



28 October 2013

Australian Securities Exchange

Company Announcements Platform

Centuria Capital Limited – 2013 Annual Report

Centuria Capital Limited announces the publication of its 2013 Annual Report.

The document is provided to the Exchange with this notice and will also be available for viewing on the Company's website from today at <http://www.centuria.com.au/news-media/>

Matthew Coy
Company Secretary

About us:

Centuria Capital "CNI" is an ASX-listed diversified funds manager with over \$2 billion in funds under management. We offer a diverse range of investment opportunities – from tax-effective investment bonds to unlisted property funds. Our drive, allied with our inside knowledge of the sector and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

ASX Stock Code: CNI

Centuria Capital Limited

Annual Report 2013



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Management Directory

Centuria Capital Limited

John McBain	Group CEO
Matthew Coy	Chief Financial Officer
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
Ash Nakhla	Investor Services Team Leader

Centuria Property Funds Limited

Jason Huljich	CEO - Unlisted Property Funds
Nicholas Collishaw	CEO - Listed Property Funds
Woon Pin Chong	Managing Director, Asia
David Govey	Head of Assets
John Taylor	Head of Distribution
Andre Bali	Head of Development
Ben Harvie	Head of Funds Management
Sebastian Ugarte	Acquisitions Manager
Andrew Essey	National Leasing Manager
Jacques Duvenage	National Facilities Manager
Mark Jones	Manager, Property Funds Victoria

About Centuria

Centuria Capital is an ASX-listed diversified funds manager with approximately \$1.9 billion in funds under management.

Centuria is focused on creating wealth for its investors. Its two divisions, property funds management and financial services provide a range of investment opportunities across the real estate spectrum to tax effective bonds and insurance products.

We offer something refreshingly different to our direct clients and to financial advisers and their clients: we manage investments personally. That means their investment is constantly under the control of an expert with in-depth market knowledge, commercial acumen and an unerring sense of what matters.

Our size is an advantage, we are focused and nimble and therefore better able to respond to opportunities swiftly. We have the experience and confidence to take on major projects and challenges, and the skill to see them through.

Centuria Highlights

\$1.9 BILLION

**GROUP TOTAL FUNDS UNDER MANAGEMENT
(FUM) AT 30 JUNE 2013**

\$171 MILLION

**DIRECT PROPERTY
ACQUISITIONS
DURING FY13**

93%

**OVERALL COMMERCIAL
PROPERTY PORTFOLIO
OCCUPANCY
AT 30 JUNE 2013**

13%

**CORPORATE GEARING
(EXCL. NON-RECOURSE
DEBT) AT 30 JUNE 2013**

112,000



**TOTAL NUMBER OF
CLIENTS
AT 30 JUNE 2013**

\$5.3 MILLION

**UNDERLYING NET
PROFIT AFTER TAX
AT 30 JUNE 2013**

\$7.3 MILLION

**STATUTORY NET PROFIT
AFTER TAX
AT 30 JUNE 2013**

\$9.0 MILLION

**UNDERLYING EARNINGS
BEFORE TAX
AT 30 JUNE 2013**

\$172 MILLION

**VALUE OF RESIDENTIAL
MORTGAGE BOOK
AT 30 JUNE 2013**

Chairman's Review

Dear Shareholders

The 2013 financial year was a good year for the Centuria Group. Our financial results were solid and significantly better than in 2012. The most pleasing thing from the Board's perspective is that we have made good progress in implementing our strategy for achieving the challenging growth targets we had set for our property funds management business and for diversifying that part of our business.

Our strategy is for our property funds management business to have three distinct divisions. The first, unlisted direct property, is what we have been doing for many years. The other divisions, what we call wholesale property funds management and a listed property trust business, are new. These two new divisions were created in the 2013 financial year. We recognised from the outset that for us to be successful in these areas would require us to bring on board very senior people, with the relevant experience.

One of the true highlights of the year has been Nicholas Collishaw joining the Centuria Group. Nicholas heads up our listed property funds management division and will also play a key role in our wholesale strategy. We are extremely fortunate to have Nicholas on board.

For those of you who do not know Nicholas' background, prior to joining Centuria, he was the CEO and Managing Director of the Mirvac Group and oversaw significant growth in Mirvac during his time as its head. Nicholas' experience and the high regard with which he is held by institutions and others in the property funds management business will greatly help Centuria achieve its goals.

One of the resolutions for the upcoming Annual General Meeting will be to confirm Nicholas' appointment as a director of Centuria Capital Limited. I could not endorse that more strongly.

Other highlights include the acquisition of property worth over \$170 million, including 10 Spring Street, Sydney for over \$90 million. These are much larger transactions than Centuria has completed in the past and the fact that we were able to do this is a credit to the CEO - Unlisted Property Funds, Jason Huljich, and his team and to John McBain, your Group CEO, who continues to work tirelessly and enthusiastically.

John will cover in more detail the year's highlights in his CEO report.

Centuria's property funds management business is complemented by other areas of activity, primarily the friendly society business, the reverse mortgage business and our insurance business, all of which performed well and made significant contributions to our profit.

The Board is looking forward to what Centuria can achieve over the next couple of years. Certainly there will be challenges, however, the Group is very well positioned for substantial growth, especially in the property funds management business, and this will undoubtedly lead to growth in our profit.



Roger Dobson
Chairman



Roger Dobson

Chairman
LLB (Hons) LL.M

Chief Executive's Report

Dear Shareholders

At the conclusion of the 2013 financial period, we are pleased to report solid profit and underlying earnings growth for the Group and, in particular, we can report an increase in underlying earnings per share of 12%.

The Group has now disposed of its last remaining legacy assets, being the investment properties at Moonah Links, Fingal and Pepper Sands Resort, Torquay with no adverse impact on the Group's earnings or balance sheet.

It is fair to say that the Group has absorbed the impact of the Global Financial Crisis and is now well positioned with a strong growth setting.

Centuria now has well performing core operating divisions (property and financial services) a clear strategy to grow these divisions and the level of talent within its team necessary to continue bringing our growth strategy to fruition.

Unlisted (Direct) Property

In last year's annual report I set out our belief that while financial markets would remain challenging in 2013, these conditions would provide good buying opportunities for our unlisted property funds management division in particular.

In the 2013 financial period the unlisted property funds division under its CEO, Jason Hulljich, acquired and settled new property funds totalling \$171 million, almost triple the \$58 million of acquisitions in the 2012 period. This was a record breaking total.

This division has assets under management exceeding \$1 billion and is an important profit driver for the Group. Importantly the acquisitions were substantial (one over \$90 million) and two of the three purchases were major Sydney CBD assets.

It is rewarding to see the profile of the division rising with these larger scale buildings and equally pleasing to see the continued development of our unlisted equity distribution capability.

The chart below highlights the strong growth in annuity revenue being built up as assets under management increase.



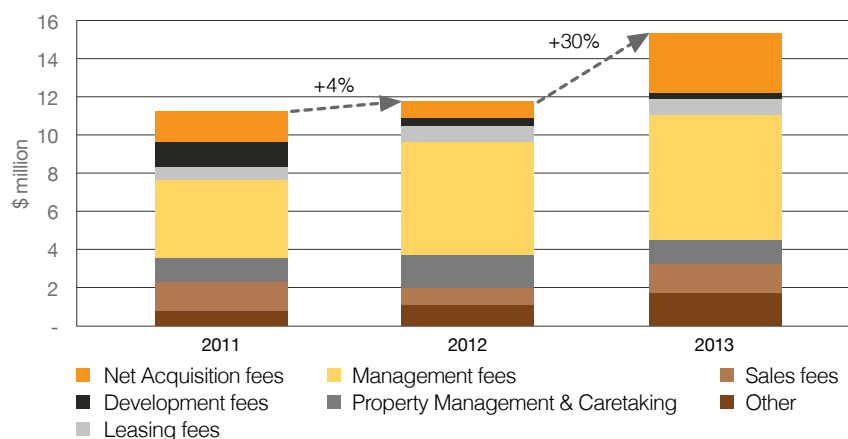
Capital Management

As foreshadowed in last year's report, in December 2012 the Company bought back and cancelled 4.2 million shares at a price of 47.75 cents per share, reducing the shares on issue by 5.2% and enhancing earnings per share. The buy-back has resulted in a reduction in shareholder numbers by approximately 6,800 to 8,300 shareholders.

The Company recently announced that it would not pay a final dividend for the 2013 financial year as a result of expenses incurred in relation to establishing the listed property funds management and Asian divisions. These costs whilst significant are an investment in the Group's future and we believe are critical to the growth strategy we have embarked upon.

Accordingly, whilst it is regrettable that the dividend stream has been interrupted by these one-off costs, the establishment of these new divisions primes Centuria for further expansion and they are essential building blocks towards growing a larger business.

Direct Property Division Revenue Sources (\$m)



Property Funds Management Growth Strategy

We have previously set out our intention to create three distinct property funds management businesses;

- **unlisted property funds management (existing business)**
- **listed property funds management**
- **wholesale property funds management**

In late 2012 we set up a representative office in Singapore to secure mandates from Asian, European and North American institutions seeking to invest in Australian commercial property.

This business model will see Centuria securing attractive Australian property investments and packaging them for offshore institutions to invest into with Centuria as the fund manager and asset manager. This has already commenced with one Asian group investing in our latest fund.

The office is led by Woon Pin Chong, a very experienced funds manager with extensive Asian capital markets experience who grew up and was educated in Australia.

We look forward to announcing our first major wholesale mandate during the current reporting period.

The establishment of a listed real estate investment trust (REIT) is the third component of our property growth strategy. As our Chairman mentioned, in May we established our listed property funds division to be led by Nicholas Collishaw as CEO - Listed Property Funds.

The addition of Nicholas to our team and our main board is a welcome appointment from the perspective of our staff and directors.

The costs of establishing the initial REIT vehicle have been expensed in the 2013 financial year. Post 30 June 2013, the Company sought to raise capital for the initial public offering (IPO) of the Centuria Property Trust, which while being well supported by the local and Asian retail investors, did not receive sufficient domestic institutional support to proceed.

Despite this setback, the listed property funds division starts the 2014 financial year well-resourced by an experienced team, a well worked-up documentation suite and enjoying good relations with the investor market.

I look forward to reporting success in establishing our first REIT in the current period.

Underlying net profit after tax (30 June 2012: \$4.9 mill)	\$5.3 million	↑ 10%
Underlying earnings per share (30 June 2012: 6.1 cents)	6.8 cents	↑ 12%

Statutory net profit after tax (30 June 2012: \$2.0 million)	\$7.3 million	↑ 265%
Statutory earnings per share (30 June 2012: 2.5 cents)	9.4 cents	↑ 276%

(Refer to reconciliation on page 7)

Outlook

Whilst we can foresee some stabilisation in the political and financial arenas during the current reporting period, credit markets will remain tight and we predict the continuing availability of mis-priced assets to fuel our property divisions.

Our traditional unlisted property division is expected to perform strongly and look to our Asian office to secure its first major mandate.

Additionally, we re-affirm our commitment to establish a listed real estate investment trust and very much look forward to reporting success in this arena during the current period.

Overall, the outlook for the financial services and insurance business units are excellent and continue to enjoy predictable earnings. I look forward to updating you on our progress during the year and offer you our gratitude for your continued support.



John McBain
Group CEO

Financial Services

The financial services division has contributed strongly to the full-year result and Centuria Life has seen stabilisation of total investment bonds under administration at \$708 million (FY12 \$712 million)

We are in the final stages of developing a new investment product specifically for a major distribution group. This is a direct result of the attraction of our investment bonds as an alternative to traditional superannuation offerings.

Total bond-holders grew by 2,000 to over 82,000 investors.

In the residential mortgages business, the embedded equity for the Centuria shareholders continues to grow, now representing \$40.1 million, a 21% increase over the previous year. This division contributed strongly to statutory earnings with earnings before interest and tax totalling \$3.3 million, up over 20% from FY12.

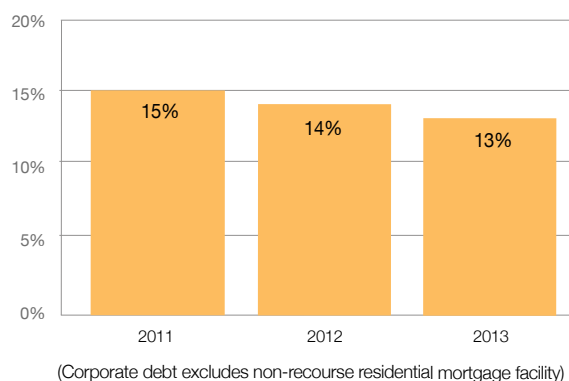
Financial Commentary

The **Centuria Group** made an underlying net profit after tax of \$5.3 million (up 9.8% on the prior year) and a statutory profit after tax of \$7.3 million (up 265% on the prior year) for the year ended 30 June 2013.

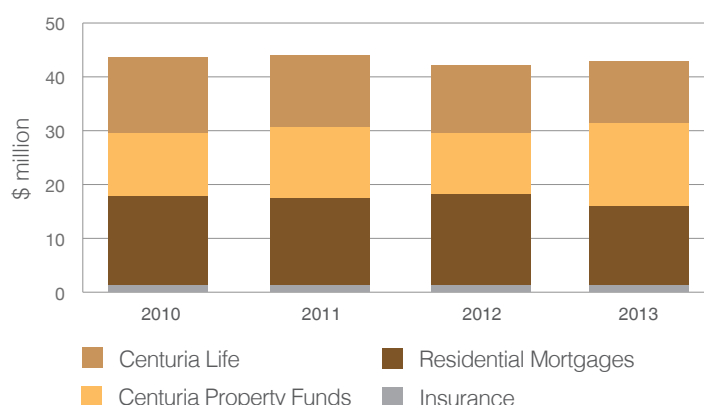
Whilst continuing with its focus on containing operational costs, Centuria also invested in the establishment of its Asian division as well as listed property funds management with the appointment of two senior executives.

