

Centuria



Results Announcement for the half year ending 31 December 2013

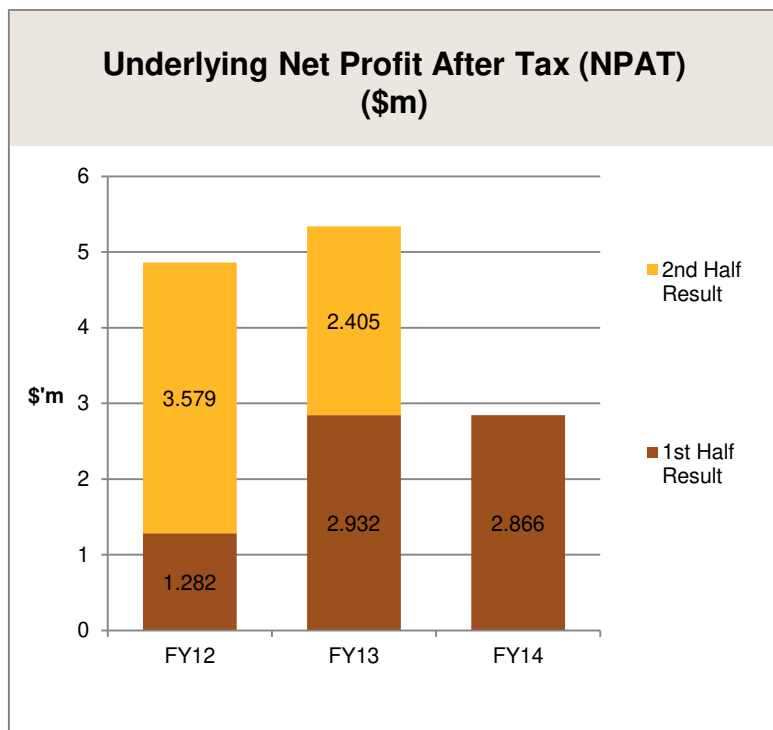
Centuria Capital Limited
Presentation to Investors and Analysts

Half year summary



- First half year performance in line with expectations
- Underlying NPAT for half year to December 2013 - \$2.9m
- Interim dividend of 1.25cps (franked to 100%)
- Unlisted property records \$99.6m acquisitions (\$247m over calendar year)
- Major offshore mandate secured via Singapore office
- Implementation of tax effective bond strategy underway
- Core business unit strategies well progressed

31 December 2013 – Half year financial results in review



Financial Summary

Underlying NPAT 31 Dec 2013: (31 Dec 2012: \$2.9m)	\$2.9m
Underlying EPS: (31 Dec 2012: 3.66c)	3.67c
Direct Property Fund Acquisitions: (31 Dec 2012: \$23.3m)	\$99.6m
Direct Property EBIT: (31 Dec 2012: \$1.79m)	\$2.46m
Centuria Life FUM stable: (30 June 2013: \$708m)	\$711m
Interim dividend - fully franked	1.25cps

