



# 2011 First Half Results Presentation

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# Serving Generations of Australians



# Understanding Our Financial Report

- ❖ AIFRS requires Over Fifty Group “OFG” to consolidate the results of the OFG managed Friendly Society benefit funds into OFG’s consolidated financial results<sup>1</sup>
- ❖ The practical result of this is that OFG shareholders are unable to review the stand-alone financial performance of the OFG corporate entity by reviewing the audited statutory accounts alone
- ❖ Accordingly, to assist the market, we continue our practice of removing the financial results of the benefit funds from the consolidated statutory results in this results presentation

<sup>1</sup> The Guardian funds which OFG manages are not consolidated as OFG is not deemed to control these funds

Note: while the presentation accounts are un-audited, the appendices provide a reconciliation to the statutory accounts.



# Key Achievements

## Underlying Earnings on Track

- ❖ In the absence of unforeseen circumstances, the Board expects OFG to deliver strong Underlying NPAT and earnings per share in FY11

## Maintenance of Dividends

- ❖ Final dividend of 2.5cps paid in October 2010 (franked to 30%)
- ❖ Interim dividend of 2.5cps declared and payable in April 2011 (franked to 30%)

## Business Developments

- ❖ Appointed by unit-holders as replacement Responsible Entity (“RE”) to Becton Office Fund No 2 and Becton Diversified Direct Property Fund
- ❖ Launched Century Property Trust 14 with units significantly over-subscribed
- ❖ Successfully implemented unmarketable parcel buy-back, reducing the number of shareholders by 29% to around 16,000 at present
- ❖ Well progressed in brand consolidation to “Centuria Capital Limited”
- ❖ Launched the Sprout Flexible Education Bond and the Imputation Bond



## Operating Results (excl. Friendly Society Benefit Funds)

Half Year ended 31 December	2010	2009
<b>Underlying earnings before interest and tax by major division</b>	<b>\$000's</b>	<b>\$000's</b>
- Property Funds Management (i)	1,877	2,087
- Friendly Society	4,299	4,551
- Reverse Mortgages	1,058	1,318
- Insurance	502	445
- Corporate	(3,028)	(2,930)
- Other (Property Investments/ Commercial Mortgages/ Other divisions)	377	419
<b>Total Underlying earnings before interest and tax</b>	<b>5,085</b>	<b>5,890</b>
Finance costs	(582)	(742)
Underlying net profit before tax	4,503	5,148
Tax expense (excluding non-recurring items) (ii)	(2,325)	(1,960)
<b>Underlying net profit after tax</b>	<b>2,178</b>	<b>3,188</b>

- (i) After the first half of the year recording no new property trusts, management is expecting two new property trusts to be launched in the second half of the year.
- (ii) Tax expense excludes the \$2.024 million tax benefit of the one-off adjustments in the current period.

## Operating Results (Cont.) (excl. Friendly Society Benefit Funds)

Half Year ended 31 December	2010	2009
	\$000's	\$000's
Underlying net profit after tax	2,178	3,188
Non-recurring adjustments		
- 31 December 2009 non-recurring adjustments (including tax effect)		4
- Century Bulky Goods Funds No 1 revaluation movement (OFG)	(599)	-
- Provision for National Leisure Trust receivables	(3,146)	-
- Impairment of National Leisure Trust property investments	(3,000)	-
- Tax benefit on 31 December 2010 non-recurring adjustments	2,023	-
Reported net profit after tax	<b>(2,544)</b>	<b>3,192</b>



## Revenue from Major Divisions (excl. Friendly Society Benefit Funds)

Half Year ended 31 December	2010	2009	% Change
	\$000's	\$000's	
Property Funds Management	5,010	5,271	(5.0)
Friendly Society	6,836	7,238	(5.6)
Reverse Mortgages	7,791	8,121	(4.1)
Insurance	647	604	7.1
Other (i)	1,342	1,544	(13.1)
<b>Total Revenue</b>	<b>21,627</b>	<b>22,778</b>	<b>(5.1)</b>

(i) Includes Corporate, Over Fifty Capital, Over Fifty Investments and the National Leisure Trust.



