



Centuria Capital Group Interim Financial Report for the half year ended 31 December 2017

Centuria Capital Group comprises of Centuria Capital Limited ABN 22 095 454 336 (the 'Company') and its subsidiaries and Centuria Capital Fund ARSN 613 856 358 ('CCF') and its subsidiaries. The Responsible entity of CCF is Centuria Funds Management Limited ACN 607 153 588, AFSL 479 873, a wholly owned subsidiary of the Company.

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These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital Limited and its subsidiaries. The interim financial statements are presented in the Australian currency.

Centuria Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Centuria Capital Limited
Level 39, 100 Miller Street
North Sydney NSW 2060

The consolidated interim financial statements were authorised for issue by the Directors on 15 February 2018. The Directors have the power to amend and reissue the consolidated interim financial statements.

Directors' report

The directors of Centuria Capital Limited (the 'Company') present their interim report together with the interim financial statements of the Company and its controlled entities (the 'Group') for the half year ended 31 December 2017 and the auditor's review report thereon.

ASX listed Centuria Capital Group consists of the Company and its controlled entities including Centuria Capital Fund ('CCF'). The shares in the Company and the units in CCF are stapled, quoted and traded on the Australian Securities Exchange ('ASX') as if they are a single security under the ticker code 'CNI'.

Directors

The following persons were directors of the Company during the whole of the half year and up to the date of this report:

Director	Role	Appointment Date
Mr Garry S. Charny	Independent Non-Executive Director and Chairman	23 February 2016
Mr Peter J. Done	Independent Non-Executive Director	28 November 2007
Mr John R. Slater	Independent Non-Executive Director	22 May 2013
Ms Susan Wheeldon-Steele	Independent Non-Executive Director	31 August 2016
Mr Nicholas R. Collishaw	Non-Executive Director	27 August 2013
Mr John E. McBain	Executive Director and Chief Executive Officer	10 July 2006
Mr Jason C. Huljich	Executive Director and Head of Real Estate and Funds Management	28 November 2007

Operating and financial review

The Group recorded a consolidated statutory net profit after tax for the half year of \$36,342,000 (half year ended 31 December 2016: \$1,375,000). Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

The Group recorded an operating profit after tax for the half year of \$30,212,000 (half year ended 31 December 2016: \$2,922,000). Operating profit after tax excludes non-operating items such as transaction costs and fair value movements.

The statutory net profit after tax includes a number of items that are not operating in nature, the table below provides a reconciliation from Statutory Profit to Operating Profit.

	31 December 2017 \$'000	31 December 2016 \$'000
Reconciliation of statutory profit to operating profit		
Statutory profit after tax	36,342	(1,375)
Less non-operating items:		
Unrealised loss/(gain) on fair value movements in derivatives, property and investments	(1,728)	2,291
Impairment charges in relation to seed capital valuations	-	190
Corporate restructure & transaction costs	110	2,708
Profit attributable to controlled property funds	(2,886)	-
Eliminations between the operating and non-operating segment	(1,176)	305
Tax impact of above non-operating adjustments	(450)	(1,197)
Operating profit after tax	30,212	2,922

Operating profit after tax provides an assessment of performance of the Group aligned with the reporting to the Group's CEO for resource allocation purposes.

Operating and financial review (continued)

Operational highlights for the key divisions were as follows:

Segment	Operating profit after tax for the half year \$'000		Increase/Decrease	%	Highlights
	31 December 2017	31 December 2016			
Property Funds Management	24,711	2,986	21,725	728	(a)
Investment Bonds Division	1,705	1,186	519	44	(b)
Co-Investments	5,106	598	4,508	754	(c)

(a) Property Funds Management

For the half year ended 31 December 2017, Property Funds Management operating profit after tax of \$24,711,000 was higher than the prior half year ending 31 December 2016 by \$21,725,000 primarily due to the impact of performance fees of \$25,830,000 earned in the current half year.

Excluding the after tax impact of non-recurring the Property Funds Management segment profit increased by \$6,630,000, reflecting the growth in assets under management (AUM) in addition to the contribution arising from the 360 Capital transaction that occurred at the end of the half year ended 31 December 2016.

Operational highlights for the half year included:

- Increase in recurring Property Funds Management fees of \$7,729,000 or 110%% from \$7,006,000 for the half year ended 31 December 2016 to \$14,735,000 for the half year ended 31 December 2017
- Increase in Unlisted AUM by 30% from \$1.3 billion (excluding 10 Spring Street) as at 30 June 2017 to \$1.7 billion as at 31 December 2017
- Increase in Listed AUM by 31% from \$1.6 billion as at 30 June 2017 to \$2.0 billion as at 31 December 2017
- Performance fees of \$25,830,000 earned on the sale of 10 Spring St property.

(b) Investment Bonds Management

For the half year ended 31 December 2017, the Investment Bonds Management segment increased its operating profit after tax by \$519,000 or 44% to \$1,705,000.

The Investment Bonds Management business delivered net overall AUM growth of \$54 million across its product range representing a 7% increase in AUM from 30 June 2017.

(c) Co-Investments

For the half year ended 31 December 2017, the Co-Investments segment operating profit after tax increased by \$4,508,000. This was primarily due to a \$147.6 million increase in co-investment holdings across various listed and unlisted investments compared to the prior half year.

With an increase in recurring investment revenue from \$645,000 for the half year ended 31 December 2016 to \$9,480,000 for the half year ended 31 December 2017 the Co-investments segment has contributed to the noted improvement in the Group's overall recurring revenue base which increased from \$13,193,000 to \$35,114,000 for the corresponding periods.

The Co-investments of \$277 million as at 31 December 2017 included a \$123 million or a 19.5% stake in Centuria Industrial REIT as well as a \$66 million or 11.4% stake in the Centuria Metropolitan REIT.

The operating profit after tax for the Co-investments segment represents the distributions and returns generated from those investments after the applicable financing costs.

Operating and financial review (continued)

Earnings per security (EPS)

	31 December 2017		31 December 2016	
	Operating	Statutory	Operating	Statutory
Basic EPS (cents/security)	12.1	13.4	3.8	(1.6)
Diluted EPS (cents/security)	11.0	12.3	3.7	(1.6)

Dividends and Distributions

Dividends and distributions paid or declared by the Group during the current half year were:

Dividends/distributions paid during the half year	Cents per security	Total amount \$'000	Date paid/payable
Final 2017 dividend (100% franked)	2.40	5,453	24 August 2017
Final 2017 Trust distribution (66% tax deferred)	2.80	6,361	24 August 2017
Dividends/distributions declared during the half year			
Interim 2018 dividend (100% franked)	1.70	5,184	31 January 2018
Interim 2018 Trust distribution (estimated 50% tax deferred)	2.40	7,314	31 January 2018
Total amount	9.30	24,312	


Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and interim financial statements. Amounts in the Directors' Report and interim financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors.



Mr Garry S. Charny
Director
Sydney



Mr Peter J. Done
Director
Sydney

15 February 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Centuria Capital Group

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo

Partner

Sydney

15 February 2018

Centuria Capital Group

Interim financial report - 31 December 2017

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Consolidated interim statement of comprehensive income

For the half year ended 31 December 2017

		31 December 2017 \$'000	31 December 2016 \$'000
Revenue	B2	76,624	22,749
Expenses	B3	(33,001)	(33,556)
Fair value movements of financial instruments and property		9,494	(303)
Finance costs	B4	(7,826)	(1,448)
Net movement in policyholder liability		2,509	11,542
Profit/(loss) before tax		47,800	(1,016)
Income tax expense		(11,458)	(359)
Profit/(Loss) after tax		36,342	(1,375)
Profit/(loss) after tax is attributable to:			
Centuria Capital Limited		20,960	(384)
Centuria Capital Fund (non-controlling interests)		12,655	(849)
External non-controlling interests		2,727	(142)
Profit/(loss) after tax		36,342	(1,375)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		36,342	(1,375)
Total comprehensive income/(loss) for the year is attributable to:			
Centuria Capital Limited		20,960	(384)
Centuria Capital Fund (non-controlling interests)		12,655	(849)
External non-controlling interests		2,727	(142)
Total comprehensive income/(loss)		36,342	(1,375)
Total comprehensive income/(loss) for the year is attributable to:			
Centuria Capital Limited		20,960	(384)
Centuria Capital Fund (non-controlling interests)		12,655	(849)
Total comprehensive income/(loss) for the year is attributable to Centuria Capital Group securityholders		33,615	(1,233)
		Cents	Cents
Earnings/(loss) per Centuria Capital Group security			
Basic (cents per stapled security)		13.4	(1.6)
Diluted (cents per stapled security)		12.3	(1.6)
Earnings/(loss) per Centuria Capital Limited share			
Basic (cents per share)		8.4	(0.5)
Diluted (cents per share)		7.6	(0.5)

The above consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated interim statement of financial position