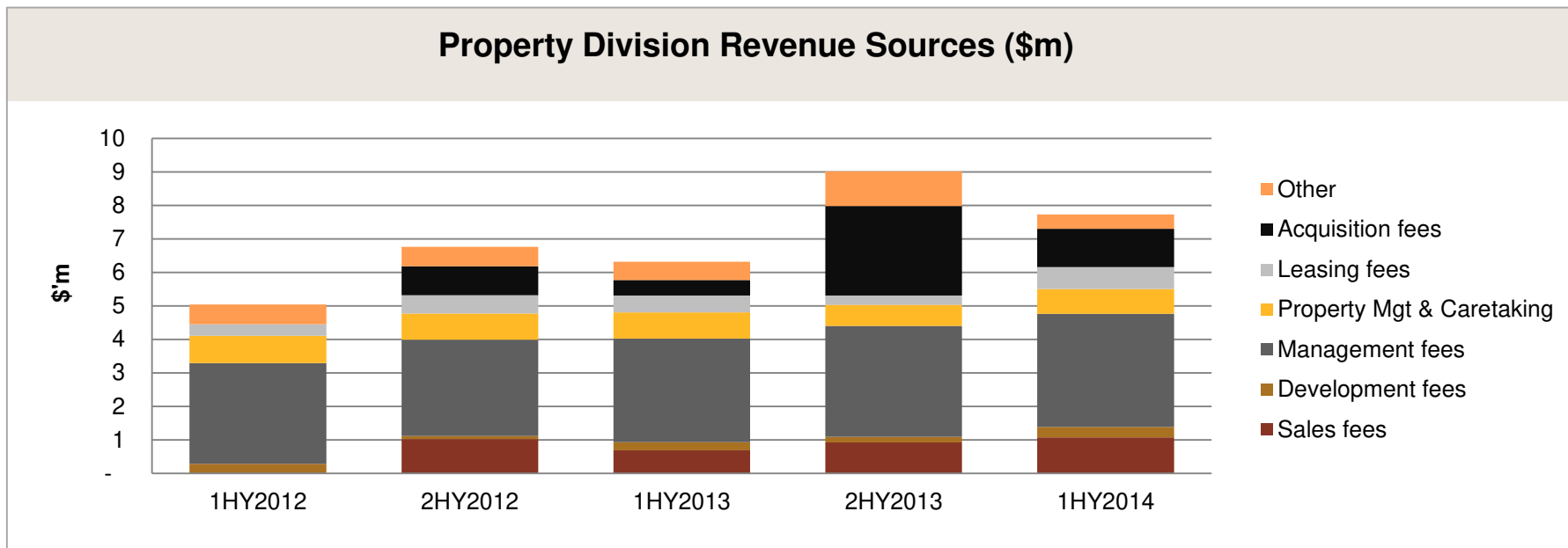
Underlying Results

Half Year Ended 31 December	2013	2012	Commentary for major movements
Underlying profit/(loss) before tax by segment	\$'000	\$'000	
- Centuria Property Funds	2,463	1,793	\$100 mill acquisitions, revenue up 22% this half
- Centuria Life (excluding Friendly Society Benefit Funds)	3,234	3,804	Note 1
- Reverse Mortgage Book	1,562	1,602	
- Insurance	450	458	
- Corporate	(2,540)	(2,120)	
- Other	1	394	Disposal of non-core legacy investment properties
	5,170	5,931	
Finance Costs (Corporate)	(546)	(591)	
Total underlying profit/(loss) before tax	4,624	5,340	
Underlying tax expense	(1,758)	(2,408)	
Underlying NPAT	2,866	2,932	
Non-recurring adjustments (after tax)			
- Unrealised gain on fair value of reverse mortgage swap	2,256	-	New Fair Value accounting standard - AASB 13
- Centuria Life seed capital investment	(123)	(191)	
- Mortgageport deferred consideration	-	101	
Reported Statutory NPAT	4,999	2,842	

Note 1: Revenue impacted by changing fund mix and downstream management fee increases (being reviewed)