It is pleasing to note that the Group's underlying net profit after tax result recorded an increase of 9.8%, whilst still absorbing the respective expansion costs in these two areas of the business.

Corporate Debt / Equity Ratio



Revenue from Core Divisions (excludes corporate and non-core)



As reported last year, the Group undertook an unmarketable share parcel buy-back and subsequent cancellation of shares instead of issuing a final 2012 dividend.

Corporate debt was also reduced by 8.4% over the financial year, in keeping with the Group's philosophy of carrying minimal debt at a corporate level.

With an increase in underlying net profit after tax over the prior year coupled with a reduced number of shares on issue, the underlying earnings per share for the Group increased by 12% over the prior year.

As a result of the new capital standards (LAGIC) introduced by the Australian Prudential Regulation Authority (APRA) on 1 January 2013, Centuria Life Limited (subsidiary of Centuria Capital) was required to invest a further \$3.1 million of seed capital into one of the capital guaranteed funds, taking the total seed capital investment to \$5.8 million. In the current period, the Group discounted this investment by \$0.8 million to reflect the time value of money. This investment will unwind over time and is, in essence, capital invested in the normal operations of the life business.

The charts above highlight the revenue from the Group's core divisions. The 2013 underlying pre-tax earnings reflects Centuria's current year investment in the expansion of the property funds management division as well as the provision of \$2.7m (pre-tax) relating to the expenses associated with the establishment of a listed property fund. Whilst this fund did not proceed, many of the scheme documents can be used when the first REIT is successfully listed. All these expenses have been recognised in FY13.



Underlying Results (AIFRS Statutory Results excluding Benefit Funds)

The following table provides a reconciliation of the Group's corporate underlying earnings (excluding Benefit Funds) by major divisions to the reported net profit after tax.

Year ended 30 June	2013	2012
Underlying earnings by major division	\$'million	\$'million
- Centuria Property Funds*	3,850	3,577
- Centuria Life	7,025	7,755
- Residential Mortgages	3,293	2,661
- Insurance	967	1,065
- Corporate	(5,223)	(5,432)
- Other	336	(115)
Total underlying EBIT	10,248	9,511
Finance costs (Corporate)	(1,218)	(1,276)
Total underlying net profit before tax	9,030	8,235
Underlying tax expense	(3,693)	(3,374)
Underlying net profit after tax	5,337	4,861
Non-recurring adjustments		
- Prior year non-recurring adjustments (including tax effect)	-	(2,894)
- Partial unwind of the Mortgageport deferred consideration (other)	163	-
- Centuria Life seed capital investment (Centuria Life)	(772)	-
- Tax benefits from non-core asset disposals	2,413	-
- Tax benefit on 30 June 2013 non-recurring adjustments	197	-
Reported net profit after tax	7,338	1,967

* Includes the provision of \$2.7m (pre-tax) expenses relating to Listed Property fund.



Matthew Coy
Chief Financial Officer



Matthew Coy

Chief Financial Officer
B.Bus. Accounting, CPA

Centuria Property Funds - Unlisted

Year in review

The **unlisted property funds** division has had a very successful year. Highlights include;

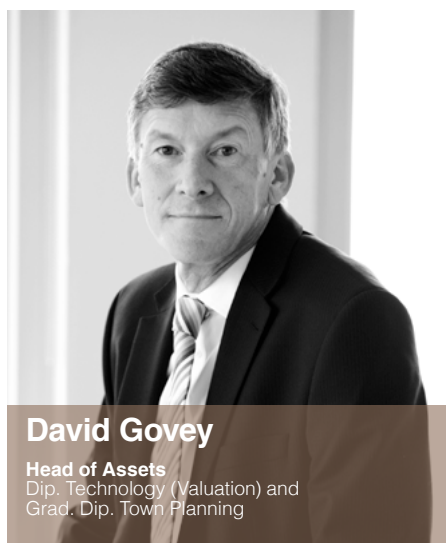
- Three property acquisitions totalling \$171 million.
- Largest ever purchase of \$91.6 million for 10 Spring Street, Sydney.
- Opened a Singapore office to raise institutional equity for Centuria's Australian asset purchases.
- First offshore equity investment into one of our unlisted funds through the Singapore office.

This year Centuria purchased the most property (by value) since inception. It also raised the most equity in any one year and purchased its largest ever asset at \$91.6 million.

Funds under management have increased to \$1.05 billion. At the same time, the quality of the property portfolio has increased significantly as we have sold down many of our smaller metropolitan assets and purchased larger CBD assets.



Jason Huljich
CEO - Unlisted Property Funds
B Comm, Commercial Law

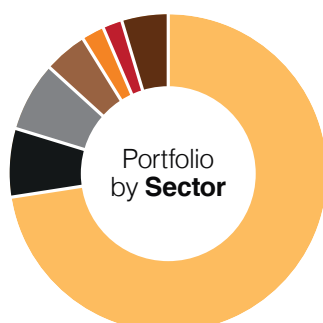


David Govey
Head of Assets
Dip. Technology (Valuation) and
Grad. Dip. Town Planning

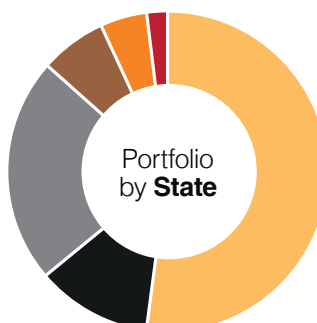
Outlook

The outlook for the coming year looks very positive. Demand for well structured property funds continues to increase as investors search for yield. The continuation of the low interest rate environment has assisted in marketing unlisted property investments to financial advisors and direct investors. We expect equity inflows to continue to strengthen over the year.

The Singapore office is in discussions with a number of family offices, institutions and sovereign wealth funds with a view of facilitating equity investments into Australia. These investors are seeking an investment manager who is locally based with a substantial real estate platform and strong track record. Centuria's business meets these criteria perfectly and we expect to secure a number of these investments during the year ahead.



Office	72.7%
Industrial	6.8%
Office/Warehouse	6.8%
Retail Bulky Goods	4.6%
Speciality Use	2.3%
Mixed Use	2.3%
Retail	4.5%



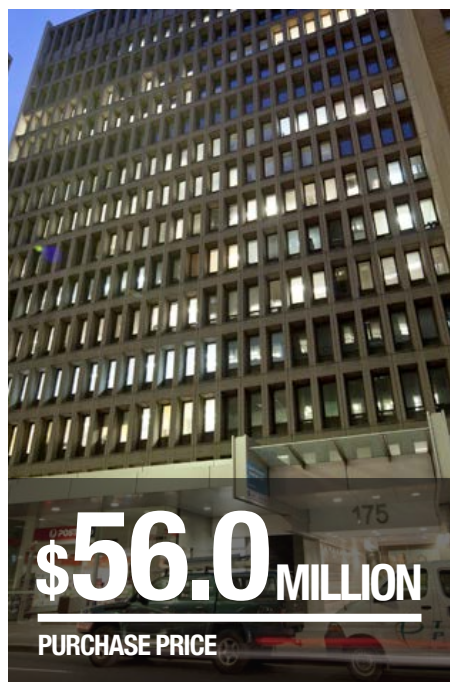
New South Wales	52.3%
Victoria	11.4%
Queensland	22.7%
South Australia	6.8%
Australian Capital Territory	4.5%
Western Australia	2.3%

Centuria's latest purchases

19 Corporate Drive, Cannon Hill



175 Castlereagh Street, Sydney CBD

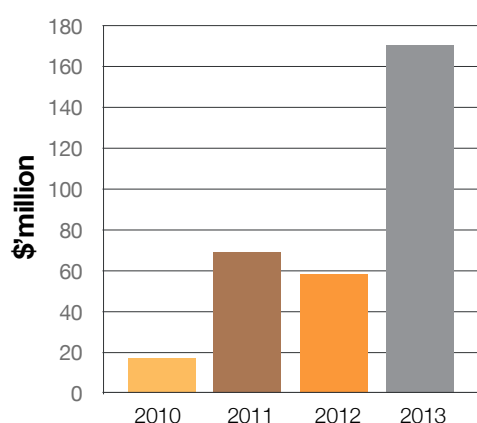


10 Spring Street, Sydney CBD



Highlights

Direct Property Acquisitions



\$1.05 BILLION

TOTAL FUNDS UNDER MANAGEMENT (FUM) AT 30 JUNE 2013

29 44 93.3%

NUMBER OF FUNDS UNDER MANAGEMENT AT 30 JUNE 2013

NUMBER OF PROPERTIES UNDER MANAGEMENT AT 30 JUNE 2013

PORTFOLIO OCCUPANCY AT 30 JUNE 2013

Centuria Financial Services

Year in review

Centuria's financial services division remains a core business of the Centuria Group and continues to generate strong and stable earnings.

Centuria Life's funds under management was \$708 million as at 30 June 2013, including the Guardian Friendly Society.

The headline returns from our capital guaranteed bonds were strong despite the portfolios being highly correlated to interest rate movements. The cash rate declined from 3.5% at the beginning of the year to 2.75% by year end. Unfortunately, the returns we were able to declare

have been affected by regulatory changes introduced by the Australian Prudential Regulatory Authority (APRA), designed to further protect bond holders.

Our unit-linked bonds all performed very well, due to both careful, focussed management and improved market conditions.



Terry Reid

General Manager
Dip. Bus, CA

\$708 MILLION

**FUNDS UNDER
MANAGEMENT
AT 30 JUNE 2013**



Anne Hamieh

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

The benefits of Centuria Investment Bonds

Australians now have a great deal of uncertainty around the merits of superannuation, caused by continual changes, including the restriction of contributions and increases in contributions tax for some. These changes have also made it harder for Australians to accumulate sufficient capital for their retirement within the superannuation environment. It is likely that there will be further restrictions in the future, which may include restrictions to lump sum withdrawals.

Our bonds present a tax effective alternative for Australians saving for their personal and financial goals, which can also be used to complement superannuation without its constraints. Some important features of our bonds are:

- They are unlisted, unitised investment vehicles, with no fixed term that can be redeemed at the discretion of the policyholder. After 10 years the accumulated capital within the bond can be withdrawn with no tax payable by the policyholder.

- They are "tax paid" investments in that income and any realised capital gains are taxed within the bond at the company tax rate of 30% and do not form part of the policy holders taxable income. Franking credits and costs can reduce the tax rate.
- Each year the policyholder can invest up to 125% of the prior year's contribution without changing the original start date, provided the payment is made each consecutive year.
- The policyholder can nominate a beneficiary(s). On the death of the policyholder the proceeds do not form part of their estate and are paid tax free to the beneficiary(s).

The year ahead

We are looking to continue to build the Centuria Life business by developing a platform for future growth and we have been working on several exciting initiatives to lift the profile of our Life division. These include partnering with intermediaries in the creation of new bespoke bonds for distribution within their networks.

We move into the new financial year confident of the growth prospects for the Life division of our company.



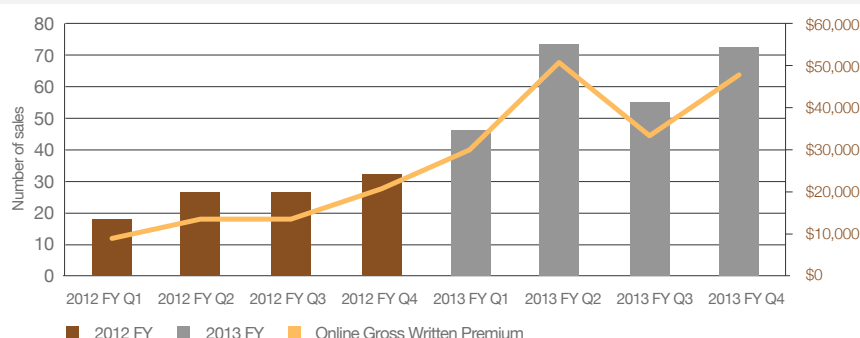
Over Fifty Insurance

Over Fifty Insurance continues to grow with over 23,019 policies across general, travel and vehicle insurance. This division has continued to generate positive earnings for the Group and is growing new business premium strongly.

23,019

**TOTAL NUMBER OF INSURANCE
POLICIES AT 30 JUNE 2013**

Over Fifty Insurance - Online Sales



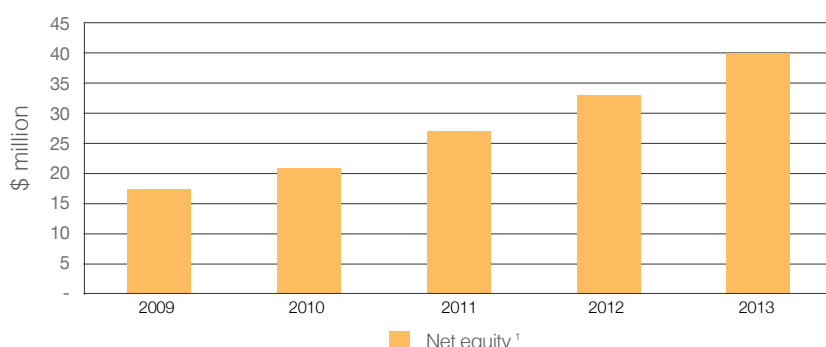
Residential Reverse Mortgages - future value to shareholders

We continue to manage the \$172 million reverse mortgage book for existing borrowers.

