Tranche 1	Tranche 2	Tranche 3
EPS	\$0.73	\$0.81	\$0.87
Growth in FUM	\$0.73	\$0.81	\$0.87
Absolute TSR	\$0.18	\$0.28	\$0.19

During the year, share based payment expenses were recognised of \$0.675 million (FY15 \$0.620 million).

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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### 26. Parent entity disclosure

As at, and throughout the current and previous financial year, the parent entity of the Group was Centuria Capital Limited.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Result of parent entity</b>		
Profit for the period	3,399	843
Total comprehensive income for the year	3,399	843
<b>Financial position of parent entity at year end</b>		
Total assets	118,938	87,316
Total liabilities	34,213	2,610
<b>Total equity of the parent entity comprising of:</b>		
Share capital	88,033	88,146
Share-based incentive reserve	1,459	784
Profits reserve	2,601	2,601
Retained earnings	(7,368)	(6,825)
<b>Total equity</b>	84,725	84,706

### 27. Events subsequent to the reporting date

#### (a) Final Dividend

On 18 August 2016, the Company declared a dividend of 3.00 cents per share franked to 100%. The dividend is expected to be paid on 14 September 2016.

#### (b) Investment in GPT Metro Office Fund

In May 2016, the group announced the acquisition of a 12.6% stake in GPT Metro Office Fund (GMF). On 24 May 2016, the Group's subsidiary Centuria Property Funds Limited (CPFL) in its capacity as responsible entity of the Centuria Metropolitan REIT (CMA) submitted a non-binding proposal to merge CMA and GMF via a trust scheme. This was followed on 16 June 2016 with a takeover bid for GMF via an off market takeover. At the same time the Company entered into a number of agreements, including a Facilitation and Property Rights Deed with the GPT Group. On 1 August 2016, GMF's Independent Board Committee announced its support for a competing offer. Also on 1 August 2016, CMA announced it would not be proceeding with its offer for GMF. As at the date of this report, the Group retains its 12.6% interest in GMF.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2016 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### **28. Significant accounting policies**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

##### **(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company is required by AASB 10 *Consolidated Financial Statements* to recognise the assets, liabilities, income, expenses and equity of the benefit funds of its subsidiary, Centuria Life Limited (the "Benefit Funds"). The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the shareholders of the Company and the shareholders of the Company have no rights over the assets and liabilities held in the Benefit Funds. The Company has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, the Company 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. This excludes transactions with the Centuria Life Limited benefit funds. Transactions with the benefit funds continue to be shown gross on the basis that the shareholders of the company do not have access nor are exposed to the revenue, expenses, assets and liabilities of the benefit funds other than the requirement to maintain capital in the Centuria Capital Guaranteed Bond fund and the Income Accumulation Fund.

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 when control is transferred to the Group. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 28. Significant accounting policies (continued)

#### (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. 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.

#### (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 initially carried in the consolidated statement of financial position at cost and subsequently 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.

#### (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.

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 28. Significant accounting policies (continued)

##### (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 Group and the revenue can be reliably measured.

##### (i) Management fees

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

##### (ii) Distribution 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).

##### (iii) Interest revenue

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

##### (iv) Property acquisition fees, sale and performance/incentive fees

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

Sales and performance/incentive fees derived from managed funds are recognised upon satisfaction of all conditions precedent to the sale of an investment property and when significant risks and rewards have transferred.

##### (v) 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.

##### (vi) Sale of development properties

Revenue from the sale of apartments is recognised at the fair value of the consideration receivable when the significant risks and rewards of ownership have been transferred to the purchaser and where there is no continuing management involvement, which normally coincides with settlement of the contract for sale.

##### (g) Finance costs

The groups finance costs include:

- Interest expense;
- The net gain or loss on hedging instruments that are recognised in profit or loss; and
- The unwinding of the discount on the non-current receivables.

Interest expense is recognised using the effective interest method.

##### (h) Taxation

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

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 28. Significant accounting policies (continued)

##### *(i) 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.

##### *(ii) 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 recognition of 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.

##### *(iii) Tax consolidation*

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company 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.



## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 28. Significant accounting policies (continued)

##### *(iv) 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.

##### *(i) 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.

##### *(j) 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.

##### *(i) 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 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.

##### *(ii) 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.

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.

##### *(iii) Other financial assets*

Other financial assets include reverse mortgage loans. Reverse 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.

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### **28. Significant accounting policies (continued)**

##### **(iv) 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.

##### **(v) 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.

##### **(vi) 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.

##### **(k) 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.

##### **(i) 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.

##### **(ii) 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.

##### **(l) 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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### 28. Significant accounting policies (continued)

#### (l) Employee benefits (continued)

##### (i) 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.

##### (ii) 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.

##### (iii) 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.

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.

#### (m) Financial liabilities and equity instruments issued by the Group

##### (i) 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*.

##### (ii) 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.

##### (iii) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

## CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### **28. Significant accounting policies (continued)**

##### **(n) Derivative financial instruments**

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

##### **(i) 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).

##### **(ii) 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.

##### **(iii) 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.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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### 28. Significant accounting policies (continued)

#### (o) 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.

#### (i) Insurance contracts

Insurance contracts are those containing significant insurance 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.

#### (ii) 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. A Discretionary Participation Feature (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.

#### (p) Policyholders' funds

Assets and liabilities held by the Benefit Funds are included in the statement of financial position of the Group.

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 applicable accounting standards, applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

The policyholders' funds liability for unit linked funds is 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

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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### 28. Significant accounting policies (continued)

#### (p) Policyholders' funds (continued)

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.