# Property Funds Management

- ❖ Funds Under Management (“FUM”) as at 31 December 2010 was \$920 million (30 June 2010: \$714 million)
- ❖ Responsible Entity appointment to the Becton Funds has increased FUM and net earnings
- ❖ Well positioned to increase FUM both organically and through acquisition
- ❖ Strategic staff appointments made to strengthened further the growth platform
- ❖ Expecting to settle Brisbane asset acquisition in early March for \$37.7 million – positive impact on 2HY11 earnings



## Friendly Society and Insurance

- ❖ FUM as at 31 December 2010: \$741.7 million, a decrease of only 1.5% from \$753 million at 30 June 2010, despite typically higher redemptions every October
- ❖ FUM balance has stabilised as redemptions have fallen sharply and inflows have improved
- ❖ The 'Sprout' Education Bond and the Imputation Bond have been launched, with a supporting BDM staff appointment to focus on distribution through OFG's strong financial planning network
- ❖ The Capital Guarantee Bonds have demonstrated their investment value to policy holders over the past 2 years with capital preservation in difficult investment market conditions
- ❖ Insurance agency continued to operate successfully with OFG actively servicing the risk requirements of approximately 29,000 policyholders



## Reverse Mortgages

- ❖ Value of mortgages as at 31 December 2010 was \$193.3 million (30 June 2010: \$196.8 million)
- ❖ Non-recourse loan outstanding to our financier was \$170.0 million (30 June 2010: \$176.3 million) held in subsidiary entity
- ❖ Significant embedded shareholder value in the portfolio building over time
- ❖ Loan statistics at 31 December 2010
  - Portfolio Loan to Value ratio: 17.6%
  - Number of loans: 2,369
  - Average loan balance: \$81,584



# Growth Strategy

- ❖ Property Funds Management
  - acquisition opportunities - both organic and via corporate acquisitions
  - property funds management industry in consolidation phase
  - strong investor demand for new unlisted property investments
  
- ❖ Friendly Society
  - competitive tax advantage for new products
  - consolidation opportunities in the market
  - growth in prepaid funeral bonds
  - new insurance bond product pipelines
  - leverage expanded financial planner network with additional BDM's
  
- ❖ Reverse Mortgages
  - realisation of the long term embedded value of the portfolio
  
- ❖ Insurance
  - target areas that demonstrate strong and reliable recurring income stream



# Appendices – Statutory Account Reconciliations



## ❖ General comment on statutory account reconciliation

- The “Statutory accounts” show the consolidated corporate entities including the Friendly Society benefit funds which OFG is required under AIFRS to consolidate;
- The “benefit funds” reflect value of stand alone policy holder funds; and
- The “Corporate accounts” reflect the value and performance of OFG shareholder funds.

# Appendix 1: Profit and Loss for Half Year Ended 31 December 2010

	Statutory accounts	Benefit funds	Corporate accounts
	\$m	\$m	\$m
Interest and dividends	22.1	13.1	9.0
Management fees	10.0	-	10.0
Rental income	1.6	-	1.6
Net movement in policyholder funds	4.9	4.9	-
Other income	5.8	3.3	2.5
Other expense	(0.8)	-	(0.8)
Share of loss in associate	(0.6)	-	(0.6)
<b>Total revenue</b>	<b>43.0</b>	<b>21.3</b>	<b>21.7</b>
Employee benefits expense	(3.8)	-	(3.8)
Finance costs – other	(7.9)	-	(7.9)
Administration and fund expenses	(8.0)	(5.6)	(2.4)
Redemption expense	(27.7)	(27.7)	-
Net movement in policy liabilities – benefit funds	16.9	16.9	-
Marketing and advertising expenses	(0.5)	-	(0.5)
Consulting and professional fees	(1.6)	-	(1.6)
Impairment expense	(5.8)	-	(5.8)
Other expenses	(4.7)	(2.8)	(1.9)
Net profit before tax:	<b>(0.1)</b>	<b>2.1</b>	<b>(2.2)</b>
Tax	(2.4)	(2.1)	(0.3)
<b>Reported NPAT</b>	<b>(2.5)</b>	<b>-</b>	<b>(2.5)</b>



## Appendix 2: Balance Sheet as at 31 December 2010

	Statutory accounts	Benefit funds	Corporate accounts
	\$m	\$m	\$m
<b>Assets:</b>			
Cash and equivalents	62.8	47.5	15.3
Trade and other receivables	11.5	-	11.5
Financial assets at fair value	464.4	463.8	0.6
Other financial assets	2.7	-	2.7
Reverse Mortgage Loans *	194.4	-	194.4
Investment property	24.0	-	24.0
Investment in associates – equity method	11.6	-	11.6
Plant & equipment	1.1	-	1.1
Deferred tax assets	13.9	4.7	9.2
Intangible assets	53.9	-	53.9
Other assets	2.2	-	2.2
<b>Total Assets</b>	<b>842.5</b>	<b>516.0</b>	<b>326.5</b>