As at 31 December 2017

		31 December 2017 \$'000	30 June 2017 \$'000
	Notes		
Assets			
Cash and cash equivalents		75,089	74,382
Receivables	C2	13,955	16,380
Financial assets	C3	681,291	535,459
Other assets		1,459	1,551
Investment properties	C4	232,750	257,100
Intangible assets	C5	157,663	157,663
Total assets		1,162,207	1,042,535
Liabilities			
Payables	C6	30,246	33,895
Liability to 360 Capital Group		52,197	56,456
Provisions		1,479	1,301
Borrowings	C7	253,248	236,103
Interest rate swaps at fair value		21,183	19,324
Benefit Funds policyholder's liability		352,999	348,014
Provision for income tax		3,394	3,171
Deferred tax liabilities		5,746	2,320
Total liabilities		720,492	700,584
Net assets		441,715	341,951
Equity			
Equity attributable to Centuria Capital Limited			
Contributed equity	C8	98,534	77,323
Reserves		1,389	1,551
Retained earnings		27,470	11,694
Total equity attributable to Centuria Capital Limited		127,393	90,568
Equity attributable to Centuria Capital Fund (non-controlling interests)			
Contributed equity	C8	244,943	170,672
Retained earnings		10,033	4,844
Total equity attributable to Centuria Capital Fund (non-controlling interests)		254,976	175,516
Total equity attributable to Centuria Capital Group securityholders		382,369	266,084
Equity attributable to external non-controlling interests			
Contributed equity		34,782	45,367
Retained earnings		24,564	30,500
Total equity attributable to external non-controlling interests		59,346	75,867
Total equity		441,715	341,951

The above consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the half year ended
31 December 2017

	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)			External non-controlling interests				
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total attributable to Centuria Capital Group Securityholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance at 1 July 2017	77,323	1,551	11,694	90,568	170,672	4,844	175,516	266,084	45,367	30,500	75,867	341,951
Profit/(loss) for the period	-	-	20,960	20,960	-	12,655	12,655	33,615	-	2,727	2,727	36,342
Total comprehensive income for the period	-	-	20,960	20,960	-	12,655	12,655	33,615	-	2,727	2,727	36,342
Equity based payment	535	(162)	-	373	-	-	-	373	-	-	-	373
Dividends and distributions paid/accrued	-	-	(5,184)	(5,184)	-	(7,314)	(7,314)	(12,498)	-	(3,601)	(3,601)	(16,099)
Stapled securities issued	21,494	-	-	21,494	77,146	-	77,146	98,640	-	-	-	98,640
Cost of equity raising	(818)	-	-	(818)	(2,875)	-	(2,875)	(3,693)	-	-	-	(3,693)
Deconsolidation of controlled property funds	-	-	-	-	-	(152)	(152)	(152)	(10,585)	(5,062)	(15,647)	(15,799)
Balance at 31 December 2017	98,534	1,389	27,470	127,393	244,943	10,033	254,976	382,369	34,782	24,564	59,346	441,715

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the half year ended
[31 December 2016]

	Centuria Capital Limited			Centuria Capital Fund (non-controlling interests)			External non-controlling interests					
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total attributable to Centuria Capital Group securityholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance at 1 July 2016	88,058	1,459	28,452	117,969	-	-	-	117,969	9,883	(185)	9,698	127,667
Profit/(loss) for the period	-	-	(384)	(384)	-	(849)	(849)	(1,233)	-	(142)	(142)	(1,375)
Total comprehensive income for the period	-	-	(384)	(384)	-	(849)	(849)	(1,233)	-	(142)	(142)	(1,375)
Acquisition of subsidiaries with Non-controlling interests	-	-	-	-	-	-	-	-	39,372	28,568	67,940	67,940
Equity based payment	356	(364)	-	(8)	-	-	-	(8)	-	-	-	(8)
Dividends and distributions paid/accrued	-	-	(3,474)	(3,474)	-	(618)	(618)	(4,092)	-	-	-	(4,092)
Stapling dividend and return of capital reinvested	(39,205)	-	(13,331)	(52,536)	52,536	-	52,536	-	-	-	-	-
Stapled securities issued	28,800	-	-	28,800	121,200	-	121,200	150,000	-	-	-	150,000
Cost of equity raising	(999)	-	-	(999)	(5,884)	-	(5,884)	(6,883)	-	-	-	(6,883)
Balance at 31 December 2016	77,010	1,095	11,263	89,368	167,852	(1,467)	166,385	255,753	49,255	28,241	77,496	333,249

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

For the half year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Management fees received	51,840	20,741
Rent received	12,271	-
Distributions received	9,335	3,958
Interest received	5,693	6,238
Other income	542	-
Interest paid	(6,155)	(835)
Income taxes paid	(8,173)	(2,841)
Payments to suppliers and employees	(27,242)	(14,759)
Payments for property held for development	-	(11,823)
Applications - Benefits Funds	13,314	10,559
Redemptions - Benefits Funds	(15,964)	(21,586)
Net cash provided by/(used in) operating activities	35,461	(10,348)
Cash flows from investing activities		
Proceeds from sale of related party investments	47,167	-
Proceeds from sale of investments	-	40,387
Cash balance on acquisition of subsidiaries	-	10,671
Cash balance on consolidation of property funds	-	6,937
Repayment of loans by related parties	2,000	7,072
Collections from reverse mortgage holders	712	324
Payments for property, plant and equipment	(213)	-
Purchase of investments in related parties	(97,732)	-
Deconsolidation of controlled property funds cash balance	(766)	-
Loans to related parties for purchase of properties	-	(3,616)
Payments in relation to investment properties	(4,898)	-
Purchase of other investments	(52,723)	-
Benefit Funds (acquisitions)/disposals of investments in financial assets	(10,656)	(38,790)
Acquisition of investments in unlisted funds	-	(6,227)
Loans provided to other parties	(25,980)	-
Net cash (used in)/provided by investing activities	(143,089)	16,758
Cash flows from financing activities		
Proceeds from borrowings	29,447	11,520
Repayment of borrowings	(203)	(26,961)
Proceeds from issues of securities to securityholders of Centuria Capital Group	98,639	-
Equity raising costs paid	(3,692)	(1,470)
Capitalised borrowing costs paid	(441)	-
Distributions paid to securityholders of Centuria Capital Group	(11,814)	(2,315)
Distributions paid to external non-controlling interests	(3,601)	-
Net cash provided by/(used in) financing activities	108,335	(19,226)
Net increase/(decrease) in cash and cash equivalents	707	(12,816)
Cash and cash equivalents at the beginning of the period	74,382	84,323
Cash and cash equivalents at end of period	75,089	71,507

The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

A About the report

A1 General information

The shares in Centuria Capital Limited and the units in Centuria Capital Fund ('CCF') are stapled to trade together as a single stapled security ('Stapled Security') on the ASX as 'Centuria Capital Group' (the 'Group') under the ticker code, 'CNI'.

The Group is a for-profit entity and its principal activities are the marketing and management of investment products, including property investment funds and friendly society investment bonds, and co-investment in property investment funds.

Statement of compliance

The consolidated interim financial statements for the half year ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2017 and any public announcements made by the Group during the half year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The consolidated interim financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, financial assets at fair value through profit and loss and other financial assets, which have been measured at fair value at the end of each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the company's functional currency, unless otherwise noted.

Assets and liabilities have been presented on the face of the statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and consolidated interim financial statements. Amounts in the Directors' Report and consolidated interim financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2017 unless specifically outlined below or in the relevant notes to the consolidated interim financial statements.

When the presentation or classification of items in the consolidated interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

A3 Use of judgements and estimates

In preparing these consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2017.

A4 Segment summary

As at 31 December 2017 the Group has five reportable operating segments. These reportable operating segments are the divisions which report to the Group's Chief Executive Officer and Board of Directors for the purpose of resource allocation and assessment of performance.

The reportable operating segments are:

Operating segments	Description
Property Funds Management	Management of listed and unlisted property funds
Investment Bonds Management	Management of the Benefit Funds of Centuria Life Limited and management of the Over Fifty Guardian Friendly Society Limited. The Benefit Funds include a range of financial products, including single and multi-premium investments.
Co-Investments	Direct interest in property funds and other liquid investments
Reverse Mortgages	Management of a reverse mortgage lending portfolio
Corporate	Overheads for supporting the Group's operating segments

In addition, the Group provides disclosures in relation to a further four non-operating segments, which are:

Non-operating segments	Description
Non-operating items	Comprises transaction costs, mark-to-market movements on property and derivative financial instruments, and all other non-operating activities
Benefit Funds	Represents the operating results and financial position of the Benefit Funds which are required to be consolidated in the Group's financial statements in accordance with accounting standards
Controlled Property Funds	Represents the operating results and financial position of property funds which are controlled by the Group and consolidated under accounting standards
Eliminations	Elimination of transactions between the operating segments and the other three non-operating segments above

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

Refer below for an analysis of the Group's segment results:

- Note B1 Segment profit and loss
- Note C1 Segment balance sheet
- Note D1 Operating segment cash flows

B Business performance

B1 Segment profit and loss

For the half year 31 December 2017	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co-Investments \$'000	Reverse Mortgages \$'000	Corporate \$'000	Operating profit \$'000	Non operating items \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory profit \$'000
Revenue	B2	44,765	5,344	9,480	1,250	105	60,944	-	8,752	11,390	(4,462)	76,624
Expenses	B3	(8,054)	(2,899)	(61)	(307)	(4,465)	(15,786)	(110)	(15,988)	(5,300)	4,183	(33,001)
Fair value movements of financial instruments and property		-	-	-	-	-	-	1,728	6,885	(361)	1,242	9,494
Finance costs	B4	(6)	-	(4,213)	(845)	(132)	(5,196)	-	-	(2,843)	213	(7,826)
Net movement in policyholder liabilities		-	-	-	-	-	-	-	2,509	-	-	2,509
Profit/(Loss) before tax		36,705	2,445	5,206	98	(4,492)	39,962	1,618	2,158	2,886	1,176	47,800
Income tax expense		(11,994)	(740)	(100)	(30)	3,114	(9,750)	450	(2,158)	-	-	(11,458)
Profit/(Loss) after tax		24,711	1,705	5,106	68	(1,378)	30,212	2,068	-	2,886	1,176	36,342
Profit/(loss) after tax attributable to:												
Centuria Capital Limited		24,711	1,705	234	68	(4,801)	21,917	(1,049)	-	92	-	20,960
Centuria Capital Fund		-	-	4,872	-	3,423	8,295	3,117	-	67	1,176	12,655
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		24,711	1,705	5,106	68	(1,378)	30,212	2,068	-	159	1,176	33,615
Non-controlling interests		-	-	-	-	-	-	-	-	2,727	-	2,727
Profit/(loss) after tax		24,711	1,705	5,106	68	(1,378)	30,212	2,068	-	2,886	1,176	36,342