Whilst no new loans are being established the reverse mortgage book has significant embedded shareholder equity, which will increase over time.

This chart illustrates the growing 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 facility is repaid fully, the asset balance represents positive cash flow to the Group.

Residential Reverse Mortgage Portfolio



1. Represents the gross value of mortgages receivable, less outstanding debt facility.

Centuria is Changing and Evolving

Today's **uncertain economic** conditions and low prevailing deposit rates have reinforced investor attention on income and security of cash flow.

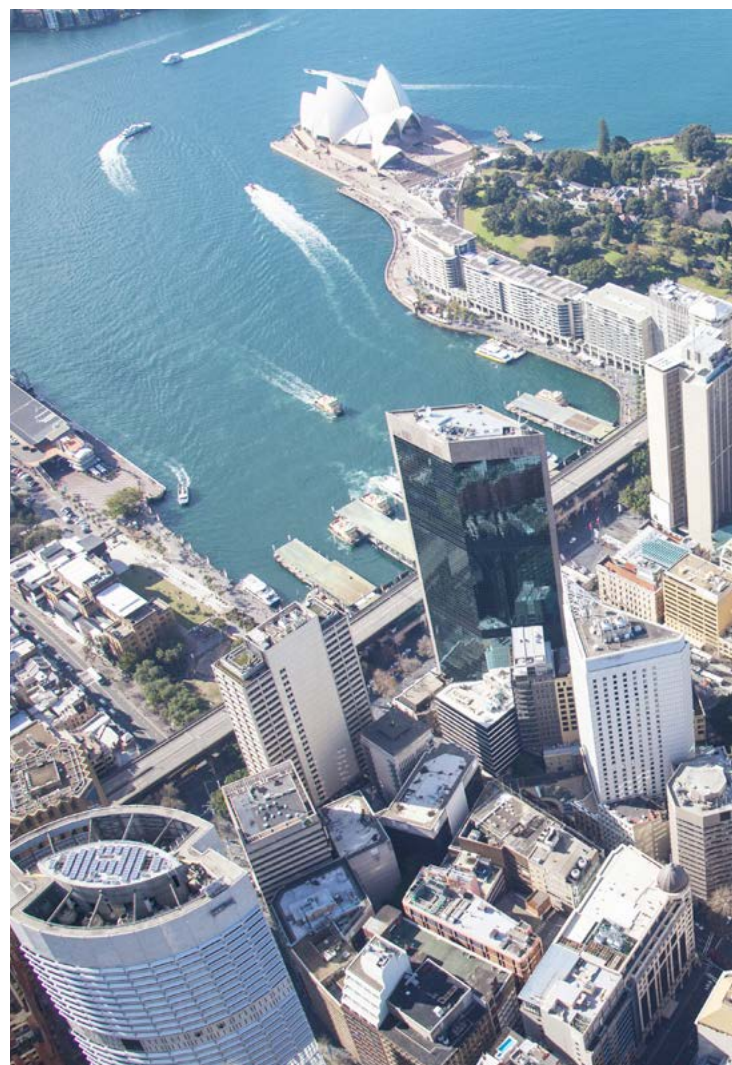
It is these two elements, together with the potential for capital growth, that drive the Centuria investment decision.

Real estate and real estate backed investments remain the backbone of the Centuria business. Demand for Australian real estate has increased dramatically as a result of the continuing globalisation of financial markets, with major investors attracted by the Australian markets relatively high income yield when compared to other mature investment markets.

To ensure Centuria Capital meets the needs of a globalised market, we have embarked upon a strategy of creating investment products that build on the success of our existing unlisted property funds business. Our strategy will provide new investment product for institutional investors while at the same time offering partnering opportunities for our existing investors.

"OUR CORE PRINCIPLES REMAIN CONSTANT WHILST OUR INVESTMENT PRODUCTS EVOLVE TO MINIMISE RISK AND MAXIMISE RETURN"

- JOHN MCBAIN



Approximately 40% of investment into ASX listed funds is now generated from overseas. In the last financial year it is estimated that over \$8.0 billion of direct investment in the property sector was by overseas based investors, both sovereign wealth funds and major pension funds.



Nicholas Collishaw (CEO - Listed Property Funds),
Jason Huljich (CEO - Unlisted Property Funds), **John McBain** (Group CEO).

Centuria is tapping into the global real estate investor marketplace from its office in Singapore where Asia Managing Director, Woon Pin Chong, is constantly in touch with major global investors. Whilst it is early days, this work has already yielded success with Asian based investors joining our traditional investor base investing in the Centuria 10 Spring Street Fund.

A key to the Group's future success will be its ability to offer its investors a choice of investment products. Our traditional direct investment vehicles and investment bonds will be complemented by wholesale offerings for both on and offshore institutions and we propose to launch an ASX listed Australian investment trust suitable for retail and institutional investors alike.

The expanded suite of investment products will all utilise our existing highly skilled management team within Centuria and be in keeping with the Group's philosophy of being a hands on active manager striving to generate superior investment returns within defined risk parameters.



Woon Pin Chong
Managing Director, Asia

Centuria Directors

Meet the Directors



John McBain

**Executive Director
and Chief Executive Officer**
Dip. Urban Valuation

John was appointed CEO of Centuria Capital in April 2008. He was the founder of Century Property Funds, which was acquired by Centuria Capital in 2006. John gained his valuation qualification from Auckland University in 1978 and since then has been continuously involved in commercial property investment in Australia, New Zealand and the UK.

In 1990 he established boutique property advisory firm Hanover Property Group in Australia. Entering the financial services market in 1995, he founded Waltus Investments Australia Limited, a direct property fund manager. In 1998 he formed Century Funds Management and in 2006 he joined the Centuria Capital and Centuria Life Boards and the Investment Committees of Centuria Life (formerly the Over Fifty Group).



Jason Huljich

Executive Director
B.Comm, Commercial Law

Jason became the CEO 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 considerable expertise in unlisted property funds, investment feasibility and funds management. Jason is the President and sits on the National Executive Committee of the Property Funds Association, the peak industry body representing the \$32 billion direct property investment industry.



Nicholas Collishaw

Executive Director
SAFin, AAPI, FRICS

Nicholas was appointed CEO - Listed Property Funds on 1 May 2013.

Prior to this position, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac (2005-2012) he was responsible for successfully guiding the business through the impact of the GFC and implementing a strategy positioning the real estate developer and investor for sustained growth.

Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management.

He is currently a National Director of the Property Industry Foundation and a member of the UNSW Faculty of the Built Environment Advisory Council.



Roger Dobson

Chairman
LLB (Hons) LL.M

Roger was appointed to the Board in 2007. He is Chairman of the Board, Chairman of the Nomination and Remuneration Committee and is also a member of the Audit, Risk Management and Compliance Committee. Roger is a senior partner of Henry Davis York and 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

Non-Executive Director
B. Comm, FCA

Peter was appointed to the Board in 2007 and is the Chairman of the Audit, Risk Management and Compliance Committee. He is also a member of the Nomination and Remuneration Committee and the Investment Committees. Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.



John Slater

Non-Executive Director
Dip. FS (FP)
SA Fin

John was a senior executive in the KPMG Financial Services practice from 1989 to 1999 and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital and has been an adviser to the Centuria Life Friendly Society Investment Committees since 2011.

In 2008 John founded boutique Financial Advisory firm Riviera Capital and has a wealth of financial services experience.

Directors' Report for the year ended 30 June 2013

The above named directors held office during the financial year or since the end of the financial year.

Directors' shareholdings

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

Directors	Fully Paid Ordinary Shares
	Number
R.W. Dobson	803,047
J.E. McBain	4,538,359
J.C. Huljich	2,371,429
P.J. Done	324,261
J.R. Slater (Appointed 22 May 2013)	1,100,000
D.K. Gupta (Resigned 22 May 2013)	28,525
N.R. Collishaw (Appointed 27 August 2013)	585,000

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

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

Company Secretaries

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

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

Principal activities

The principal activities of the consolidated entity (being CCL 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 arrangement, mortgage lending and management, and management of Over Fifty Guardian Friendly Society Limited.

Review of operations

The consolidated net profit for the year is \$7.338 million (2012: profit of \$1.967 million) after providing for an income tax expense relating to shareholders of \$1.034 million (2012: \$2.133 million).

The main sources of revenue were principally from the Centuria Life, Residential Mortgages, and Property Funds Management divisions.

Operational highlights for the financial year were as follows:

Centuria Life

- 82,210 policies at 30 June 2013 (30 June 2012: 80,312).
- Performance of all unit-linked bonds exceeds prior year.
- The Group's key focus on preserving funds under management (FUM) in the Centuria Life business is through prudent investment decision making, maintaining strong and regular policyholder communication, and creating new and innovative products that meet market demand.
- Continued reduction in net funds outflows - FUM at 30 June 2013 is \$708 million (30 June 2012: \$712 million).
- Centuria Life is in the final stages of releasing a new investment product which is designed to be an alternative to traditional superannuation offerings.

Property Funds Management

- Successful launch of Centuria 19 Corporate Drive Fund, Centuria 175 Castlereagh Street Fund and Centuria 10 Spring Street Fund.
- Sale of 924 Pacific Highway, Gordon, 601 Bourke Street, Melbourne, 71 Moreland Street, Footscray, 100 Bennelong Road, Sydney Olympic Park, 87 Mitchell Street, Darwin and 12A Rodborough Road, Frenchs Forest.
- During the year, the Group implemented two further strategic growth initiatives to complement the existing unlisted property funds management model. Firstly, the establishment of a Singapore office that will focus on regional wholesale investors seeking local property exposure and, more recently, the establishment of the Group's listed property funds management capability with the appointment of Nicholas Collishaw. Centuria Property Funds Ltd., the Group's subsidiary, will now focus on acquiring and managing investment vehicles for three investor groups within the market being listed, wholesale and its traditional retail clientele upon which the Group's business was founded.

Residential Mortgages

The Group's long-term strategy for the residential mortgage business is to:

- Ensure continued diligent management of the warehouse loan facility. The current facility maturity date has been extended to 30 August 2014.
- Maintain competitive pricing on its loan products.
- Maintain a high service ethic within the loan portfolio to the highest possible standard via the Group's in-house personnel.
- Amortise the underlying warehouse debt facility via natural attrition of the portfolio, which will eventually unlock substantial shareholder value and cash flow to be redeployed by the Group.

Insurance

- Policyholder renewals continue to track at 90%.
- New business premium up 13% from 2012.
- Strong growth in sales/premium from on-line activities.

Significant expenses/adjustments incurred

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

- Positive tax outcomes on debt forgiveness on the non-recourse finance as a result of the sale of Investment Properties during the year (\$2.413 million).
- Discounting of seed capital receivable from Centuria Income Accumulation Fund (\$0.772 million).
- Mortgageport deferred consideration discount unwinding (\$0.163 million).

Corporate governance practices

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

Changes in the state of affairs

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

Subsequent events

On 16 July 2013, the maturity date of the Group's NAB working capital facility was extended to 30 September 2014.

On 27 August 2013, the Company announced its decision not to proceed with its proposed listing of Centuria Property Trust via an Initial Public Offering.

Directors' Report for the year ended 30 June 2013

Dividends

In respect of the financial year ended 30 June 2013, an interim dividend of 1.25 cents per share franked to 100% was paid to the holders of fully paid ordinary shares on 30 March 2013. An unmarketable parcel share buy-back was undertaken on 12 December 2012 resulting in the purchase and subsequent cancellation of 4,215,316 shares.

Indemnification of officers and auditors

CCL has agreed to indemnify all current and former directors and executive officers of the Group and its controlled entities against all liabilities to persons (other than the Group or a related body corporate) which arise out of the performance of their normal duties as a director or executive officer unless the liability relates to conduct involving a lack of good faith. CCL has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments. The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' Liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts. The Group 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 Group 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	12	12	-	-	13	12	2	2
J.C. Huljich	12	9	-	-	-	-	2	1
R.W. Dobson	12	12	7	7	-	-	2	2
P.J. Done	12	12	7	7	13	11	2	2
J.R. Slater (Appointed 22 May 2013)	2	1	-	-	2	1	1	-
D.K. Gupta (Resigned 22 May 2013)	10	9	6	5	11	11	1	1
N.R. Collishaw (Appointed 27 August 2013)	-	-	-	-	-	-	-	-

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year 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; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 29 of the annual report and forms part of the Directors' Report for the year ended 30 June 2013.

Rounding off of amounts

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



Remuneration Report for the year ended 30 June 2013

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of CCL's directors and its senior management for the financial year ended 30 June 2013. The prescribed details for each person covered by this report are detailed under the following headings:

- 1 Director and Senior Management details;
- 2 Remuneration policy;
- 3 Relationship between the remuneration policy and company performance;
- 4 Non-Executive Director remuneration;
- 5 Remuneration of Executive Directors and Senior Management;
- 6 All other employees' remuneration; and
- 7 Key terms of employment contracts.

1. Director and Senior Management details

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

Mr R.W. Dobson	(Independent Chairman)
Mr P.J. Done	(Independent Director)
Mr J.R. Slater	(Independent Director) Appointed 22nd May 2013
Mr D.K. Gupta	(Independent Director) Resigned 22nd May 2013
Mr J.E. McBain	(Group CEO - Centuria Capital and Executive Director)
Mr J.C. Huljich	(CEO - Unlisted Property Funds and Executive Director)
Mr. N.R. Collishaw	(CEO - Listed Property Funds and Executive Director) Appointed 27 August 2013

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

Mr M.J. Coy	(Chief Financial Officer and Company Secretary)
Mr T.D. Reid	(additional Company Secretary and General Manager - Centuria Life Limited)
Mr D.B. Govey	(Head of Assets)

2. Remuneration policy

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

- Ensuring competitive rewards are provided to attract and retain executive talent;
- Linking remuneration to performance so that higher levels of performance attract higher rewards;

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

3. Relationship between the remuneration policy and company performance

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

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

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

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

In accordance with the Group'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 Group 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.

