

Committed

Contents

3	About Centuria Capital
5	Chairman's Review
7	Chief Executive's Report
8	Centuria Property Funds
10	Centuria Financial Services
14	Directors' Report
19	Remuneration Report
29	Auditor's Independence Declaration
30	Corporate Governance Statement
36	Financial Statements
101	Corporate Directory

Management Directory

Centuria Capital Limited

John McBain	Chief Executive Officer
Matthew Coy	Chief Financial Officer
Julian Blackley	Group Head of Finance
Yujita Chaudri	Group Tax Manager
Troy Dafter	Head of Compliance
Peter McDonagh	Head of Reverse Mortgages

Centuria Life Limited

Terry Reid	General Manager
Anne Hamieh	Head of Distribution
Rita Varvakis	Operations & Risk Manager
Ash Nakhla	Investor Services Team Leader
Sean Webster	Investment Manager

Centuria Property Funds Limited

Jason Huljich	CEO - Property
David Govey	Head of Assets
Rowan Wall	Head of Strategic Property Limited
John Taylor	Head of Distribution
Andre Bali	Head of Development
Sebastian Ugarte	Acquisitions Manager
Jeremy Robotham	National Leasing Manager
Jacques Duvenage	National Portfolio Manager
Mark Jones	Fund Manager
Ben Harvie	Fund Manager
Doug Hoskins	Fund Manager
Micah Schulz	Fund Manager

Tomorrow

It's not what you expect to read about when you open an annual report. But this year, we could not accurately showcase our achievements by only looking back.

The consolidation of our brands this year has been far more than a simple facelift. It is about **transforming** our business to take advantage of the **opportunities** the market conditions will present. Taking us from a collection of companies, to a single diversified funds manager. From a small boutique player, to a growing group sought after by informed investors.

Our ambition is certain. To be one of Australia's most dynamic and successful diversified fund managers. We've set a course to take us places – defying the conventional thinking of the industry to give our investors fresher **ideas** with solid and reliable returns, while retaining the same level of personal service we've always had.

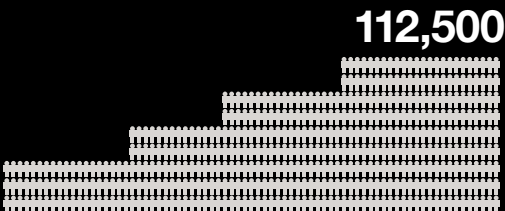
This year, we have changed our business for the better. We have transformed ourselves from the Over Fifty Group, into Centuria Capital.

And transported ourselves from yesterday, into **tomorrow**.

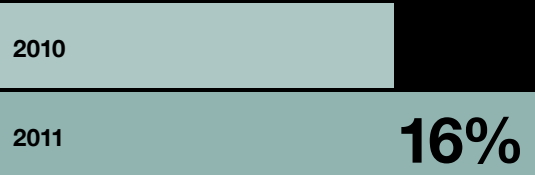
Highlights

\$1.93 billion

Group total funds under management (FUM)
at 30 June 2011



Total number of clients
at 30 June 2011



Increase in Group FUM
from 30 June 2010 to 30 June 2011



Centuria Property Funds FUM
at 30 June 2011

About Us

Today, Centuria Capital is an ASX-listed diversified funds manager with close to \$2 billion in funds under management. A single company, with a single direction, and a single set of values – but with the agility afforded by a diversified offering of property funds and financial services.

Our new name, Centuria Capital, marks the consolidation of all our brands into this single entity – and the beginning of an inspired future, as we set ourselves ambitious growth targets to become Australia's most dynamic funds management group.

Where investors come first

We're challenging the conventions of our industry and setting ourselves apart from our competition, by always putting our investors interests' first. We can also boast industry-leading experience, and a hands-on approach to our investors' needs that sees us constantly striving to

come up with fresh, innovative ideas. And not only do we offer our investors a wide range of investment options across our two complementary businesses, we're also forming relationships with them that can last a lifetime. Building trust, as much as we build wealth.

The value of our experience is evident in the success of our diversification. Our two core businesses are what truly sets Centuria Capital apart. They allow us to come to the market from two distinct angles at the same time. This means more ways to attract new investors, as well as greater stability, and higher revenues for the company as a whole.

Both sides of the business are performing well in tough conditions. And as we mark the end of our first financial year as Centuria, we do so on very firm footing – we are set to take great strides towards an uncompromisingly successful future.

\$10.5 million


Underlying earnings before interest and tax to 30 June 2011

6.0¢  20%

Full-year dividends at 30 June 2011

8.9%

Corporate gearing (excluding non-recourse debt and convertible notes) to 30 June 2011

\$6.4 million 

Underlying net profit after tax to 30 June 2011

\$192 million 

Value of reverse mortgage book at 30 June 2011



Chairman's Review

Dear Shareholders,

The primary focus for Centuria Capital in the 2011 financial year has been to deliver results in line with our commitment to strong company growth.

Global and local economic environments remain challenging and we believe that conditions will remain volatile in the medium term. The growth strategy we developed in 2010 is based on acquiring assets (for our property fund investors) and management rights at discounted levels, and was based on a fundamental assumption that market conditions would be tough for some time.

During the 2011 financial year Centuria has invested in additional senior management in key functions – distribution, operational property and funds management, finance and tax – to enable us to service the additional business we have generated and to further expand our ambitions with new acquisitions.

While this has been at the expense of some profitability, I am pleased that Centuria was able to declare dividends of 6 cents per ordinary share for the 2011 financial year, an increase of 20% over the 2010 year.

2011 Business Achievements

The financial health of the business continues to improve with corporate gearing now below 10% at year end for both the 2010 and 2011 financial years. This low gearing means our ability to raise debt and equity to implement our strategy for increased funds under management and acquisitions is enhanced. Maintaining this headroom is the result of a dedicated Board strategy.

A clear example of implementing and achieving our growth targets is the successful growth from our property funds management activities. During the year, the property division purchased two commercial investment properties for new property funds and was awarded the management rights for a major national portfolio of former Becton property funds.

Jointly, these transactions generated in excess of \$300 million of growth in funds under management and for the first time property funds under management exceeded \$1 billion.

Other highlights include the rebranding of the majority of business units under the Centuria brand and the unmarketable parcel share buy-back, which culminated in the buy-back of over 2.5 million securities.

I am particularly proud of the investor rights initiatives which the Group has put in place. The Board and management are unanimous in their belief that in the past some funds management practices have favoured the manager at the expense of the investor.

This year, beginning with our new property funds, our investors have been offered a range of terms that place them firmly back in the centre of the investment equation. You can read more about this on our website: www.centuria.com.au.

The outlook and our future

We will continue to vigorously pursue our growth strategy in the current financial year and beyond. We believe Centuria Capital is well positioned to benefit from the opportunities a volatile market will present.

Once again I would like to thank my fellow directors, the senior executive team and all of our staff for all of their hard work during the last year.

To our shareholders, thank you for your continuing support. We look forward to working hard on your behalf, expanding the group despite the prevailing conditions.

I look forward to seeing you at our Annual General Meeting in Melbourne on Friday 28 October 2011.



Roger Dobson
Chairman



Roger Dobson

Chairman
LLB (Hons) LL.M



Chief Executive's Report

Dear Shareholders,

I have pleasure in updating you on the performance and activities for the year to 30 June 2011 and the outlook for Centuria Capital Limited.

Mandate for Growth

By 2010, all restructuring was behind us, including the elimination of 35% of corporate expenses during the 2008 to 2010 period. As stated previously, the over-arching strategy for the company is to achieve growth in what we forecast to be ongoing turbulent financial markets.

We are growing Centuria into a larger diversified financial services business and while our commitment to this goal is clear, the Board has set high targets and there is much more to do.

This year we successfully re-branded the Over Fifty Group to Centuria Capital including the consolidation of our major divisions under this brand.

Finally, we have made important investments in systems and key staff during the year – whilst this has been at the expense of some profitability – they are essential components of our ongoing growth platform.

Centuria Property Funds performed strongly during the period, establishing two new property funds totalling \$68 million. Centuria is one of a handful of property fund managers to have weathered the GFC and are able to attract debt and equity to take advantage of historically low investment property values.

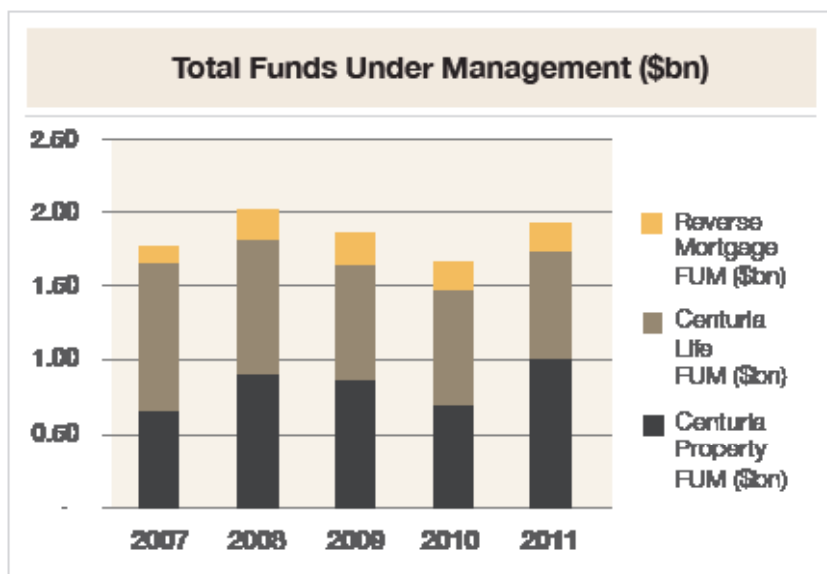
In December 2010 Centuria was awarded the management rights for two property funds totalling \$240 million, bringing total property FUM to \$1 billion for the first time, and making Centuria one of the top 3 unlisted property fund managers in Australia.

Centuria Life continues to generate consistent, strong returns for the Group, and year-on-year underlying net profit for the Group rose 2.4% to \$9.14 million, with FUM at year end of \$736 million. As you can see from the chart opposite, managed funds under this division have remained relatively stable.

We have appointed a highly experienced Head of Distribution and our goals for this business are to achieve a stable platform of FUM and in particular, to highlight the attractiveness of our capital guaranteed investments in the present highly volatile investment markets.

Investor Rights Initiative

The past few years have been tough for investors and this hardship has brought about a degree of mistrust towards the fund managers in general. We believe that fund managers need to recognise this situation and rebuild trust with the investing community.



Key Business Highlights

- **Group Funds Under Management (FUM) increased 16%**
- **Centuria Property Funds FUM increased 40%**
- **Full-year dividend up 20% to 6.0 cents per share**
- **Underlying EBIT of \$10.5 million and corporate gearing below 10%**

Centuria takes a different approach: our new property funds have altered the basis upon which fees are calculated and voting is conducted, heavily in favour of our investors.

The outlook for financial markets in the 2011/12 year is one of continuing market volatility. We believe this volatility will continue to make the stable, low-risk returns generated by our property funds and investment bonds attractive. In addition, these markets favour our continued growth by acquisition strategy, and we are looking forward to reporting our successes to you.

Thank you for your investment.

John McBain
Chief Executive Officer



John McBain

Chief Executive Officer
Dip. Urban Valuation

Centuria Property Funds

Year in review

Our property funds management group has performed impressively this year with both subsidiaries – Centuria Property Funds and Centuria Strategic Property – producing some excellent results.

Consistent with Centuria's growth strategy, property funds under management has increased 40% from 30 June 2010 to 30 June 2011. There have been a number of highlights, including being appointed as the Responsible Entity of Becton Office Fund No. 2 and Becton Diversified Direct Property Fund. Elected by an overwhelming majority of investors, we were entrusted with the two funds at a combined value of \$240 million.



New funds successfully launched

We also made some important acquisitions. 200 Creek Street, Brisbane – a modern 10-level commercial property in the CBD – was purchased for \$37.7 million, and has performed well since its launch in March, providing an 8.75% (annualised) distribution to investors.



Centuria 200 Creek Street Fund

- Fund launched March 2011
- Purchase price \$37.7 million

In June we acquired a brand new fully leased A-grade commercial building at 8 Australia Avenue, Sydney Olympic Park. The property was purchased for \$30.15 million – a discount on the latest valuation – and is expected to deliver an initial income yield of 8.00%.



Centuria 8 Australia Avenue Fund

- Fund launched June 2011
- Purchase price \$30.15 million

Outlook

Looking ahead, the coming year looks promising. We continue to benefit from having fewer competitors in the unlisted property sector, and if we can take advantage of this position, we should see considerable growth based largely on direct acquisition of assets, and the purchase and integration of other fund managers.

Strong investor returns

Before



After



35 Spring Street, Melbourne

- Acquired in February 2003 for \$35.3 million
- Majority leased to the Government which provided strong income returns to investors over the life of the Fund
- A scheme was commissioned for a 40-storey high-end residential redevelopment
- The sale agreement allows a new Centuria Development Fund to reinvest into the project
- Property sold in 2010 for \$45.5 million

We purchased 35 Spring Street for \$35.3 million in 2003. The property was well positioned at the 'Paris End' of Melbourne, with excellent views over Treasury Gardens. Consequently, Centuria prepared detailed concept plans for a residential development of the site. Once a suitable scheme had been drawn up, a national marketing campaign was undertaken and the property was sold to a major superannuation fund.

Prior to the sale, the sitting Government tenant's lease was extended in order to provide the purchaser with a strong income stream before the future development commenced, further improving the sale price for investors.

“Reaching \$1 billion in FUM marks a significant milestone for us and demonstrates our ongoing success in growing the size and scale of our property business.”

Jason Huljich

Total FUM at 30 June 2011

\$1 billion

Increase % FUM (year-on-year)

40%

Number of properties under management

48

Weighted Average Lease Expiry

3.63 years

Operating earnings

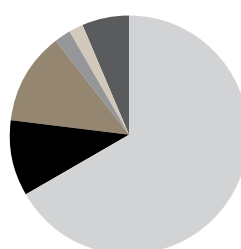
\$13 million

Weighted Average Cap Rate

8.95%

Sector diversification

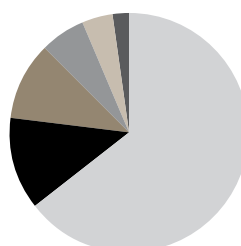
Asset type



Asset type	
Office	
Industrial	
Retail Bulky Goods	
Specialty Use	
Mixed Use	
Retail	

Geographic diversification

Properties by State



Location	
New South Wales	
Victoria	
Queensland	
South Australia	
Australian Capital Territory	
Northern Territory	

Centuria Financial Services

Year in review

The Centuria Life division continues to generate strong and stable cash earnings to the Centuria Group.

The division's funds under management (FUM) as at 30 June 2011 was \$736 million. This includes the Centuria Life and Guardian Friendly Society capital guaranteed and unitised investment bonds.

Consistent returns through volatile times

The Capital Guaranteed Bond has delivered policyholders consistent and higher net returns in a volatile and challenging environment. Policyholders continued to have their capital and credited bonuses preserved throughout this financial year.

Our largest bonds, the Capital Guaranteed Bond and Income Accumulation Bond represent a total FUM of \$166 million and \$234 million respectively.

Redemptions have fallen as improved returns have demonstrated the value our guaranteed bonds have added for policyholders. We continue to focus on strategies to strengthen net inflows.

“Centuria Life is focused on a growth strategy to expand the distribution of existing products and assess opportunities to develop new investment solutions.”

Anne Hamieh



Anne Hamieh

Head of Distribution
B.Eco, Grad. Dip. Appl.
Finance & Investment
and Grad. Dip.
Management

Terry Reid

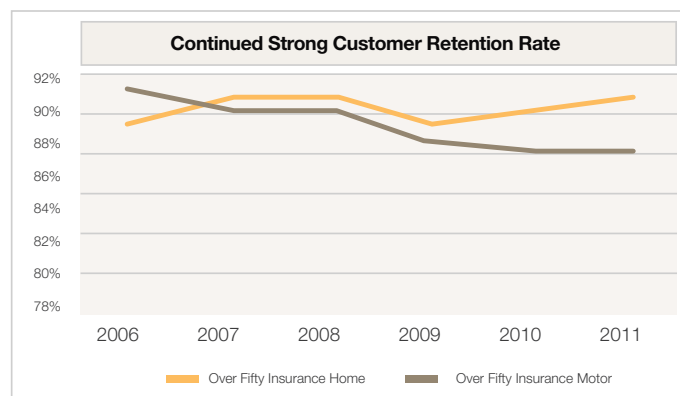
General Manager
Dip. Bus, CA

Rita Varvakis

**Operation &
Risk Manager**
B. Bus. Accounting

Over Fifty Insurance

Another area of Financial Services is Over Fifty Insurance, with almost 27,500 policies across general, travel or motor vehicle insurance. This division again had a positive contribution to Centuria Group earnings, and we are positive about the growth outlook over the next year.