Business performance

B1 Segment profit and loss (continued)

For the half year 31 December 2016	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Reverse Mortgages \$'000	Corporate \$'000	Operating profit \$'000	Non operating items \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory profit \$'000
Revenue	B2	10,428	4,752	645	1,191	118	17,134	-	9,315	1	(3,701)	22,749
Expenses	B3	(6,162)	(2,707)	4	(282)	(3,303)	(12,450)	(2,898)	(21,603)	(14)	3,409	(33,556)
Fair value movements of financial instruments and property		-	-	-	-	-	-	(2,291)	1,988	-	-	(303)
Finance costs	B4	-	-	-	(919)	(529)	(1,448)	-	-	-	-	(1,448)
Net movement in policyholder liabilities		-	-	-	-	-	-	-	11,542	-	-	11,542
Profit/(Loss) before tax		4,266	2,045	649	(10)	(3,714)	3,236	(5,189)	1,242	(13)	(292)	(1,016)
Income tax expense		(1,280)	(859)	(51)	3	1,873	(314)	1,109	(1,242)	-	88	(359)
Profit/(Loss) after tax		2,986	1,186	598	(7)	(1,841)	2,922	(4,080)	-	(13)	(204)	(1,375)
Profit/(loss) after tax attributable to:												
Centuria Capital Limited		2,986	1,186	119	(7)	(1,841)	2,443	(2,752)	-	(13)	(62)	(384)
Centuria Capital Fund		-	-	479	-	-	479	(1,328)	-	-	-	(849)
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		2,986	1,186	598	(7)	(1,841)	2,922	(4,080)	-	(13)	(62)	(1,233)
Non-controlling interests		-	-	-	-	-	-	-	-	-	(142)	(142)
Profit/(loss) after tax		2,986	1,186	598	(7)	(1,841)	2,922	(4,080)	-	(13)	(204)	(1,375)

Business performance

B2 Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Management fees from property funds	14,735	7,006
Property acquisition fees	-	2,891
Property performance fees	25,830	177
Property sales fees	2,971	-
Management fees from Benefit Funds	1,725	1,283
Interest revenue	5,166	5,226
Rent and recoverable outgoings	11,243	-
Distribution/dividend revenue	12,671	3,338
Premiums - discretionary participation features only	1,474	2,658
Other income	809	170
	76,624	22,749

(a) Transactions with related parties

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

	31 December 2017 \$	31 December 2016 \$
Management fees from Property Funds managed by Centuria	14,734,859	7,005,898
Distributions from Property Funds managed by Centuria	6,400,206	481,320
Property transaction fees from Property Funds managed by Centuria	-	2,890,930
Sales fees from Property Funds managed by Centuria	2,970,550	-
Management fees from Over Fifty Guardian Friendly Society	1,668,434	1,283,164
Performance fees from Property Funds managed by Centuria	25,829,700	177,128
	51,603,749	11,838,440

B3 Expenses

	31 December 2017 \$'000	31 December 2016 \$'000
Employee benefits expense	10,423	7,779
Consulting and professional fees	1,669	1,109
Property outgoings and fund expenses	2,787	-
Corporate restructure and transaction costs	109	2,708
Administration fees	1,320	1,299
Claims - discretionary participation features only	12,632	18,194
Other expenses	4,061	2,467
	33,001	33,556

Business performance

B3 Expenses (continued)

(a) Transactions with key management personnel

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

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

- Wolseley Corporate Pty Ltd, a related party of Mr Garry S. Charny, was paid \$198,000 (inclusive of GST) (31 December 2016: \$280,500) for corporate advisory fees.
- Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater, was paid \$99,000 (inclusive of GST) (31 December 2016: \$83,484) for consultancy services. In addition, Tailwind Consulting paid the Group \$4,840 (inclusive of GST) for rental of office space.

B4 Finance costs

	31 December 2017 \$'000	31 December 2016 \$'000
Operating interest charges	4,170	529
Bank loans in Controlled Property Funds interest charges	2,673	-
Reverse mortgage facility interest charges	845	917
(Gain)/loss on derivatives on fair value hedges	(50)	(6,702)
Loss/(gain) on financial assets fair value hedges	50	6,702
Other finance costs	138	2
	7,826	1,448

B5 Dividends and distributions

	31 December 2017		31 December 2016	
	Cents per security	Total \$'000	Cents per security	Total \$'000
Dividends/distributions paid during the half year				
Stapling dividend (fully franked)	-	-	17.27	13,331
Final year-end dividend (fully franked)	2.40	5,453	3.00	2,316
Final year-end distribution	2.80	6,361	-	-
Dividends/distributions declared during the half year				
Interim dividend (fully franked) ⁽ⁱ⁾	1.70	5,184	1.50	1,158
Interim distribution ⁽ⁱ⁾	2.40	7,314	0.80	618
Dividends and distributions paid/declared to Centuria Capital Group securityholders ⁽ⁱⁱ⁾	9.30	24,312	22.57	17,423

⁽ⁱ⁾ The Group declared a dividend/distribution in respect of the half year ended 31 December 2017 of 4.1 cents per stapled security which included a dividend of 1.7 cents per share and a distribution of 2.4 cents per security. The final dividend/distribution had a record date of 29 December 2017 and was paid on 31 January 2018. The total amount payable of \$12,497,520 has been provided as a liability in these financial statements.

⁽ⁱⁱ⁾ In addition to the dividends and distributions paid to Centuria Capital Group securityholders, the Group paid distributions of \$2,726,574 to external non-controlling Interests.

C Assets and liabilities

C1 Segment balance sheet

Half year ended 31 December 2017	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Reverse Mortgages \$'000	Corporate \$'000	Operating balance sheet \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory balance sheet \$'000
Assets											
		13,976	5,607	16,681	918	29,843	67,025	1,466	6,598	-	75,089
	C2	3,934	1,996	5,830	(25)	452	12,187	1,301	773	(306)	13,955
	C3	-	-	277,091	46,745	8,580	332,416	356,292	(52)	(7,365)	681,291
	C4	-	-	-	-	-	-	-	232,750	-	232,750
		102	228	100	33	996	1,459	-	-	-	1,459
	C5	157,663	-	-	-	-	157,663	-	-	-	157,663
		175,675	7,831	299,702	47,671	39,871	570,750	359,059	240,069	(7,671)	1,162,207
Liabilities											
	C6	1,939	990	9,728	802	8,245	21,704	22	8,826	(306)	30,246
		-	-	7,998	-	-	7,998	-	44,199	-	52,197
		703	-	-	-	776	1,479	-	-	-	1,479
	C7	-	-	125,310	8,944	-	134,254	-	123,644	(4,650)	253,248
		-	-	-	20,262	-	20,262	-	921	-	21,183
		-	-	-	-	-	-	352,999	-	-	352,999
		14,511	1,050	(123)	1,960	(13,345)	4,053	(659)	-	-	3,394
		1,523	(130)	-	(679)	(1,665)	(951)	6,697	-	-	5,746
		18,676	1,910	142,913	31,289	(5,989)	188,799	359,059	177,590	(4,956)	720,492
		156,999	5,921	156,789	16,382	45,860	381,951	-	62,479	(2,715)	441,715

Assets and liabilities

C1 Segment balance sheet (continued)

Financial year ended 30 June 2017	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Reverse Mortgages \$'000	Corporate \$'000	Operating balance sheet \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory balance sheet \$'000
Assets											
Cash and cash equivalents		11,403	4,451	29,211	1,252	9,417	55,734	9,869	8,779	-	74,382
Receivables	C2	8,809	1,117	2,766	(25)	675	13,342	2,924	889	(775)	16,380
Financial assets	C3	-	-	151,354	46,186	-	197,540	340,271	10,460	(12,812)	535,459
Property investments	C4	-	-	-	-	-	-	-	257,100	-	257,100
Other assets		124	38	-	-	1,389	1,551	-	-	-	1,551
Intangible assets	C5	157,663	-	-	-	-	157,663	-	-	-	157,663
Total assets		177,999	5,606	183,331	47,413	11,481	425,830	353,064	277,228	(13,587)	1,042,535
Liabilities											
Payables	C6	922	957	8,167	1,235	12,542	23,823	22	10,825	(775)	33,895
Liability to 360 Capital Group		-	-	7,938	-	-	7,938	-	48,518	-	56,456
Provisions		624	-	-	-	677	1,301	-	-	-	1,301
Borrowings	C7	(6)	-	98,125	9,147	-	107,266	-	131,487	(2,650)	236,103
Interest rate swap at fair value		-	-	-	18,190	-	18,190	-	1,134	-	19,324
Benefit Funds policy holders' liability		-	-	-	-	-	-	348,014	-	-	348,014
Provision for income tax		3,485	199	(123)	1,720	(2,497)	2,784	387	-	-	3,171
Deferred tax liability		422	(18)	-	(1)	(2,724)	(2,321)	4,641	-	-	2,320
Total liabilities		5,447	1,138	114,107	30,291	7,998	158,981	353,064	191,964	(3,425)	700,584
Net assets		172,552	4,468	69,224	17,122	3,483	266,849	-	85,264	(10,162)	341,951

Assets and liabilities

C2 Receivables

	31 December	30 June
	2017	2017
	\$'000	\$'000
Receivables from related parties (refer to note C2(a))	7,655	8,896
Other receivables	6,300	7,484
	13,955	16,380

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.

