



**Centuria Metropolitan REIT**  
**The consolidated entity comprises Centuria Metropolitan**  
**REIT and its subsidiaries**

**ARSN 124 364 718**

**Interim Financial Report**  
**For the half-year ended 31 December 2017**

# Centuria Metropolitan REIT

## Table of contents

For the half year ended 31 December 2017

	Page
Directors' report	1
Auditor's Independence Declaration	4
Interim financial report	5
Directors' declaration	18
Independent auditor's review	19

# Directors' report

## For the half year ended 31 December 2017

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Metropolitan REIT ('CMA') present their report, together with the interim financial report of the Trust and its subsidiaries ('the Trust') for the half year ended 31 December 2017 and the independent auditor's review report thereon.

### Directors of the Responsible Entity

The directors of Centuria Property Funds Limited during or since the end of the half year are:

Name	Appointed	Resigned	Directorship of other listed companies
Peter Done	5 Dec 2007	Continuing	Centuria Capital Limited
Jason Huljich	30 Mar 2001	12 Oct 2017	Centuria Capital Limited
Matthew Hardy	4 Jul 2013	Continuing	Not applicable
Darren Collins	10 Mar 2015	Continuing	Not applicable
Nicholas Collishaw	12 Oct 2017	Continuing	Centuria Capital Limited
Roger Dobson	12 Oct 2017	Continuing	Not applicable

The company secretary of Centuria Metropolitan REIT during or since the end of the financial year is:

Name	Appointed	Resigned
James Lonie	14 Aug 2015	Continuing

Refer to Note D2 of the interim financial report for director's units holding in the Trust.

No director holds a right or option over interests in the Trust. No options over any issued or unissued units in the Trust have been issued to any director.

There are no contracts to which any director is a party to under which a director is entitled to a benefit and/or confers a right to call for or be delivered interests in the Trust.

### Principal activities

The Trust is a registered managed investment scheme domiciled in Australia.

The principal continuing activity of the Trust in the course of the period is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement ('PDS') dated 11 November 2014, with the key asset category being investment property. There have been no significant changes in the nature of the Trust's activities since the date of the Trust's establishment.

The Trust did not have any employees during the half year.

### Significant change in the state of affairs

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Trust that occurred during the half year.

### Review of operations

#### Results

The results of the operations of the Trust are disclosed in the consolidated interim statement of profit or loss and other comprehensive income of this interim financial report. The Trust's profit from continuing operations for the half year ended 31 December 2017 was \$39,174,000 (31 December 2016: \$27,104,000 profit).

As at 31 December 2017, the Trust's Net Tangible Assets ('NTA') has increased 7 cents per unit ('cpu'), or 3.0%, to \$2.39 per unit since 30 June 2017.

#### Investment property valuations

The total value of the Trust's portfolio as at 31 December 2017 was \$841.4 million representing an increase of 7.0% from 31 December 2016 on a like for like basis, excluding sold property and new acquisitions.

**Review of operations (continued)**

**Investment property valuations (continued)**

The weighted average capitalisation rate for the portfolio, on a like for like basis, has firmed 47 basis points to 6.84% at 31 December 2017.

**Leasing and occupancy**

The Trust secured 9,234 sqm of leases across 20 transactions for the half year ended 31 December 2017. This represented 5.0% of the portfolio's net lettable area.

At 31 December 2017 the Trust's portfolio was 97.8% occupied with a WALE of 4.3 years. For the half year ending 31 December 2017, FY18 lease expiries represent 1.2% of portfolio income.

**Capital management**

As at 31 December 2017, the Trust had drawn borrowings of \$297.6 million with a weighted average expiry of 3.0 years. The drawn debt was 53.8% hedged helping provide security over the interest rate exposure of the Trust.

The Trust's gearing at 31 December 2017 was 29.6%.