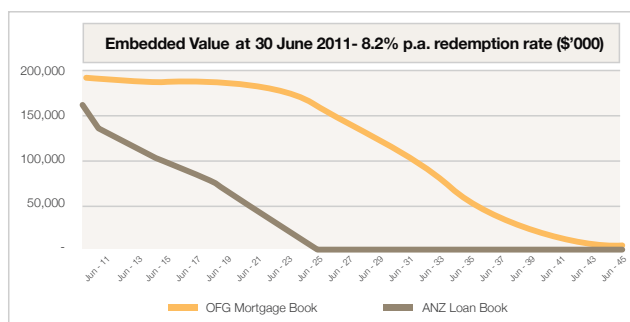


Source: Over Fifty Insurance, 30 June 2011

Reverse Mortgages – future value to shareholders

We continue to manage our reverse mortgage book for existing investors. This remains a consistently steady and profitable business unit for Centuria Capital.

Further, the reverse mortgage book has significant embedded shareholder equity, which will increase over time.



Source: Rice Warner, 30 June 2011

The chart above illustrates the value to shareholders. As the loan facility is repaid over time, the value of the mortgage book increases and becomes cash flow positive. When the loan is repaid fully, the asset balance represents positive cash flow to the company.

Growth opportunities

We have a strong focus on driving revenue generation opportunities for the Financial Services division. The strategic appointment of a Head of Distribution highlights this focus. Our growth strategy aims to expand the distribution of existing investment bonds. Given the continuous changes surrounding superannuation legislation, we see a renewed opportunity for investment bonds as a complementary long-term savings solution. We understand that market dynamics are changing and investors have varying needs and financial objectives. We will respond to these demands by assessing suitable opportunities to develop new investment solutions that can support our strategy.

The Financial Services division has been profitable in 2011, and we are confident that the combination of strategies we implement will provide a platform for growth in the years ahead.

Total FUM (excluding reverse mortgages)

\$736 million

FUM of Capital Guaranteed Bond

\$166 million

FUM of Income Accumulation Bond

\$234 million

Value of Reverse Mortgages

\$192 million

Total number of Centuria Life policies

27,795

Total number of insurance policies

27,453

Directors



John McBain

John has been on the Board since 2006 and was appointed CEO in April 2008. He was the founder of Centuria Property Funds, which was acquired by OFG (now Centuria) in 2006. John is a director of subsidiaries Centuria Strategic Property Limited, Centuria Property Funds Limited and Centuria Life Limited and a director of an associated company Mortgageport Management Pty Limited. John serves on the Investment Committees of both Centuria Life Limited and Over Fifty Guardian Friendly Society Limited. John qualified in property valuation and from 1990 to 2006 was involved in both commercial property consulting and the growth of the unlisted property fund market in Australia. Prior to 1990, John spent four years as managing director of a specialist commercial property investment company based in the United Kingdom.

Jason Huljich

Jason became the CEO of Centuria Property Funds in 2006 and joined the Board in 2007. He is responsible for providing strategic leadership and

ensuring the effective operation of Centuria's property portfolio. He has been involved in investment property syndication in Australia since 1996 and has developed considerable expertise in investment property selection, syndicate feasibility and syndicate management. Jason currently sits on the National Executive Committee of the Property Funds Association, the peak industry body representing the \$32 billion direct property investment industry.

Roger Dobson

Roger was appointed to the Board in 2007. He is Chairman of the Board, Chairman of the Nomination and Remuneration Committee and is also a member of the Audit, Risk Management and Compliance Committee. Roger is a senior partner of Henry Davis York and established the firm's banking and finance practice in 1991. Roger has extensive legal knowledge of the property funds management and financial services industries, as well as corporate governance and regulatory issues.

Peter Done

Peter was appointed to the Board in 2007 and is the Chairman of the Audit,

Risk Management and Compliance Committee. He is also a member of the Nomination and Remuneration Committee and the Investment Committees. Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.

Deepak Gupta

Deepak was appointed to the Board in 2007 and is a member of the Nomination and Remuneration Committee, the Audit, Risk Management and Compliance Committee and the Investment Committees. Deepak has 25 years' experience in the financial services and investment management industry. As the Executive Director of Trustees Executors Limited, he is responsible for the company's strategic, operational and financial management. Trustees Executors currently has NZ\$55 billion of funds under supervision, administration or management.

Directors' Report for the year ended 30 June 2011

The directors of Centuria submit the annual financial report of the Company for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of Centuria during or since the end of the financial year are outlined on the previous page.

Directors	Fully Paid Ordinary Shares	Share Options
	Number	
R.W. Dobson	655,390	-
J.E. McBain	4,363,861	600,000
J.C. Huljich	2,189,116	400,000
P.J. Done	303,812	-
D.K. Gupta	109,735	-

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

Remuneration of directors and senior management

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

Company secretaries

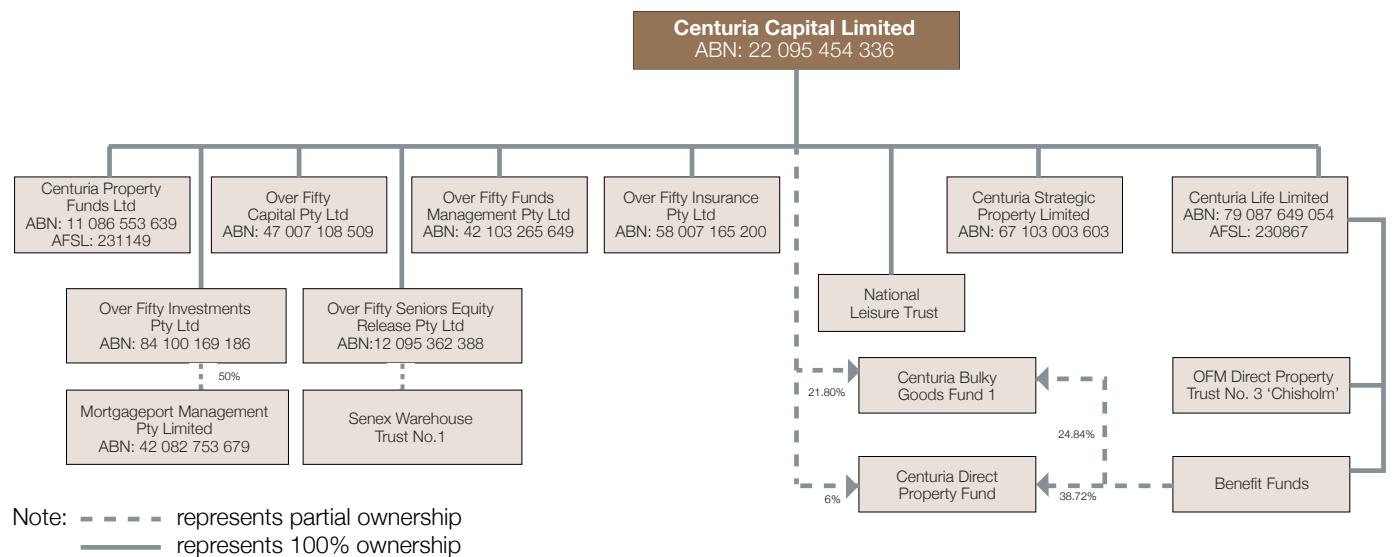
Terry Reid, Chartered Accountant, has been the Company Secretary since December 2007. He is a member of the Institute of Chartered Accountants in Australia.

Matthew Coy (B.Bus, CPA), Chief Financial Officer, was appointed in October 2009 as an additional Company Secretary to be based in Sydney.

Corporate structure

Centuria Capital Limited is a company limited by shares that is incorporated and domiciled in Australia. The company has prepared a consolidated financial report incorporating the entities it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure. All entities are 100% owned unless otherwise stated.

Centuria Capital Limited as at 1 July 2011



Principal activities

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



Directors' Report (continued)

Review of Operations

The consolidated net loss for the year is \$2.891 million (2010: profit of \$6.318 million) after providing for an income tax expense relating to shareholders of \$0.549 million (2010: \$3.941 million).

The main sources of revenue were principally from the operations of Centuria Life Limited, Reverse Mortgages and Centuria Property Funds Limited.

Operational highlights for the financial year were as follows:

Centuria Life

- As at 30 June 2011, Centuria administered \$736 million (2010: \$753 million) of friendly society benefit funds and this has continued to be a core activity of the Group since 1980. Over the past 2 years the Centuria executive and management teams have continued their focus on strengthening the investment and operational staff strategically aimed at improving investment management capability and member communication and services.
- Strategic staff appointments were made during the year including the Head of Distribution across the financial services business.

Centuria Property Funds

- Substantial increase in FUM of 40% from 1 July 2010.
- Appointed as replacement Responsible Entity to Becton Office Fund No.2 and Becton Diversified Direct Property Fund (renamed to Centuria Office Fund 2 and Centuria Diversified Direct Property Fund).
- Successful launch of Centuria 200 Creek Street Fund and Centuria 8 Australia Avenue Fund.
- New investor rights initiative launched.

Reverse Mortgages

- Continued the active focus on portfolio management.
- Appointed a new Head of Reverse Mortgages with significant experience in the mortgage sector.

Insurance

- Continued strong commission income from both existing and new business.
- Re-focused marketing efforts on areas which are paying dividends.

Significant expenses/adjustments incurred

The most significant expenses during the year which are considered to be of a non-recurring nature include:

- Investment properties were revalued downwards by \$4.5 million and a rental receivable in connection with these properties of \$1.158 million was written off.
- The investment in Mortgageport was impaired by \$3.5 million.
- Costs of \$0.6 million relating to efforts to acquire the management rights of Opus property funds.
- Costs of \$0.6 million relating to rebranding the Group to Centuria.

Corporate governance practices

The directors have, in striving to achieve the highest standards of corporate behaviour and accountability, complied with the principles and practices set out in the Corporate Governance Statement contained on page 30 in this annual report.

Other matters

- On 2 February 2011, Centuria completed its buy-back of an unmarketable parcel of shares resulting in 248,924 shares being bought back and cancelled and a further 2.3 million shares being bought back for the Company's Performance Rights Plan in accordance with the resolution approved at the 2009 Annual General Meeting (AGM).
- Pursuant to the AGM held on 26 November 2010, the name of the Company was changed from Over Fifty Group Limited to Centuria Capital Limited. The change was effective on 14 March 2011.

Changes in state of affairs

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

Subsequent events

On 1 July 2011, Eclipse Property Group Limited changed its name to Centuria Strategic Property Limited.

On 18 August 2011, the term of the non-recourse notes relating to the reverse mortgage business was extended to 31 March 2013 (refer note 16).

At the date of signing this report, the extension of the Group's working capital facility had been approved by the financier and documentation for the amended facility agreement was underway.

On 19 August 2011, the Board of Centuria declared a final dividend to be paid to shareholders in the amount of 3.5 cents per share, partly franked to 30%. The dividend payment date is expected to be on or around 30 September 2011.



Future developments

The Group has made considerable investments across its different businesses to support the growth targets which have been set by the Board. The Board and management team are focused on further strengthening the two businesses, property funds management and financial services.

Dividends

In respect of the financial year ended 30 June 2011, an interim dividend of 2.5 cents per share partly franked to 30% was paid to the holders of fully paid ordinary shares on 8 April 2011.

The 2011 final dividend of 3.5 cents per share was declared on 19 August 2011. Refer to the subsequent events section on page 16 for further detail.

In respect of the financial year ended 30 June 2010, an interim dividend of 2.5 cents per share partly franked to 30% and a final dividend of 2.5 cents per share partly franked to 30% were paid to the holders of fully paid ordinary shares.

Indemnification of officers and auditors

Centuria 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.

Centuria 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 those contracts. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

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

Directors	Board of Directors		Audit, Risk Management & Compliance Committee		Investment Committee		Nomination & Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J.E. McBain	16	15	-	-	12	10	-	-
J.C. Huljich	16	15	-	-	-	-	-	-
R.W. Dobson	16	16	6	6	-	-	4	4
P.J. Done	16	15	6	6	12	11	4	4
D.K. Gupta	16	15	6	4	12	6	4	3

Note: J.E. McBain and J.C. Huljich are not members of the Audit, Risk Management & Compliance Committee.

R.W. Dobson and J.C. Huljich are not members of the Investment Committee.

J.E. McBain and J.C. Huljich are not members of the Nomination & Remuneration Committee.

Directors' Report (continued)

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk Management & Compliance Committee, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 29 of the annual report and forms part of the Directors' Report for the year ended 30 June 2011.

Rounding off of amounts

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



Remuneration Report for the year ended 30 June 2011

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Centuria's directors and its senior management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following headings:

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

1. Director and senior management details

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

R.W. Dobson (Independent Chairman)

P.J. Done (Independent Director)

D.K. Gupta (Independent Director)

J.E. McBain (Chief Executive Officer and Executive Director)

J.C. Huljich (Executive Director)

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

M.J. Coy (Chief Financial Officer and additional Company Secretary based in Sydney)

T.D. Reid (Company Secretary and General Manager - Centuria Life Limited)

D.B. Govey (Head of Assets)

2. Remuneration policy

Centuria 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, Centuria must be able to attract, motivate and retain capable individuals. Centuria'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
- Linking the overall cost of remuneration to the ability of the Company to pay
- Ensuring severance payments due to the Chief Executive Officer on termination are limited to pre-established contractual arrangements that 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 moving forward. It is necessary to structure and strengthen this focus to drive this strategy so that they are aligned with the Company's objectives and successes.

Under the remuneration policy, senior management's remuneration includes a fixed remuneration component, short-term and long-term incentive arrangements. The long-term incentives are based on Centuria's performance for the year in reference to specific Earnings Per Share (EPS) hurdles being met. The short-term incentives are based on the individual's performance in the preceding 12 months compared to pre-agreed goals.

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

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

4. Non-executive director remuneration

• Objective

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

• Structure

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

• Directors' Fees

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

• Non-Executive Director Share Plan

Following approval at the 2009 AGM, a Non-Executive Director Share Plan (NED Share Plan) was implemented. The concept of the non-executive directors taking a component of their remuneration as Centuria shares is seen as further aligning their interests with shareholders.

Remuneration Report (continued)

During the 2010 year, each of the non-executive directors (Messrs Dobson, Done & Gupta) were issued with 75,000 Centuria shares under the NED Share Plan for nil consideration. These shares were subject to trading restrictions and directors were not able to sell or otherwise deal with their shares issued under the Plan within 12 months of the date of issue unless a Change of Control Event occurred as defined section 5(b)(ii) of this report.

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
- Ensure total remuneration is competitive by market standards.

• Structure

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

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

(a) Fixed Remuneration

• Objective

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

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

(b) Variable Remuneration

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

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

The objective of the STI program is to link the achievement of the Group's operational and financial targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve operational targets and such that the cost to the Group is reasonable in the circumstances.

% of Total Target Annual Remuneration		
Directors	Fixed Remuneration	Variable Remuneration
	%	%
Executive Directors		
J.C. Huljich	74%	26%
J.E. McBain	74%	26%
Senior Management		
M.J. Coy	74%	26%
T.D. Reid	77%	23%
D.B. Govey	77%	23%

Performance Rights Plan (PRP)

At the 2003 AGM, Centuria shareholders approved a Performance Rights Plan (PRP) which provides the Board (or the Nomination & Remuneration Committee acting as the Board's delegate) discretion to grant Performance Rights to employees for a specified number of ordinary shares for no consideration. At the 2009 AGM, shareholders reapproved the PRP and approved the issue of up to 3 million Performance Rights for nil consideration. The PRP applies to executive directors, senior management and other employees within the Group.

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

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

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

The PRP has two parts:

• Compensation Performance Rights

These were designed to compensate eligible employees for salary reductions made as of 1 May 2009, with the number of Performance Rights issued determined by reference to the salary reductions from 1 May 2009 to 30 June 2010.