4. Non-Executive Director remuneration (continued)

• Directors' Fees

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

5. Remuneration of Executive Directors and Senior Management

• Objective

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

- Reward executives for Group, 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 Group; and
- 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

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 Group, 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 CCL's Senior Management Remuneration Policy, long and short-term performance incentives may be made under the Group'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		
	Fixed Remuneration	Variable Remuneration
	%	%
Executive Directors		
Mr J.C. Huljich	80%	20%
Mr J.E. McBain	80%	20%
Mr N.R. Collishaw	80%	20%
Senior Management		
Mr M.J. Coy	80%	20%
Mr T.D. Reid	80%	20%
Mr. D.B. Govey	80%	20%

Remuneration Report for the year ended 30 June 2013 (continued)

• Performance Rights Plan (PRP)

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

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

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

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

• Incentive Performance Rights

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

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



	Performance Rights Grant Date	Number of Performance Rights Granted	EPS Hurdle	Vesting Date
Incentive Performance Rights	30 June 2010	300,000	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	700,000	7.50 cents (i)	30 June 2011
Incentive Performance Rights	30 June 2012	85,000	8.0 cents (ii)	31 July 2012
Incentive Performance Rights	29 August 2013	85,099	8.2 cents (iii)	29 August 2013

(i) Based on underlying net profit after tax.

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

(iii) There are 1,129,901 performance rights available for potential future issuance by the Nomination and Remuneration Committee.

- **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.

The Company's overall objective is to reward senior management based on the Company's performance and build on shareholders' wealth but this is subject to market conditions for the year. The table below sets out summary information about the Group's earnings for the five years to June 2013:

Summary of earnings

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000
Total income	46,734	46,239	51,804	51,583	73,447
Net profit/(loss) before tax	10,905	3,702	1,347	12,880	(19,527)
Net profit/(loss) after tax	7,338	1,967	(2,891)	6,318	(12,413)

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at start of year	\$0.42	\$0.57	\$0.52	\$0.42	\$0.91
Share price at end of year	\$0.82	\$0.42	\$0.57	\$0.52	\$0.42
Interim dividend	1.25cps	1.25cps	2.5cps	2.5cps	0.0cps
Final dividend	0.0cps	0.0cps	3.5cps	2.5cps	0.0cps
Basic earnings per share	9.4cps	2.5cps	(3.7)cps	9.3cps	(21.4)cps
Diluted earnings per share	9.4cps	2.5cps	(3.7)cps	8.4cps	(21.4)cps

Remuneration Report for the year ended 30 June 2013 (continued)

Remuneration of Directors and Senior Management (continued)

Remuneration for the year ended 30 June 2013:

	Salaries \$	Fees \$	Bonus \$	Car Allowance \$
Directors				
R.W. Dobson	-	130,000	-	-
J.E. McBain	498,750	-	82,711	-
J.C. Huljich	370,854	-	63,131	20,000
P.J. Done	-	100,000	-	-
J.R. Slater (Appointed 22 May 2013)	7,155	-	-	-
D.K. Gupta (Resigned 22 May 2013)	-	53,484	-	-
N.R. Collishaw (i) (Appointed 27 August 2013)	80,588	-	25,000	-
Sub-total	957,347	283,484	170,842	20,000
Senior Management				
M.J. Coy	342,280	-	56,763	-
T.D. Reid	209,972	-	6,567	-
D.B. Govey	303,000	-	51,897	-
Sub-total	855,252	-	115,227	-
Grand total	1,812,599	283,484	286,069	20,000

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.

- (i) 500,000 CNI shares issued upon commencement of employment. Mr. Collishaw is also eligible to receive a one-off \$500,000 incentive payment if the proposed Centuria listed property fund reaches \$500 million of assets under management.

Non-Executive Directors' Remuneration

The aggregate non-executive directors' remuneration paid in 2013 was \$316,861 (2012: \$332,450).

Post Employment Benefits		Share-Based Payment	
	Superannuation \$	Share Issue \$	Total \$
	11,700	-	141,700
	24,000	-	605,461
	16,470	-	470,455
	9,000	-	109,000
	708	-	7,863
	4,814	-	58,298
	2,745	331,500	439,833
	69,437	331,500	1,832,610
	16,470	-	415,513
	18,897	-	235,436
	25,000	-	379,897
	60,367	-	1,030,846
	129,804	331,500	2,863,456

Remuneration Report for the year ended 30 June 2013 (continued)

Remuneration of Directors and Senior Management (continued)

Remuneration for the year ended 30 June 2012:

	Salaries \$	Fees \$	Bonus \$	Car Allowance \$
Directors				
R.W. Dobson	-	91,700	-	-
J.E. McBain	486,000	-	-	-
J.C. Huljich	335,973	-	-	20,000
P.J. Done	-	100,000	-	-
D.K. Gupta	-	75,000	-	-
Sub-total	821,973	266,700	-	20,000
Senior Management				
M.J. Coy	334,225	-	-	-
T.D. Reid	207,872	-	-	-
D.B. Govey	295,780	-	-	-
Sub-total	837,877	-	-	-
Grand total	1,659,850	266,700	-	20,000

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.

Post Employment Benefits		Share-Based Payment	
	Superannuation \$	Share Issue \$	Total \$
	50,000	-	141,700
	24,000	-	510,000
	17,027	-	373,000
	9,000	-	109,000
	6,750	-	81,750
	106,777	-	1,215,450
	15,775	-	350,000
	18,534	-	226,406
	24,220	-	320,000
	58,529	-	896,406
	165,306	-	2,111,856

Remuneration Report for the year ended 30 June 2013 (continued)

6. All other employees' remuneration

Cash and performance rights of \$585,000 were granted to staff in respect of the 2013 financial year (30 June 2012: \$33,779).

7. Key terms of employment contracts

CEO

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

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



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 CCL, 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

R.W. Dobson
Chairman

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

Sydney
29 August 2013



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 2013 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

29 August 2013

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.

2013 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, CCL or the Company) to each of the principles.

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

Principle 1: Lay solid foundations for management and oversight

The Role of the Board

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

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

Delegation to Senior Executives

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

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

Performance review of Senior Executives

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

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

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

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

Chairman

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

Nomination & Remuneration Committee

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

- Annual review of Board composition to ensure that the necessary skills are represented, together with the appropriate continuity and balance;
- Assessment of the effectiveness and composition of Board committees;

- Regular evaluation of the performance of the CEO;
- Recommending remuneration for Non-Executive Directors;
- Recommending a competitive remuneration and reward program for the CEO and other senior management; and
- Ensuring that other human resource management programs, including performance assessment programs, are in place.

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

Board performance

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

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

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

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

Re-election of Directors

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

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

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

using the guide outlined in Centuria's Whistleblower Policy. A link to the Code of Conduct can be found under the Corporate Governance page of our website.

Trading in Centuria's securities

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

Diversity at Centuria

Amendments to the ASX Corporate Governance Principles and Recommendations have focussed the Board's attention on formalising into policy the Company's belief that a diverse workforce with equality of opportunity will achieve strong business results. 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 independent directors and is chaired by an independent chair who is not the chair of Centuria's Board. All members are financially literate either holding financial or accounting qualifications and/or having professional experience in a financial or accounting related field. The Committee chairman, Peter Done is a chartered accountant with over 40 years of experience. John Slater has 25 years' experience in the financial services and investment management industry. The third member of the committee, Roger Dobson, is a senior partner in the banking and finance practice at the legal firm in which he is a partner. The Committee meets at least six times per year. The external and internal auditors of the Group attend on a regular basis. Detail of the Audit, Risk Management & Compliance Committee member's names, appointment date, status, qualifications and meeting attendance is set out 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.

2013 Corporate Governance Statement (continued)

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

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

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

Nomination & Remuneration Committee

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

Remuneration related responsibilities of the Nomination and Remuneration Committee include:

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

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

Senior Executive remuneration structure

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

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

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

Non-Executive Director remuneration structure

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

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

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

Directors' Declaration for the year ended 30 June 2013

The Directors declare that:

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

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

On behalf of the Directors



R.W. Dobson

Chairman



P.J. Done

Director

**Chairman - Audit, Risk Management
& Compliance Committee**

**Sydney
29 August 2013**



Consolidated Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2013

Consolidated			
	Note	2013 \$'000	2012 \$'000
Revenue	3(i)	30,008	32,131
Centuria Life revenue	3(iii)	11,584	12,629
Net revenue/(loss) from Benefit Funds	3(iii)	2,533	(398)
Other income	3(ii)	2,554	1,877
Share of gain of associates	12	55	-
Total income		46,734	46,239
Finance costs	4	(11,647)	(16,139)
Employee benefits expense	5(a)	(8,608)	(8,893)
Administrative and other expenses	5(b)	(10,243)	(10,024)
Centuria Life expenses	3(iii)	(5,331)	(4,874)
Share of loss of associates	12	-	(2,607)
Profit before tax		10,905	3,702
Income tax expense relating to shareholders	6(a)	(1,034)	(2,133)
Income tax benefit/(expense) relating to Benefit Funds	3(iii)	(2,533)	398
Total income tax expense	6(a)	(3,567)	(1,735)
Profit/(Loss) for the year		7,338	1,967
Other comprehensive income:			
Gain on cash flow hedges taken to equity		408	885
Income tax relating to components of other comprehensive income	6(b)	(123)	(207)
Other comprehensive income for the year (net of tax)		285	678
Total comprehensive income/(loss) for the year		7,623	2,645
Earnings per share			
Basic (cents per share)	7	9.4	2.5
Diluted (cents per share)	7	9.4	2.5

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

Consolidated			
	Note	2013 \$'000	2012 \$'000
Assets			
Cash and cash equivalents	26	9,285	15,409
Trade and other receivables	8	13,290	11,377
Non current assets held for sale	10	-	15,000
Financial assets at fair value through profit and loss	9	3,154	399
Other financial assets	9	185,848	202,083
Prepayments		1,382	1,790
Investment in associates	12	668	686
Plant & equipment	13	728	763
Assets in respect of Benefit Funds	20(ii)	435,459	465,280
Deferred tax assets	6(d)	6,662	9,906
Income tax receivable	6(c)	7,451	-
Intangible assets	14	53,109	53,459
Total Assets		717,036	776,152
Liabilities			
Trade and other payables	15	16,921	5,769
Borrowings	16	147,298	180,919
Income tax payable	6(c)	-	6,277
Other liabilities	18	678	727
Derivative financial liabilities	19	20,141	25,758
Liabilities in respect of Benefit Funds	20(ii)	435,459	465,280
Provisions	17	1,129	1,046
Total Liabilities		621,626	685,776
Net Assets		95,410	90,376
Equity			
Contributed equity	21	88,634	90,276
Reserves	21	(381)	(667)
Profit Reserves	21	6,390	-
Retained earnings	21	767	767
Total Equity		95,410	90,376

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

Consolidated Statement of changes in equity for the financial year ended 30 June 2013

Consolidated			
	Share Capital	Retained Earnings	Profits Reserve
	\$'000	\$'000	\$'000
Balance at 1 July 2011	100,235	(8,886)	-
Profit for the year	-	1,967	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,967	-
Issued during the year:			
Employee share scheme (note 21)	477	-	-
Dividend Reinvestment Plan	1,044	-	-
Payment of dividends (note 22)	-	(3,872)	-
Distributions paid (note 21)	-	78	-
Transfer to retained earnings (note 21)	(11,480)	11,480	-
Balance at 30 June 2012	90,276	767	-
Balance at 1 July 2012	90,276	767	-
Profit for the year	-	7,338	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	7,338	-
Issued during the year:			
Employee share scheme (note 21)	37	-	-
Payment of dividends (note 22)	-	-	(970)
Distributions (note 21)	-	-	22
Transfer between reserves (note 21)	-	(7,338)	7,338
Executive share issue	332	-	-
Share buy-back/shares cancelled	(2,011)	-	-
Balance at 30 June 2013	88,634	767	6,390

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

Consolidated					
	Cash Flow Hedge Reserve	Share-based Incentive Reserve	Attributable to Equity Holders of the Parent	Non-controlling Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	(1,345)	477	90,481	-	90,481
	-	-	1,967	-	1,967
	678	-	678	-	678
	678	-	2,645	-	2,645
	-	(477)	-	-	-
	-	-	1,044	-	1,044
	-	-	(3,872)	-	(3,872)
	-	-	78	-	78
	-	-	-	-	-
	(667)	-	90,376	-	90,376
	(667)	-	90,376	-	90,376
	-	-	7,338	-	7,338
	286	-	286	-	286
	286	-	7,624	-	7,624
	-	-	37	-	37
	-	-	(970)	-	(970)
	-	-	22	-	22
	-	-	-	-	-
	-	-	332	-	332
	-	-	(2,011)	-	(2,011)
	(381)	-	95,410	-	95,410

Consolidated Statement of Cash Flows for the financial year ended 30 June 2013

Consolidated			
	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Interest received		845	661
Dividends received		-	61
Management fees received		21,792	20,224
Rent, trust distributions and other income received		7,026	7,804
Benefit Funds payments		(35,973)	(34,341)
Payments to suppliers and employees		(24,374)	(24,131)
Income tax (paid)/received		(4,892)	(1,719)
Net cash used in operating activities	26	(35,576)	(31,441)
Cash flows from investing activities			
Benefit Funds receipts		35,397	51,248
Payments for plant and equipment		(214)	-
Proceeds from/(payments for) investments in other financial assets		2,193	4,175
Receipt from sales of National Leisure Trust		15,000	975
Net cash provided by investing activities		52,376	56,398
Cash flows from financing activities			
Loans to related entities		(990)	(633)
Benefit Funds receipts/(payments)		-	1,008
Convertible notes payments		-	(5,684)
Payment for share buy-back		(2,011)	-
Collections from mortgage holders		25,656	25,784
Proceeds from borrowings		-	5,000
Repayment of borrowings - National Leisure Trust		(15,530)	(500)
Repayment of borrowings - residential mortgages		(17,366)	(12,795)
Repayment of borrowings - other		(1,100)	-
Net dividends and distributions paid		(970)	(2,825)
Interest paid on residential mortgage loans		(9,972)	(6,676)
Financing costs paid		(1,218)	(5,935)
Net cash provided/(used in) by financing activities		(23,501)	(3,256)
Net increase/(decrease) in cash and cash equivalents		(6,701)	21,701
Cash and cash equivalents at the beginning of the financial year		52,401	30,700
Cash and cash equivalents at the end of the financial year	26	45,700	52,401
Cash attributable to benefit funds	26	36,415	36,992
Cash attributable to shareholders	26	9,285	15,409
		45,700	52,401

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 2013

1. General information

Centuria Capital Limited (the Company or CCL or Group) is a public company listed on the Australian Stock Exchange (trading under the symbol CNI), 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 23, 111 Pacific Highway Sydney NSW 2060 Tel: 1300 50 50 50	Level 23, 111 Pacific Highway Sydney NSW 2060 Tel: 1300 50 50 50

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

2. Significant accounting policies

Statement of compliance

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

The consolidated financial statements were authorised for issue by the directors on 30 August 2013.