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.

#### (q) Property held for development

Properties held for development in the ordinary course of business are carried at the lower of cost and net realisable value. Cost includes, where applicable, the cost of acquisition, construction, interest, rates, taxes and other expenses directly related to the development.

#### (r) New Accounting Standards and Interpretations

**AASB 9 Financial Instruments** and the relevant amending standards are effective for annual reporting periods beginning on or after 1 January 2018. AASB 9 will be mandatory for the Group's 30 June 2019 financial statements.

AASB 9 is a new Standard which will replace AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 includes revised guidance on the classification and measurement of financial instruments, however it carries over the existing derecognition requirements from AASB 139.

The Group is currently considering the financial impact of this accounting standard change.

**AASB 15 Revenue from Contracts with Customers** and the relevant amending standards are effective for annual reporting periods beginning on or after 1 January 2018. AASB 15 will be mandatory for the Group's 30 June 2019 financial statements.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and the related Interpretations when it becomes effective. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group is currently considering the financial impact of this accounting standard change.

**AASB 16 Leases** is effective for annual reporting periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15, has been applied, or is applied at the same date as AASB 16.

The Group is currently considering the financial impact of this accounting standard change.

# CENTURIA CAPITAL LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2016

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In the opinion of the directors of Centuria Capital Limited:

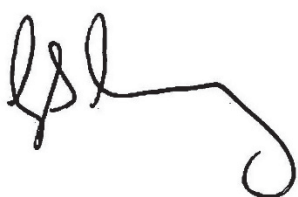
- (a) the consolidated financial statements and notes that are set out on pages 23 to 70 and the Remuneration Report set out on pages 9 to 20 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended on 30 June 2016.

The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

For and on behalf of the Board



**G. Charny**  
Chairman



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

Sydney  
18 August 2016





## **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 2016, 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 28 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 Group's financial position and of its 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 Centuria Capital Limited 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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report 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 9 to 20 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Nigel Virgo

*Partner*

Sydney

18 August 2016

## ADDITIONAL STOCK EXCHANGE INFORMATION

### AS AT 10 AUGUST 2016

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

#### Distribution of holders of ordinary shares

	Number of holders	Number of ordinary shares
1 - 1,000	849	430,554
1,001 - 5,000	4,784	11,711,651
5,001 - 10,000	825	5,631,556
10,001 - 100,000	637	16,210,603
100,001 and over	69	42,647,335
	<b>7,164</b>	<b>76,631,699</b>
Holding less than a marketable parcel	447	131,715

#### On-market share buy-back

The company bought-back 125,230 shares (2015; 1,373,835 shares) during the current financial year. All of the shares bought-back were settled by 30 June 2016.

#### Substantial shareholders

Ordinary shareholders	Number of shares held
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	7,743,495
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,548,594
RESOLUTE FUNDS MANAGEMENT PTY LTD <HANOVER PROPERTY S/F A/C>	4,283,440

#### Top 20 Shareholders

	Ordinary Shares	
	Number	Percentage
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	7,743,495	10.10
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,548,594	7.24
RESOLUTE FUNDS MANAGEMENT PTY LTD <HANOVER PROPERTY S/F A/C>	4,283,440	5.59
PARITAI PTY LIMITED <PARITAI A/C>	2,044,266	2.67
AVANTEOS INVESTMENTS LIMITED <2412987 JRSWJH A/C>	1,700,000	2.22
NATIONAL EXCHANGE PTY LTD <CORP A/C>	1,401,563	1.83
AVANTEOS INVESTMENTS LIMITED <1259738 PARSONS A/C>	1,107,822	1.45
AVANTEOS INVESTMENTS LIMITED <1703553 JOHNSON A/C>	1,063,608	1.39
NATIONAL NOMINEES LIMITED	1,005,125	1.31
STERLING GRACE CAPITAL MANAGEMENT LP	802,550	1.05
STERLING GRACE INTERNATIONAL LLC	802,550	1.05
AVANTEOS INVESTMENTS LIMITED <2469707 N SLATER A/C>	800,000	1.04
BRYSHAW MANAGEMENT PTY LTD <BRYSHAW ACCOUNT>	765,051	1.00
PHILIP CAIRNS DIXON + JACQUELINE PATRICIA DIXON + STEPHEN THOMAS WRIGHT	750,000	0.98
MR ROGER WILLIAM DOBSON <DOBSON SUPER FUND A/C>	748,651	0.98
VEXDAT PTY LTD <VEXDAT SUPER FUND A/C>	714,390	0.93
STRATEGIC VALUE PTY LTD	526,818	0.69
NATIONAL EXCHANGE PTY LTD	500,000	0.65
MRS ROSINA ANNA BLAKE	405,658	0.53
STRATEGIC VALUE PTY LTD <TAL SUPER FUND A/C>	403,805	0.53
	<b>33,117,386</b>	<b>43.23</b>

#### Voting rights

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

### Contact Us

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Investor Enquiries call: 1300 50 50 50

[www.centuria.com.au](http://www.centuria.com.au)

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Melbourne VIC 3001

**Call** 1800 11 29 29

### Friendly Society Investor Enquiries

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Melbourne VIC 3000

**Call** 1300 50 50 50

[enquiries@centuria.com.au](mailto:enquiries@centuria.com.au)

### Company Secretary

James Lonie

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Sydney NSW 2060

**Call** (02) 8923 8910

**Fax** (02) 9460 2960

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(no stamp required)