The number of Compensation Performance Rights issued in respect of the 2011 financial year was 685,308 at a price of \$0.52.

• Incentive Performance Rights

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

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



Details of the grants of Performance Rights are set out below:

	Performance Rights Grant Date	Number of Performance Rights	EPS Hurdle	Vesting Date
Compensation Performance Rights	10 February 2010	0.7 million	No EPS hurdle	01 July 2010
Incentive Performance Rights	30 June 2010	0.3 million	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	0.7 million	7.50 cents (i)	30 June 2011
Incentive Performance Rights	30 June 2012	1.3 million	- (ii)	30 June 2012

(i) Based on underlying net profit after tax. The fair value of each Performance Right issued was \$0.57 based on the volume weighted average share price of Centuria in the 10 trading days prior to 30 June 2011.

(ii) EPS hurdle will be set prior to the time of grant. 1.3 million performance rights available for potential future issuance by the Nomination and Remuneration Committee.

Remuneration Report (continued)

(b) (ii) Long-term Incentives (LTI)

An Executive Option Plan ('EOP') was approved at the 2009 AGM. The EOP represents the long-term incentive for senior executives. The award of Executive Options under this plan are subject to EPS hurdles and no Executive Option will be capable of being exercised until the third year after the date of granting (that is, 2012).

The Executive Options do not vest:

- Until the lodgement or publication by the Company of its annual financial statements for the financial year ending 30 June 2012 (Announcement Date)
- A change of control event (as defined below) occurs or
- If the relevant executive is not an employee or director at 30 June 2012 unless they have only ceased to be an employee or director due to a Qualifying Reason (death, total and permanent disability, redundancy; the sale of a Centuria company or business which employs the Centuria employee or as otherwise determined by the Board).

A change of control occurs if a person acquires:

- A relevant interest (within the meaning of section 608 of the Corporations Act 2001) in more than 50% of the ordinary shares in the Company or
- Control of the Company or
- Or any other event occurs which the Board determines, in its absolute discretion, to be a Change of Control Event.

If an event occurs affecting the number or type of securities on issue in the capital of the Company (including a subdivision, consolidation or reduction), the Executive Options will be restructured in a manner which is fair and equitable to the executives which is consistent with the relevant provisions of the ASX Listing Rules at that time.

The Board has determined that the combination of the EPS performance hurdle and setting the exercise price (shown top right) above the anticipated fair market value of the underlying Centuria share at the time of grant is appropriate because satisfaction of the hurdles (and therefore vesting) should correspond to an increase in shareholder value.

The Executive Options may be exercised from the Announcement Date for a period of three months less one day.

The maximum number of Executive Options issued under the EOP, and of Centuria shares issued upon exercise of the Executive Options, will be 2.1 million. Of these Executive Options, 1.6 million have been issued as at 30 June 2011. One Executive Option on its valid exercise entitles the holder to be issued with one Centuria ordinary share. The Executive Options will be issued to executives for nil consideration.

Details of grants of Executive Options to Executive Directors and Senior Management are set out below:

Name of Executive Director / Senior Management	Executive Options Granted on 29 October 2009
J.E. McBain	600,000
J.C. Huljich	400,000
M.J. Coy	325,000
T.D. Reid	100,000
D.B. Govey	100,000

(i) Of the total number of Executive Options of an executive director that become exercisable, one third have an exercise price of \$0.66, one third an exercise price of \$0.73 and one third an exercise price of \$0.80 per Executive Option.

All of the Executive Options become exercisable if:

- The Company meets or exceeds all of the following EPS targets for financial years shown:

Financial Year (FY)	EPS Hurdle
2010	8.96 cents
2011	10.04 cents
2012	11.23 cents

Or:

- The simple average of the Company's EPS for the 3 financial years is 10.07 cents.

Part only of the Executive Options will become exercisable if:

- A Change of Control Event occurs (the number of Executive Options vesting will be pro-rata to the proportion of the vesting period that has elapsed at the time of the Change of Control Event), or
- Based on the EPS achieved and on the following sliding scale, assuming that the EPS for the purposes of the growth chart was 8 cents for the financial year ending 30 June 2009:

Average EPS Growth Rate from 2010 to 2012	% Executive Options Vesting
Less than 8%	0%
8 - 8.99%	20%
9 - 9.99%	40%
10 - 10.99%	60%
11 - 11.99%	80%
12 - 12.99%	100%

6. All other employees' remuneration

• Objective

The Company aims to reward all other employees with a level of remuneration commensurate with their position and responsibilities within the Company and ensuring that it is competitive by market standards.

• Structure

In determining the level of all other employees' remuneration, the CEO may seek independent advice regarding market levels of remuneration for comparable roles. Remuneration packages are fixed and inclusive of statutory superannuation contributions.

After completion of a qualifying period, employees may be eligible to participate in the Company's incentive programs which will vary from time to time depending on company policies and the changing needs of the business. Bonus payments are determined at the absolute discretion of the Company. Eligible employees will be advised annually of their participation in any bonus program.

Centuria's overall objective is to reward senior management based on the Company's performance and build on shareholders' wealth but this is subject to market conditions for the year. The table below sets out summary information about the Group's earnings for the five years to June 2011:

Summary of Earnings	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Total income	51,804	51,583	73,447	55,344	114,019
Net profit / (loss) before tax	1,347	12,880	(19,527)	(1,065)	11,378
Net profit / (loss) after tax	(2,981)	6,318	(12,413)	(2,707)	6,514

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at start of year	\$0.52	\$0.42	\$0.91	\$2.22	\$2.26
Share price at end of year	\$0.57	\$0.52	\$0.42	\$0.91	\$2.22
Interim dividend (i)	2.5cps	2.5cps	0.0cps	5.0cps	5.0cps
Final dividend (i)	3.5cps	2.5cps	0.0cps	3.0cps	6.0cps
Basic earnings per share	(3.7)cps	9.3cps	(21.4)cps	(4.6)cps	11.0cps
Diluted earnings per share	(3.7)cps	8.4cps	(21.4)cps	(4.6)cps	11.0cps

(i) 30 June 2011: partly franked to 30%.

Remuneration Report (continued)

Remuneration of directors and senior management

Remuneration for the year ended 30 June 2011:

	Short-term Employee Benefits			Post Employment Benefits	
	Salaries \$	Fees \$	Bonus \$	Car Allowance \$	Superannuation \$
Directors					
R.W. Dobson	-	130,000	-	-	11,700
J.E. McBain	354,243	-	100,000	20,000	33,682
J.C. Huljich	253,008	-	71,000	20,000	24,571
P.J. Done	-	100,000	-	-	9,000
D.K. Gupta	-	75,000	-	-	6,750
Sub-total	607,251	305,000	171,000	40,000	85,703
Senior Management					
M.J. Coy	256,881	-	-	-	23,119
T.D. Reid	200,279	-	-	-	17,070
D.B. Govey	219,450	-	-	-	19,750
Sub-total	676,610	-	-	-	59,939
Grand Total	1,283,861	305,000	171,000	40,000	145,642

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.

Valuation of performance rights for directors and senior management

The value of the Performance Rights granted at the grant date in 2011 was \$136,064.

Valuation of options for directors and senior management

The value of options granted at the grant date in 2010 in respect of the 2011 year was \$67,623.

Non-executive directors' remuneration

The aggregate non-executive directors' remuneration paid in 2011 was \$332,450.

Share-based Payment			Termination Benefits	
Performance Rights \$	Options \$	Participating Rights \$	Termination Payments \$	Total \$
-	-	-	-	141,700
-	26,606	-	-	534,531
-	17,737	-	-	386,316
-	-	-	-	109,000
-	-	-	-	81,750
-	44,343	-	-	1,253,297
69,609	14,412	-	-	364,021
6,986	4,434	-	-	228,769
59,469	4,434	-	-	303,103
136,064	23,280	-	-	895,893
136,064	67,623	-	-	2,149,190

Remuneration Report (continued)

Remuneration of directors and senior management (continued)

Remuneration for the year ended 30 June 2010:

	Short-term Employee Benefits			Post Employment Benefits	
	Salaries \$	Fees \$	Bonus \$	Car Allowance \$	Superannuation \$
Directors					
R.W. Dobson	-	95,000	-	-	8,550
J.E. McBain	316,819	-	-	20,000	30,314
J.C. Huljich	225,711	-	-	20,000	22,114
P.J. Done	-	67,125	-	-	3,690
D.K. Gupta	-	49,000	-	-	-
Sub-total	542,530	211,125	-	40,000	64,668
Senior Management					
M.J. Coy	231,192	-	-	-	20,807
T.D. Reid	180,233	-	-	-	15,383
D.B. Govey	179,546	-	-	-	16,159
Sub-total	590,971	-	-	-	52,349
Grand Total	1,133,501	211,125	-	40,000	117,017

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.

Bonus

No cash bonuses were granted during the 30 June 2010 financial year to the above senior management or any other staff of Centuria.

Performance rights

As a result of all Centuria staff receiving either a 7.5% or 10% reduction to their remuneration during the current period, in accordance with the resolutions at the October 2009 AGM, staff were granted Performance Rights as compensation for the decreased remuneration (98% were granted), the condition being employment from 1 May 2009 to 1 July 2010.

Also in accordance with the October 2009 AGM, performance rights were also granted to staff instead of cash bonuses.

Valuation of options and performance rights for directors and senior management

The value of options granted at the grant date in 2010 in respect of the 2010 year was \$67,623.

The value of the Performance Rights granted at the grant date in 2010 was \$360,843.

The aggregate non-executive directors' remuneration paid in 2010 was \$388,200.

Share-based Payment			Termination Benefits	
Performance Rights \$	Options \$	Participating rights \$	Termination Payments \$	Total \$
54,945	-	-	-	158,495
57,347	26,606	-	-	451,086
42,156	17,737	-	-	327,718
54,945	-	-	-	125,760
54,945	-	-	-	103,945
264,338	44,343	-	-	1,167,004
40,843	14,412	-	-	307,254
23,836	4,434	-	-	223,886
31,826	4,434	-	-	231,965
96,505	23,280	-	-	763,105
360,843	67,623	-	-	1,930,109

Remuneration Report (continued)

7. Key terms of employment contracts

Current CEO

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

- Mr McBain receives Fixed Compensation plus superannuation.
- Mr McBain is entitled to a motor vehicle allowance and can elect to apply a portion of his salary as a motor vehicle allowance. For the year ended 30 June 2011, Mr McBain elected to allocate from his total salary amount \$20,000 (2010: \$20,000) to his motor vehicle allowance.
- Mr McBain is entitled to car parking within close proximity to Centuria's office.
- Mr McBain is eligible to participate in the bonus program which will be determined at the discretion of the Board.
- Centuria 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.
- Centuria 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.

Other executives (standard contracts)

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

Upon a participant's termination of employment with Centuria, the unvested and vested performance rights of the participant will be dealt with as specified in the table below.

Type of Termination	Unvested Rights	Vested Rights
Redundancy or retrenchment	Lapse after 12 months from date of termination of employment.	Lapse after 60 days from the date of termination.
Special Circumstances (Death or disability)	Lapse.	Lapse after 180 days from the date of termination.
Dismissal for serious misconduct (e.g. Fraud)	Lapse.	Lapse from the date of termination.
Termination in any other instance (e.g. Resignation)	Lapse.	Lapse from the date of termination.

On behalf of the Board



J.E. McBain

Executive Director & Chief Executive Officer



P.J. Done

Director

Chairman - Audit, Risk Management & Compliance Committee

Auditor's Independence Declaration



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 2011 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.

A handwritten signature in black ink, appearing to read 'S Gatt'.

KPMG

A handwritten signature in black ink, appearing to read 'S Gatt'.

Steven Gatt
Partner

Sydney

19 August 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

2011 Corporate Governance Statement

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

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

Details of the main corporate governance related policies adopted by the Company are available in the Corporate Governance section of Centuria's website www.centuria.com.au.

Principle 1: Lay solid foundations for management and oversight

The role of the Board

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

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

Delegation to Senior Executives

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

The CEO's responsibilities include:

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

Performance Review of Senior Executives

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

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

Principle 2: Structure the Board to add value

Directors

The Directors' Report in the Annual Report contains details of the directors' skills, experience and qualifications. It also states the date the individual director was appointed to the board, their status as non-executive or executive directors and the committees on which they sit. The directors seek to ensure the Board consists of directors with an appropriate range of experience, skills, knowledge and vision to enable it to operate Centuria's business with excellence. The number of directors is limited by Centuria's constitution to a minimum of 5 and a maximum of 13. The Board considers that the ideal size is 5 to 8 directors. There have been no new appointments to the Board since 2007. Any future new appointments shall continue to adhere to Centuria's desire to maintain the appropriate skills, experience and qualification mix, keeping in mind a commitment to diversity of gender and background.

Currently the Board consists of 5 directors. Three of the five directors, namely Roger Dobson, Peter Done and Deepak Gupta are considered to be independent as per independence criteria set out in the Board Charter. The three independent directors do not have relationships with Centuria which affect their independent status, such as substantial shareholdings or direct employment. They do not provide material professional consultancy services, they are not a material supplier or customer and they do not have a material contractual relationship with Centuria or other group member except as a director. Our CEOs, John McBain and Jason Huljich are also executive directors. Directors are required to disclose at each Board meeting any interests that may affect their independence. Independent directors reconfirm their independent status to the Board by way of a written confirmation on an annual basis.

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

Chairman

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

Nomination and Remuneration Committee

The Nomination and Remuneration Committee formulates criteria for appointment of directors to the Board, identifies potential candidates and recommends remuneration of directors and senior management. Appointments to the Board are made on the understanding that a minimum of one term of three years and a maximum of three terms (9 years) will be served. A link to the charter of the Nomination and Remuneration Committee can be found on the Corporate Governance page of our website.

Specific activities include:

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

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

Board Performance

The Board reviewed and assessed its performance for the 2010/11 financial year. Detailed consideration was given to the following areas:

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

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

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

Re-election of Directors

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

PRINCIPLE 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has established a Directors and Employee Code of Conduct that sets the standard by which all officers and

employees of the company are to conduct themselves in the course of their duties. Potential breaches of the Code of Conduct can be reported to management, the Audit, Risk Management & Compliance Committee or an external auditor using the guide outlined in Centuria's Whistleblower Policy. A link to the Code of Conduct can be found under the Corporate Governance page of our website.

Trading in Centuria's Securities

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

Diversity at Centuria

Recent amendments to the ASX Corporate Governance Principles and Recommendations have focussed the Board's attention on formalising into policy the Company's belief that a diverse workforce with equality of opportunity will achieve strong business results. Measurable targets to achieve Centuria's diversity objectives are currently under consideration by the Board. Once adopted, progress toward realising the targets will be reported on an annual basis. Whilst ultimately all new appointments, whether of a director or an employee will be made on the basis of merit, meeting the targets will provide evidence of the effectiveness of the policy.

Principle 4: Safeguard integrity in financial reporting

Audit, Risk Management and Compliance Committee

Our Audit, Risk Management & Compliance Committee consists of three non-executive directors, has a majority of independent directors and is chaired by an independent chair who is not the chair of Centuria's Board. All members are financially literate either holding financial or accounting qualifications and/or having professional experience in a financial or accounting related field. The Committee chairman, Peter Done is a chartered accountant with over 40 years of experience. Deepak Gupta has 20 years' experience in the financial services and investment management industry. The third member of the committee, Roger Dobson is a senior partner in the banking and finance practice at the legal firm in which he is a partner. The Committee meets at least six times per year. The external and internal auditors of the Group attend on a regular basis. Detail of the Audit, Risk Management & Compliance Committee member's names, appointment date, status, qualifications and meeting attendance is set out at the end of this Corporate Governance Statement.

Charter

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

External Auditor

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

2011 Corporate Governance Statement (continued)

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

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

- The Annual Report and Half-year Financial Reports
- Announcements made to the Australian Securities Exchange
- Notices and explanatory memoranda of annual general meetings
- The Annual General Meeting
- Centuria's website www.centuria.com.au

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

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

Nomination and Remuneration Committee

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

Remuneration related responsibilities of the Nomination and Remuneration Committee include:

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

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

Senior executive remuneration structure

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

- Competitive rewards are provided to attract and retain executive talent
- Remuneration is linked to performance so that higher levels of performance attract higher rewards
- Rewards to all staff but particularly executives are linked to the creation of value to shareholders

- The criteria used to assess and reward staff include financial and non-financial measures of performance
- The overall cost of remuneration is managed and linked to the ability of the company to pay
- severance payments due to the CEO on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

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

Non-executive director remuneration structure

The Board has established a policy relating to the remuneration of non-executive directors. Centuria pays non-executive directors fees at a level which is sufficient to attract individuals with the appropriate skills, and to fairly reimburse those directors for services provided.