(a) Receivables from related parties

The following amounts were owed by related parties of the Group at the end of the financial period:

	31 December	30 June
	2017	2017
	\$	\$
Monthly management fees owing from property funds	2,674,475	2,627,836
Recoverable expenses owing from property funds	407,153	1,016,155
Interest receivable from Centuria Sandgate Road Fund	-	305,933
Acquisition fee receivable from Centuria Sandgate Road Fund	-	2,125,000
Distribution receivable from Centuria Metropolitan REIT	1,250,856	662,672
Distribution receivable from Centuria Industrial REIT	2,346,075	1,607,724
Distribution receivable from Centuria Sandgate Road Fund	20,912	-
Distribution receivable from Centuria Scarborough House Fund	-	26,455
Receivable from Over Fifty Guardian Friendly Society Limited	927,083	524,360
Distribution receivable from Centuria Diversified Property Fund	29,074	-
	7,655,628	8,896,135

C3 Financial assets

	31 December	30 June
	2017	2017
	\$'000	\$'000
Investments in trusts, shares and other financial instruments at fair value	389,794	324,497
Investment in related party unit trusts at fair value (refer to Note C3(a))	218,250	153,807
Loans receivable from other parties	25,980	-
Loans receivable from related parties (refer to Note C3(b))	522	10,969
Reverse mortgage receivables ⁽ⁱ⁾	28,194	27,675
Reverse mortgages - hedged item fair value adjustment	18,551	18,511
	681,291	535,459

⁽ⁱ⁾ Whilst some mortgages are likely to be repaid during the next 12 months, the Group does not control the repayment date.

Assets and liabilities

C3 Financial assets (continued)

(a) Investments in related party unit trusts carried at fair value through profit or loss

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

	31 December 2017			30 June 2017		
	Fair value \$	Units held	Ownership %	Fair value \$	Units held	Ownership %
Financial assets held by the Group						
Centuria Industrial REIT	122,866,577	48,372,668	19.5	81,877,894	33,148,975	15.6
Centuria Metropolitan REIT	66,067,270	27,643,209	11.4	38,858,876	15,481,624	8.7
Centuria Diversified Property Fund	7,581,298	5,574,484	28.0	-	-	-
Centuria Zenith Fund	-	-	-	6,050,000	5,000,000	6.4
Centuria Scarborough House Fund	102,826	102,826	-	4,365,826	4,622,826	10.0
Centuria SOP Fund	-	-	-	3,198,461	3,204,061	10.5
Centuria Woden Green Estate Development Fund	1,252,500	1,252,500	-	1,252,500	1,252,500	20.5
Centuria ATP Fund	-	-	-	650,000	500,000	0.8
Centuria 203 Pacific Highway Fund	-	-	-	104,000	100,000	0.3
Centuria 19 Corporate Drive Fund	-	-	-	90,213	76,452	0.5
Centuria 2 Wentworth Street Fund	-	-	-	65,000	50,000	0.2
Centuria 8 Central Avenue Fund 2	-	-	-	31,500	25,000	0.0
Centuria Australian Shares Bond	26,350	10,000	0.2	24,260	10,000	0.2
Centuria Balanced Bond	19,451	9,821	0.1	19,254	9,821	0.1
Centuria Growth Bond	20,784	3,276	0.0	-	-	-
Centuria High Growth Bond	-	-	-	18,785	10,000	0.3
	<u>197,937,056</u>			<u>136,606,569</u>		
Financial assets held by the Benefit Funds						
Centuria SOP Fund	935,600	1,000,000	-	-	-	-
Centuria 8 Australia Avenue Fund	14,856	1,458,635	7.7	1,562,198	1,458,635	7.7
Centuria Metropolitan REIT	16,821,537	70,383,000	2.9	13,168,321	5,246,343	2.9
Centuria Industrial REIT	2,540,000	1,000,000	-	2,470,000	1,000,000	0.5
	<u>20,311,993</u>			<u>17,200,519</u>		
	<u>218,249,049</u>			<u>153,807,088</u>		

Assets and liabilities

C3 Financial assets (continued)

(b) Loans receivable from related parties

The following short-term loans were receivable from related parties of the Group at the end of the financial period:

	31 December 2017 \$	30 June 2017 \$
Centuria Sandgate Road Fund	521,752	10,968,500

C4 Investment properties

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance	257,100	-
Acquisition of investment properties	-	249,700
Capital improvements and associated costs	4,574	2,232
Make good contributions	-	(675)
Gain/(loss) on fair value	(608)	3,630
Change in deferred rent and lease incentives	(316)	2,213
Deconsolidation of Havelock House Fund	(28,000)	-
Closing balance[^]	232,750	257,100

[^] The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$9,824,000 (30 June 2017: \$10,140,000).

	Fair value		Capitalisation rate				
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 %	30 June 2017 %			
Property					Most recent independent valuer cap rate	Last independent valuation date	31 December 2017 valuer
111 St George Terrace, Perth WA	144,000	142,500	7.00%	7.25%	7.00%	30/11/2017	Director
City Centre Plaza, Rockhampton Qld	46,500	46,000	7.00%	7.00%	7.00%	30/11/2017	Director
Havelock House, West Perth WA	-	28,000	-%	7.00%	-%		
Windsor Marketplace, Windsor NSW	22,250	22,100	6.50%	6.50%	6.50%	30/11/2017	Director
441 Murray Street, Perth WA	20,000	18,500	8.00%	8.00%	8.00%	30/11/2017	Director
Total fair value	232,750	257,100					

C4 Investment properties (continued)

Key estimate and judgements

(a) Valuation techniques and significant unobservable inputs

The fair value of the investment properties were determined by the Directors of the Responsible Entity of the relevant funds or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach: the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach: this approach incorporates the estimation of future annual cash flows over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach: this approach identifies comparable sales on a dollar per square metre of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

The most significant unobservable input used in the above valuation techniques and its relationship with fair value measurement is the capitalisation rate. The higher/lower the rate, the lower/higher fair value.

(b) Fair value measurement

The fair value measurement of investment properties has been categorised as a Level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Assets and liabilities

C5 Intangible assets

	31 December 2017 \$'000	30 June 2017 \$'000
Goodwill	65,535	65,535
Indefinite life management rights	92,128	92,128
	157,663	157,663

	31 December 2017 \$'000	30 June 2017 \$'000
Balance at the beginning of the period	157,663	53,025
Acquired goodwill	-	12,510
Acquired management rights	-	92,128
	157,663	157,663

Goodwill and management rights are solely attributable to the Property Funds Management cash generating unit 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 five years.

C6 Payables

	31 December 2017 \$'000	30 June 2017 \$'000
Sundry creditors ⁽ⁱ⁾	12,287	15,322
Dividend/distribution payable	13,008	12,351
Accrued expenses	4,951	6,222
	30,246	33,895

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

C7 Borrowings

	31 December 2017 \$'000	30 June 2017 \$'000
Fixed rate secured notes (refer to Note C7(a))	83,000	60,000
Floating rate secured notes (refer to Note C7(a))	40,000	40,000
Reverse mortgage bill facilities and notes (refer to Note C7(c))	8,944	9,147
Bank loans in Controlled Property Funds (refer to Note C7(d))	120,994	128,837
Borrowing costs capitalised	(1,690)	(1,881)
Other loans	2,000	-
	253,248	236,103

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

Assets and liabilities

C7 Borrowings (continued)

(a) Secured notes

The Group issued Tranche 1 of secured corporate notes to the value of \$100,000,000 on 21 April 2017. This consisted of an issue of \$40,000,000 floating rate secured notes and \$60,000,000 7% fixed rate secured notes. The Group issued Tranche 2 to the value of \$23,000,000 7% fixed rate secured notes on 11 September 2017. These notes mature on 21 April 2021 and are secured against assets within certain subsidiaries of the Group.

(b) Corporate facility (secured)

The Group has a multi option facility with National Australia Bank. The facility limit is \$30,500,000, maturing 28 February 2018.

	31 December 2017 \$'000	30 June 2017 \$'000
Total facility available	30,500	30,500
Bank guarantee utilised ¹	(532)	(8,032)
Unused facility available at the end of the period	29,968	22,468

¹ Bank guarantee is not included in the borrowings note above

(c) Reverse mortgage bill facilities and notes (secured)

As at 31 December 2017, the Group had \$8,943,624 (30 June 2017: \$9,146,855) non-recourse notes on issue to ANZ Bank, secured over the remaining reverse mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) currently due to mature on 30 September 2018.

The facility limit is \$10,000,000 (30 June 2017: \$15,000,000) and is reassessed every 6 to 12 months with a view to reducing the facility in line with the reduction in the reverse mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month.