31 December 2013 – Property Division

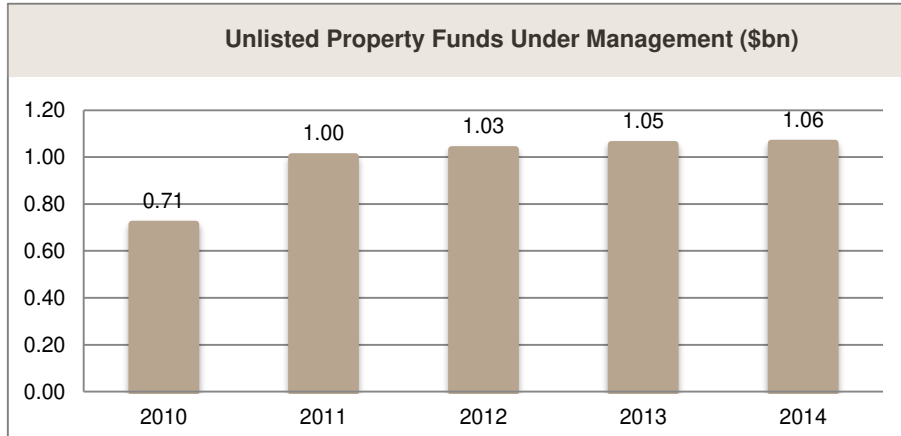
Revenue Sources



- Revenue up 22% over prior comparative period 'PCP'
- Acquisition fee revenue in line with expectations
- Annuity stream fund and property management fees (\$5.41m) up 7.3% over PCP
- Sales and performance fees (\$1.08m) increased by 56% over PCP

31 December 2013 – Property Division

Unlisted Property Funds



- \$100m of direct property acquisitions during 1HY14
- Singapore office introduces \$32m institutional investor to latest Centuria fund
- Focus on larger assets average fund size \$44m (Dec '12 - \$28.6m)
- Larger transactions facilitated by combining retail and wholesale investors
- These strategies encourage FUM growth and corporate efficiency

Business Profile of Funds

24

Number of Funds

37

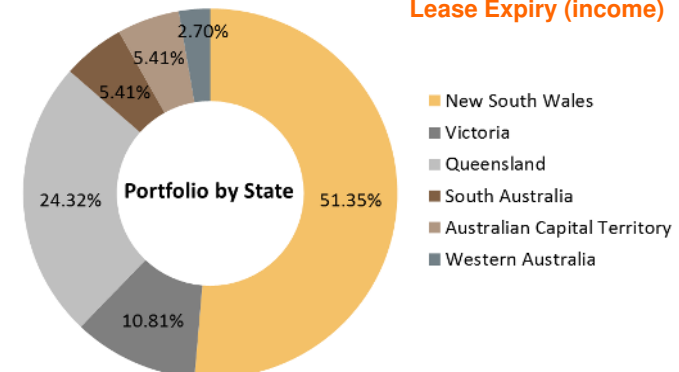
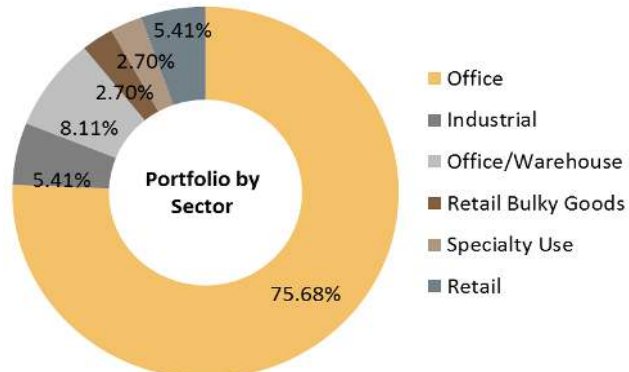
Number of Buildings

6,678

Number of Investors

3.7 years

Portfolio Weighted Average Lease Expiry (income)



Property Funds Management Strategy

Centuria's three tiered capital strategy will allow the acquisition of a wider range of assets as well as giving investors more choice of fund type – ultimately securing greater recurring fee income.

Centuria is well progressed towards offering a full platform of investment funds for retail and institutional investors – both listed and unlisted.