Non-executive director's remuneration does not include incentive schemes or performance related payments.

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

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

Addendum: Board Committee detail

Nomination and Remuneration Committee

Member Nomination	Appointment Date	Status	Qualifications	Meetings Held	Meetings Attended
July 2010 - June 2011					
Roger Dobson	22 Jan 2008	Independent Chair	LLB (Hons) LLM	4	4
Peter Done	22 Jan 2008	Independent	B.Comm (Accounting) FCA	4	4
Deepak Gupta	25 Nov 2008	Independent	BCA, MBA	4	3

Audit, Risk Management & Compliance Committee

Member Nomination	Appointment Date	Status	Qualifications	Meetings Held	Meetings Attended
July 2010 - June 2011					
Peter Done	17 Dec 2007	Independent Chair	B.Comm (Accounting) FCA	6	6
Roger Dobson	17 Dec 2007	Independent	LLB (Hons) LLM	6	6
Deepak Gupta	17 Dec 2007	Independent	BCA, MBA	6	4

Directors' Declaration for the year ended 30 June 2011

The directors declare that:

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

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

On behalf of the Directors



J.E. McBain

Executive Director & Chief Executive Officer



P.J. Done

Director

Chairman - Audit, Risk Management & Compliance

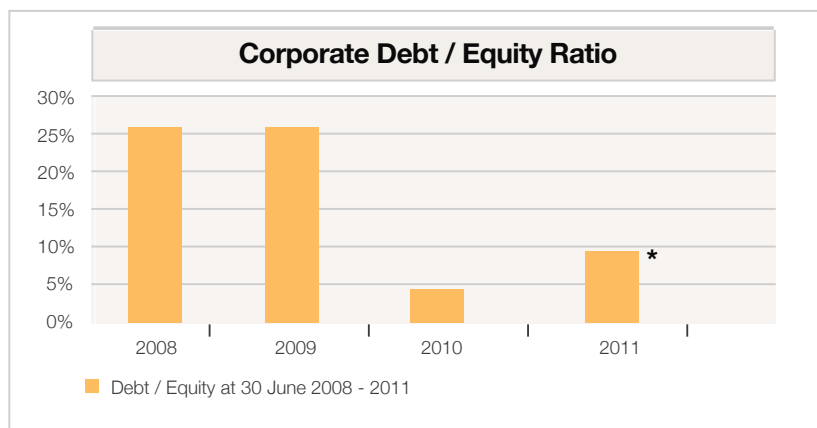
Sydney

19 August 2011

Financial Commentary for the year ended 30 June 2011

For the financial year ended 30 June 2011, the Group made an underlying net profit before tax of \$10.5 million. Whilst this result represents a slight decline on the previous financial year (\$11.2 million), the Group has invested in business systems and employed key personnel to facilitate the Group's strategy of growing funds under management in these current market conditions.

In the 2011 financial year our corporate finance team has continued its focus on maintaining minimal corporate gearing (below 10% excluding convertible notes and non-recourse debt), obtaining substantial debt refinancing periods for corporate borrowings and reverse mortgage facilities (February 2013 and March 2013 respectively) and improving the quality of its financial reporting allowing shareholders to more easily understand the standalone Centuria Capital corporate performance.



*Continued low level of corporate gearing (excluding non-recourse debt and convertible notes).

Obtaining length of tenure of Centuria's two main debt facilities, in this current market, is fundamental to providing stability for the Group's financial platform, whilst allowing necessary headroom to facilitate the Group's growth plans. Centuria has been able to achieve this by always remaining compliant with its financial covenants requirements, as well as developing a close relationship over the past four years with its major financiers.

Centuria has made substantial headway in reducing the complexity of its financial reporting. Whilst Accounting Standards require the Benefits Funds to be included in the consolidated results, the "one line" disclosures made in the current year's financial report should give shareholders clearer transparency of the Group's results.

Matthew Coy

Chief Financial Officer



Matthew Coy

Chief Financial Officer
B.Bus. Accounting, CPA

Julian Blackley

Group Head of Finance
B.Bus. FCA, Grad. Dip.
Accounting

Statement of Comprehensive Income for the financial year ended 30 June 2011

	Consolidated		
	Note	2011 \$'000	2010 \$'000
Revenue	3(i)	32,696	32,251
Centuria Life Revenue	3(iii)	13,453	14,030
Net revenue from Benefit Funds	3(iii)	3,689	2,621
Other income	3(ii)	1,966	2,681
Total income		51,804	51,583
Finance costs	4	(16,768)	(17,180)
Employee benefits expense	5(a)	(7,187)	(6,394)
Administrative and other expenses	5(b)	(12,904)	(8,781)
Centuria Life expenses	3(iii)	(4,316)	(5,106)
Share of loss of associates	12	(840)	(1,921)
Impairment of investments in associates	12	(3,933)	691
Revaluation of investment property assets	5(b)	(4,510)	(13)
Profit before tax		1,347	12,880
Income tax expense relating to shareholders		(549)	(3,941)
Income tax expense relating to benefit funds		(3,689)	(2,621)
Total income tax expense	6	(4,238)	(6,562)
(Loss)/profit for the year		(2,891)	6,318
Other comprehensive income:			
Gain on cash flow hedges taken to equity		1,033	1,223
Share of other comprehensive income of associates		1,204	323
Income tax relating to components of other comprehensive income	6	(671)	(464)
Other comprehensive income for the year (net of tax)		1,565	1,082
Total comprehensive (loss)/income for the year		(1,326)	7,400
Earnings per share			
Basic (cents per share)	7	(3.7)	9.3
Diluted (cents per share)	7	(3.7)	8.4

The Consolidated result aggregates the financial results of the Centuria Capital Limited corporate entities and the benefit funds (refer to Note 2(a)).

Statement of Financial Position as at 30 June 2011

	Consolidated		
	Note	2011 \$'000	2010 \$'000
Assets			
Cash and cash equivalents	26	11,625	13,966
Trade and other receivables	8	10,854	13,052
Financial assets at fair value through profit and loss	9	2,331	152
Other financial assets	9	198,194	208,947
Other assets	10	1,816	2,115
Investment property	11	22,500	27,000
Investment in associates	12	7,453	11,886
Plant and equipment	13	1,349	1,198
Assets in respect of Benefit Funds	20	508,964	548,259
Deferred tax assets	6(d)	11,751	13,063
Intangible assets	14	53,809	52,812
Total assets		830,646	892,449
Liabilities			
Trade and other payables	15	5,492	5,279
Borrowings	16	196,889	204,451
Income tax payable	6(c)	5,663	(1,688)
Other liabilities	18	6,654	14,054
Derivative financial liabilities	19	13,531	15,951
Liabilities in respect of Benefit Funds	20	508,964	548,259
Deferred tax liabilities	6(d)	2,256	3,413
Provisions	17	705	711
Total liabilities		740,165	796,806
Net assets		90,481	95,643
Equity			
Contributed equity	21	100,235	100,018
Reserves	21	(868)	(2,172)
Accumulated losses	21	(8,886)	(2,203)
Total equity		90,481	95,643

The Consolidated result aggregates the financial results of the Centuria Capital Limited corporate entities and the benefit funds (refer to Note 2(a)).

Statement of Changes in Equity for the financial year ended 30 June 2011

	Share Capital	Retained Earnings	Cash Flow Hedge Reserve	Share of Associates' Reserves
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	89,045	(6,623)	(2,923)	(1,069)
Profit for the year	-	6,318	-	-
Other comprehensive income for the year	-	-	856	226
Total comprehensive income for the year	-	6,318	856	226
Issued during the year:				
Executive share option plan (note 21)	-	-	-	-
Employee share scheme (note 21)	-	-	-	-
Shares issued on capital raising (net of costs)	10,349	-	-	-
Dividend Reinvestment Plan	459	-	-	-
Shares issued to non-executive directors	165	-	-	-
Payment of dividends (note 22)	-	(1,898)	-	-
Balance at 30 June 2010	100,018	(2,203)	(2,067)	(843)
Balance at 1 July 2010	100,018	(2,203)	(2,067)	(843)
Profit for the year	-	(2,891)	-	-
Other comprehensive income for the year	-	-	722	843
Total comprehensive income for the year	-	(2,891)	722	843
Issued during the year:				
Executive share option plan (note 21)	-	-	-	-
Employee share scheme (note 21)	558	-	-	-
Dividend Reinvestment Plan	1,030	-	-	-
Convertible notes (note 18)	359	-	-	-
Payment of dividends (note 22)	-	(3,792)	-	-
Share cancellation	(169)	-	-	-
Performance rights plan	-	-	-	-
Share buy-back	(1,561)	-	-	-
Balance at 30 June 2011	100,235	(8,886)	(1,345)	-

The Consolidated result aggregates the financial results of the Centuria Capital Limited corporate entities and the benefit funds (refer to Note 2(a)).

Share-based Incentive Reserve	Attributable to Equity Holders of the Parent	Non-Controlling Interests	Total
\$'000	\$'000	\$'000	\$'000
8	78,438	-	78,348
-	6,318	-	6,318
-	1,082	-	1,082
-	7,400	-	7,400
213	213	-	213
517	517	-	517
-	10,349	-	10,349
-	459	-	459
-	165	-	165
-	(1,898)	-	(1,898)
738	95,643	-	95,643
738	95,643	-	95,643
-	(2,891)	-	(2,891)
-	1,565	-	1,565
-	(1,326)	-	1,326
(229)	(229)	-	(229)
(32)	526	-	526
-	1,030	-	1,030
-	359	-	359
-	(3,792)	-	(3,792)
-	(169)	-	(169)
-	-	-	-
-	(1,561)	-	(1,561)
477	90,481	-	90,481

Statement of Cash Flows for the financial year ended 30 June 2011

Cash Flows from Operating Activities	Consolidated		
	Note	2011 \$'000	2010 \$'000
Interest received		927	476
Dividends received		2	-
Management fees received		19,414	20,114
Rent, trust distributions and other income received		15,614	8,636
Benefit funds		(32,573)	(38,373)
Payments to suppliers and employees		(26,669)	(22,729)
Income tax received		512	4,689
Net cash used in operating activities	26	(22,773)	(27,187)
Cash flows from investing activities			
Interest received/(paid) on mortgage loans net of mortgage receipt/drawdown		(5,528)	(8,909)
Benefit funds		16,666	63,161
Receipts/(payments) for investment property		-	(13)
Payments for plant and equipment		(522)	(224)
Proceeds from disposal of plant and equipment		-	19
Proceeds from sale of investments		-	2,439
Acquisition of subsidiaries net of cash acquired		-	(790)
Proceeds from investment in other financial assets		(1,716)	6,245
Payment for investment in associated entities		-	(69)
Payment for acquisition of intangible assets		(1,273)	-
Other investments		(2)	-
Net cash provided by investing activities		7,625	61,859
Cash flows from financing activities			
Proceeds from issue of equity securities		-	10,349
Loans to related entities		(2,398)	-
Benefit funds		(6,392)	(8,856)
Convertible notes payments		(840)	-
Share buy-back		(1,733)	-
Collections from mortgage holders		26,663	24,055
Proceeds from borrowings		8,585	10,906
Repayment of borrowings		(16,147)	(26,852)
Dividends and distributions paid		(3,792)	(1,447)
Financing costs		(13,466)	(15,744)
Net cash (used in) financing activities		(9,520)	(7,589)
Net (decrease)/increase in cash and cash equivalents		(24,668)	27,083
Cash and cash equivalents at the beginning of the financial year		55,368	28,285
Cash and cash equivalents at the end of the financial year		30,700	55,368
Cash attributable to benefit funds		19,075	41,402
Cash attributable to shareholders		11,625	13,966

The Consolidated result aggregates the financial results of the Centuria Capital Limited corporate entities and the benefit funds (refer to Note 2(a)).

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

1. General information

Centuria Capital Limited (the Company or CCL) is a public company listed on the Australian Stock Exchange (trading under the symbol CNL), incorporated and operating in Australia.

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

Registered office	Principal place of business
Level 30, 367 Collins Street Melbourne VIC 3000 Tel: 1300 CENTURIA	Level 30, 367 Collins Street Melbourne VIC 3000 Tel: 1300 CENTURIA

The entity's principal activities are the marketing and management of investment products, general insurance through agency arrangements, mortgage lending and management and property investment.

2. Significant accounting policies

Statement of compliance

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

The consolidated financial statements were authorised for issue by the directors on 19 August 2011.

Basis of preparation

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

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

Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 34.

Comparatives

In order to increase understandability for the main stakeholders of the Group (namely, the shareholders and the policyholders), the financial statements have been restated to show net revenue from the benefit funds as a single line, and assets and liabilities relating to the benefit funds have also been presented separately. Comparatives and disclosure notes have been restated to reflect this change in presentation.

Going concern

The directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The going concern assumption has been formed after considering a number of factors including such things as the cash-flow forecast of the business for the next 12 months, liquidity within each part of the Group, the anticipated level of borrowings and projected covenant compliance.

At 30 June 2011, the Group had a working capital deficiency of \$187.3 million due to the fact that all borrowings (refer note 16) were classified as current liabilities on this date. On 18 August 2011, the financing facility on the reverse mortgage portfolio was extended to 31 March 2013. This extension has resulted in the working capital deficiency reducing to \$22.5 million. Additionally, at the date of signing this report, the extension of the Group's working capital financing facility to February 2013 (refer note 16) has been approved by the financier subject to documentation. This extension reduces the working capital deficiency to \$14.4 million.

This remaining working capital deficiency is principally due to the fact that the Group's investment property assets (\$24.0 million) are deemed to be "non-current" by the accounting standards whereas the borrowings secured against these assets are deemed to be "current" liabilities. This results in an accounting mismatch and given these borrowings are secured only against the investment property to which they relate, the accounting mismatch does not impact the Company's ability to continue operating as a going concern.

Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the entity's accounting policies

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 11 - classification and valuation of investment property
- note 14 - goodwill
- note 27 - financial instruments
- note 33 - share based payments.

Notes to the Consolidated financial Statements for the year ended 30 June 2011

2. Significant accounting policies (continued)

Critical judgements in applying the entity's accounting policies (continued)

In addition, a Financial Condition Report is being prepared by the Society's Appointed Actuary, Mr Guy Thorburn. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2011.

The amount of the benefit fund liabilities has been determined in accordance with the methods and assumptions disclosed in this Financial Condition Report.

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

For the Funeral Benefit Fund, the policy 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 Society currently expects to deduct 1.50% of the fund's assets from investment earnings for expense allowances. It has been assumed that interest will be earned in future years at rates after tax sufficient at least to meet this level of expense.

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

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. Hence there is no profit and consequently, no need for a profit carrier.

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

(a) Basis of consolidation

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

CCL, as prescribed by AASB 1038 Life Insurance Contracts, is required to recognise the assets, liabilities, income, expenses

and equity of the benefit funds which it manages, in its consolidated financial statements. The assets and liabilities of the Benefit Funds do not impact the net profit after tax of the equity holders of CCL.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

CCL has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, CCL has no legal rights to Guardian's net assets and therefore does not control Guardian. It is, therefore, considered inappropriate to include Guardian in the consolidation.

(b) Business combinations

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

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised

and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively

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

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

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

(c) Goodwill

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

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of comprehensive as a bargain purchase gain.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (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 not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An

impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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

(d) Investments in associates

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

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

The Group's investment in Mortgageport Management Pty Ltd, Centuria Bulky Goods Fund 1 and Direct Property Trust are accounted for using the equity method of accounting in the consolidated financial statements.

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

(e) Goods and services tax

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

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of an asset or as part of an item of expense or
- (ii) 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

2. 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 entity and the revenue can be reliably measured.

Management fees

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

Dividend and interest revenue

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

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total rental income.

Property acquisition income and sale performance fees

Property acquisition income is recognised when an investment property has been acquired in an established fund.