	31 December 2017 \$'000	30 June 2017 \$'000
Facility Limit	10,000	15,000
Amount used at reporting date	(8,944)	(9,147)
Amount unused at reporting date	1,056	5,853

Assets and liabilities

C7 Borrowings (continued)

(d) Bank Loans - Controlled Property Funds (secured)

Each controlled property fund has debt facilities secured by first mortgage over each of the fund's investment property and a first ranking fixed and floating charge over all assets of each of the funds. Details of the amounts drawn and the maturity of each facility are as follows:

Fund	Current/ non-current classification	Maturity date	Facility limit \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Draw down \$'000
31 December 2017							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2019	81,500	7,420	74,080	(129)	73,951
Centuria Retail Fund	Current	30 June 2018	37,400	1,823	35,577	(38)	35,539
Centuria 441 Murray Street Fund	Current	30 June 2018	12,000	439	11,561	(57)	11,504
							<u>120,994</u>
30 June 2017							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2019	81,500	10,839	70,661	(128)	70,533
Centuria Retail Fund	Current	30 June 2018	37,400	1,823	35,577	(76)	35,501
Centuria Havelock House Fund	Current	31 May 2018	13,000	1,000	12,000	(14)	11,986
Centuria 441 Murray Street Fund	Current	30 June 2018	12,000	1,159	10,841	(24)	10,817
							<u>128,837</u>

C8 Contributed equity

	31 December 2017		30 June 2017	
	No. of securities	\$'000	No. of securities	\$'000
Centuria Capital Limited				
Balance at beginning of the period	229,815,736	77,323	76,631,699	88,058
Equity based payment	875,401	535	563,034	356
Return of capital reinvested in CCF	-	-	-	(39,205)
Stapled securities issued	74,102,037	21,494	152,621,003	28,826
Cost of equity raising	-	(818)	-	(712)
Balance at end of period	304,793,174	98,534	229,815,736	77,323
Centuria Capital Fund (non-controlling interests)				
Balance at beginning of the period	229,815,736	170,672	-	-
Equity based payment	875,401	-	-	-
Stapling dividend and return of capital reinvested	-	-	77,194,733	52,536
Stapled securities issued	74,102,037	77,146	152,621,003	124,174
Cost of equity raising	-	(2,875)	-	(6,038)
Balance at end of the period	304,793,174	244,943	229,815,736	170,672

Fully paid ordinary securities carry one vote per security and carry the right to distributions.

On 29 June 2017, the Group issued 20,098,470 options to subscribe for stapled securities. The options have an exercise price of \$1.30 per stapled security and expire on 29 June 2022.

C9 Commitments and contingencies

(a) Commitments

As at 31 December 2017 the, Group had a capital commitment of \$77,220,000. This related to an unconditional put and call option agreement regarding a 50% interest in 201 Pacific Highway, St Leonards. The put option has a settlement date of 10 June 2018.

(b) Contingencies

The Group has bank guarantees of \$532,304 for commercial leases with respect to its Sydney and Melbourne office premises.

The above guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the statement of financial position.

D Cash flows

D1 Operating segment cash flows ⁽ⁱ⁾

For the half year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Management fees received	56,840	23,819
Distributions received	5,631	1,101
Interest received	749	271
Other income received	421	-
Payments to suppliers and employees	(24,659)	(13,732)
Income tax paid	(6,670)	(2,276)
Interest paid	(4,116)	(835)
Net cash provided by operating activities	28,196	8,348
Cash flows from investing activities		
Proceeds from sale of related party investments	47,167	-
Proceeds from sale of investments	-	40,387
Cash balance on acquisition of subsidiaries	-	10,671
Repayment of loans by related parties	2,000	7,072
Collections from reverse mortgage holders	712	324
Purchase of investments in related parties	(97,732)	-
Purchase of other investments	(52,723)	(6,721)
Payments for plant and equipment	(213)	-
Loans provided to other parties	(25,980)	-
Loans to related parties for purchase of properties	-	(3,616)
Net cash (used in)/provided by investing activities	(126,769)	48,117
Cash flows from financing activities		
Proceeds from issue of securities	98,639	-
Proceeds from borrowings	27,375	-
Repayment of borrowings	(203)	(26,961)
Equity raising costs paid	(3,692)	(1,470)
Distributions paid	(11,814)	(2,315)
Capitalised borrowing costs paid	(441)	-
Net cash provided by/(used in) financing activities	109,864	(30,746)
Net increase in operating cash and cash equivalents	11,291	25,719
Cash and cash equivalents at the beginning of the period	55,734	12,948
Cash and cash equivalents at the end of the period	67,025	38,667

(i) The operating segment cash flows support the segment note disclosures of the Centuria Capital Limited and provide details in relation to the Operating Segment cash flows performance of the Group. The Operating Segment cash flows exclude the impact of cash flows attributable to Benefit Funds and Controlled Property Funds. Refer to page 10 of the consolidated interim financial statements for the full statutory cash flow statement of the Group.

E Group Structure

E1 Business combination

(a) Current period

During the current period, there were no business combinations.

(b) Prior period

(i) Stapling

The stapling of the Company and Centuria Capital Fund (CCF) was approved at an Extraordinary General Meeting of the shareholders of the Company on 10 October 2016. Following approval of the stapling, shares in the Company and units in CCF were stapled to one another on 17 October 2016 and are traded as a single security on the ASX. Details of this business combination were disclosed in Note E1(a) of the group's annual financial statements for the year ended 30 June 2017.

(ii) 360 Capital acquisition

On 23 November 2016, the Group announced the purchase of all of the shares in Centuria Property Funds No. 2 Limited (formerly 360 Capital Investment Management Limited) ('CPF2L') and associated management rights over listed and unlisted property investment funds for which CPF2L is the responsible entity from 360 Capital Group Limited ('360 Capital'). Also as part of the acquisition, the Group agreed to acquire various stakes in those listed and unlisted funds. Details of this business combination were disclosed in Note E1(b) of the Group's annual financial statements for the year ended 30 June 2017.

F Other

F1 Fair value of financial instruments

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

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

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

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

31 December 2017	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	75,089	75,089
Receivables	Amortised cost	Level 2	13,955	13,955
Financial assets at fair value	Fair value	Level 1	225,205	225,204
Financial assets at fair value	Fair value	Level 2	408,130	408,130
Financial assets at fair value	Fair value	Level 3	1,212	1,212
Reverse mortgages receivables	Amortised cost	Level 3	28,194	28,194
Reverse mortgages - hedged item fair value adjustment	Fair value	Level 3	18,551	18,551
			<u>770,336</u>	<u>770,335</u>

Financial liabilities				
Payables	Amortised cost	Level 2	30,246	30,246
Liability to 360 Capital Group	Amortised cost	Level 2	52,197	52,197
Benefit Funds policy holders' liability	Amortised cost	Level 2	352,999	352,999
Borrowings	Amortised cost	Level 2	253,248	252,626
Interest rate swaps at fair value	Fair value	Level 2	921	921
Interest rate swaps at fair value	Fair value	Level 3	20,262	20,262
			<u>709,873</u>	<u>709,251</u>

30 June 2017	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	74,382	74,382
Receivables	Amortised cost	Level 2	16,380	16,380
Financial assets at fair value	Fair value	Level 1	142,894	142,894
Financial assets at fair value	Fair value	Level 2	345,164	345,164
Financial assets at fair value	Fair value	Level 3	1,215	1,215
Reverse mortgages receivables	Amortised cost	Level 3	27,675	27,675
Reverse mortgages - hedged item fair value adjustment	Fair value	Level 3	18,511	18,511
			<u>626,221</u>	<u>626,221</u>

F1 Fair value of financial instruments (continued)

30 June 2017	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial liabilities				
Payables	Amortised cost	Level 2	33,895	33,895
Liability to 360 Capital Group	Amortised cost	Level 2	56,456	56,456
Benefit Funds policy holders' liability	Amortised cost	Level 2	348,014	348,014
Borrowings	Amortised cost	Level 2	236,103	237,019
Interest rate swaps at fair value	Fair value	Level 2	1,134	1,134
Interest rate swaps at fair value	Fair value	Level 3	18,190	18,190
Total			693,792	694,708

The Group determines Level 2 fair values for financial assets and liabilities without an active market based on broker quotes. Level 2 fair values for simple over-the-counter derivatives are also based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty where appropriate.

The Level 3 financial asset held by the Group is the fair value of the residential mortgage receivables attributable to interest rate risk. The Level 3 financial liability held by the Group is the fixed-for-life interest rate swaps. These items are designated in a fair value hedging relationship, with the fair value movements on the swaps offset by the fair value movements in the mortgage receivables. However, as the Group has only designated the fair value movements attributable to interest rate risk in the hedging relationship, any other fair value movements impact the profit and loss directly, such as credit risk movements.

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

Half year ended 31 December 2017	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Total \$'000
Balance at 1 July 2017	1,215	46,187	(18,191)	29,211
Loan repaid	-	(637)	182	(455)
Accrued interest	-	1,245	(740)	505
Attributable to interest rate risk	(3)	(50)	50	(3)
Attributable to credit risk	-	-	(1,563)	(1,563)
Balance at 31 December 2017	1,212	46,745	(20,262)	27,695

Year ended 30 June 2017	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Total \$'000
Balance at 1 July 2016	1,214	51,561	(20,753)	32,022
Loan repaid	-	(1,208)	311	(897)
Accrued interest	1	2,400	(1,422)	979
Attributable to interest rate risk	-	(6,566)	6,566	-
Attributable to credit risk	-	-	(2,893)	(2,893)
Balance at 30 June 2017	1,215	46,187	(18,191)	29,211

F1 Fair value of financial instruments (continued)

Key estimates and judgements

The fair value of the 50 year residential mortgage loans and 50 year swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 20 years, with the yield curve at 20 years employed as the best proxy for subsequent rates due to non-observable market data and to reflect the average remaining life expectancy of the borrowers.