Three tier strategy:

1. Unlisted funds

- \$150m - \$200m of new investment product annually
- Active Centuria core retail client base demonstrated by 8 Central Avenue Fund raising - \$32m in 6 weeks
- Specific focus on fast growing SMSF sector
- Enhanced Centuria Group profile attracting many new HNW investors (30% of latest fund raising)
- Development opportunities identified within Centuria portfolio creating additional downstream revenue



8 Central Avenue, Sydney
Centuria 8 Central Avenue Fund

Property Funds Management Strategy - continued

2. Asian hub strategy

- Centuria is committed to its Asian hub strategy and established its Singapore office in 2012 and is one of few Australian managers with local representation
- Continue to create bespoke Australian offers for offshore institutional and mid-tier investors – often partnering with Centuria's retail clients
- During the period SEB Investment GmbH, the property funds management arm of major Nordic Bank SEB invested \$32 m in the Centuria 8 Central Ave Fund alongside Centuria clients

3. Listed Funds

- Centuria's integrated real estate platform provides all necessary support, governance, and management required to establish an AREIT
- Centuria continues its preparation for a launch of an ASX Listed trust. Suitable/appropriate assets are presently being sourced for inclusion in a new vehicle the listing of which will be determined by property and equity market conditions.
- Listed product may also be developed from Centuria's existing syndicates where the assets are suitable and additional capital would enhance investor returns and provide a liquidity event.

31 December 2013 – Financial Services

Centuria Life

- APRA approves benefit fund rules for Centuria Private Bond
- First mandated tax effective private bond launch April 2014
- Private Bond structure offers a unique tax effective solution for HNWs and provides flexibility, investor control and estate planning benefits
- Centuria to launch a series of private bonds with private banks/family offices
- Policyholder numbers stable Dec 2013 - 82,806 (June 2013: 82,210)

\$420_m

Total FUM of Centuria Life Bonds

\$291_m

Total FUM of Over Fifty Guardian Friendly Society Bonds

\$711_m (FY12 \$708m)

Total FUM

31 December 2013 – Financial Services

Insurance agency

- 22,151 policies as at Dec 13
- Policyholder renewals continue to track at 90.4% for calendar year
- Total premiums \$4.1m over half year
- Commissions \$553,520 over half year
- Homeowners/householders premiums 61.5% of gross written premium
- Claims frequency remains low at 4.9% for calendar year

31 December 2013 – Financial Services (continued)

Reverse Mortgage Book

- Value of book at Dec 13 - \$166m (Jun 13: \$172m) secured by \$626m of residential property (33.7% weighted average LVR)
- Non-recourse warehouse loan at Dec 13 - \$126m (Jun 13: \$135m)
- Loan facility maturity date extended to Feb 15
- Number of loans at Dec 13: 1,633 (Jun 13: 1,743)
- Average loan balance at Dec 13: \$101,383 (Jun 13: \$99,058)
- Refer portfolio projections (Appendix 4)

Corporate Update

Delivering on Strategy

- First half year performance in line with expectations
- Unlisted property records \$99.6m acquisitions
- Record \$247m property acquisitions over calendar year
- Major offshore mandate secured via Singapore office
- Implementation of tax effective bond strategy

Strategic Outlook

- Two stage growth strategy
 - Stage 1: achieve fair valuation in share price
 - Stage 2: utilise expanded balance sheet to fund core divisions and drive expansion
- Three tier property management strategy unfolding – core business
- Working hard to revitalise bond business e.g. Centuria Private Bond Series– core business
- Ongoing focus on core businesses in 2014
- Focus on balance sheet growth
- Need to release capital to support growth of core businesses

Appendices

Statutory Account Reconciliations



General comment on statutory accounts reconciliation

- The “Statutory Accounts” show the consolidated corporate entities including the Benefit Funds which Centuria is required to consolidate under AIFRS
- The “Benefit Funds” reflect the stand alone assets of policyholders
- The “Statutory accounts excluding Benefit Funds” reflect the value and performance of Centuria shareholder funds