Sale performance fee income is recognised upon settlement of the sale of an established fund property.

Commission and application fee income

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

(g) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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.

The policy described above is applied to all equity-settled share-based payments:

- Executive Option Plan that were granted after 29 October 2009 and vest after 1 July 2012

- Compensation and Incentive Performance Rights that were granted after 10 February 2010 and vested after 1 July 2010 and 30 September 2010 respectively.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or 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.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in other comprehensive income for the year.

(h) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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 able 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.

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.

The Benefit Funds are part of the tax consolidated group, 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.

Tax consolidation

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

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, CCL and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by CCL.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the

tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets at fair value through profit and loss

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

A financial asset is classified as held for trading if:

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

2. Significant accounting policies (continued)

(j) Financial assets (continued)

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

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

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income. Fair value is determined in the manner described in note 27.

Other financial assets

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

Derecognition of financial assets

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

Impairment of financial assets

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

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 effective interest method less impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(k) Plant and equipment

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

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

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

Plant and equipment 3-15 years

(l) Non-current assets held for sale

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

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

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

(m) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of the investment property are included in the statement of comprehensive income in the period in which they arise.

(n) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

(o) Leasing

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

Group as a lessor

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

Group as a lessee

Operating leases held by the Group are leases of office premises.

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

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives 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. In the event that lease incentives are granted as part of operating leases, the aggregate of such incentives are recognised as a reduction of rental income on a straight line basis over the life of the lease.

(p) 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.

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.

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.

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

(q) Provisions

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

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

the present obligation, its carrying amount is the present value of those cash flows.

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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.

(s) Derivative financial instruments

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

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

Embedded derivatives

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

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

Hedge accounting

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

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

Note 27 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

2. Significant accounting policies (continued)

(s) Derivative financial instruments (continued)

Cash flow hedge

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fair value hedge

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

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

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 other comprehensive income.

(t) Solvency and Capital Adequacy

Friendly Societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of reserves required to be held is laid down by the Life Insurance Act 1995 and accompanying actuarial standards. These standards are Actuarial Standard 2.03 and 3.03. These standards have been met as at 30 June 2011.

(u) Product classification

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

Insurance contracts

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

Investment contracts

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

- (a) that are likely to be a significant portion of the total contractual benefits
- (b) whose amount or timing is contractually at the discretion of the issuer
- (c) that are contractually based on:
 - (i) the performance of a specified pool of contracts or a specified type of contract
 - (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer
 - (iii) 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 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 relating to the investment component are accounted for as a deposit through the statement of financial position.

(v) Policyholders' funds

Assets held by the benefit funds are included in total assets in the statement of financial position of the Group. A corresponding liability labelled policyholders' funds is shown in total liabilities in the statement of financial position. Note 20 shows the movement in bonus funds (with DPF) and unit linked funds (without DPF).

The liability to bonus fund policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets after tax, on the basis

charged to policyholders. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB1038 Life Insurance Contracts applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

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

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

Amounts received in respect of the benefit funds represent investment deposits (applications) and are recognised as an increase in policyholder liabilities. Applications in respect of bonus funds are also disclosed as revenue 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.

(w) Unit prices

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

(x) Adoption of new and revised Accounting Standards

In the current year, the Company and Group have adopted the new and revised Standards issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. There have been no Standards adopted which have resulted in changes to the Group's presentation of, or disclosure in, its financial statements.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted where applicable in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The amendments deal with the recognition of long leases of land, the classification of investing cash flows, the recognition of loan repayment penalties and the classification of convertible notes.

- AASB 2009-B Amendments to Australian Accounting Standards - Group Cash Settled Share-Based Payment Transactions

The amendments are not expected to change current practice in Australia in respect of group share based payment transactions.

- AASB 2009-10 Classification of Rights Issues

The amendments deal with the classification upon acquisition of an entity's own equity instruments under certain conditions.

- AASB 2009-3 Annual Improvements Project

The amendments deal with accounting for contingent consideration in business combinations and the measurement of NCI.

- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The amendments deal with the measurement of consideration in the form of equity instruments used to extinguish financial liabilities.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards (continued)

Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
· AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
· AASB 1054 Australian Additional Disclosures, AASB 2011-1, AASB 2011-2	1 January 2011	30 June 2012
· AASB 2009-14 Amendments to Australian Interpretation Prepayments of a minimum funding requirement – AASB Interpretation 14	1 January 2011	30 June 2012
· AASB 2010-4 Annual Improvements Project (2010)	1 January 2011	30 June 2012
· AASB 7 Financial Assets, AASB 2010-6 Disclosures - Transfer of Financial Assets	1 January 2011	30 June 2012
· AASB 112 Deferred Tax: Recovery of Underlying Assets, AASB 2010-8	1 January 2012	30 June 2013
· AASB 1053 Application of Tiers of Australian Accounting Standards, AASB 2010-2	1 January 2012	30 June 2013
· AASB 9 Financial Instruments (2009), AASB 2009-11	1 January 2012	30 June 2013
· AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2012	30 June 2013
· AASB 9 Financial Instruments (2010), AASB 2010-7	1 January 2012	30 June 2013
· AASB 10 Consolidated Financial Statements, AASB 2011-X	1 January 2012	30 June 2013
· AASB 11 Joint Arrangements, AASB 2011-X	1 January 2012	30 June 2013
· AASB 12 Disclosure of Interests in Other Entities, AASB 2011-X	1 January 2012	30 June 2013
· AASB 13 Fair Value Measurements, AASB 2011-X	1 January 2012	30 June 2013
· AASB 119 Employee Benefits (Amended)	1 January 2012	30 June 2013
· AASB 101 Presentation of Financial Instruments AASB 2011-X Presentation of Items of Other Comprehensive Income	1 January 2012	30 June 2013

3. Revenue

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

	2011 \$'000	2010 \$'000
(i) Revenue		
Interest revenue	17,431	16,434
Dividend revenue	130	20
Management fees from property funds	10,255	9,401
Sale performance fees	1,561	1,881
Rental income	3,319	4,515
	32,696	32,251
(ii) Other income/(expenses)		
Unrealised gain on financial assets held for trading	-	11
Commission received	1,248	1,227
Gain on disposal of investment property	-	222
Other income	718	1,221
	1,966	2,681

(iii) Centuria Life and benefit fund results

	Centuria Life Limited	Benefit Funds	2011 Total	2010 Total
Income	\$'000	\$'000	\$'000	\$'000
Investment income	395	32,540	32,935	28,432
Management fee income	13,058	-	13,058	13,792
Application for bonus funds (DPF only)	-	6,714	6,714	11,951
	13,453 (i)	39,254	52,708	54,175
Expenses				
Redemption expense (DPF only)	-	49,093	49,093	65,684
Net movement in policyholder liabilities	-	(28,315)	(28,315)	(42,816)
Management fee expense	-	10,975	10,975	11,753
Bad debts - mortgage loans	-	3,812	3,812	2,903
Management fund operating expenses	4,316 (i)	-	4,316	5,106
	4,316	35,565	39,881	42,630
Profit before tax	9,137	3,689 (i)	12,827	11,545
Income tax expense	3,685	3,689 (i)	7,374	6,431
Profit after tax	5,432	-	5,452	5,114

(i) These numbers have also been included in the Statement of Comprehensive Income on page 23.

Refer to note 20 for further details in respect of the policyholder funds relating to the Benefit Funds.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

4. Finance costs

	2011 \$'000	2010 \$'000
Interest expense:		
NAB working capital facility	1,303	1,060
Reverse mortgage facility	12,446	13,189
Investment property facility	2,628	3,393
Other	193	123
	16,570	17,765
Other		
Other finance costs	198	259
Loss/(gain) arising on derivatives in a designated fair value hedge accounting relationship	1,798	(4,286)
(Gain)/loss arising on adjustment to hedged items in a designated fair value hedge accounting relationship	(1,798)	3,442
	198	(585)
	16,768	17,180

5. Profit for the year before tax

Profit for the year includes the following expenses:

	2011 \$'000	2010 \$'000
(a) Employee benefits expense		
Wages and salaries	6,431	4,422
Employee share scheme	-	517
Executive share option plan	(221)	378
Superannuation	612	457
(Decrease)/increase in leave provisions	(37)	268
Termination benefits	54	-
Payroll taxes	350	234
Other associated personnel expenses	(2)	118
Total employee benefits expense	7,187	6,394

5. Profit for the year before tax (continued)

	2011 \$'000	2010 \$'000
(b) General and administration expenses		
Consulting and professional fees	2,692	2,233
Management fees	2,813	1,871
Bad debt expense	1,158	557
Real estate expenses	787	158
Information systems expenses	436	479
Office administration expenses	346	278
Insurance expenses	342	231
Directors' fees	305	211
Membership subscriptions	18	57
Travel expenses	213	131
Depreciation and amortisation expense	636	346
Advertising and marketing expense	634	511
Rental expense - operating leases	793	756
Impairment in respect of parent company guarantee	-	(120)
Realised/unrealised profit on investments	-	(15)
Costs incurred in relation to rebranding exercise	532	-
Costs incurred in relation to potential Opus acquisition	575	-
Other general expenses	565	285
Direct operating expenses of investment properties:		
Properties generating rental income	59	812
Total general and administration expenses	12,904	8,781
Revaluation of investment property assets (i)	4,510	13

- (i) The revaluation of investment property assets held by National Leisure Trust (NLT) as at 30 June 2011 relates to Peppers The Sands Resort, in Torquay and Moonah Links.

Bad debt expense:		
Impairment of mortgage loans at amortised cost	-	557
Write-off NLT rent receivable	1,158	-
Total	1,158	557

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

6. Income taxes

Income tax recognised in profit or loss

(a) Tax expense

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2011 \$'000	2010 \$'000
Profit before tax	1,347	12,880
Less net revenue relating to benefit funds included in profit before tax	(3,689)	(2,621)
(Loss)/Profit before tax attributable to shareholders	(2,342)	10,259
Income tax expense calculated at 30%	(702)	3,078
Tax effect of amounts which are not deductible in:		
Expenses relating to non-allowable expenses	880	1,005
Adjustments recognised in the current year in relation to the current tax of prior years	371	(142)
Income tax expense relating to benefit funds	3,689	2,621
	(4,238)	6,562
Current tax expense in respect of the current year	7,044	5,282
Adjustments recognised in the current year in relation to the current tax of prior years	(205)	(194)
	6,839	5,088
Deferred tax expense relating to the origination and reversal of temporary differences	(2,601)	1,474
Total tax expense	4,238	6,562
Attributable to:		
Continuing operations	4,238	6,562

As a result of tax consolidation, CCL recognises current tax related receivables and corresponding payables from its subsidiaries and the benefit funds.

(b) Deferred tax in equity and other comprehensive income

	2011 \$'000	2010 \$'000
Arising on income and expenses taken directly to equity:		
Share issue	(34)	168
Total income tax (credit)/expense recognised directly in equity	(34)	168
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of financial instruments treated as cash flow hedges	(670)	(464)
Total income tax recognised in other comprehensive income	(670)	(464)

(c) Current tax assets and liabilities

	2011 \$'000	2010 \$'000
Current tax liabilities		
Income tax payable attributable to:		
Shareholders	(5,663)	4,688
Entities in the tax-consolidated group	-	-
Income tax (payable)/receivable	(5,663)	4,688

CCL is the head company of its income tax consolidation group. This income tax consolidation group includes Centuria Life Limited and its associated benefit funds. Although CCL is the head company, it does not hold the income tax related payables and receivables of the associated benefit funds.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

(d) Deferred tax balances

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

2010	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000
Temporary Differences			
Deferred tax asset			
Deferred loss on financial assets-CCL	3,023	671	-
Investment properties	1,655	(1,097)	-
Provisions	788	169	168
Cash out guarantees	2,181	-	-
Financial derivatives	5,636	(785)	-
Capital loss	-	824	-
Other	20	3	-
Deferred tax (liability)			
Deferred gain on financial assets-benefit funds	(1)	(15)	-
Prepayments	(1,350)	(215)	-
Fair value movements in mortgage assets	(2,920)	929	-
Other	(6)	6	-
	9,027	920	168

Presented in the statement of financial position as follows:

Deferred tax asset

Deferred tax (liability)

2011	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000
Temporary Differences			
Deferred tax asset			
Deferred loss on financial assets-CCL	3,597	1,482	-
Investment properties	558	969	-
Provisions	1,125	(367)	(34)
Cash out guarantees	2,181	(2,181)	-
Financial derivatives	4,755	(400)	-
Capital loss	824	(245)	-
Other	23	-	-
Deferred tax (liability)			
Deferred gain on financial assets-benefit funds	(16)	-	-
Prepayments	(1,134)	740	-
Fair value movements in mortgage assets	(2,263)	551	-
	9,650	550	(34)

Presented in the statement of financial position as follows:

Deferred tax asset

Deferred tax (liability)

Charged to Other Comprehensive Income \$'000	Recycled from Equity to Income \$'000	Acquisitions Disposals \$'000	Closing Balance \$'000
(97)	-	-	3,597
-	-	-	558
-	-	-	1,125
-	-	-	2,181
(96)	-	-	4,755
-	-	-	824
-	-	-	23
-	-	-	(16)
-	-	-	(1,134)
(272)	-	-	(2,263)
-	-	-	-
(465)	-	-	9,650
			13,063
			(3,413)
			9,650
Charged to Other Comprehensive Income \$'000	Recycled from Equity to Income \$'000	Acquisitions Disposals \$'000	Closing Balance \$'000
(361)	-	-	4,718
-	-	-	1,527
-	-	-	724
-	-	-	-
(175)	-	-	4,180
-	-	-	579
-	-	-	23
-	-	-	(16)
-	-	-	(394)
(134)	-	-	(1,846)
(670)	-	-	9,495
			11,751
			(2,256)
			9,495

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

7. Earnings per share

	2011 Cents Per share	2010 Cents Per Share
Basic earnings per share	(3.7)	9.3
Diluted earnings per share	(3.7)	8.4

Diluted EPS in 2011 is the same as basic EPS due to the fact that basic EPS is a loss and dilution is only included when the loss would be increased as a result of its inclusion which is not the case in 2011.

Basic earnings per share

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

	2011 \$'000	2010 \$'000
Net profit	(2,891)	6,318
Earnings used in the calculation of basic EPS	(2,891)	6,318
Weighted average number of ordinary shares for the purposes of basic earnings per share	77,637	68,009

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2011 \$'000	2010 \$'000
Net profit	(2,891)	6,652
Earnings used in the calculation of diluted EPS	(2,891)	6,652
Weighted average number of ordinary shares used in the calculation of basic EPS	77,637	68,009
Weighted average shares deemed to be issued for no consideration in respect of:		
Employee share scheme	-	455
Convertible notes	10,318	10,447
Weighted average number of ordinary shares used in the calculation of diluted EPS	87,955	78,911

8. Trade and other receivables

	2011 \$'000	2010 \$'000
Amount owing by - related entities (refer note 25)	3,325	7,283
Sundry debtors	7,529	5,769
	10,854	13,052

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.

Ageing of past due but not impaired		
1 - 60 days	74	-
60 - 120 days	-	-
120 + days	65	2,305
Total	139	2,305

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Only those trade and other receivables falling due after their actual due dates are included above.

9. Financial assets

	2011 \$'000	2010 \$'000
Financial assets at fair value through profit and loss:		
Standard discounted securities	27	27
Unit trusts	2,304	125
	2,331	152
Loans carried at amortised cost:		
Mortgage loans: reverse mortgages	197,892	205,408
Mortgage loans: commercial mortgages	302	3,797
Allowance for impairment loss (i)	-	(258)
	198,194	208,947
	200,525	209,099
Disclosed in the financial statements as:		
Financial assets at fair value through profit and loss	2,331	152
Other financial assets	198,194	208,947
	200,525	209,099

(i) Allowance for impairment loss

An allowance for impairment loss is recognised when there is objective evidence that a mortgage receivable is impaired. The movement in the allowance for impairment loss is as follows:

At 1 July	(258)	-
Charge for the year	-	(258)
Amounts written back	258	-
At 30 June	-	(258)

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

10. Other assets

	2011 \$'000	2010 \$'000
Prepayments (i)	1,816	2,115

(i) Prepayments relate mainly to the upfront mortgage brokerage commissions for the reverse mortgages.