Mortality rates for males and females have been assumed to be consistent with 2013 Life Tables. Mortality improvements of 3% p.a. are assumed starting at age 70. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100. Joint life mortality is calculated based on last death for loans with joint borrowers. 42% of the residential mortgage loan portfolio consists of joint lives.

F2 New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 9 Financial instruments

(i) Nature of change

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

(ii) Impact

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the likely impact on the Group's financial assets is as follows:

- equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under AASB 9
- debt instruments (with the exception of reverse mortgage receivables) currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under AASB 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets, however the analysis for whether the reverse mortgage receivables is yet to be performed and therefore the classification of these receivables could be impacted.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact as a result of the hedging changes.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

F2 New Accounting Standards and Interpretations (continued)

(a) AASB 9 Financial instruments (continued)

(iii) Mandatory application date

Must be applied for financial years commencing on or after 1 January 2018, but available for early adoption. therefore mandatory application to the Group would be year ending 30 June 2019.

The Group does not intend to adopt AASB 9 before its mandatory date.

(b) AASB 15 Revenue from Contracts with Customers

(i) Nature of change

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

(ii) Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Performance fees are currently recognised upon satisfaction of all conditions precedent to the sale of an investment property and when significant risks and rewards have transferred. Under the new standard, the Group will need to consider whether a minimum amount of consideration should be recognised at an earlier point in time. This will include an assessment of the facts and circumstances as to whether it is highly probable that the amount of the performance fees would not result in a significant reversal of cumulative revenue recognised when the uncertainty is resolved.

Other than performance fees, the Group has not yet made an assessment of all other fees and management contracts but timing and classification of fees could be impacted.

At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will continue to assess the effects of the new standard in more detail over the next twelve months.

(iii) Mandatory application date

Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2019.

The Group does not intend to adopt AASB 15 before its mandatory date.

(c) AASB 16 Leases

(i) Nature of change

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

(ii) Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

F2 New Accounting Standards and Interpretations (continued)

(c) AASB 16 Leases (continued)

(iii) Mandatory application date

Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2020.

At this stage, the Group has not concluded whether it intends to adopt AASB 16 before its mandatory date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

F3 Events subsequent to the reporting date

There has not arisen in the interval between 31 December 2017 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

In the opinion of the Directors' of Centuria Capital Limited:

- (a) the consolidated interim financial statements and notes set out on pages 5 to 33 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Mr Garry S. Charny
Director
Sydney



Mr Peter J. Done
Director
Sydney

15 February 2018



Independent Auditor's Review Report

To the stapled security holders of Centuria Capital Group

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Capital Limited (the Company) as the deemed parent presenting the stapled security arrangement of the Centuria Capital Group (the **Stapled Group** Interim Financial Report).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Centuria Capital Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2017.
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Notes A1 to F3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Stapled Group** comprises Centuria Capital Limited and the entities it controlled at the Half-year's end or from time to time during the Half-year and Centuria Capital Fund and the entities it controlled at the Half-year end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:


- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

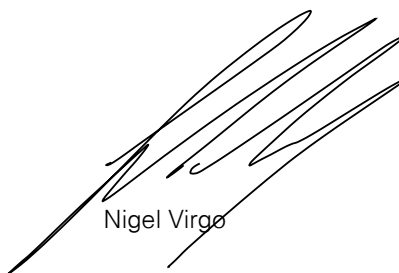
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stapled Group's financial position as at 31 December 2017 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Group, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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



KPMG



Nigel Virgo

Partner

Sydney

15 February 2018



Centuria Capital Fund Interim Financial Report for the half year ended 31 December 2017

Centuria Capital Fund comprises of Centuria Capital Fund ARSN 613 856 358 (the 'Fund') and its subsidiaries. The Responsible entity of the Fund is Centuria Funds Management Limited (the 'Company') ACN 607 153 588, AFSL 479 873.

**Centuria Capital Fund
Interim Financial Report - 31 December 2017**

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These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital Fund and its subsidiaries. The interim financial statements are presented in the Australian currency.

Centuria Capital Fund is a trust, registered and domiciled in Australia. Its registered office and principal place of business is:

Centuria Capital Fund
Level 39, 100 Miller Street 100 Miler Street
North Sydney NSW 2060

The consolidated interim financial statements were authorised for issue by the Directors of the Responsible Entity on 15 February 2018. The Directors have the power to amend and reissue the consolidated interim financial statements.

Directors' report

The directors of Centuria Funds Management Limited (the 'Company') as the Responsible Entity for Centuria Capital Fund (the 'Fund') present their interim report together with the consolidated interim financial statements of the Fund and its controlled entities (the 'Group') for the half year ended 31 December 2017 and the auditor's review report thereon.

Directors

The following persons were directors of the Company during the whole of the half year and up to the date of this report:

Director	Role	Appointment Date
Mr Garry S Charny	Independent Non-Executive Director and Chairman	8 August 2016
Mr Peter J. Done	Independent Non-Executive Director	8 August 2016
Mr John R. Slater	Independent Non-Executive Director	8 August 2016
Ms Susan Wheeldon-Steele	Independent Non-Executive Director	31 August 2016
Mr John E. McBain	Executive Director and Chief Executive Officer	8 August 2016
Mr Jason C. Huljich	Executive Director	8 August 2016
Mr Nicholas R. Collishaw	Executive Director	8 August 2016

Operating and financial review

The Group's profit from continuing operations for the half year ended 31 December 2017 was \$15,379,000 (half year ended 31 December 2016: loss of \$430,000).

Earnings per security (EPS)

	31 December 2017	31 December 2016
Basic EPS (cents/security)	5.1	(0.6)
Diluted EPS (cents/security)	4.6	(0.6)

Distributions

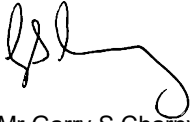
Distributions paid or declared by the Group during the current half year were:

Distributions paid during the half year	Cents per security	Total amount \$'000	Date paid/payable
Final 2017 distribution (66% tax deferred)	2.80	6,361	24 August 2017
Distributions declared during the half year			
Interim 2018 distribution (estimated 50% tax deferred)	2.40	7,314	31 January 2018
Total amount	5.20	13,675	

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and interim financial statements. Amounts in the Directors' Report and interim financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors.



Mr Garry S Charney
Director



Mr Peter J. Done
Director

15 February 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Centuria Funds Management Limited, the Responsible entity
of Centuria Capital Fund

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended
31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo

Partner

Sydney

15 February 2018

Centuria Capital Fund

Interim financial report 31 December 2017

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Consolidated interim statement of comprehensive income

For the half year ended 31 December 2017

		31 December 2017 \$'000	31 December 2016 * \$'000
Revenue	Notes B1	23,719	786
Expenses	B2	(5,453)	(1,216)
Fair value movements of financial instruments and property		3,999	-
Finance costs	B3	(6,886)	-
Profit/(Loss) after tax		15,379	(430)
Profit/(loss) is attributable to:			
Centuria Capital Fund		12,656	(430)
Non-controlling interests		2,723	-
Profit/(loss) after tax		15,379	(430)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		15,379	(430)
Total comprehensive income/(loss) for the period is attributable to:			
Centuria Capital Fund		12,656	(430)
Non-controlling interests		2,723	-
Total comprehensive income/(loss)		15,379	(430)
Total comprehensive income/(loss) for the period is attributable to unitholders of Centuria Capital Fund		12,656	(430)
		Cents	Cents
Earnings/(loss) per Centuria Capital Fund unit:			
Basic (cents per unit)		5.1	(0.6)
Diluted (cents per unit)		4.6	(0.6)

*See Note A4 for details regarding the restatement of comparative.

The above consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated interim balance sheet

As at 31 December 2017

	31 December 2017 Notes	30 June 2017 \$'000
Assets		
Cash and cash equivalents	22,516	36,775
Receivables	C1 6,971	7,798
Financial assets at fair value	C2 356,460	239,381
Investment properties	C3 232,750	257,100
Other assets	100	-
Total assets	618,797	541,054
Liabilities		
Payables	C4 18,264	18,327
Liability to 360 Capital Group	52,197	56,456
Borrowings	C5 246,304	226,962
Interest rate swaps at fair value	920	1,134
Total liabilities	317,685	302,879
Net assets	301,112	238,175
Equity		
Equity attributable to Centuria Capital Fund		
Contributed equity	C6 244,943	170,672
Retained earnings	(2,631)	(7,821)
Total equity attributable to Centuria Capital Fund	242,312	162,851
Equity attributable to external non-controlling interests		
Contributed equity	34,782	45,367
Retained earnings	24,018	29,957
Total equity attributable to external non-controlling interests	58,800	75,324
Total equity	301,112	238,175

The above consolidated interim balance sheet should be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the half year ended 31 December 2017

	Centuria Capital Fund			Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
Balance at 1 July 2017	170,672	(7,821)	162,851	45,367	29,957	75,324	238,175
Profit/(loss) for the year	-	12,656	12,656	-	2,723	2,723	15,379
Total comprehensive income for the period	-	12,656	12,656	-	2,723	2,723	15,379
Dividends and distributions paid/accrued	-	(7,314)	(7,314)	-	(3,601)	(3,601)	(10,915)
Stapled securities issued	77,146	-	77,146	-	-	-	77,146
Cost of equity raising	(2,875)	-	(2,875)	-	-	-	(2,875)
Deconsolidation of controlled property funds	-	(152)	(152)	(10,585)	(5,061)	(15,646)	(15,798)
Balance at 31 December 2017	244,943	(2,631)	242,312	34,782	24,018	58,800	301,112

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the period ended 31 December 2016