Basis of preparation

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

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

Going concern

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

Critical accounting judgements and key sources of estimation uncertainty

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

Key judgements

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

- note 14 - goodwill
- note 27 - financial instruments

Critical estimates in applying the entity's accounting policies

A Financial Condition Report was prepared by Centuria Life's Appointed Actuary, Mr Guy Thorburn, BEc, FIAA, ASA. This report covers Benefit Fund liabilities and prudential reserves. The effective date of the report is 30 June 2013.

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

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

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

2. Significant accounting policies (continued)

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

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, aim to ensure there is sufficient unallocated surplus to cover the effect of these changes.

APRA has provided the Society with temporary transitional relief from LPS 110 (para 25) to the extent of \$16.1 million for the period to 31 December 2013, at which point management and APRA will re-establish future transitional relief requirements based on the profile of the assets within the Funds. The expected recovery of seed capital into the Society's Benefit Funds and the potential contribution of future injections of seed capital is dependent on the underlying performance of the Funds' assets.

Change in accounting estimate

On 30 June 2012, the Group held a deferred unrealised swap gain of \$3.1m in respect of certain receivables included in its residential mortgage receivables (hedged item). Previously, this gain was being amortised on a 50 year straight line basis. On 1 July 2012 the Group revised the basis to align the amortisation with the progressive run down in the hedged item. The financial effect of this change in estimate in the current year was to increase profit before tax by \$0.18m.

(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.

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, does not derive any benefit from exercising its power and therefore does not control Guardian. It is, therefore, considered inappropriate to include Guardian in the consolidation.

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

(b) Business combinations

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

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

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(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; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

(c) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is 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 excess is recognised immediately in the statement of comprehensive income as a bargain purchase gain.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described 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.

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 acquisition 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.

(f) Revenue

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

Management fees

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

Dividend revenue

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

2. Significant accounting policies (continued)

Interest revenue

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 using the effective interest rate method.

Rental income

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

Property acquisition income and sale performance fees

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

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

Commission and application fee income

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

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 32.

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

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

(g) Taxation

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

Current tax

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

Deferred tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is 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.

Tax consolidation

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

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

Current and deferred tax for the period

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

(h) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in the statement of financial position.

(i) Financial assets

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

Effective interest method

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

Financial assets at fair value through profit and loss

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

A financial asset is classified as held for trading if:

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

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

Derecognition of financial assets

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

2. Significant accounting policies (continued)

Impairment of financial assets

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

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

Loans and receivables

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

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in 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	3-5 years
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(k) Non-current assets held for sale

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

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

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

(l) Borrowing costs

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

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

(m) Leasing

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

Group as a lessor

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

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.

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.

(n) Employee benefits

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

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

(o) Provisions

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

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

(p) Financial liabilities and equity instruments issued by the Group**Classification as debt or equity**

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

Equity instruments

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

(q) Derivative financial instruments

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

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

Embedded derivatives

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

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

Hedge accounting

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

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

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.

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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2013

2. Significant accounting policies (continued)

(q) Derivative financial instruments (continued)

Fair value hedge

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

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

(r) 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 Prudential Standard LPS 2.04 and LPS 3.04.

(s) 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; and
- (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; or
- (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 consolidated statement of profit or loss and other comprehensive income. 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 consolidated statement of profit or loss and other comprehensive income.

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

(t) 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. In accordance with the rules of the funds, any remaining surplus is attributed to the policyholders of the fund. In accordance with AASB 1038 Life Insurance Contracts applications to these funds are recorded as income, redemptions from these funds and amounts distributable to policyholders are recorded as expenses.

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

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

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.

(u) Unit prices

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

(v) New Accounting Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective from annual periods beginning after 1 July 2012 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group except for:

- AASB 9 Financial Instruments which becomes mandatory for the Group's 30 June 2016 consolidated financial report and could change the classification and measurement of financial assets.; and
- AASB 12 Disclosures of Interests in Other Entities which becomes mandatory for the Group's 30 June 2014 consolidated financial report and may increase the disclosure requirements of investments in subsidiaries.

The Group is currently considering the financial impact of these accounting standard changes.

3. Revenue

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

	2013 \$'000	2012 \$'000
(i) Revenue		
Interest revenue - from residential mortgages	14,740	16,432
Interest revenue - from other	484	761
Management fees from property funds	13,213	10,703
Sale performance fees	1,514	1,055
Rental income	57	3,180
	30,008	32,131

	2013 \$'000	2012 \$'000
(ii) Other income		
Other income		
Commission received	1,207	1,234
Net gain arising on sale of National Leisure Trust (a)	-	406
Other income	1,347	237
	2,554	1,877

	2013 \$'000	2012 \$'000
(a) Net gain arising on sale of National Leisure Trust		
Revaluation of non recourse borrowings to expected net proceeds on sale	-	7,970
Revaluation of investment property to expected net proceeds on sale	-	(7,530)
Net loss on cashflow hedge	-	(34)
	-	406

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

(iii)(a) Centuria Life and Benefit Funds results

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

(i) These numbers have also been included in the Consolidated Statement of Comprehensive Income. Refer to note 20 for further details in respect of the policyholders' funds relating to the Benefit Funds.

(iii)(b) Centuria Life and Benefit Funds results

	Centuria Life Limited \$'000	Benefit Funds \$'000	30 June 2012 Total \$'000
Income			
Interest and dividend	538	24,049	24,587
Realised (losses)/gains	-	(900)	(900)
Unrealised (losses)/gains	-	(6,317)	(6,317)
Management fee income	12,091	-	12,091
Premiums (Discretionary Participation Features only)	-	9,850	9,850
Other income	-	91	91
	12,629 (i)	26,773	39,402
Expenses			
Claims (Discretionary Participation Features only)	-	46,877	46,877
Net movement in policyholder liabilities	-	(31,154)	(31,154)
Management fee expense	-	10,186	10,186
Bad debts - mortgage loans	-	1,262 (ii)	1,262
Management fund operating expenses	4,874	-	4,874
	4,874 (i)	27,171	32,045
Profit before tax	7,755	(398) (i)	7,357
Income tax expense/(benefit)	(3,268)	398 (i)	(2,870)
Profit after tax	4,487	-	4,487

(i) These numbers have also been included in the Consolidated Statement of Comprehensive Income. Refer to note 20 for further details in respect of the policyholders' funds relating to the Benefit Funds.

(ii) The profit before tax excluding the provision against the investments in commercial mortgages is \$864k.

4. Finance Costs

	\$'000 - 2013	\$'000 - 2012
Interest expense:		
NAB working capital facility	1,295	1,394
Reverse mortgage facility	9,749	11,583
Investment property facility	-	2,790
Other	229	88
	11,273	15,855
Other:		
Other finance costs	374	284
(Gain)/Loss arising on derivatives in a designated fair value hedge accounting relationship	(5,658)	14,931
Loss/(Gain) arising on fair value movements of hedged items in a designated fair value hedge	5,658	(14,931)
	374	284
	11,647	16,139

5. Profit for the year before tax

Profit for the year includes the following expenses:

	\$'000 - 2013	\$'000 - 2012
(a) Employee benefits expense		
Wages and salaries	7,313	7,323
Superannuation	413	573
Increase in leave provisions	157	277
Payroll taxes	364	398
Other associated personnel expenses	361	322
Total employee benefits expense	8,608	8,893
(b) Administration and other expenses		
Consulting & professional fees	1,997	1,933
Management fees	935	950
Brokerage fees/(reversal)	372	(236)
Provision for convertible notes payment	-	1,000
Bad debt expense (i)	18	1,454
Non recoverable costs in association with the unsuccessful IPO of Centuria Property Trust	2,703	-
Information systems expenses	362	426
Office administration expenses	613	508
Insurance expenses	324	357
Directors' fees	317	332
Travel expenses	286	249
Depreciation and amortisation expense	576	733
Advertising & marketing expense	631	531
Rental expense - operating leases	474	867
Other general expenses	635	808
Direct operating expenses of investment properties	-	112
Total general and administration expenses	10,243	10,024
(i) Bad debt expense:		
CBGF1 loan, interest receivable, and leasing fee provision	-	1,282
Warwick Farm joint venture costs	-	172
Other	18	-
	18	1,454

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

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:

	2013 \$'000	2012 \$'000
Profit before tax	10,905	3,702
Less net revenue relating to Benefit Funds included in profit before tax	(2,534)	398
Profit/(loss) before tax attributable to shareholders	8,371	4,100
Income tax expense calculated at 30%	2,511	1,231
Non-allowable expenses	783	766
Adjustments in relation to prior years - National Leisure Trust non assessable debt forgiveness	(2,348)	136
Adjustments in relation to prior years - Other	88	-
Income tax expense relating to Benefit Funds	2,533	(398)
	3,567	1,735
Current tax expense in respect of the current year	(585)	3,157
Adjustments in relation to prior years	(2,260)	(406)
	(2,845)	2,751
Deferred tax expense relating to the origination and reversal of temporary differences	3,878	(618)
Income tax expense relating to Benefit Funds	2,534	(398)
Total tax expense	3,567	1,735
Attributable to:		
Income tax expense relating to shareholders	1,034	2,133
Income tax expense relating to Benefit Funds	2,533	(398)
	3,567	1,735

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

6. Income taxes (continued)**(b) Deferred tax in equity and other comprehensive income**

	2013 \$'000	2012 \$'000
Arising on income and expenses taken directly to equity:		
- Share issue	-	-
Total income tax (credit)/expense recognised directly in equity	-	-
Arising on income and expenses recognised in other comprehensive income:		
- Revaluations of financial instruments treated as cash flow hedges	(123)	(207)
Total income tax recognised in other comprehensive income	(123)	(207)

(c) Current tax assets and liabilities

	2013 \$'000	2012 \$'000
Current tax assets/(liabilities)		
Income tax receivable/(payable) attributable to:		
Shareholders	400	(6,711)
Benefit funds (due from Centuria Capital - note 15)	7,051	434
Income tax receivable/(payable)	7,451	(6,277)

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.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

6. Income taxes (continued)

(d) Deferred tax balances

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

Consolidated						
2013	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Charged to Other Comprehensive Income \$'000	Acquisitions disposals \$'000	Closing Balance \$'000
Temporary differences						
Deferred tax asset						
Deferred loss on financial assets	3,800	(2,023)	(18)	-	(1,696)	63
Investment properties	1,178	(2,832)	-	-	1,654	-
Provisions	1,310	633	-	-	-	1,943
Financial derivatives	6,891	(1,667)	-	-	-	5,224
Capital loss	2,164	-	-	-	785	2,949
Cash-out guarantee	300	(300)	-	-	-	-
Other	25	(25)	-	-	-	-
Deferred tax (liability)						
Deferred gain on financial assets	(16)	(46)	-	-	14	(48)
Prepayments	(672)	404	-	-	-	(268)
Fair value movements in mortgage assets	(5,074)	1,978	(105)	-	-	(3,201)
	9,906	(3,878)	(123)	-	757	6,662
Presented in the statement of financial position as follows:						
Deferred tax asset						10,179
Deferred tax (liability)						(3,517)
						6,662

Consolidated						
2012	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Charged to Other Comprehensive Income \$'000	Acquisitions disposals \$'000	Closing Balance \$'000
Temporary differences						
Deferred tax asset						
Deferred loss on financial assets	4,718	(948)	-	30	-	3,800
Investment properties	1,527	(349)	-	-	-	1,178
Provisions	724	586	-	-	-	1,310
Cash-out guarantees	4,180	3,006	-	(295)	-	6,891
Financial derivatives	579	1,585	-	-	-	2,164
Capital loss	-	300	-	-	-	300
Other	23	2	-	-	-	25
Deferred tax (liability)						
Deferred gain on financial assets	(16)	-	-	-	-	(16)
Prepayments	(394)	(278)	-	-	-	(672)
Fair value movements in mortgage assets	(1,846)	(3,286)	-	58	-	(5,074)
	9,495	618	-	(207)	-	9,906
Presented in the statement of financial position as follows:						
Deferred tax asset						15,668
Deferred tax (liability)						(5,762)
						9,906

7. Earnings per share

	2013 Cents Per Share	2012 Cents Per Share
Basic earnings per share	9.4	2.5
Diluted earnings per share	9.4	2.5

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:

	2013 \$'000	2012 \$'000
Net profit	7,338	1,967
Earnings used in the calculation of basic EPS	7,338	1,967

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	78,470	79,717

Diluted earnings per share

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

	2013 \$'000	2012 \$'000
Net Profit	7,338	1,967
Earnings used in the calculation of diluted EPS	7,338	1,967

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares used in the calculation of diluted EPS	78,470	79,717

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

8. Trade and other receivables

	2013 \$'000	2012 \$'000
Amount owing by related entities (i) (refer note 25)	11,815	9,014
Sundry debtors (ii)	154	527
Deferred consideration (iii)	1,321	1,836
	13,290	11,377

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

(i) Amounts owing by related entities are non-current assets.