11. Investment property

Investment properties held at fair value:		
Balance at beginning of financial year	27,000	27,000
Additions	-	13
Devaluation	(4,500)	(13)
Balance at end of financial year	22,500	27,000

Revaluations/devaluations

At 30 June 2011 investment properties were carried at fair value based on a directors' valuation dated 30 June 2011. The valuation involved applying a 10.5% capitalisation rate to the current market rents adjusted for the current contractual rents payable until the end of the leases in 18/3/2016 and 3/9/2017.

Any movement in the fair value of investment properties is charged directly to the statement of comprehensive income.

12. Investment in associates

Centuria Bulky Goods Fund 1 (i)	2,887	3,042
Mortgageport (ii)	2,836	6,327
Direct Property Trust (iii)	1,730	2,517
	7,453	11,886

- (i) The Group has a 46% investment in Centuria Bulky Goods Fund 1 (CBGF1), an unlisted property fund which invests in bulky goods (large format retail) centres. Although the Group holds a 46% investment in CBGF1, it does not control the voting rights and it is therefore considered inappropriate to include CBGF1 as part of the consolidated group. CCL has elected to split account its investment in CBGF1, that is, to equity account for the 21% investment held by the parent and fair value the 25% investment held by the Income Accumulation Fund. There was a \$433,000 impairment relating to CBGF1 in the current year (2010: \$42,325). There were no capital commitments or other commitments relating to the associate.
- (ii) The Group has a 50% investment in Mortgageport Management Pty Limited, a wholesale residential mortgage origination and management company incorporated in Australia. Although the Group holds a 50% investment in Mortgageport, it does not control the company, and it is therefore considered inappropriate to include this investment as part of the consolidated group. There was an impairment relating to the Mortgageport investment of \$3.5 million in the current year (2010: write-back of \$732,000) which was based on a value in use calculation. There were no capital commitments or other commitments relating to the associate.
- (iii) The Group has a 44% investment in Centuria Direct Property Trust (DPT), an unlisted property trust. Although the Group holds a 44% investment in DPT, it does not control the voting rights and it is therefore considered inappropriate to include DPT as part of the consolidated group. CCL has elected to split account its investment in DPT, that is to equity account for the consolidated group's 5% investment and fair value account for the Income Accumulation Fund's 16% and Growth Bond Fund's 23% investment. There were no capital commitments or other commitments relating to DPT.

12. Investment in associates (continued)

	2011 \$'000	2010 \$'000
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	11,886	13,162
Share of loss for the year	(840)	(1,921)
	11,046	11,241
Dividends	(935)	(441)
Additions - paid in cash	71	72
(Impairments)/reversal of impairment	(3,933)	691
Share of reserves	843	323
Tax component of CBGF1 cash flow hedge movement	361	-
Balance at 30 June	7,453	11,886

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

Financial position:		
Total assets	140,649	185,883
Total liabilities	(96,071)	(125,307)
Net assets	44,578	60,576
Group's share of associates' net assets	4,787	6,153
Financial performance:		
Total revenue	20,425	28,801
Total loss for the year	(3,651)	(7,124)
Group's share of associates' loss	(840)	(1,921)

Dividends received from associates

During the year, the Group received dividends of \$150,000 (2010: \$287,720) from Mortgageport Management Pty Limited. There was a distribution of \$785,000 received in the current year from DPT (2010: \$153,840). There was no distribution received in the current year from CBGF1 (2010: nil).

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

13. Plant and equipment

	2011 \$'000	2010 \$'000
Gross carrying amount		
Balance at beginning of financial year	3,290	3,095
Additions	523	224
Disposals	-	(29)
Balance at end of financial year	3,813	3,290
Accumulated depreciation		
Balance at beginning of financial year	(2,092)	(1,750)
Disposals	-	11
Depreciation expense	(370)	(353)
Balance at end of financial year	(2,462)	(2,092)
Net book value	1,349	1,198

14. Intangible assets

Goodwill	53,025	52,812
Other intangible assets	784	-
	53,809	52,812
Gross amount at beginning of the period	52,812	52,571
Additional amounts recognised during the year	213	241
Carrying amount at end of the period	53,025	52,812

The carrying amount of goodwill relates to the acquisitions of Centuria Property Funds Limited in 2007 and Centuria Strategic Property Limited in 2009. In previous years the Centuria Property Funds business and the Centuria Strategic Property Limited businesses were treated as 2 separate cash generating units.

Effective 1 July 2010, management combined the two previous cash-generating units of Centuria Property Funds Limited and Centuria Strategic Property Limited into a single cash-generating unit for the following reasons:

- Both entities are of similar characteristics and operate in the same business segment, property fund management.
- Their cash-flows are now interdependent as they are being run as one business unit, including having both sets of investors on a single database, being overseen by the same individuals and having common directors.

The recoverable amount of the property funds management business has been determined based on a value in use calculation using profit and loss projections covering a five-year period, with a terminal value determined after 5 years.

14. Intangible assets (continued)

Key assumptions

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

- **Carrying amount:** \$53,808,925
- **Revenue:** Revenues in 2012 are based on 2011 actual revenues and are assumed to increase at a rate of 7.5% per annum for the years 2012-2015. The directors believe this is a prudent and achievable growth rate. Budgets of business plans anticipate higher growth.
- **Expenses:** Expenses are assumed to increase at a rate of 3% (2010: 3%) per annum. Significant investment has already been made to the business infrastructure to accommodate future growth.
- **Pre-tax discount rate:** Discount rates reflect the interest rate used to calculate the present value of future cash flows. A rate of 12.90% (2010: 12.97%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to relevant market data as well as CCL specific inputs.
- **Terminal growth rate:** Beyond 2015, a growth rate of 3% has been applied to determine the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2011, the estimated recoverable amount of goodwill relating to the property funds management business exceeded its carrying amount by \$2.6 million (2010: \$7.24 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%	12.90%	3.00%
Change required for recoverable amount to equal carrying value	-0.73%	0.67%	1.37%

15. Trade and other payables

	2011 \$'000	2010 \$'000
GST payable (i)	215	84
Sundry creditors (ii)	5,277	5,195
	5,492	5,279

(i) GST is payable or recoverable either on a monthly or quarterly basis.

(ii) Sundry creditors are non-interest bearing and payable on commercial terms 7 to 60 days.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

16. Borrowings

	2011 \$'000	2010 \$'000
NAB working capital facility (i)	8,100	4,116
Reverse mortgage bill facilities and notes - secured (ii)	164,799	176,335
Investment property facilities - secured (iii)	24,000	24,000
	196,899	204,451

Terms and conditions relating to the working capital facility and bill facilities above are:

- (i) CCL has a financing facility with the National Australia Bank (NAB) in the amount of \$10.4 million. The facility limit is amortising at a rate of \$400,000 per quarter and matures on 31 August 2011. At the date of signing this report, a facility extension to 28 February 2013 and limit increase to \$16.0 million had been approved by the NAB and documentation for the amended facility agreement is underway. The amended facility will continue to amortise at a rate of \$400,000 per quarter for the current \$10.4 million facility amount and the additional facility amount will amortise by \$400,000 per quarter from May 2012.
- (ii) The CCL Group has \$164.8 million (30 June 2010: \$176.3 million) non-recourse notes on issue to the ANZ Bank secured over the mortgages held in Senex Warehouse Trust No.1 and maturing on 30 September 2011. On 18 August 2011, the maturity date of the notes was extended to 31 March 2013. As part of the extension, the facility has reduced to \$213 million resulting in a lower overall facility cost. The facility limit will be reassessed every 6 months with a view to reducing the facility (and therefore the overall facility cost) to only that which is required.
- (iii) The National Leisure Trust (NLT) has a \$24.0 million bank bill owing to the NAB which matures on 28 March 2013. This facility is secured by way of a fixed or floating charge over the assets of NLT and its underlying property located at Moonah Links, Fingal, Victoria (Moonah Links) and Pepper Sands Resort Torquay, Victoria (Torquay). The fair value of the investment property located at Moonah Links is \$9.1 million at 30 June 2011 (2010: \$11.0 million). The fair value of the investment property located at Torquay is \$13.4 million at 30 June 2011 (2010: \$16.0 million). This facility is non-recourse to the wider Group and has continued to remain in breach of 2 loan covenants since reported on 30 June 2009. NAB has noted this position whilst reserving its rights.

The above borrowings are current liabilities at 30 June 2011.

	2011 \$'000	2010 \$'000
(i) NAB working capital facility:		
amount used	8,100	4,116
amount unused	2,300	2,920
	10,400	7,036
(ii) ANZ non-recourse notes:		
amount used	164,799	176,335
amount unused	60,201	48,665
	225,000	225,000
(iii) NAB bank bill:		
amount used	24,000	24,000
amount unused	-	-
	24,000	24,000

17. Provisions

Provision for long service leave (i)	325	273
Provision for annual leave	380	438
	705	711

(i) Provision for long service leave

The estimated long service leave provision has been calculated based on assumptions covering a 10 year period (2010: 10 years).

17. Provisions (continued)

	Long Service Leave \$'000	Annual Leave \$'000
Balance at 1 July 2009	237	318
Movement	36	120
Balance at 30 June 2010	273	438
Movement	52	(58)
Balance at 30 June 2011	325	380

18. Other liabilities

	2011 \$'000	2010 \$'000
Rent incentives received	281	383
Accruals	689	818
Deferred consideration (i)	-	5,702
Convertible notes (ii)	5,684	7,151
	6,654	14,054

(i) Deferred consideration

The deferred consideration relates to the acquisition of Centuria Strategic Property Limited by CCL in 2009 which was paid out during the year.

(ii) Convertible notes

At maturity, being 29 February 2012, the note holders may elect to convert their notes into CCL shares based on a discount of 5% of the market price of CCL shares prior to the redemption rate determined by the volume weighted average price of CCL shares over the 10 trading days up to the redemption date. Interest is payable on the notes at a rate of 7.82%, quarterly in arrears. During the year, CCL redeemed \$1.2 million of convertible notes. The redemption was made through a combination of (a) shares being issued for the amount of \$359,154 (611,831 shares) and (b) \$840,846 of cash payments.

19. Derivative financial liabilities

	2011 \$'000	2010 \$'000
Interest rate swaps at fair value	13,531	15,951

Details about the entity's exposure to interest rate and credit risk can be found in Note 27 - Financial instruments.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

20. Policyholders' funds

(i) Movement in policyholders' funds

	2011 \$'000	2010 \$'000
Bonus Rated Benefit Funds (with Discretionary Participation Feature)		
Opening balance	454,811	496,252
Movement in seed capital	(3,633)	4,333
Applications received	6,715	11,951
Redemptions paid	(49,094)	(65,684)
Current period income	9,390	7,959
Closing balance	418,189	454,811
Unitised Benefit Funds (non Discretionary Participation Feature)		
Opening balance	93,229	99,769
Applications received	2,037	4,413
Redemptions paid	(11,588)	(13,911)
Current period income	4,672	2,958
Closing balance	88,350	93,229
Total policyholders' funds	506,539	548,040

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

(ii) Assets and Liabilities

	2011 \$'000	2010 \$'000
Assets relating to benefit fund policyholders are as follow:		
Cash	19,076	41,402
Trade and other receivables	866	347
Financial assets at fair value	479,690	495,185
Income tax receivable	5,501	6,488
Deferred tax assets	3,831	4,837
	508,964	548,259
Liabilities relating to benefit fund policyholders are as follow:		
Trade and other payables	561	52
Policyholders' funds (i)	506,539	548,040
Deferred tax liabilities	1,864	167
Total liabilities	508,964	548,259

(i) Included within policyholders' funds at 30 June 2011 is \$21.2 million (2010: \$24.4 million) of reserves.

20. Policyholders' funds (continued)

(iii) Commercial mortgage loans

Included in financial assets of the Benefit Funds are commercial loans at fair value; ageing analysis is below:

	2011 \$'000	2010 \$'000
Ageing of past due but not impaired		
1 - 60 days	16,758	5,061
60 - 120 days	-	-
120 + days	23,208	27,074
Total	39,966	32,135

Although some mortgage loans have exceeded their maturity date, the directors believe that all mortgage loan balances are carried at fair value.

(iv) Guarantees to benefit fund policyholders

Centuria Life Limited (CLL) provides a guarantee to policyholders of two of its benefit funds, Centuria Guaranteed Bond Fund and Centuria Income Accumulation Fund as follows: "If, when CLL, in light 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 policyholders and APRA, following a report from the Appointed Actuary.
- The funds must meet the Capital Adequacy standards of APRA which results in additional reserves being held within the funds to enable the funds to withstand a "shock" in the market value of assets. If the Funds can withstand a shock in asset values and still meet their liabilities from their own reserves, then this further reduces the likelihood of the Funds calling on the guarantee provided.
- The guarantee of benefits requires CCL to inject funds where reserves are insufficient.
- CLL must also meet ongoing capital requirements set by APRA and there are sufficient surplus assets in the Management Fund to provide capital support if needed.

CLL has made advances in the form of seed capital amounting to \$2.0 million. No interest has been received or accrued in respect of these advances in the current period. In addition, CLL has approved a further \$700,000 of seed capital being injected by CLL into the Centuria Income Accumulation Fund in connection with the year ended 30 June 2011.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

21. Issued capital and retained earnings

	2011		2010	
	No. of Shares	\$'000	No. of Shares	\$'000
(a) Shares on issue				
Balance at beginning of financial year	76,994,248	100,018	60,298,873	89,045
Issued during the year:				
Dividend Reinvestment Plan	1,674,273	1,030	819,557	459
Share Purchase Plan	-	-	15,650,818	10,349
Employee share scheme	685,308	558	-	-
Non-executive directors share-based incentives	-	-	225,000	165
Convertible notes (partial redemption)	611,831	359	-	-
Share buy-back/Shares cancelled	(248,924)	(1,730)	-	-
Balance at end of financial year	79,716,736	100,235	76,994,248	100,018

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Total Executive Options outstanding at 30 June 2011 were 1,600,000 (2010: 1,600,000).

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.

	2011 \$'000	2010 \$'000
(b) Reserves		
Reserves comprise:		
Cash flow hedge reserve	(1,345)	(2,067)
Share of associates' cash flow hedge reserve	-	(843)
Share-based incentive reserve	477	738
	(868)	(2,172)

(c) Cash flow hedge reserve		
Balance at beginning of financial year	(2,067)	(2,923)
Gain recognised on cash flow hedges:		
Interest rate swaps	1,033	1,223
Income tax related to gains recognised in other comprehensive income	(311)	(367)
Balance at end of financial year	(1,345)	(2,067)

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

(d) Share of associates' reserves		
Balance at beginning of financial year	(843)	(1,069)
Movement in reserve	843	226
Balance at end of financial year	-	(843)

21. Issued capital and retained earnings (continued)

	2011 \$'000	2010 \$'000
(e) Share-based incentive reserve		
Balance at beginning of financial year	738	8
Executive share option plan	(229)	213
Employee share scheme	(33)	517
Balance at end of financial year	477	738

The share-based incentive reserve is used to record the value of share-based payments provided to employees, including the CEO, as part of their remuneration. Refer to note 33 for further details of these plans.

(f) Accumulated losses		
Balance at beginning of financial year	(2,203)	(6,623)
Dividends paid (note 22)	(3,792)	(1,898)
Net profit attributable to members of CCL	(2,891)	6,318
Balance at end of the financial year	(8,886)	(2,203)

22. Dividends

	2011		2010	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend: (i)				
Partly franked to 30%	2.5	(1,885)	2.5	(1,898)
Final dividend: (ii)				
Partly franked to 30%	2.5	(1,907)	-	-
	5.0	(3,792)	2.5	1,898

(i) CCL paid an interim dividend of 2.5 cents partly franked to 30% with a record date of 11 March 2011 and paid on 8 April 2011. On 19 August 2011, the Board of CCL declared a final dividend to be paid to shareholders in the amount of 3.5 cents per share, partly franked to 30%. The dividend payment date is expected to be on or around 30 September 2011.

(ii) The final dividend relates to the final dividend in respect of the 2010 financial year which was paid in October 2010.

On 19 August 2011, the Board of CCL declared a final dividend to be paid to shareholders in the amount of 3.5 cents per share, partly franked to 30%. The dividend payment date is expected to be on or around 30 September 2011. This dividend is not included in the table above as the table above discloses those dividends that have been paid in the respective years.