	Centuria Capital Fund			Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
Balance at 20 July 2016	-	-	-	-	-	-	-
Profit/(loss) for the year	-	(430)	(430)	-	-	-	(430)
Total comprehensive income for the period	-	(430)	(430)	-	-	-	(430)
Acquisition of subsidiaries with non-controlling interests	-	-	-	39,372	28,568	67,940	67,940
Fair value loss on acquisition (impact of transaction as part of stapled group)	-	(11,100)	(11,100)	-	-	-	(11,100)
Dividends and distributions paid/accrued	-	(618)	(618)	-	-	-	(618)
Units issued as part of stapling	52,536	-	52,536	-	-	-	52,536
Cost of equity raising	(5,884)	-	(5,884)	-	-	-	(5,884)
Stapled securities issued	121,200	-	121,200	-	-	-	121,200
Balance at 31 December 2016	167,852	(12,148)	155,704	39,372	28,568	67,940	223,644

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

For the half year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Rent received	12,281	-
Distributions received	5,649	116
Interest received	538	57
Other income	110	-
Payments to suppliers	(7,540)	(238)
Interest paid	(6,354)	-
Net cash provided by/(used in) operating activities	4,684	(65)
Cash flows from investing activities		
Payments in relation to investment properties	(4,898)	-
Cash balance on acquisition of subsidiaries	-	21,556
Repayment of loans by related parties	5,605	-
Loans to related parties for purchase of properties	-	(3,616)
Cash balance on consolidation of unlisted funds	-	6,937
Acquisition of investments in unlisted funds	-	(1,230)
Purchase of other investments	(49,723)	-
Purchase of investments in related parties	(94,237)	-
Proceeds from sale of related party investments	47,167	856
Deconsolidation of controlled property funds cash balance	(766)	-
Loans provided to other parties	(17,400)	-
Net cash (used in)/provided by investing activities	(114,252)	24,503
Cash flows from financing activities		
Proceeds from borrowings	31,447	-
Capitalised borrowing costs paid	(447)	-
Distributions paid to unitholders of Centuria Capital Fund	(6,361)	-
Distributions paid to non-controlling interests	(3,601)	-
Proceeds from issues of units to unitholders of Centuria Capital Fund	77,146	-
Equity raising costs paid	(2,875)	-
Net cash provided by financing activities	95,309	-
Net (decrease)/increase in cash and cash equivalents	(14,259)	24,438
Cash and cash equivalents at the beginning of the financial period	36,775	-
Cash and cash equivalents at end of period	22,516	24,438

The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

A About the report

A1 General information

The units in the Centuria Capital Fund (the 'Fund') and the shares in Centuria Capital Limited ('CCL') are stapled to trade together as a single stapled security ('Stapled Security') on the ASX as 'Centuria Capital Group' under the ticker code, 'CNI'.

The Fund and its controlled entities (the "Group") is a for-profit entity and its principal activities are holding direct interest in property funds and other liquid investments.

Statement of compliance

The consolidated interim financial statements for the half year ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2017 and any public announcements made by the Centuria Capital Group during the half year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The consolidated interim financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, financial assets at fair value through profit and loss and other financial assets, which have been measured at fair value at the end of each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the company's functional currency, unless otherwise noted.

Assets and liabilities have been presented on the face of the statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and consolidated interim financial statements. Amounts in the Directors' Report and consolidated interim financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2017 unless specifically outlined below or in the relevant notes to the consolidated interim financial statements.

When the presentation or classification of items in the consolidated interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

A3 Use of judgements and estimates

In preparing these consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2017.

A4 Restatement of comparative

The net loss for the prior period ending 31 December 2016 was \$11,530,000. This has been restated to a loss of \$430,000 as a result of the reclassification of fair value loss on acquisition of property funds of \$11,100,000 from the statement of comprehensive income to movement in retained earnings to reflect the impact of the transaction as part of stapled group.

B Business performance

B1 Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Rent and recoverable outgoings	11,239	-
Distribution revenue	8,632	399
Interest revenue	3,741	387
Other income	107	-
	<u>23,719</u>	<u>786</u>

(a) Transactions with related parties

	31 December 2017 \$	31 December 2016 \$
Distributions from Property Funds managed by Centuria	6,798,452	398,658
Interest income on loan to Centuria Finance Pty Limited	3,524,857	279,384
	<u>10,323,309</u>	<u>678,042</u>

B2 Expenses

	31 December 2017 \$'000	31 December 2016 \$'000
Consulting and professional fees	202	-
Property outgoings and fund expenses	5,222	-
Corporate restructure and transaction costs	-	1,177
Other expenses	29	39
	<u>5,453</u>	<u>1,216</u>

(a) Transactions with related parties

	31 December 2017 \$	31 December 2016 \$
Management and custodian fees paid to Centuria Property Funds No. 2 Limited	744,840	-
Management fees paid to Centuria Funds Management Limited	100,000	41,096
	<u>844,840</u>	<u>41,096</u>

B3 Finance costs

	31 December 2017 \$'000	31 December 2016 \$'000
Operating interest charges	4,213	-
Bank loans in Property Funds interest charges	2,673	-
	<u>6,886</u>	<u>-</u>

Business performance

B4 Distributions

	31 December 2017		31 December 2016	
	Cents per unit	Total \$'000	Cents per unit	Total \$'000
Distributions paid during the half year				
Final year-end distribution	2.80	6,361	-	-
Distributions declared during the half year				
Interim distribution ⁽ⁱ⁾	2.40	7,314	0.80	618
Total distributions paid/declared to Centuria Capital Fund unitholders ⁽ⁱⁱ⁾	5.20	13,675	0.80	618

⁽ⁱ⁾ The Group declared a distribution in respect of the half year ended 31 December 2017 of 2.40 cents per unit. The final distribution had a record date of 29 December 2017 and was paid on 31 January 2018. The total amount payable of \$7,314,036 has been provided as a liability in these financial statements.

⁽ⁱⁱ⁾ In addition to the dividends and distributions paid to Centuria Capital Fund unitholders, the Group paid distributions of \$2,726,574 to external non-controlling Interests.

C Assets and liabilities

C1 Receivables

	31 December 2017 \$'000	30 June 2017 \$'000
Receivables from related parties (refer to note C1(a))	3,949	6,623
Other receivables	3,022	1,175
	6,971	7,798

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.

(a) Receivables from related parties

The following amounts owed by other related parties of the Group at the end of the financial period:

	31 December 2017 \$	30 June 2017 \$
Intercompany receivables from Corporate entities within Centuria Capital Group	415,303	4,020,101
Distribution receivable from Centuria Industrial REIT	2,288,656	1,607,724
Distribution receivable from Centuria Metropolitan REIT	1,195,039	662,672
Interest receivable from Centuria Sandgate Road Fund	-	305,933
Distribution receivable from Centuria Scarborough House Fund	-	26,455
Distribution receivable from Centuria Sandgate Road Fund	20,912	-
Distribution receivable from Centuria Diversified Property Fund	29,074	-
	3,948,984	6,622,885

C2 Financial assets at fair value

	31 December 2017 \$'000	30 June 2017 \$'000
Investments in trusts and other financial assets	51,588	1,152
Investment in related party unit trusts (refer to Note C2(a))	192,710	136,545
Loans receivable from related parties (refer to Note C2(b))	94,762	101,684
Loans receivable from other parties	17,400	-
	356,460	239,381

Assets and liabilities

C2 Financial assets at fair value (continued)

(a) Investments in related party unit trusts carried at fair value through profit or loss

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

	31 December 2017			30 June 2017		
	Fair value \$'000	Units held	Ownership %	Fair value \$'000	Units held	Ownership %
Financial assets held by the Group						
Centuria Industrial REIT	119,854,721	47,186,898	19.03%	81,877,894	33,148,945	15.54%
Centuria Metropolitan REIT	63,918,454	26,744,123	11.04%	38,858,876	15,481,624	8.68%
Centuria Diversified Property Fund	7,581,298	5,574,484	28.01%	-	-	0%
Centuria Woden Green Estate Development Fund	1,252,500	1,252,500	20.53%	1,252,500	1,252,500	20.53%
Centuria Scarborough House Fund	102,826	102,826	0.22%	4,365,826	4,622,826	10.03%
Centuria Zenith Fund	-	-	0%	6,050,000	5,000,000	6.35%
Centuria ATP Fund	-	-	0%	650,000	500,000	0.81%
Centuria 19 Corporate Drive Fund	-	-	0%	90,213	76,452	0.48%
Centuria 8 Central Avenue Fund 2	-	-	0%	31,500	25,000	0.04%
Centuria SOP Fund	-	-	0%	3,198,461	3,204,061	10.52%
Centuria 203 Pacific Highway Fund	-	-	0%	104,000	100,000	0.33%
Centuria 2 Wentworth Street Fund	-	-	0%	65,000	50,000	0.18%
	192,709,799			136,544,270		

Assets and liabilities

C2 Financial assets at fair value (continued)

(b) Loans receivable from related parties

The following short-term loans were receivable from related parties of the Group at the end of the financial period:

	31 December 2017 \$	30 June 2017 \$
Centuria Finance Pty Limited	94,239,730	90,714,873
Centuria Sandgate Road Fund	521,752	10,968,500
	94,761,482	101,683,373

C3 Investment properties

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance	257,100	-
Acquisition of investment properties	-	249,700
Capital improvements and associated costs	4,574	2,232
Make good contributions	-	(675)
Gain/(loss) on fair value	(608)	3,630
Change in deferred rent and lease incentives	(316)	2,213
Deconsolidation of Havelock House Fund	(28,000)	-
Closing balance[^]	232,750	257,100

[^] The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$9,824,000 (30 June 2017: \$10,140,000).