## Appendix 2: Balance Sheet as at 31 December 2010 (cont.)

	Statutory accounts	Benefit funds	Corporate accounts
	\$m	\$m	\$m
<b>Liabilities:</b>			
Trade and other payables	13.8	0.9	12.9
Corporate debt	6.8	-	6.8
Borrowings – recourse to investment property only	24.0	-	24.0
Borrowings - Reverse Mortgages *	170.0	-	170.0
Other liabilities	1.7	-	1.7
Policyholders funds	520.2	520.2	-
Derivative financial liabilities	12.0	-	12.0
Income tax payable	0.8	(5.1)	5.9
<b>Total Liabilities</b>	<b>749.3</b>	<b>516.0</b>	<b>233.3</b>
<b>Net Assets</b>	<b>93.2</b>	<b>-</b>	<b>93.2</b>
<b>Equity:</b>			
Issued capital	100.4	-	100.4
Reserves	(0.6)	-	(0.6)
Retained earnings	(6.6)	-	(6.6)
<b>Equity attributable to equity holders of the parent</b>	<b>93.2</b>	<b>-</b>	<b>93.2</b>
<b>Total Equity</b>	<b>93.2</b>	<b>-</b>	<b>93.2</b>



## Appendix 3: Cash flow statement for half year ended 31 December 2010

	Statutory accounts	Benefit funds	Corporate accounts
	\$m	\$m	\$m
<b>Cash flows from operating activities</b>			
Interest received	15.0	5.3	9.7
Dividends received	7.7	7.7	-
Management fees received	9.7	-	9.7
Rent, trust and other income received	4.7	-	4.7
Redemption paid from bonus funds (with DPF)	(27.7)	(27.7)	-
Redemption paid from unit linked funds (no DPF)	(7.5)	(7.5)	-
Applications received by unit linked funds (no DPF)	0.1	0.1	-
Applications received by bonus funds (with DPF)	5.2	5.2	-
Payments to suppliers and employees	(22.2)	(8.1)	(14.1)
<b>Net cash flows used in operating activities</b>	<b>(15.0)</b>	<b>(25.0)</b>	<b>10.0</b>
<b>Cash flows from investing activities</b>			
Interest earned on mortgage loans net of mortgage receipt/ draw-downs	4.5	-	4.5
Payment for plant and equipment	(0.1)	-	(0.1)
Payment for investment property	4.3	-	4.3
Acquisition of subsidiaries net of cash acquired	(1.1)	-	(1.1)
Proceeds from sale of other financial assets	26.5	31.1	(4.6)
<b>Net cash flows provided by investing activities</b>	<b>34.1</b>	<b>31.1</b>	<b>3.0</b>



## Appendix 3: Cash flow statement for half year ended 31 December 2010 (cont.)

	Statutory accounts	Benefit funds	Corporate accounts
	\$m	\$m	\$m
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity securities	(1.1)	-	(1.1)
Loans from related entities	0.6	-	0.6
Loans from mortgage holders	-	-	-
Proceeds from borrowings – Reverse mortgages *	2.7	-	2.7
Proceeds from borrowings	-	-	-
Funds provided to Reverse Mortgage customers *	(12.0)	-	(12.0)
Repayment of borrowings	-	-	-
Dividends and distributions paid	(1.9)	-	(1.9)
<b>Net cash flows used in financing activities</b>	<b>(11.7)</b>	<b>-</b>	<b>(11.7)</b>
<b>Net increase in cash and cash equivalents</b>	<b>7.4</b>	<b>6.1</b>	<b>1.3</b>
Cash and cash equivalents at the beginning of the period	55.4	41.4	14
<b>Cash and cash equivalents at the end of the period</b>	<b>62.8</b>	<b>47.5</b>	<b>15.3</b>

\* Note for Appendix 2 and 3

The flow of funds in this cash flow statement and values highlighted as assets and liabilities in the balance sheet in respect of reverse mortgages have no recourse against the assets of OFG

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