	2011 \$'000	2010 \$'000
Franking credits available for the subsequent financial years at 30% (2010: 30%) are:		
- Balance as at 1 July	911	2,628
- (Decrease) in franking credits during the financial year	(540)	(1,717)
Franking account balance at 30 June	371	911

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

23. Commitments and contingencies

Operating lease commitments – as lessee

The Group has entered into 2 commercial leases for its office premises. The leases have an average life of between 4.3 years and 4.7 years with renewal options included in the contracts.

Future minimum rentals payable under operating leases are as follows:

	2011 \$'000	2010 \$'000
Not longer than 1 year	830	800
Longer than 1 year and not longer than 5 years	1,404	2,234
	2,234	3,034

Operating lease commitments – as lessor

Operating leases relate to investment properties owned with remaining lease terms of between 0.5 and 5 years (30 June 2010: 0.5 and 6 years).

Non-cancellable operating lease receivables		
Not longer than 1 year	4,088	3,969
Longer than 1 year and not longer than 5 years	15,355	18,833
Longer than 5 years	-	611
	19,443	23,413

CCL has a capital commitment of \$2.5 million in respect of the equity raising for the recently launched Centuria 8 Australia Avenue Fund ('the Fund'). It is not expected that this commitment will be drawn upon however should the commitment be required, CCL will subscribe for \$2.5 million of units in the Fund at the issue price of \$1.00 per unit.

24. Remuneration of auditors

	2011 \$'000	2010 \$'000
KPMG		
Audit and review of the financial report	286	-
Other assurance services	26	-
Taxation services	317	-
	629	-
Deloitte Touche Tohmatsu (Australia)		
Audit and review of the financial report	-	341
Other assurance services	-	29
	-	370

The auditor of CCL is KPMG.

25. 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	
		2011 %	2010%
Over Fifty Capital Pty Ltd	Australia	100%	100%
Centuria Life Limited	Australia	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	Australia	100%	100%
Over Fifty Insurance Pty Ltd	Australia	100%	100%
Over Fifty Investments Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 2 "Dominion"	Australia	100%	100%
Over Fifty Funds Management Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 3 Chisholm	Australia	100%	100%
National Leisure Trust	Australia	100%	100%
OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd)	Australia	100%	100%
Senex Warehouse Trust No. 1	Australia	100%	100%
Centuria Property Funds Limited	Australia	100%	100%
Over Fifty Financial Planning Pty Ltd	Australia	100%	100%
Centuria Strategic Property Limited	Australia	100%	100%

Details of interests in associates are disclosed in note 12 to the financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

25. Related party transactions (continued)

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 32 to the financial statements.

ii. Key management personnel equity holdings

Fully paid ordinary shares of CCL

	Balance at 1 July No.	Vested as Remuneration No.	Net Other Change No.	Balance at 30 June No.
2011				
R.W. Dobson	373,554	-	281,836	655,390
J.E. McBain	4,323,861	-	40,000	4,363,861
J.C. Huljich	2,189,540	-	(424)	2,189,116
P.J. Done	281,177	-	22,635	303,812
D.K. Gupta	98,437	-	11,298	109,735
M.J. Coy	349,117	-	209,907	559,024
T.D. Reid	3,569	-	57,659	61,228
D.B. Govey	430,636	-	172,894	603,530
2010				
R.W. Dobson	66,501	75,000	232,053	373,554
J.E. McBain	4,146,917	-	176,944	4,323,861
J.C. Huljich	2,189,524	-	16	2,189,540
P.J. Done	51,494	75,000	154,683	281,177
D.K. Gupta	-	75,000	23,437	98,437
M.J. Coy	349,098	-	19	349,117
T.D. Reid	3,482	-	87	3,569
D.B. Govey	404,947	-	25,689	430,636

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

25. Related party transactions (continued)

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

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

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

- Henry Davis York, a related party of R. Dobson, was paid \$319,018 (2010: \$745,823) for legal consultancy fees.

(c) Transactions with other related parties

	2011 \$'000	2010 \$'000
Aggregate amounts received from related parties:		
Management fees:		
Over Fifty Guardian Friendly Society Limited	2,083	2,040
Centuria Life Limited Benefit Funds	13,058	13,792
Property Trusts managed by Centuria	10,255	9,401
	25,396	25,233

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

Terms and conditions of transactions with related parties

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

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

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

CCL pays some expenses on behalf of related entities and receives a reimbursement for these payments. No interest is received or paid on inter-entity balances. There are no loans between the Centuria Capital Group and the benefit funds.

Transactions between CCL and its related parties

During the financial year, the following transaction occurred between the Company and its other related parties:

- CCL received dividends of \$935,000 (2010: \$9,026,000) from its associates.
- Convertible notes - Peter Done has 148,763 notes at \$1.
- During the year no interest was charged on intercompany balances other than:
 - CCL has advanced \$844,000 to Centuria Bulky Goods Fund 1 as a loan earning 10% p.a. Centuria Bulky Goods Fund 1 must repay the full amount of the loan by 30 June 2013 (the maturity date) or earlier at the funds' discretion.
 - CCL has advanced \$2.3 million to Centuria Diversified Property Fund as a loan earning 10% p.a. The loan is a convertible note which has a 25 February 2012 maturity date. The note provides CCL the right to convert into Centuria Diversified Property Fund units at the market price at maturity or demand repayment of all principal plus accrued interest.

CCL invested \$2.0 million in Centuria 8 Australia Avenue Fund on 24 June 2011 on normal commercial terms. In addition, CCL has a capital commitment of \$2.5 million in respect of the equity raising for the recently launched Centuria 8 Australia Avenue Fund ('the Fund'). It is not expected that this commitment will be drawn upon however should the commitment be required, CCL will subscribe for \$2.5 million of units in the Fund at the issue price of \$1.00 per unit.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

26. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

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

	Note	2011 \$'000	2010 \$'000
Attributable to shareholders		11,625	13,966
Attributable to benefit fund policyholders	20	19,075	41,402
Total		30,700	55,368

Under AASB 107 Statement of Cash Flows, the income, expenses, assets and liabilities of the benefit funds are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the benefit funds' cash is included in the Group's statements with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the benefit funds. The composition of the closing cash balance is as follows:

(b) Reconciliation of profit for the period to net cash flows from operating activities		
(Loss)/profit for the year	(2,891)	6,318
Depreciation and amortisation	636	353
Movement in provision for doubtful debts	2,396	97
Bad debts written off	1,158	557
Decrease/(increase) in Executive share-based incentives	219	(738)
Unrealised income	5,156	3,762
(Profit)/loss on sale of property	1,562	5
Share of loss in associate	840	1,921
Fair value gain/(loss) on derivatives	1,173	843
Amortisation of borrowing costs	126	(163)
Increase in deferred income tax assets	2,469	1,771
Increase in tax provision	975	11,760

Changes in net assets and liabilities:		
Decrease/(increase) in assets:		
Sundry receivables	2,198	(5,607)
Prepayments	299	536
(Decrease)/increase in liabilities:		
Trade and other payables	213	(774)
Provisions	(6)	155
Decrease in policyholder liability	20	(39,296)
Net cash flows used in operating activities	(22,773)	(27,187)

27. Financial instruments

The CCL consolidated results comprise the assets and liabilities of both the CCL group and the benefit funds. The shareholders of CCL are subject only to the risks and rewards of assets and liabilities in CCL and not those of the assets and liabilities held in the benefit funds which are required to be aggregated in the financial report as prescribed by AASB 1038 Life Insurance Contracts. Therefore this note only addresses the financial assets and financial liabilities held directly on CCL's statement of financial position and not those assets and liabilities held by the benefit funds (as detailed in note 20).

The only risk to the shareholders of CCL in respect to the benefit funds is limited to capital reserving. Centuria Life Limited (CLL), being a subsidiary of CCL acts in the capacity of manager for two capital guaranteed benefit funds. To mitigate the risk of these guarantees being called upon, the benefit funds set aside prescribed reserving which is determined upon a "1 in 400 year event" stress testing scenario. The reserving calculations are verified by an independent actuary appointed by CLL. The Benefit Funds at 30 June 2011 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" needs increasing, in addition to the Funds assets that CCL holds, CLL would be required to inject additional seed capital. Seed capital is later repaid to CLL when reserving is returned to a normal sustainable level.

(a) Management of financial instruments

The board is ultimately responsible for the risk Management Framework of the Group.

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

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

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

The Group outsources the investment management 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 is not done 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 converse fixed rates to variable rates.

Derivative financial instruments of the benefit funds, consolidated into the financial statements of the Group under AIFRS, are used only for hedging of actual or anticipated exposures relating to investments. All financial arrangements are backed up by cash or assets (as appropriate) with a fair value at least equal to the notional value of the asset which underlies the financial instrument. The Group does not enter into or trade financial instruments for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(c) 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 balance. This overall strategy remains unchanged from 2010.

The Group's capital structure consists of net debt (borrowings as detailed in note 16 and offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings which are all detailed in note 21).

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of the Friendly Society are regulated by APRA and the Management Fund of the Society has a minimum Management Capital Requirement (MCR) that must be maintained at all times. It is calculated monthly and projected forward for the next six months and these results are reported to the Board each month. The current level of share capital of the Friendly Society means that for the foreseeable future the MCR will continue to be met with a substantial excess.

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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

27. Financial Instruments (continued)

(c) Capital risk management (continued)

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 and Lending Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the benefit funds by maintaining a minimum of 15% of its total investments in cash and cash equivalents. 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.

(d) Fair values versus carrying amounts of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying Amount		Fair Value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial assets at fair value through the profit or loss - designated upon initial recognition	2,331	152	2,331	152
Reverse Mortgage Loans	198,194	208,947	253,643	267,942
Cash and cash equivalents	11,625	13,966	11,625	13,966
Trade and other receivables	10,854	13,052	10,854	13,052
Total financial assets	223,004	236,117	278,453	295,112
Derivatives that are designated and effective as hedging instruments carried at fair value	13,531	15,951	13,531	15,951
Financial liabilities measured at amortised cost	209,045	223,784	209,045	223,784
Total financial liabilities	222,576	239,735	222,576	239,735

Financial assets and liabilities are recognised in accordance with the accounting policies detailed in note 2 to the financial statements.

(e) 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. Concentration of credit risk in relation to mortgage loans is demonstrated by the following bands:

Loan Balance	2011		2010	
	Number	Balance \$'000	Number	Balance \$'000
\$0 - \$250,000	-	-	-	-
\$250,001 - \$500,000	1	301	-	-
\$250,001 - \$1,000,000	-	-	-	-
\$1,000,000 - plus	-	-	1	3,540
	1	301	1	3,540

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 on a yearly basis in accordance with financier's requirements. At 30 June 2011, the highest loan to value ratio (LVR) of a loan in the reverse mortgage loan book is 77%, and there are only 31 out of 2,256 reverse mortgage loans where the LVR is higher than 50%.

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

Credit risk of commercial mortgages

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

Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well known rated 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 or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2011 or 30 June 2010.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

27. Financial Instruments (continued)

(f) 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
- 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 2010.

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 contractual maturity is based on the earliest date on which the Group may be required to pay.

The unit holders in the benefit funds are able to withdraw their units at any time and the benefit funds are therefore exposed to the liquidity risk of meeting unit holders' withdrawals at any time. The CLL Risk Management Statement has a requirement to maintain the benefit funds' cash holdings and liquid assets at a minimum of 15% of total assets.

The benefit funds' listed securities, listed managed investment schemes and unlisted management investment schemes are considered to be readily realisable. The benefit funds' other investments include investments in unlisted investments and first mortgage loans, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the benefit funds may not be able to liquidate all of these investments at their fair value in order to meet their liquidity requirements. The benefit funds' liquidity risks are managed in accordance with the funds' investment strategies.

	On Demand \$'000	Less than 3 Months \$'000	3 Months to 1 Year \$'000	1-5 Years \$'000	5+ Years \$'000	Total \$'000
Non-derivative financial liabilities Consolidated						
2011						
Borrowings	24,000 (iii)	175,801 (i)	-	-	-	199,801
Convertible notes	-	-	5,980 (ii)	-	-	5,980
Other payables	-	5,241	-	-	-	5,241
Total	24,000	181,042	5,980	-	-	211,022
2010						
Borrowings	24,000	7,112	8,826	179,217	-	219,155
Convertible notes	-	-	-	7,524	-	7,524
Eclipse acquisition deferred payment	-	5,832	-	-	-	5,832
Other payables	-	5,323	419	-	-	5,742
Total	24,000	18,267	9,245	186,741	-	238,253

(i) Includes \$164.8 million of ANZ non-recourse notes on issue, \$8.1 million of the NAB financing facility and \$2.9 million of associated interest payable.

(ii) Relates to convertible notes of \$5.7 million on issue and \$0.3 million of associated interest payable.

(iii) Relates to the National Leisure Trust \$24.0 million bank bill owing to the NAB.

(f) Liquidity Risk (continued)

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

	On Demand \$'000	Less than 3 Months \$'000	3 Months to 1 Year \$'000	1-5 Years \$'000	5+ Years \$'000	Total \$'000
Derivative financial liabilities						
Consolidated						
2011						
Interest rate swaps	-	147	1,765	1,770	34,072	37,754
Total	-	147	1,765	1,770	34,072	37,754
2010						
Interest rate swaps	-	279	662	3,340	35,393	39,674
Total	-	279	662	3,340	35,393	39,674

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

27. Financial Instruments (continued)

(g) 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 parent and 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 via outsourcing its investment management and the Investment Manager manages the financial risks relating to the operations of the benefit funds in accordance with an investment mandate set out in the benefit funds constitution and product disclosure statement. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

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

The benefit funds' activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the funds to cash flow risk, whereas fixed interest rate instruments expose the fund to fair value interest rate risk. Ultimately unit holders of the benefit funds are exposed to this risk.

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

2011	Consolidated			
	Weighted Average Effective Interest Rate %	Variable Rate \$'000	Fixed Rate \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	5.23%	4,178	7,448	11,626
Mortgage loans	8.81%	155,190	43,004	198,194
Total financial assets		159,368	50,452	209,820
Financial liabilities				
Borrowings	6.82%	196,889	-	196,899
Total financial liabilities		196,889	-	196,899
				-
Notional derivatives		56,737	(56,737)	
Net interest bearing financial (liabilities)/assets				
		19,206	(6,285)	12,921

(g) Market risk (continued)

2010	Consolidated			
	Weighted Average Effective Interest Rate %	Variable Rate \$'000	Fixed Rate \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	4.78%	6,078	7,888	13,966
Mortgage loans	8.35%	149,930	58,622	208,552
Total financial assets		156,008	66,510	222,518
Financial liabilities				
Borrowings	5.65%	204,452	6	204,458
Total financial liabilities		204,452	6	204,458
Notional derivatives		63,391	(63,391)	-
Net interest bearing financial (liabilities)/assets				
		14,947	3,113	18,060

Interest rate swap contracts

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

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

	Average Contracted Rate		Notional Principal Amount		Fair Value	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated						
Pay fixed for floating contracts designated as effective in fair value hedge						
50 years swaps contracts (i)	7.49%	7.49%	17,653	19,273	(10,410)	(12,208)
			17,653	19,273	(10,410)	(12,208)
Pay fixed for floating contracts designated as effective in cash flow hedges						
Less than 1 year	8.40%	7.08%	7,192	5,034	(1,109)	(304)
1 - 2 years	7.47%	8.40%	24,000	7,192	(983)	(1,066)
2 - 8 years	6.88%	7.32%	7,892	31,892	(1,029)	(2,373)
			39,084	44,118	(3,121)	(3,743)
			56,737	63,391	(13,531)	(15,951)

(i) Refer to note 27 (h) regarding the fair value of 50-year swap contracts.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

27. Financial Instruments (continued)

(g) Market risk (continued)

The objective of interest rate swap contracts, excluding the 50 year swap, in a hedge relationship is to match the cash flows obtained from the fixed rate book to the floating funding obligations under the warehouse trust facility. This strategy is in accordance with the CCL Treasury Policy. The hedged item (being floating funding obligation) is expected to impact profit or loss over the next five years (2010: five years) following year end where the Group has an interest rate exposure from fixed rate reverse mortgages from customers at a fixed rate for either the first four or eight years of the loan.