(ii) Sundry debtors are current assets.

(iii) Deferred consideration relates to the sale of Mortgageport. Centuria has a first ranking registered mortgage over all of the shares in the Mortgageport business. Deferred consideration is a non-current asset.

9. Financial assets

	2013 \$'000	2012 \$'000
Financial assets at fair value through profit and loss		
Standard discounted securities	18	27
Unit trusts (i)	3,136	372
	3,154	399
Loans carried at amortised cost:		
Residential Mortgages - at cost (ii)	172,740	182,528
Residential Mortgages - fair value hedge	13,108	19,245
Commercial Mortgages	-	310
	185,848	202,083

(i) \$2.9 million of this balance relates to an investment in Centuria 10 Spring Street Fund. Refer to note 25 for further details.

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

10. Non-current assets held for sale

	2013 \$'000	2012 \$'000
Investment property at fair value less costs to sell	-	15,000

At 30 June 2012, the investment property in note 11 was reclassified to non-current assets held for sale and recorded at fair value less costs to sell.

11. Investment property

	2013 \$'000	2012 \$'000
Investment properties held at fair value		
Balance at beginning of financial year	-	22,500
Additions	-	-
Devaluation	-	(7,500)
Transfer to non-current assets held for sale	-	(15,000)
Balance at end of financial year	-	-

Refer to Note 16 (iii) for details of the two investment properties.

12. Investment in associates

	2013 \$'000	2012 \$'000
Centuria Direct Property Trust (i)	686	686
	686	686

- (i) The Group has a combined 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. CCL accounts for its investment in DPT by equity accounting for the consolidated group's 5% interest. The 16% interest held by the Income Accumulation Fund and the 23% held by the Growth Bond Fund are accounted for at fair value.

	2013 \$'000	2012 \$'000
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	686	7,453
Share of profit/(loss) for the year	55	(2,607)
	741	4,846
Dividends	(73)	(1,324)
Sale of Mortgageport	-	(2,836)
Balance at 30 June	668	686

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

	2013 \$'000	2012 \$'000
Financial Position:		
Total assets	14,940	95,347
Total liabilities	(2,963)	(83,049)
Net assets	11,977	12,298
Group's share of associates' net assets	668	686
Financial performance:		
Total revenue	2,115	27,622
Total profit/(loss) for the year	981	(8,233)
Group's share of associates' profit/(loss)	55	(2,607)

Dividends/Distributions received from associates

There was a distribution of \$73,000 received in the current year from DPT (2012: \$1,324,000).

Investment in associates are non-current assets.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

13. Plant and equipment

	2013 \$'000	2012 \$'000
Gross carrying amount		
Balance at beginning of financial year	2,703	3,811
Additions	214	-
Disposals	-	(1,108)
Balance at end of financial year	2,917	2,703
Accumulated depreciation		
Balance at beginning of financial year	(1,940)	(2,462)
Disposals	-	905
Depreciation expense	(249)	(383)
Balance at end of financial year	(2,189)	(1,940)
Net book value	728	763

Plant and equipment are non-current assets.

14. Intangible assets

	2013 \$'000	2012 \$'000
Goodwill	53,025	53,025
Other intangible assets	84	434
	53,109	53,459

Goodwill

	2013 \$'000	2012 \$'000
Gross amount at beginning of the period	53,025	53,025
Additional amounts recognised during the year	-	-
Carrying amount at end of the period	53,025	53,025

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

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

Revenue:	Revenues in 2014 are based on 2013 actual revenues and are assumed to increase at a rate of 7.5% (2012: 7.5%) per annum for the years 2014-2018. The directors believe this is a prudent and an achievable growth rate. Budgets of business plans anticipate higher growth.
Expenses:	Expenses are assumed to increase at a rate of 5% (2012: 3%) per annum. Significant investment has already been made to the business infrastructure to accommodate future growth.
Pre-tax discount rate:	Discount rates are determined to calculate the present value of future cash flows. A rate of 9.93% (2012: 11.76%) 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 2018, a growth rate of 3%, in line with long term inflationary trends, has been applied to determine the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2013, the estimated recoverable amount of goodwill relating to the property funds management business exceeded its carrying amount by \$6.0 million (2012: \$3.7 million). The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value:

	Revenue Growth Rate (Average)	Post-Tax Discount Rate	Expenses Growth Rate
Assumptions used in value in use calculation	7.50%	9.93%	5.00%
Change required for recoverable amount to equal carrying value	-0.80%	0.77%	1.00%

Intangible assets are non-current assets.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

15. Trade and other payables

	2013 \$'000	2012 \$'000
Amount owing to related entities (note 25) (i)	3,024	2,382
Tax payable to Benefit funds (note 25)	7,051	-
Sundry creditors (ii)	6,846	3,387
	16,921	5,769

(i) Amounts owing to related entities are non-current.

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

16. Borrowings

	2013 \$'000	2012 \$'000
NAB working capital facility (i)	12,000	13,100
Residential mortgage bill facilities and notes - secured (ii)	135,298	152,289
Investment property facilities - secured (iii)	-	15,530
	147,298	180,919

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

- (i) CCL has a financing facility with National Australia Bank (NAB) in the amount of \$12.0 million. As at 30 June 2013, the facility had a maturity date of 31 March 2014, and is therefore classified as a current liability. On 16 July 2013, the facility maturity date was extended to 30 September 2014.
- (ii) The Group has \$135.3 million (30 June 2012: \$152.3m) non-recourse notes on issue to the ANZ Bank secured over the residential mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) maturing on 31 August 2014. The facility limit (\$180 million) is reassessed every 6 months with a view to reducing the facility (and therefore the overall facility cost) in line with the reduction in the residential mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month. During the 12 months to 30 June 2013, \$18.6m surplus funds have been applied against the facility (12 months to 30 June 2012: \$15.1m).
- (iii) The National Leisure Trust (NLT) had a \$15.5 million non-recourse bank bill owing to the NAB which was settled on 5 December 2012 through the sale of the assets of NLT and its underlying properties located at Moonah Links, Fingal, Victoria (Moonah Links) and Pepper Sands Resort Torquay, Victoria (Torquay).

	2013 \$'000	2012 \$'000
(i) NAB working capital facility:		
Amount used	12,000	13,100
Amount unused	-	1,300
	12,000	14,400

16. Borrowings (continued)

	2013 \$'000	2012 \$'000
(ii) Residential mortgage bill facilities and notes - secured:		
Amount used	135,298	152,289
Amount unused	44,702	37,711
	180,000	190,000
(iii) Investment property facilities - secured:		
Amount used	-	15,530
Amount unused	-	-
	-	15,530

17. Provisions

	2013 \$'000	2012 \$'000
Provision for long service leave (i)	495	451
Provision for annual leave (ii)	634	595
	1,129	1,046

(i) Provision for long service leave is a non-current liability.

(ii) Provision for annual leave is a current liability.

18. Other liabilities

	2013 \$'000	2012 \$'000
Rent incentives received	-	180
Accruals	678	547
	678	727

The rental incentives are non-current liabilities. The accruals are current liabilities.

19. Derivative financial liabilities

	2013 \$'000	2012 \$'000
Interest rate swaps at fair value	20,141	25,758

Refer note 27 for details on exposure to interest rates and credit risk.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

20. Policyholders' funds

(i) Movement in policyholders' funds

	2013 \$'000	2012 \$'000
Bonus Rated Benefit Funds (with Discretionary Participation Features)		
Opening balance	388,141	418,675
Movement in seed capital	3,100	-
Applications received	6,156	9,851
Redemptions paid	(42,662)	(46,877)
Current period income	3,499	6,492
Closing balance	358,234	388,141
Unitised Benefit Funds (non Discretionary Participation Features)		
Opening balance	76,829	88,350
Applications received	3,416	1,981
Redemptions paid	(11,196)	(12,882)
Current period income/(loss)	8,028	(620)
Closing balance	77,077	76,829
Total policyholders' funds	435,311	464,970

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

(ii) Assets and Liabilities

	2013 \$'000	2012 \$'000
Assets relating to Benefit Fund policyholders are as follows:		
Cash	36,415	36,992
Trade and other receivables	2,086	1,227
Financial assets at fair value	389,413	419,595
Income tax receivable (note 25)	7,051	434
Deferred tax assets	494	7,032
	435,459	465,280
Liabilities relating to Benefit Fund policyholders are as follows:		
Trade and other payables	59	51
Policyholders' funds (i)	435,311	464,970
Deferred tax liabilities	89	259
Total liabilities	435,459	465,280

- (i) Included within policyholders' funds at 30 June 2013 is \$17.6 million (2012: \$12.1 million) of reserves of which \$5.80 million (2012: \$2.7 million) is seed capital repayable to Centuria Life Limited.

20. Policyholders' funds (continued)

(iii) Commercial mortgage loans

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

	2013 \$'000	2012 \$'000
Ageing of past due		
1 - 60 days	-	-
60 - 120 days	-	-
120 + days	10,149	24,923
Total	10,149	24,923

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

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

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

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

21. Issued capital and retained earnings

	2013		2012	
	No. of Shares	\$'000	No. of Shares	\$'000
(a) Shares on issue				
Balance at beginning of financial year	81,841,118	90,276	79,716,736	100,235
Issued during the year:				
Dividend Reinvestment Plan	-	-	2,124,382	1,044
Transfer to retained earnings (i)	-	-	-	(11,480)
Employee share scheme	-	37	-	477
Executive share issue	500,000	332	-	-
Share buy-back/Shares cancelled	(4,210,354)	(2,011)	-	-
Balance at end of financial year	78,130,764	88,634	81,841,118	90,276

(i) As a result of changes to the Corporations Act 2001, on 30 September 2011, Centuria resolved to transfer \$11.480m from issued capital to retained earnings to clear the Group's accumulated losses balance.

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

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

	2013 \$'000	2012 \$'000
(b) Cash flow hedge reserve		
Balance at beginning of financial year	(667)	(1,345)
Gain recognised on cash flow hedges:		
- Interest rate swaps	408	885
Income tax related to gains recognised in other comprehensive income	(122)	(207)
Balance at end of financial year	(381)	(667)

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

(c) Share-based incentive reserve		
	-	477
Balance at beginning of financial year	-	-
Reclassification of prior year employee shares from reserves	-	-
Executive share option plan	-	(477)
Employee share scheme	-	-
Balance at end of financial year	-	-

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 32 for further details of these plans.

21. Issued capital and retained earnings (continued)

	2013 \$'000	2012 \$'000
(d) Profits reserve		
Balance at beginning of financial year	-	-
Transfer between reserves	7,338	-
Dividends paid (note 22)	(970)	-
Distributions received	22	-
Balance at end of financial year	6,390	-

	2013 \$'000	2012 \$'000
(e) Retained Earnings		
Balance at beginning of financial year	767	(8,886)
Dividends paid (note 22)	-	(3,872)
Distributions received	-	78
Net profit attributable to shareholders	7,338	1,967
Transfer to retained earnings from issued capital	-	11,480
Transfer between reserves	(7,338)	-
Balance at end of financial year	767	767

22. Dividends paid

	2013		2012	
	Cents Per Share	\$'000	Cents Per Share	\$'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend: (i)				
Fully franked to 100%	1.25	(970)	1.25	(1,123)
Final dividend: (ii)				
Franked to 30%	-	-	3.50	(2,749)
	1.25	(970)	4.75	(3,872)

- (i) CCL declared an interim dividend of 1.25 cents fully franked to 100% with a record date of 9 March 2013 which was paid on 30 March 2013.
- (ii) The 2011 financial year final dividend was paid in September 2011, being the 2012 financial year.
- (iii) The 2012 financial year final dividend was paid in September 2012.

	2013 \$'000	2012 \$'000
Franking credits available at 30% (2012: 30%) are:		
- Balance as at 1 July	1,070	371
- Increase in franking credits during the financial year	4,042	699
Franking account balance at end of financial year	5,112	1,070

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

23. Commitments and contingencies

Operating leases

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 2 years and 2.5 years with renewal options included in the contracts.

Future minimum rentals payable under operating leases are as follows:

	2013 \$'000	2012 \$'000
Not longer than 1 year	236	493
Longer than 1 year and not longer than 5 years	107	343
	343	836

Operating lease commitments – as lessor

Operating leases relate to investment properties owned with remaining lease terms of between 0.5 and 3 years (30 June 2012: 0.5 and 4 years).