	Fair value		Capitalisation rate				
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 %	30 June 2017 %			
Property					Most recent independent valuer cap rate	Last independent valuation date	31 December 2017 valuer
111 St George Terrace, Perth WA	144,000	142,500	7.00%	7.25%	7.00%	30/11/2017	Director
City Centre Plaza, Rockhampton Qld	46,500	46,000	7.00%	7.00%	7.00%	30/11/2017	Director
Havelock House, West Perth WA	-	28,000	-%	7.00%	-%		
Windsor Marketplace, Windsor NSW	22,250	22,100	6.50%	6.50%	6.50%	30/11/2017	Director
441 Murray Street, Perth WA	20,000	18,500	8.00%	8.00%	8.00%	30/11/2017	Director
Total fair value	232,750	257,100					

Assets and liabilities

C3 Investment properties (continued)

Key estimate and judgements

(a) Valuation techniques and significant unobservable inputs

The fair value of the investment properties were determined by the Directors of the Responsible Entity of the relevant funds or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach: the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach: this approach incorporates the estimation of future annual cash flows over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach: this approach identifies comparable sales on a dollar per square metre of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

The most significant unobservable input used in the above valuation techniques and its relationship with fair value measurement is the capitalisation rate. The higher/lower the rate, the lower/higher fair value.

(b) Fair value measurement

The fair value measurement of investment properties has been categorised as a Level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

C4 Payables

	31 December 2017 \$'000	30 June 2017 \$'000
Sundry creditors ⁽ⁱ⁾	10,272	10,467
Distribution Payable	7,825	6,898
Accrued expenses	167	962
	18,264	18,327

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

C5 Borrowings

Assets and liabilities

C5 Borrowings (continued)

	31 December 2017 \$'000	30 June 2017 \$'000
Fixed rate secured notes (refer to Note C5(a))	85,000	60,000
Floating rate secured notes (refer to Note C5(a))	40,000	40,000
Bank loans in Property Funds (refer to Note C5(b))	120,994	128,837
Borrowing costs capitalised	(1,690)	(1,875)
Other loans	2,000	-
	246,304	226,962

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

(a) Corporate notes (secured)

The Group issued Tranche 1 of secured corporate notes to the value of \$100,000,000 on 21 April 2017. This consisted of an issue of \$40,000,000 floating rate secured notes and \$60,000,000 7% fixed rate secured notes. The Group issued Tranche 2 to the value of \$25,000,000 7% fixed rate secured notes on 11 September 2017. These notes mature on 21 April 2021 and are secured against assets within certain subsidiaries of the Group.

Assets and liabilities

C5 Borrowings (continued)

(b) Bank loans - Property Funds (secured)

Each controlled property fund has debt facilities secured by first mortgage over each of the fund's investment property and a first ranking fixed and floating charge over all assets of each of the funds. Details of the amounts drawn and the maturity of each facility are as follows:

Fund	Current/non-current classification	Maturity date	Facility limit \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Draw down \$'000
31 December 2017							
Centuria 111 St							
Georges Terrace Fund	Non-current	30 June 2019	81,500	7,420	74,080	(129)	73,951
Centuria Retail Fund	Current	30 June 2018	37,400	1,823	35,577	(38)	35,539
Centuria 441 Murray Street Fund	Current	30 June 2018	12,000	439	11,561	(57)	11,504
							<u>120,994</u>
30 June 2017							
Centuria 111 St							
Georges Terrace Fund	Non-current	30 June 2019	81,500	10,839	70,661	(128)	70,533
Centuria Retail Fund	Current	30 June 2018	37,400	1,823	35,577	(76)	35,501
Centuria Havelock House Fund	Current	31 May 2018	13,000	1,000	12,000	(14)	11,986
Centuria 441 Murray Street Fund	Current	30 June 2018	12,000	1,159	10,841	(24)	10,817
							<u>128,837</u>

C6 Contributed equity

	31 December 2017		30 June 2017	
	No. of securities	\$'000	No. of securities	\$'000
Balance at beginning of the period	229,815,736	170,672	-	-
Stapling dividend and return of capital reinvested	-	-	77,194,733	52,536
Equity based payment	875,401	-	-	-
Stapled securities issued	74,102,037	77,146	152,621,003	124,174
Cost of equity raising	-	(2,875)	-	(6,038)
Balance at end of the period	<u>304,793,174</u>	<u>244,943</u>	229,815,736	170,672

Fully paid ordinary securities carry one vote per security and carry the right to distributions.

On 29 June 2017, the Group issued 20,098,470 options to subscribe for stapled securities. The options have an exercise price of \$1.30 per stapled security and expire on 29 June 2022.

D Group Structure

D1 Business combination

(a) Current period

During the current period, there were no business combinations.

(b) Prior period

(i) Stapling

The stapling of the Fund and Centuria Capital Limited (CCL) was approved at an Extraordinary General Meeting of the shareholders of the CCL on 10 October 2016. Following approval of the stapling, shares in CCL and units in the Fund were stapled to one another on 17 October 2016 and are traded as a single security on the ASX. Details of this business combination were disclosed in Note E1(a) of the group's annual financial statements for the year ended 30 June 2017.

(ii) 360 Capital acquisition

On 23 November 2016, the Centuria Capital Group announced the purchase of all of the shares in Centuria Property Funds No. 2 Limited (formerly 360 Capital Investment Management Limited) ('CPF2L') and associated management rights over listed and unlisted property investment funds for which CPF2L is the responsible entity from 360 Capital Group Limited ('360 Capital'). Also as part of the acquisition, the Fund agreed to acquire various stakes in those listed and unlisted funds. Details of this business combination were disclosed in Note E1(b) of the Group's annual financial statements for the year ended 30 June 2017.

E Other

E1 Fair value of financial instruments

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

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

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

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

31 December 2017	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	22,516	22,516
Receivables	Amortised cost	Level 2	6,971	6,971
Financial assets at fair value	Fair value	Level 1	235,745	235,745
Financial assets at fair value	Fair value	Level 2	120,715	120,715
			<u>385,947</u>	<u>385,947</u>
Financial liabilities				
Payables	Amortised cost	Level 2	18,264	18,264
Liability to 360 Capital Group	Amortised cost	Level 2	52,197	52,197
Borrowings	Amortised cost	Level 2	246,304	245,682
Interest rate swaps at fair value	Fair value	Level 2	920	920
			<u>317,685</u>	<u>317,063</u>
30 June 2017				
	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	36,775	36,775
Receivables	Amortised cost	Level 2	7,798	7,798
Financial assets at fair value	Fair value	Level 1	120,737	120,737
Financial assets at fair value	Fair value	Level 2	118,644	118,644
			<u>283,954</u>	<u>283,954</u>
Financial liabilities				
Payables	Amortised cost	Level 2	18,327	18,327
Liability to 360 Capital Group	Amortised cost	Level 2	56,456	56,456
Borrowings	Amortised cost	Level 2	226,962	227,878
Interest rate swaps at fair value	Fair value	Level 2	1,134	1,134
Total			<u>302,879</u>	<u>303,795</u>

E1 Fair value of financial instruments (continued)

The Group determines Level 2 fair values for financial assets and liabilities without an active market based on broker quotes. Level 2 fair values for simple over-the-counter derivatives are also based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty where appropriate.

E2 New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 9 Financial instruments

(i) Nature of change

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

(ii) Impact

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the likely impact on the Group's financial assets is as follows:

- equity investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under AASB 9
- debt instruments currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under AASB 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact as a result of the hedging changes.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) Mandatory application date

Must be applied for financial years commencing on or after 1 January 2018, but available for early adoption. therefore mandatory application to the Group would be year ending 30 June 2019.

The Group does not intend to adopt AASB 9 before its mandatory date.

(b) AASB 15 Revenue from Contracts with Customers

(i) Nature of change

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.

E2 New Accounting Standards and Interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

(i) Nature of change (continued)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

(ii) Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will continue to assess the effects of the new standard in more detail over the next twelve months.

(iii) Mandatory application date

Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2019.

The Group does not intend to adopt AASB 15 before its mandatory date.

(c) AASB 16 Leases

(i) Nature of change

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

(ii) Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments as a lessor in relation to the controlled property funds. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

(iii) Mandatory application date

Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2020.

At this stage, the Group has not concluded whether it intends to adopt AASB 16 before its mandatory date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

E3 Events subsequent to the reporting date

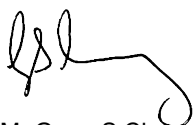
There has not arisen in the interval between 31 December 2017 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

In the opinion of the Directors' of Centuria Funds Management Limited as the Responsible Entity of Centuria Capital Fund:

- (a) the consolidated interim financial statements and notes set out on pages 4 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.



Mr Garry S Charney
Director



Mr Peter J. Done
Director

15 February 2018



Independent Auditor's Review Report

To the unitholders of Centuria Capital Fund

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Capital Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Centuria Capital Fund is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Fund's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2017
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Notes A1 to E3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Fund** comprises Centuria Capital Fund and its controlled entities at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Centuria Funds Management Limited (the Responsible Entity), are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

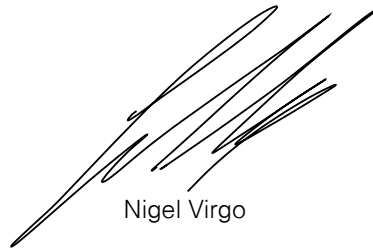
Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2017 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Nigel Virgo

Partner

Sydney

15 February 2018