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

Interest rate sensitivity

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

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

Effect On					
	Change in Variable	Profit After Tax		Other Reserves	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated					
Interest rate risk	+1 %	55	1,112	543	831
Consolidated					
Interest rate risk	-1 %	(55)	(1,112)	(557)	(859)

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

Other price risk

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

(h) Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Financial assets				
Loans and receivables:				
Reverse mortgage loans	198,194	253,643	208,947	267,942

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- 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 72 years.
 - The future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from public available information released by the government.
 - Fixed or variable interest rates charged to borrowers are used to project future cash flows.
 - A redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast.
 - Year end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2011 to determine the fair value.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The valuation technique used to determine the fair value of the Fixed For Life interest rate swaps is as follows:
 - The weighted average reverse mortgage holders age is 72 years.
 - The expected future cash flows in relation to the swaps are based on reverse mortgage borrowers' expected life expectancy sourced from data released by the government.
 - Difference between the fixed swap pay rates and forwards rates as of June 2011 is used to calculate the future cash flows in relation to the swaps.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

27. Financial Instruments (continued)

(h) Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

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

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

	2011			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
Financial assets				
Financial assets at fair value through profit and loss - designated upon initial recognition	-	2,329	-	2,329
Total	-	2,329	-	2,329
Financial liabilities				
Derivative financial liabilities	-	(3,121)	(10,410)	(13,531)
Total	-	(3,121)	(10,410)	(13,531)

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

Reconciliation of Level 3 fair value measurements of financial liabilities

	Fair Value through Profit or Loss	Total
	Fixed For Life Swaps \$'000	
Opening balance	(12,208)	(12,208)
Total losses: – in profit or loss	1,798	1,798
Closing balance	(10,410)	(10,410)

(h) Fair value of financial instruments (continued)

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

Fixed For Life swaps (FFL)

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

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

Mortality rates up to age 95 for Males and Females have been assumed to be 95%, with consistent assumptions beyond age 95. 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. Half of reverse mortgage loan portfolio consists of joint lives.

Adjusting the yield curve after 15 years by an increase / (decrease) of 100 basis points as at 30 June 2011 would cause the fair value of the 50 year swaps to increase / (decrease) by \$2,036,055/(\$2,293,080). (2010: \$2,531,876/(\$2,244,836).

Additionally, the valuations have been calculated with an assumption of deaths (as opposed to early voluntary repayment) of mortgagees during the life of the interest rate swaps. However, the swap agreements provide that in the event of death of a mortgagee there is a nil cost prepayment option. Accordingly, the assumption on the number of deaths and timing of such deaths will impact the valuation. If the assumption of the death rate changes to 10% of mortgagees 10 years after the inception of the swaps, the fair value as at 30 June 2011 would increase by \$272,429 (2010: \$437,031).

28. Subsequent events

On 1 July 2011, Eclipse Property Group Limited changed its name to Centuria Strategic Property Limited.

On 18 August 2011, the term of the non-recourse notes relating to the reverse mortgage business was extended to 31 March 2013 (refer note 16).

At the date of signing this report, the extension of the Group's working capital facility had been approved by the financier and documentation for the amended facility agreement was underway.

On 19 August 2011, the Board of CCL declared a final dividend to be paid to shareholders in the amount of 3.5 cents per share, partly franked to 30%. The dividend payment date is expected to be on or around 30 September 2011.

29. Acquisition of business

There were no acquisitions of businesses during the financial year ended 30 June 2011.

30. Change of name

Pursuant to the Annual General Meeting of the shareholders held on 12 November 2010, the name of the Company was changed from Over Fifty Group Limited (OFG) to Centuria Capital Limited (CCL). The change was effective on 14 March 2011.

31. Operating segments

The Group has eight reportable segments, as described below, which are the divisions used to report to the Board for the purpose of resource allocation and assessment of performance. For each of the divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Centuria Life and Benefit Funds - a range of financial products, including single and multi-premium investments.
- Insurances - general, home and contents, motor vehicle and travel insurance agency.
- Commercial Mortgages - provide debt funding secured by mortgages.
- Reverse Mortgages - provide debt funding secured by first mortgages over residential property only.
- Mortgageport - equity accounted investment in money manager and mortgage broker.
- Property Investments - National Leisure Trust.
- Property Funds Management - Centuria Property Funds Limited and Centuria Strategic Property Limited.
- Corporate.

Information regarding these segments is presented on the next pages. The accounting policies of these reportable segments are the same as the Group's accounting policies. This is the information reported to the chief operating decision maker.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

31. Segment information (continued)

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

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages
Year Ended 30 June 2011	\$'000	\$'000	\$'000	\$'000
2011				
Revenue				
Interest, dividends and other investment income	367	-	2	187
Management, risk and establishment fees	13,086	-	-	23
Rent and other (i)	-	3,689	1,339	33
Total segment revenue	13,453	3,689	1,341	243
Profit/(loss) before tax	9,137	3,689	1,037	416
Income tax (expense)/benefit	(3,685)	(3,689)	(311)	(125)
Net loss				

- (i) Net revenue received from the Benefit Funds has been presented as a single line item. See note 3(iii) for further information.
- (ii) \$575k of non-recurring costs are included within the results for the Property Funds Management segment. Excluding these costs would give a net profit of \$4,633.

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages
Year Ended 30 June 2010	\$'000	\$'000	\$'000	\$'000
2010				
Revenue				
Interest, dividends and other investment income	189	-	1	32
Management, risk and establishment fees	13,834	-	-	-
Rent and other (i)	7	2,621	1,318	4
Total segment revenue	14,030	2,621	1,319	36
Profit/(loss) before tax	8,925	2,621	1,011	(1,145)
Income tax (expense)/benefit	(3,811)	(2,621)	(303)	344
Net profit				

- (i) During the year ended 30 June 2010, other revenue includes applications in Friendly Society Funds Management and commissions in insurance.
- (ii) Net revenue received from the benefit funds has been presented as a single line item. The information for 2010 has been restated to be in line with current year's presentation. See note 3(iii) for further information.

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management (ii)	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
16,889	-	20	122	342	17,929
(812)	-	-	11,044	-	23,341
217	119	2,917	1,849	370	10,533
16,294	119	2,937	13,015	713	51,804
2,239	(3,400)	(6,606)	4,058	(9,223)	1,347
(668)	836	1,982	(1,088)	2,510	(4,238)
					(2,891)

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
16,000	-	8	228	184	16,642
781	-	-	8,619	-	23,234
-	733	2,729	2,572	1,723	11,707
16,781	733	2,737	11,419	1,907	51,583
3,404	(1,021)	114	5,674	(8,745)	12,880
(850)	-	(39)	(1,648)	2,366	(6,562)
					6,318

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

31. Segment information (continued)

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

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages	
Year Ended 30 June 2011	\$'000	\$'000	\$'000	\$'000	
2011					
Assets	12,759	508,964	832	317	
Liabilities	(930)	(508,964)	(48)	(45)	

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages	
Year Ended 30 June 2010	\$'000	\$'000	\$'000	\$'000	
2010					
Assets	10,158	548,259	138	3,946	
Liabilities	(1,283)	(548,259)	(24)	(66)	

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
210,470	4,566	26,779	18,116	47,843	830,646
(185,612)	-	(26,020)	(3,830)	(14,716)	(740,165)

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
220,612	7,227	28,532	16,012	57,565	892,449
(199,600)	-	(26,244)	(4,426)	(16,904)	(796,806)

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

31. Segment information (continued)

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages	
Year Ended 30 June 2011	\$'000	\$'000	\$'000	\$'000	

2011

Carrying value of investments accounted for using the equity method	-	-	-	-	
Depreciation and amortisation of segment assets	21	-	-	-	
Significant other non-cash expenses	-	3,812	-	258	

	Centuria Life	Benefit Funds (i)	Insurance	Commercial Mortgages	
Year Ended 30 June 2010	\$'000	\$'000	\$'000	\$'000	

2010

Carrying value of investments accounted for using the equity method	-	-	-	-	
Depreciation and amortisation of segment assets	7	-	-	-	
Significant other non-cash expenses	-	2,903	-	369	

Geographical information: The consolidated entity operates in one geographic region, Australia.

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

-	2,836	-	-	4,617	7,453
-	-	-	411	204	636
-	3,500	5,925	-	-	12,979

Reverse Mortgages	Mortgageport	Property Investments	Property Funds Management	Corporate	Consolidated
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

-	6,327	-	-	5,559	11,886
2	-	-	91	246	346
-	-	204	345	3,041	6,862

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

32. Key management personnel compensation

Details of key management personnel

- R.W. Dobson (Chairman) appointed 28 November 2007
- J.E. McBain (Director, Chief Executive Officer) appointed 4 April 2008 as CEO and Director on 10 July 2006
- J.C. Huljich (Director, General Manager - Property division) appointed 28 November 2007
- P.J. Done (Non-executive director) appointed 28 November 2007
- D.K. Gupta (Non-executive director) appointed 28 November 2007
- T.D. Reid (Company Secretary, and General Manager - Friendly Societies) appointed 1 October 2008
- M.J. Coy (Chief Financial Officer and appointed additional Company Secretary of CCL, to be based in Sydney on 21 October 2009)
- D.B. Govey (Head of Assets) appointed 1 May 2006

Key management personnel compensation

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

	2011 \$	2010 \$
Short-term employee benefits	1,799,861	1,745,469
Post-employment benefits	145,642	117,017
Share-based payments	203,687	67,623
	2,149,190	1,930,109

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

33. Share-based payments

Participating Rights Plan

There are no remaining Participating Rights on issue at 30 June 2011.

The following reconciles the outstanding participating rights granted under the plan at the beginning and end of the financial year:

	2011 \$'000	2010 \$'000
Balance at beginning of the financial year	38,485	154,654
Granted during the financial year	-	-
Forfeited during the financial year	-	-
Expired during the financial year	(38,485)	(116,169)
Balance at end of the financial year	-	38,485

For assumptions used in valuing these rights refer to the Remuneration Report.

Performance Rights and Executive Option Plan

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

	Performance Rights Grant Date	Number of Performance Rights	EPS Hurdle	Vesting Date
Compensation Performance Rights	10 February 2010	0.7 million	No EPS hurdle	1 July 2010
Incentive Performance Rights	10 June 2010	0.3 million	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	0.7 million	7.50 cents (i)	30 June 2011
Incentive Performance Rights	30 June 2012	1.3 million	- (ii)	30 June 2012

(i) Based on underlying net profit after tax. The fair value of each Performance Right issued was \$0.57 based on the volume weighted average share price of CCL in the 10 trading days prior to 30 June 2011.

(ii) EPS hurdle will be set prior to the time of grant. 1.3 million performance rights available for potential future issuance by the Nomination and Remuneration Committee.

Executive Option Plan

Name of Executive Director / Senior Management	Executive options granted on 29 October 2009 (ii)
Mr J.E. McBain	600,000
Mr J.C. Huljich	400,000
Mr M.J. Coy	325,000
Mr T.D. Reid	100,000
Mr D.B. Govey	100,000

(i) Of the total number of Executive Options of an executive director that become exercisable, one third have an exercise price of \$0.66, one third an exercise price of \$0.73 and one third an exercise price of \$0.80 per Executive Option.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

33. Share-based payments (continued)

All of the Executive Options become exercisable if:

- the Company meets or exceeds all of the following EPS targets for financial years shown:

Financial Year (FY)	EPS Hurdle
2010	8.96 cents
2011	10.04 cents
2012	11.23 cents

Or

- the simple average of the Company's EPS for the 3 financial years is 10.07 cents.

Part only of the Executive Options will become exercisable if:

- A Change of Control Event occurs (the number of Executive Options vesting will be pro-rata to the proportion of the vesting period that has elapsed at the time of the Change of Control Event); or
- Based on the EPS achieved and on the following sliding scale, assuming that the EPS for the purposes of the growth chart was 8 cents for the financial year ending 30 June 2009:

Average EPS Growth Rate from 2010 to 201	% Executive Options Vesting
Less than 8%	0%
8 - 8.99%	20%
9 - 9.99%	40%
10 - 10.99%	60%
11 - 11.99%	80%
12 - 12.99%	100%

33. Share-based payments (continued)

During the financial year ended 30 June 2011, performance rights and options for a value of \$nil (2010: \$169,309) were granted as performance rights and options to the executive directors.

The number and weighted average exercise price of share options granted to the executive directors is as follows:

	Weighted Average Exercise Price 2011	Number of Options 2011	Weighted Average Exercise Price 2010	Number of Options 2010
	(\$)		(\$)	
Outstanding at beginning of the financial year	0.73	1,000,000	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Granted during the financial year	-	-	0.73	1,000,000
Outstanding at end of the financial year	0.73	1,000,000	0.73	1,000,000
Exercisable at end of the financial year	N/A	N/A	N/A	N/A

The options outstanding at 30 June 2011 have an exercise price in the range of \$0.66 to \$0.80 (2010: \$0.66 to \$0.80) and a weighted average contractual life of 2 years (2010: 3 years).

34. Parent entity disclosures

As at, and throughout the financial year ending 30 June 2011, the parent entity of the Group was Centuria Capital Limited.

	2011 \$'000	2010 \$'000
Result of parent entity		
Profit for the period	(3,699)	2,043
Other comprehensive income	-	-
Total comprehensive income for the period	(3,699)	2,043
Financial position of parent entity at year end		
Total assets	109,463	116,654
Total liabilities	20,231	22,759
Total equity of the parent entity comprising of:		
Share capital	101,592	100,018
Share-based incentive reserve	476	738
Retained earnings	(12,836)	(6,861)
Total equity	89,233	93,895

Parent entity contingencies/commitments/guarantees

CCL has a capital commitment of \$2.5 million in respect of the equity raising for the recently launched Centuria 8 Australia Avenue Fund ('the Fund'). It is not expected that this commitment will be drawn upon however should the commitment be required, CCL will subscribe for \$2.5 million of units in the Fund at the issue price of \$1.00 per unit.



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), which comprises the consolidated statement of financial position as at 30 June 2011, 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 35 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 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 12 to 18 of the directors' report for the year ended 30 June 2011. 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 2011 complies with Section 300A of the Corporations Act 2001.

KPMG

Steven Gatt
Partner

Sydney

19 August 2011

Additional stock exchange information as at 29 August 2011

Distribution of holders of equity securities

Ordinary Shareholders	Number of Holders	Number of Ordinary Shares
1 - 1,000	6,723	3,434,818
1,001 - 5,000	7,243	16,125,481
5,001 - 10,000	1,061	7,265,412
10,001 - 100,000	678	14,560,578
100,001 and over	66	38,330,447
	15,771	79,716,736
Holding less than a marketable parcel	6,363	3,084,398

Substantial shareholders

Ordinary Shareholders	Number of Shares Held
RBC Dexia Services Australia Nominees Pty Limited	8,024,394
Resolute Funds Management Pty Ltd	4,363,126

Ordinary Shareholders	Ordinary Shares	
	Number	Percentage
1. RBC Dexia Services Australia Nominees Pty Limited	8,024,394	10.07%
2. Resolute Funds Management Pty Ltd	4,363,126	5.47%
3. JP Morgan Nominees Australia Limited	2,528,460	3.17%
4. Paritai Pty Limited	2,189,116	2.75%
5. National Exchange Pty Ltd <Corp A/C>	1,401,563	1.76%
6. Centuria Employee Share Fund Pty Ltd <Centuria ESF A/C>	1,300,000	1.63%
7. Vintage Capital Pty Ltd	1,100,000	1.38%
8. Avanteos Investments Limited <1259738 A/C>	1,037,959	1.30%
9. Avanteos Investments Limited <1703553 A/C>	996,533	1.25%
10. Trust Company Superannuation Services Limited <Sparxx S/F A/C>	960,253	1.20%
11. HSBC Custody Nominees (Australia) Limited	857,064	1.08%
12. Sterling Grace Capital Management LP	802,550	1.01%
13. Sterling Grace International LLC	802,550	1.01%
14. Drake Private LLC	746,550	0.94%
15. Prudential Nominees Pty Ltd	605,310	0.76%
16. National Nominees Limited	555,458	0.70%
17. Avanteos Investments Limited <2469707 A/C>	500,000	0.63%
18. National Exchange Pty Ltd	500,000	0.63%
19. Stanbox Pty Limited <The Salem Family Account>	370,000	0.46%
20. Coorong Holdings Pty Ltd	362,335	0.45%
	30,003,221	37.64%

Voting rights

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

On-market buy-back

There is no current on-market buyback.