Non-cancellable operating lease receivables

Not longer than 1 year	-	4,211
Longer than 1 year and not longer than 5 years	-	11,144
Longer than 5 years	-	-
	-	15,355

24. Remuneration of auditors

	2013 \$'000	2012 \$'000
KPMG		
Audit and review of the financial report	294	300
Other assurance services	15	14
Taxation services	173	103
	482	417

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	
		2013 %	2012 %
Centuria Capital Limited	Australia	100%	100%
Over Fifty Capital Pty Ltd	Australia	100%	100%
Centuria Life Limited	Australia	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	Australia	100%	100%
Over Fifty Insurance Pty Ltd	Australia	100%	100%
Over Fifty Investments Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 2 "Dominion"	Australia	100%	100%
Over Fifty Funds Management Pty Ltd	Australia	100%	100%
OFM Direct Property Trust No. 3 Chisholm	Australia	100%	100%
National Leisure Trust	Australia	100%	100%
OFM Bluegums Leisure Trust	Australia	100%	100%
OFG LTP Pty Ltd (formerly Lifetime Planning Pty Ltd)	Australia	100%	100%
Senex Warehouse Trust No. 1	Australia	100%	100%
Centuria Property Funds Limited	Australia	100%	100%
Over Fifty Financial Planning Pty Ltd	Australia	100%	100%
Centuria Strategic Property Limited	Australia	100%	100%
Centuria Investment Holdings Pty Limited	Australia	100%	100%
Centuria Investment Management Services Pty Ltd	Australia	100%	100%
Centuria Investment Services Pty Limited	Australia	100%	100%
Centuria Property Services Pty Limited	Australia	100%	100%
Centuria SPC West Gosford Pty Ltd	Australia	100%	100%
Centuria SPV Pty Limited	Australia	100%	100%
Centuria Bulky Goods SPV Pty Limited	Australia	100%	100%
Centuria 4-8 Woodville Street Pty Limited	Australia	100%	100%
Centuria 100 Bennelong Road Pty Limited	Australia	100%	100%
Centuria 924 Pacific Highway Pty Limited	Australia	100%	100%
Centuria 110 Pacific Highway Pty Limited	Australia	100%	100%
Centuria 519 Cross Keys Road Pty Limited	Australia	100%	100%
Centuria Opportunity Fund 2 Pty Limited	Australia	100%	100%
Centuria 601 Bourke Street Pty Limited	Australia	100%	100%
Centuria 339 Military Road Pty Ltd	Australia	100%	100%
Centuria DPF Pty Ltd	Australia	100%	100%
Centuria Employee Share Fund Pty Ltd	Australia	100%	100%
Strategic Property Holdings Pty Ltd	Australia	100%	100%
Strategic Property Holdings No. 3 Pty Limited	Australia	100%	100%
Strategic Property Holdings No. 5 Pty Ltd	Australia	100%	100%
Strategic Property Holdings No. 7 Pty Limited	Australia	100%	100%
30 A Nominees Pty Ltd	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 financial year ended 30 June 2013

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 31 to the financial statements.

(ii) Key management personnel equity holdings

Fully paid ordinary shares

	Balance at 1 July 2012 No.	Shares Purchased / Issued as part of Remuneration No.	Shares Sold No.	Balance at 30 June 2013 No.
2013				
R.W. Dobson	713,639	89,408	-	803,047
J.E. McBain	4,472,359	66,000	-	4,538,359
J.C. Huljich	2,189,116	182,313	-	2,371,429
P.J. Done	324,261	-	-	324,261
J.R. Slater	-	1,100,000	-	1,100,000
D.K. Gupta	119,808	-	(91,283)	28,525
M.J. Coy	559,024	16,000	-	575,024
T.D. Reid	51,542	-	(5,000)	46,542
D.B. Govey	625,661	-	-	625,661
N.R. Collishaw	-	585,000	-	585,000
2012				
R.W. Dobson	655,390	58,249	-	713,639
J.E. McBain	4,363,126	109,233	-	4,472,359
J.C. Huljich	2,189,116	-	-	2,189,116
P.J. Done	303,812	20,449	-	324,261
D.K. Gupta	109,735	10,073	-	119,808
M.J. Coy	559,024	-	-	559,024
T.D. Reid	61,228	-	(9,686)	51,542
D.B. Govey	603,530	22,131	-	625,661

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

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

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

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

- Henry Davis York, a related party of R. Dobson, was paid \$69,313 (2012: \$65,473) for legal consultancy fees.
- Riviera Capital, a related party of J.R.Slater, was paid \$157,976 for consultancy fees prior to his appointment as director.

25. Related party transactions (continued)

(c) Transactions with other related parties

	2013 \$'000	2012 \$'000
Aggregate amounts received from related parties:		
Management fees:		
Over Fifty Guardian Friendly Society Limited	2,898	2,861
Centuria Life Limited Benefit Funds	11,202	12,091
Property Trusts managed by Centuria	14,727	11,758
	28,827	26,710

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

Terms and conditions of transactions with related parties

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

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

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

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

Transactions between CCL and its related parties

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

- CCL has a receivable from related parties consisting of:
 - \$1.0m receivable from Centuria Diversified Property Fund earning 10% p.a..
 - \$1.2m receivable from CBGF1 which has been fully provisioned.
 - \$0.4m receivable from Over Fifty Guardian Friendly Society Limited.
 - \$0.3m receivable from Strategic Property Holdings Pty Ltd ATF Aristocrat JV.
- At 30 June 2013, Centuria Life Limited (CLL), being a subsidiary of CCL, has a seed capital investment of \$5.80 million (present valued at \$5.0 million) in the Income Accumulation Fund which is managed by CLL (30 December 2012: \$2.7 million).
- On 1 November 2012, Huljich Wealth Management (New Zealand) ("Huljich Wealth") sold 3,113,000 units in Centuria 131-139 Grenfell Street Fund ("the Fund") to the Centuria Growth Bond Fund on an arms-length basis. Huljich Wealth is a related party of Jason Huljich who is a director of the Company and Chief Executive Officer of the Centuria Property division.
- On 28 June 2013, Centuria Property Funds Limited held 2,888,270 units in Centuria 10 Spring St Fund representing 4.85% of total units, which has been recorded as a payable at 30 June 2013.
- At 30 June 2013, Centuria Property Funds Limited has a \$1.9 million acquisition fee receivable from Centuria 10 Spring St Fund.
- On 28 June 2013, Centuria Balanced Fund held 700,000 units in Centuria 10 Spring St Fund representing 1.18% of total units.
- On 28 June 2013, Centuria High Growth Fund held 700,000 units in Centuria 10 Spring St Fund representing 1.18% of total units.
- On 28 June 2013, Australian Property and Mortgage Bond Fund held 1,100,000 units in Centuria 10 Spring St Fund representing 1.85% of total units.
- Centuria Growth Bond Fund holds:
 - 1,000,000 units in Centuria 8 Australia Avenue Fund representing 5.27% of total units.
 - 1,700,000 units in Centuria 10 Spring St Fund representing 2.86% of total units.
 - 9,843,702 units in Centuria Direct Property Fund representing 22.74% of total units.
 - 11,119,259 units in Centuria Diversified Property Fund representing 13.43% of total units.
 - 3,113,000 units in Centuria 131-139 Grenfell Street Fund representing 28.92% of total units.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

25. Related party transactions (continued)

(c) Transactions with other related parties (continued)

- Centuria Income Accumulation Fund:
 - Holds 6,914,484 units in Centuria Direct Property Fund representing 15.98% of total units.
 - Has \$5.68m loan facility issued to Strategic Property Holdings Pty Ltd ATF Aristocrat JV.
 - Has \$8.9m loan facility issued to Centuria 4-8 Woodville Street Fund.
- Other transactions include \$7.1 million tax payable to the Benefit Funds (refer to note 15), \$0.9 million of management fees receivable from the Benefit Funds, and \$1.1 million of management fees and other receivables from property funds managed by Centuria.

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 are reconciled to the related items in the statement of financial position as follows:

	Note	2013 \$'000	2012 \$'000
Attributable to shareholders		9,285	15,409
Attributable to Benefit Fund policyholders	20	36,415	36,992
Total		45,700	52,401

Under AASB 107 Statement of Cash Flows, the income, expenses, assets and liabilities of the Benefit Funds are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the Benefit Funds' cash is included in the Group's assets with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the Benefit Funds. Included in cash and cash equivalents attributable to shareholders is an amount held by Centuria Life Limited and Senex Warehouse Trust No.1 which is not readily available for use of \$8.041 million.

26. Notes to the statement of cash flows (continued)**(b) Reconciliation of profit for the period to net cash flows from operating activities**

	Note	2013 \$'000	2012 \$'000
Profit for the year		7,338	1,967
Depreciation and amortisation		576	733
Movement in provision for doubtful debts		(5,174)	2,708
Provision for CBGF1 settlement		-	1,000
Bad debts written off		(11,701)	1,454
Net gain on revaluation of NLT liabilities		-	406
Unrealised income/(loss)		11,684	(4,647)
(Profit)/loss on sale of property		-	1,029
Unrealised profit on property		-	374
Share of gain in associate		(57)	2,486
Fair value gain/(loss) on receivables		(805)	-
Fair value gain/(loss) on derivatives		-	981
Amortisation of borrowing costs		(375)	369
(Decrease)/increase in deferred income tax assets		(3,244)	412
(Decrease)/increase in tax provision		(13,727)	614
Changes in net assets and liabilities:			
(Increase)/decrease in assets:			
Trade receivables		(1,914)	2,783
Prepayments		408	26
Increase/(decrease) in liabilities:			
Trade and other liabilities		11,152	(307)
Provisions		84	341
Decrease in policyholder liability	20	(29,821)	(44,170)
Net cash flows used in operating activities		(35,576)	(31,441)

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 2013 have set aside the requisite reserving as determined by the investment profile of the two respective funds. If the required reserving under the "Capital Adequacy Test" increases, in addition to the Benefit Funds assets, CLL would be required to inject additional seed capital. Seed capital is later repaid to CLL when reserving is returned to a normal sustainable level. APRA has provided the Society with temporary transitional relief from LPS 110 (para 25) to the extent of \$16.1 million for the period to 31 December 2013, at which point management and APRA will re-establish future transitional relief requirements based on the profile of the assets within the Funds. The expected recovery of, or future injection of, seed capital into the Society's Benefit Funds is predicated on the underlying performance of the Funds' assets.

(a) Management of financial instruments

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

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

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

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

The Group outsources the investment management of the Benefit Funds to specialist investment managers, who provide services to the Group, co-ordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and

the Benefit Funds' product disclosure statements. The Benefit Funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

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 convert fixed rates to variable rates.

Derivative financial instruments of the Benefit Funds, consolidated into the financial statements of the Group under AASB's, are used only for hedging of actual or anticipated exposures relating to investments.

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

(b) 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 2012.

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 Centuria Life are regulated by APRA and the Management Fund of the Society has a minimum Prescribed Capital Amount (PCA) that must be maintained at all times. It is calculated monthly and 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 Centuria Life meets the PCA requirements.

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

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and the most appropriate form

27. Financial instruments (continued)

(c) Capital risk management (continued)

of funding (capital raising or borrowings) depending on what the funding will be used for.

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

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

(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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assets at fair value through the profit or loss - designated upon initial recognition	3,154	399	3,154	399
Loans and receivables:				
- Residential Mortgage Loans	185,848	202,083	247,752	249,917
- Cash and cash equivalents	9,285	15,409	9,285	15,409
- Trade and other receivables	13,290	11,377	13,290	11,377
Total financial assets	211,577	229,268	273,481	277,102
Derivatives that are designated and effective as hedging instruments carried at fair value	20,141	25,758	20,141	25,758
Financial liabilities measured at amortised cost	157,231	187,742	157,231	187,742
Total Financial liabilities	177,372	213,500	177,372	213,500

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.

Credit risk of residential mortgages

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

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

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

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

27. Financial instruments (continued)

(e) Credit risk (continued)

Credit risk of commercial mortgages

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

Credit risk on other financial assets

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

The Group does not have any significant credit risk exposure to any single entity or any group of counterparties having similar characteristics. No individual investment exceeds 5% of net assets at either 30 June 2013 or 30 June 2012.

(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; and/or
- undertake an equity raising.

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

The Group's overall strategy to liquidity risk management remains unchanged from 2012.

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 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 Investment Committee aims to ensure that there is sufficient capital for possible redemptions by unit holders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

	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						
2013						
Borrowings	-	5,355	15,523	133,143	-	154,021
Other payables	-	9,873	-	-	-	9,873
Total	-	15,228	15,523	133,143	-	163,894
2012						
Borrowings	15,530 (i)	6,622	20,611	148,659	-	191,422
Other payables	-	4,763	1,000	-	-	5,763
Total	15,530	11,385	21,611	148,659	-	197,185

(i) Relates to the non-recourse National Leisure Trust bank bill owing to the NAB.

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.