Appendix 1: Income Statement for year ended 31 December 2013

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Property Division Revenue	7,691	-	7,691
Reverse Mortgage Book interest income	6,745	-	6,745
Centuria Life revenue	5,437	-	5,437
Net revenue from benefit funds	2,116	2,116	-
Insurance agency	583	-	583
Other income	93	-	93
Total Revenue	22,665	2,116	20,549
Finance costs	(5,290)	-	(5,290)
Employee benefits expense	(5,121)	-	(5,121)
Administrative and other operating expenses	(5,689)	-	(5,689)
Unrealised gain/(loss) arising from fair value movements of derivative financial instruments	3,223	-	3,223
Net profit before tax:	9,788	2,116	7,672
Tax	(4,789)	(2,116)	(2,673)
Reported NPAT	4,999	-	4,999

Appendix 2: Balance Sheet as at 31 December 2013

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents (Note 1)	13,590	-	13,590
Trade and other receivables (Note 2)	12,302	-	12,302
Financial Assets at fair value through profit and loss	271	-	271
Financial assets - Reverse Mortgage Book (Note 3)	173,963	-	173,963
Other assets	1,247	-	1,247
Investment in associates	643	-	643
Plant & equipment	941	-	941
Assets in respect of benefit funds	421,627	421,627	-
Deferred tax assets	5,244	-	5,244
Income tax receivable	3,302	-	3,302
Intangible assets	53,026	-	53,026
Total Assets	686,156	421,627	264,529

Note 1: Major balances include \$1m Corporate, \$4.3m Reverse Mortgage Book, and \$6.5m Centuria Life

Note 2: Major balances include \$1m Centuria Diversified Property Fund loan, \$1.4m SPV loans, and \$4.9m including Seed Capital investment and other receivables

Note 3: Reverse Mortgage Book at cost \$166m, plus fair value adjustment of \$8m

Appendix 2: Balance Sheet as at 31 December 2013 (continued)

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Liabilities			
Trade and other payables	11,442	-	11,442
Corporate debt	12,000	-	12,000
Borrowings - Reverse Mortgage Book	125,943	-	125,943
Other liabilities	485	-	485
Derivative financial liabilities - Reverse Mortgage Book	12,321	-	12,321
Liabilities in respect of benefit funds	421,627	421,627	-
Provisions	1,189	-	1,189
Total Liabilities	585,007	421,627	163,380
Net Assets	101,149		101,149
Equity:			
Issued Capital (Note 1)	89,164	-	89,164
Reserves	(171)	-	(171)
Profits Reserves	11,389	-	11,389
Retained earnings	767	-	767
Equity attributable to equity holders of the parent	101,149	-	101,149
Total Equity	101,149		101,149

Note 1: Increase from 2013 of \$0.53m as a result of sale of equity securities in Centuria Employee Share Funds

Appendix 3: Cash Flow Statement for year ended 31 December 2013

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Interest received	222	-	222
Management fees received (Note 1)	13,971	-	13,971
Rent, trust distributions and other income received (Note 2)	3,175	-	3,175
Benefit funds payments	(18,449)	(18,449)	-
Payments to suppliers and employees	(13,478)	-	(13,478)
Income tax paid	783	-	783
Net cash flows used in operating activities	(13,776)	(18,449)	4,673
Cash flows from investing activities			
Benefit funds receipts	19,838	19,838	-
Payments for plant and equipment	(516)	-	(516)
Net cash flows provided by investing activities	19,322	19,838	(516)

Note 1: Major balances include \$5.2m of Centuria Life management fees, and \$8.0m of Centuria Property Funds income

Note 2: Major balances include \$0.6m insurance income, \$0.7m Centuria Property Funds leasing fee

Appendix 3:

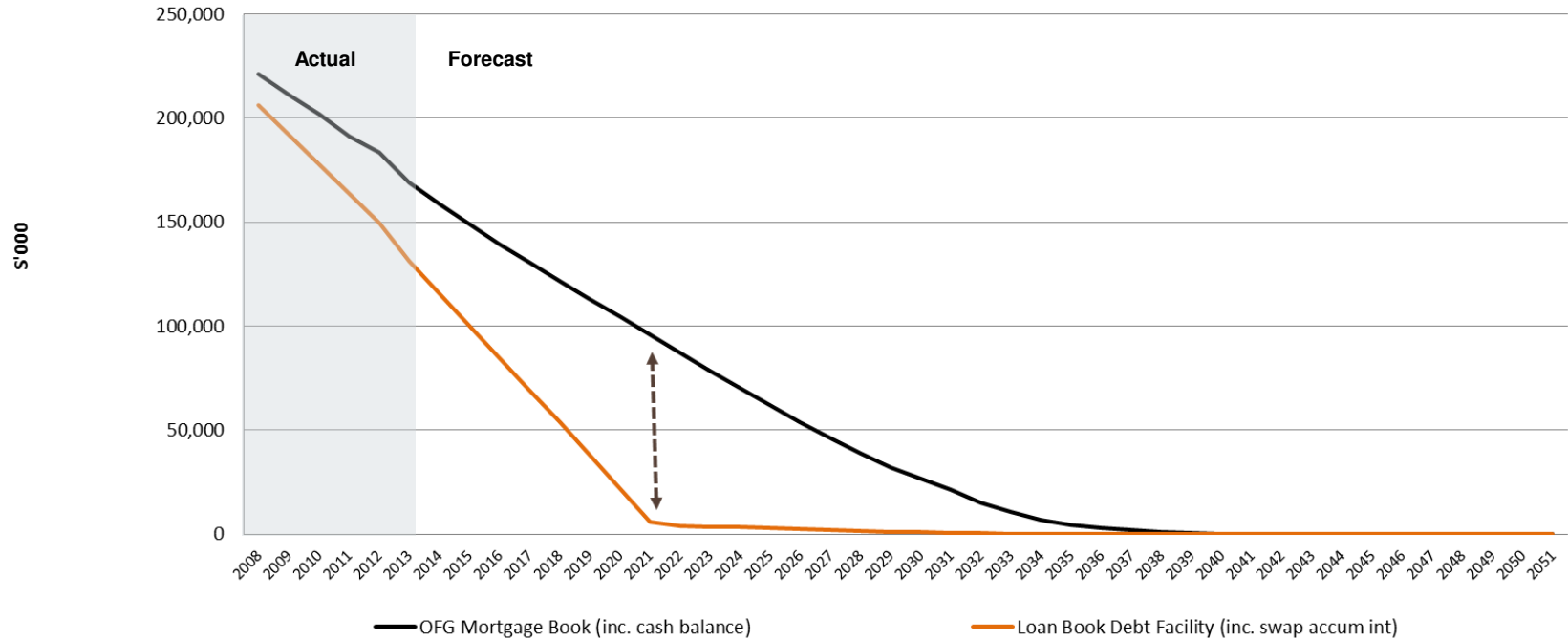
Cash Flow Statement for year ended 31 December 2013 (continued)

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Cash flows from financing activities			
Loans (payment)/receipts	(354)	-	(354)
Benefit funds receipts	-	-	-
Repayment of borrowings – Reverse Mortgage Book	(9,577)	-	(9,577)
Funds received from Reverse Mortgage Book customers	14,351	-	14,351
Share buy back	530	-	530
Interest paid on Reverse Mortgage Book loans	(4,256)	-	(4,256)
Financing costs - Corporate	(546)	-	(546)
Net cash flows used in financing activities	148	-	148
Net increase/(decrease) in cash and cash equivalent	5,694	1,389	4,305
Cash and cash equivalents at the beginning of the period	23,937	14,652	9,285
Cash and cash equivalents at the end of the period	29,631	16,041	13,590

Appendix 4: Reverse Mortgage Book



Historical / Forecast book at 31 December 2013
(11% p.a. Redemption Rate plus mortality rate)



Source: Rice Warner 31 December 2013

* The above projection is subject to variables including run-off rate, interest rates, regular refinancing and projection given as a guide only

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