27. Financial instruments (continued)

(f) Liquidity risk (continued)

	On Demand \$'000	Less Than 3 Months \$'000	3 Months to 1 Year \$'000	1-5 Years \$'000	5+ Years \$'000	Total \$'000
Derivative financial liabilities consolidated						
2013						
Interest rate swaps	-	1,257	1,358	-	44,264	46,879
Total	-	1,257	1,358	-	44,264	46,879
2012						
Interest rate swaps	-	2	13	1,469	57,149	58,632
Total	-	2	13	1,469	57,149	58,632

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

Consolidated				
	Weighted Average Effective Interest Rate %	Variable Rate \$'000	Fixed Rate \$'000	Total \$'000
2013				
Financial Assets				
Cash and cash equivalents	3.38%	4,439	4,846	9,285
Mortgage loans	7.93%	139,855	45,979	185,834
Total financial assets		144,294	50,825	195,119
Financial liabilities				
Borrowings	5.29%	(147,300)	-	(147,300)
Total financial liabilities		(147,300)	-	(147,300)
Notional derivatives		31,117	(31,117)	-
Net interest bearing financial (liabilities)/assets		28,111	19,708	47,819

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

27. Financial instruments (continued)

(g) Market risk (continued)

Interest rate risk management (continued)

Consolidated				
2012	Weighted Average Effective Interest Rate %	Variable Rate \$'000	Fixed Rate \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	4.75%	5,420	9,989	15,409
Mortgage loans	8.31%	148,327	52,416	200,743
Total financial assets		153,747	62,405	216,152
Financial liabilities				
Borrowings	5.71%	(180,389)	-	(180,389)
Total financial liabilities		(180,389)	-	(180,389)
Notional derivatives		32,430	(32,430)	-
Net interest bearing financial (liabilities)/assets		5,788	29,975	35,763

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.

27. Financial instruments (continued)

(g) Market risk (continued)

Interest rate risk management (continued)

	Average Contracted Rate		Notional Principal Amount		Fair value	
	2013 %	2012 %	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Consolidated						
Pay fixed for floating contracts designated as effective in fair value hedge						
50 years swaps contracts (i)	7.49%	7.47%	15,225	16,538	(18,323)	(23,981)
			15,225	16,538	(18,323)	(23,981)
Pay fixed for floating contracts designated as effective in cash flow hedges						
Less than 1 year	4.95%	7.47%	12,318	-	(945)	-
1 - 2 years	6.94%	3.94%	3,574	8,000	(873)	(99)
2 - 8 years		6.88%	-	7,892	-	(1,678)
			15,892	15,892	(1,818)	(1,777)
			31,117	32,430	(20,141)	(25,758)

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

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 two years (2012: three years) following year end where the Group has an interest rate exposure from fixed rate residential mortgages from customers at a fixed rate for eight years of the loan.

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

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

27. Financial instruments (continued)

(g) Market risk (continued)

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	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Consolidated					
Interest rate risk	+1%	231	110	107	244
Consolidated					
Interest rate risk	- 1%	(231)	(110)	(107)	(176)

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
	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Financial assets				
Residential Mortgages - at cost	172,741	234,645	182,838	230,672
Residential Mortgages - at fair value	13,107	13,107	19,245	19,245
	185,848	247,752	202,083	249,917

27. Financial instruments (continued)

(h) Fair value of financial instruments (continued)

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.
- The valuation technique used to determine the fair value of the Group's residential mortgage loan book is as follows:
 - the weighted average residential mortgage holders' age is 79 years;
 - the future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from public available information released by the government;
 - fixed or variable interest rates charged to borrowers are used to project future cash flows;
 - a redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast; and
 - year end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2013 to determine the fair value.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The valuation technique used to determine the fair value of the Fixed For Life interest rate swaps is as follows:
 - the weighted average residential mortgage holders' age is 79 years;
 - the expected future cash flows in relation to the swaps are based on residential mortgage borrowers' expected life expectancy sourced from data released by the government; and
 - the difference between the fixed swap pay rates and forwards rates as of 30 June 2013 is used to calculate the future cash flows in relation to the swaps.

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

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).

2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit and loss - designated upon initial recognition	-	3,154	-	3,154
Total	-	3,154	-	3,154
Financial liabilities				
Derivative liabilities	-	(1,818)	(18,323)	(20,141)
Total	-	(1,818)	(18,323)	(20,141)

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	
Opening balance	(23,981)	(23,981)
Total gains: - in profit or loss	5,658	5,658
Closing balance	(18,323)	(18,323)

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 residential mortgage loans, that is attributable to the interest rate risk that could affect profit or loss. This strategy is in accordance with the CCL Treasury Policy.

The fair value of the 50 year residential mortgage loans and 50 years swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the

illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 15 years, with the yield curve at 15 years employed as the best proxy for subsequent rates due to non-observable market data.

Mortality rates for males and females have been assumed to be consistent with ABS Life Tables Australia 2009 to 2011. Mortality improvements of 3% p.a. are assumed starting at age 70. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100. Joint life mortality is calculated based on last death for loans with joint borrowers. 50% of residential mortgage loan portfolio consists of joint lives.

Adjusting the yield curve after 15 years by an increase / (decrease) of 100 basis points as at 30 June 2013 would cause the fair value of the 50 year swaps to increase / (decrease) by \$6,018,494/(\$7,353,797). (2012: \$8,139,336/(\$10,167,137)).

27. Financial instruments (continued)

(h) Fair value of financial instruments (continued)

Additionally, the valuations have been calculated with an assumption of deaths (as opposed to early voluntary repayment) of mortgagees during the life of the interest rate swaps. 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 2013 would increase by \$1,000,350 (2012: \$1,314,382).

28. Subsequent events

On 16 July 2013, the maturity date of the Group's NAB working capital facility was extended to 30 September 2014.

On 27 August 2013, the Company announced its decision not to proceed with its proposed initial public offering of Centuria Property Trust.

29. Acquisition of business

There were no acquisitions of businesses during the financial year ended 30 June 2013.

30. Operating segments

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

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

Prior to 1 July 2012, the Group was organised into nine business units;

- (a) Centuria Life - management of Benefit Funds.
- (b) Benefit Funds - a range of financial products, including single and multi-premium investments.
- (c) Insurances - general, home and contents, motor vehicle and travel insurance agency.

- (d) Commercial Mortgages - provides debt funding secured by mortgages.
- (e) Residential Mortgages - provides debt funding secured by first mortgages over residential property.
- (f) Mortgageport - investment in money manager and mortgage broker (sold during the year).
- (g) Property Investments - investment in National Leisure Trust.
- (h) Property Funds Management - Centuria Property Funds Limited and Centuria Strategic Property Limited.
- (i) Corporate.

Comparative information for the year ended 30 June 2012 has been restated to reflect the seven business units used to report to the Group's CEO from 1 July 2012. Commercial Mortgages, Mortgageport and Property Investments have been organised into "Other" as these segments are no longer reportable segments. The measurement basis for the segment profit or loss in both periods remains the same.

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

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

30. Operating segments (continued)

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

Year Ended 30 June 2013	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000
2013			
Revenue			
Interest, dividends and other investment income	405	-	1
Management, risk and establishment fees	11,179	-	-
Rent and other	-	2,533	1,283
Total segment revenue	11,584	2,533	1,284
Profit/(loss) before tax	6,253	2,533	967
Income tax (expense)/benefit	(2,660)	(2,533)	(290)
Net Profit			

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

Year Ended 30 June 2012	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000
2012			
Revenue			
Interest, dividends and other investment income	537	-	1
Management, risk and establishment fees	12,091	-	-
Rent and other	-	(398)	1,306
Total segment revenue	12,628	(398)	1,307
Profit/(loss) before tax	7,755	(398)	1,065
Income tax (expense)/benefit	(3,268)	398	(319)
Net Profit			

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

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
14,740	1,689	6	327	17,168
71	13,055	-	86	24,391
65	518	484	292	5,175
14,876	15,262	490	705	46,734
3,293	3,850	498	(6,489)	10,905
(988)	(1,232)	2,078	2,058	(3,567)
				7,338

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
16,432	1,214	71	528	18,783
-	10,522	-	100	22,713
123	63	3,170	479	4,743
16,555	11,799	3,241	1,107	46,239
3,311	3,577	89	(11,697)	3,702
(993)	(959)	15	3,391	(1,735)
				1,967

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

30. Operating segments (continued)

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

Year Ended 30 June 2013	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	
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2013

Assets	10,494	435,459	1,316	
Liabilities	(585)	(435,459)	-	

Year Ended 30 June 2012	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	
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2012

Assets	13,204	465,280	647	
Liabilities	(888)	(465,280)	(8)	

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
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199,300	25,034	1,872	43,561	717,036
(163,484)	(8,288)	-	(13,810)	(621,626)

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
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216,742	19,535	20,997	39,747	776,152
(186,230)	(3,431)	(16,993)	(12,946)	(685,776)

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

30. Operating segments (continued)

Other segment information

Year Ended 30 June 2013	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	
2013				
Carrying value of investments accounted for using the equity method	-	-	-	
Depreciation and amortisation of segment assets	-	-	-	
Significant other non-cash expenses	-	8,979	-	

Year Ended 30 June 2012	Centuria Life \$'000	Benefit Funds \$'000	Insurance \$'000	
2012				
Carrying value of investments accounted for using the equity method	-	-	-	
Depreciation and amortisation of segment assets	-	-	-	
Significant other non-cash expenses	-	1,262	-	

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

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
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-	-	-	668	668
-	484	-	92	576
-	2,910	(222)	34	11,701

Residential Mortgages \$'000	Property Funds Management \$'000	Other \$'000	Corporate \$'000	Consolidated \$'000
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-	-	-	686	686
-	510	-	223	733
-	-	606	1,169	3,037

Notes to the Consolidated Financial Statements for the financial year ended 30 June 2013

31. Key management personnel compensation

Details of key management personnel

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

Key management personnel compensation

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

	2013 \$	2012 \$
Short-term employee benefits	2,402,152	1,946,550
Post-employment benefits	129,804	165,306
Share-based payments	331,500	-
	2,863,456	2,111,856

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

32. Share-based payments

Performance Rights and Executive Option Plan

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

Performance Rights Plan

Performance Rights Plan	Performance Rights Grant date	Number of Performance Rights Granted	EPS Hurdle	Vesting Date
Incentive Performance Rights	30 June 2010	300,000	8.96 cents	30 September 2010
Incentive Performance Rights	30 June 2011	700,000	7.50 cents (i)	30 June 2011
Incentive Performance Rights	30 June 2012	85,000	8.0 cents (ii)	31 July 2012
Incentive Performance Rights	29 August 2013	85,099	8.2 cents (iii)	29 August 2013

32. Share-based payments (continued)

Performance Rights and Executive Option Plan (continued)

- (i) Based on underlying net profit after tax.
- (ii) Based on underlying net profit after tax, the EPS hurdle wasn't met at 30 June 2012; hence only a discretionary 85,000 performance rights were granted.
- (iii) There are 1,129,901 performance rights available for potential future issuance by the Nomination and Remuneration Committee.

33. Parent entity disclosure

As at, and throughout the financial year ending 30 June 2012, the parent entity of the Group was Centuria Capital Limited.

	2013 \$'000	2012 \$'000
Result of parent entity		
Income/(loss) for the period	3,917	(2,214)
Total comprehensive income/(loss) for the period	3,917	(2,214)
Financial position of parent entity at year end		
Total assets	100,153	107,355
Total liabilities	13,813	22,322
Total equity of the parent entity comprising of:		
Share capital	89,484	91,163
Share-based incentive reserve	(28)	(68)
Retained earnings	(3,116)	(6,062)
Total equity	86,340	85,033



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 2013, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 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 2013 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 14 to 20 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Steven Gatt
Partner

Sydney

29 August 2013

Additional stock exchange information as at 28 August 2013 for the financial year ended 30 June 2013

Distribution of holders of ordinary shares

Distribution of Holders of Ordinary Shares	Number of Holders	Ordinary Shares
1 - 1,000	805	401,344
1,001 - 5,000	5,531	13,630,704
5,001 - 10,000	966	6,567,652
10,001 - 100,000	645	15,477,878
100,001 and over	59	42,053,186
	8,006	78,130,764
Holding less than a marketable parcel	574	207,554

Substantial shareholders

Ordinary Shareholders	Shares Held
RBC Investor Services Australia Nominees Pty Limited	8,041,871
JP Morgan Nominees Australia Pty Ltd	4,288,974
Resolute Funds Management Pty Ltd	3,972,168

Ordinary Shareholders	Number of Holders	Ordinary Shares
1. RBC Investor Services Australia Nominees Pty Ltd <Bkcust A/C>	8,041,871	10.29%
2. JP Morgan Nominees Australia Limited	4,288,974	5.49%
3. Resolute Funds Management Pty Ltd <Hanover Property S/F A/C>	3,972,168	5.08%
4. Paritai Pty Limited <Paritai A/C>	2,116,422	2.71%
5. HWM (NZ) Holdings Limited	2,018,900	2.58%
6. National Exchange Pty Ltd	1,401,563	1.79%
7. Centuria Employee Share Fund Pty Ltd <Centuria ESF A/C>	1,215,000	1.56%
8. Avanteos Investments Limited <2412987 SLATER A/C>	1,120,000	1.43%
9. Avanteos Investments Limited <1259738 PARSONS A/C>	1,107,822	1.42%
10. Vintage Capital Pty Ltd	1,100,000	1.41%
11. Avanteos Investments Limited <1703553 JOHNSON A/C>	1,063,608	1.36%
12. Prudential Nominees Pty Ltd	976,000	1.25%
13. Sterling Grace Capital Management LP	802,550	1.03%
14. Sterling Grace International LLC	802,550	1.03%
15. Avanteos Investments Limited <2469707 N SLATER A/C>	650,000	0.83%
16. Aust Executor Trustees Ltd <Henroth Pty Limited>	631,159	0.81%
17. Vexdat Pty Ltd <Vexdat Super Fund A/C>	625,661	0.80%
18. HWM (NZ) Holdings Limited	600,000	0.77%
19. Philip Cairns Dixon + Jacqueline Patricia Dixon + Stephen Thomas Wright <Dixon Family A/C>	550,000	0.70%
20. Koonta Pty Ltd <Koonta Super Fund Account>	548,112	0.70%
	33,632,360	43.05%

Voting rights

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

Corporate Directory

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Insurance enquiries call	13 31 30
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