**Outlook**

The Responsible Entity's strategy and ongoing focus remains unchanged. Management continues to focus on actively managing the Trust's portfolio, with an emphasis on tenant retention to ensure income and occupancy are maximised. This is coupled with the ongoing strategy to acquire quality 'fit for purpose' metropolitan real estate assets delivering stable and secure income streams.

The Responsible Entity confirms distributable earnings guidance for the year ending 30 June 2018 is approximately 18.6 cpu. The distribution guidance for the year ending 30 June 2018 is 18.1 cpu which will be paid in equal quarterly instalments.

**Distributions**

Distributions paid or payable in respect of the half year were:

	31 December 2017		31 December 2016	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.52	9,807	4.37	5,224
December quarter	4.53	10,961	4.38	5,224
	<u>9.05</u>	<u>20,768</u>	8.75	10,448

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2017
Record date	29 Dec 2017
Distribution payment date	31 Jan 2018

The distributable earnings for the half year ended 31 December 2017 were \$19.9 million. This was a 82.2% increase to the prior half year.

The following table provides a reconciliation from the consolidated interim statement of profit or loss and other comprehensive income to the distributable earnings for the half year:

**Review of operations (continued)**

**Distributions (continued)**

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Net profit for the half year</b>	<b>39,174</b>	27,104
<b>Adjustments:</b>		
Net gain on fair value of investment properties	(18,600)	(14,966)
Loss/(gain) on fair value of derivative financial instruments	653	(1,574)
Incentive amortisation and rental straight-lining	(2,659)	(968)
Amortisation of incentives and leasing fees	889	128
Amortisation of borrowing costs	255	-
Loss on fair value of investments in listed trust	-	731
Lease incentives funded by vendors on property acquisitions	-	475
Business combination transaction costs	198	-
<b>Distributable earnings for the half year</b>	<b>19,910</b>	10,930

**Distribution reinvestment plan**

The Trust has reactivated the Distribution Reinvestment Plan ('DRP') under which unitholders may elect to have all or part of their distribution entitlement reinvested by the issue of new units rather than being paid cash.

**Events subsequent to balance date**

On 18 January 2018, the Trust repaid \$30.0 million of borrowings which was funded by funds received from the entitlement offer. The drawn debt was 59.8% hedged post debt repayment.

No other matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

**Auditor's independence declaration**

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Directors' report for half year ended 31 December 2017.

**Rounding off of amounts**

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Peter Done  
Director  
Sydney



Matthew Hardy  
Director

Sydney  
8 February 2018



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

To the Directors of Centuria Property Funds Limited, the Responsible Entity of  
Centuria Metropolitan REIT

I declare that, to the best of my knowledge and belief, in relation to the review of Centuria Metropolitan REIT 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

8 February 2018

# Centuria Metropolitan REIT Interim Financial Report

For the half year ended 31 December 2017

## Contents

	Page
Consolidated interim statement of profit or loss and other comprehensive income	6
Consolidated interim statement of financial position	7
Consolidated interim statement of changes in equity	8
Consolidated interim statement of cash flows	9
Condensed notes to the interim financial report	10
A About the report	10
A1 General information	10
A2 Segment reporting	10
B Trust performance	11
B1 Distributions	11
B2 Rental income	11
B3 Finance costs	11
C Trust's assets and liabilities	12
C1 Investment properties	12
C2 Borrowings	14
C3 Issued capital	14
C4 Non-controlling interest - CMR2	14
D Other notes	15
D1 Fair value of financial instruments	15
D2 Related parties	16
D3 Events subsequent to reporting date	17
Directors' declaration	18

# Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Note	31 December 2017 \$'000	31 December 2016 \$'000
<b>Revenue</b>			
Rent and recoverable outgoings	B2	36,162	20,120
<b>Total revenue from continuing operations</b>		<b>36,162</b>	<b>20,120</b>
<b>Other income</b>			
Interest income		96	41
Net gain on fair value of investment properties	C1	18,600	14,966
(Loss)/gain on fair value of derivative financial instruments		(653)	1,574
<b>Total other income</b>		<b>18,043</b>	<b>16,581</b>
<b>Total revenue from continuing operations and other income</b>		<b>54,205</b>	<b>36,701</b>
<b>Expenses</b>			
Rates, taxes and other property outgoings		8,132	4,162
Finance costs	B3	4,019	2,806
Management fees	D2	1,959	1,138
Other expenses		921	760
Loss on fair value of investments in listed trust		-	731
<b>Profit from continuing operations for the period</b>		<b>39,174</b>	<b>27,104</b>
<b>Net profit for the period</b>		<b>39,174</b>	<b>27,104</b>
<b>Total comprehensive income for the period</b>		<b>39,174</b>	<b>27,104</b>
<b>Net profit attributable to:</b>			
Members of the Parent		39,174	14,143
Non-controlling interests - CMR2		-	12,961
		<b>39,174</b>	<b>27,104</b>
<b>Total comprehensive income attributable to:</b>			
Members of the Parent		39,174	14,143
Non-controlling interests - CMR2		-	12,961
		<b>39,174</b>	<b>27,104</b>
<b>Basic and diluted earnings per unit</b>			
Units on issue (cents per unit)		18.41	22.70
<b>Basic and diluted earnings per parent entity unit</b>			
Units on issue (cents per unit)		-	11.84

The above consolidated interim statement of profit or loss and other 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	30 June 2017
Note	\$'000	\$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	46,273	8,187
Trade and other receivables	5,535	1,127
Other assets	2,912	490
<b>Total current assets</b>	<b>54,720</b>	<b>9,804</b>
<b>Non-current assets</b>		
Investment properties	841,441	609,950
Intangibles	6,356	6,356
Other non-current assets	-	2,912
<b>Total non-current assets</b>	<b>847,797</b>	<b>619,218</b>
<b>Total assets</b>	<b>902,517</b>	<b>629,022</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	20,887	18,753
Derivative financial instruments	-	1,988
<b>Total current liabilities</b>	<b>20,887</b>	<b>20,741</b>
<b>Non-current liabilities</b>		
Borrowings	295,793	187,742
Derivative financial instruments	434	-
<b>Total non-current liabilities</b>	<b>296,227</b>	<b>187,742</b>
<b>Total liabilities</b>	<b>317,114</b>	<b>208,483</b>
<b>Net assets</b>	<b>585,403</b>	<b>420,539</b>
<b>Equity</b>		
Issued capital	544,095	397,637
Retained earnings	41,308	22,902
<b>Total equity</b>	<b>585,403</b>	<b>420,539</b>

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

	Note	Issued capital \$'000	Retained earnings \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>Balance at 1 July 2016</b>		129,328	11,564	119,250	260,142
Net profit for the period		-	14,143	12,961	27,104
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		-	<b>14,143</b>	<b>12,961</b>	<b>27,104</b>
Dividends provided for or paid		-	(5,522)	(4,926)	(10,448)
<b>Balance at 31 December 2016</b>		<b>129,328</b>	<b>20,185</b>	<b>127,285</b>	<b>276,798</b>
<b>Balance at 1 July 2017</b>		397,637	22,902	-	420,539
Net profit for the period		-	39,174	-	39,174
<b>Total comprehensive income for the period</b>		-	<b>39,174</b>	-	<b>39,174</b>
Units issued	C3	150,450	-	-	150,450
Dividend reinvestment plan ('DRP')		957	-	-	957
Equity raising costs	C3	(4,949)	-	-	(4,949)
Dividends provided for or paid		-	(20,768)	-	(20,768)
<b>Balance at 31 December 2017</b>		<b>544,095</b>	<b>41,308</b>	-	<b>585,403</b>

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	31 December 2016
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	35,410	19,745
Payments to suppliers	(13,754)	(7,700)
Interest received	96	41
Interest paid	(6,431)	(2,632)
Distributions received	-	173
<b>Net cash generated by operating activities</b>	<b>15,321</b>	<b>9,627</b>
<b>Cash flows from investing activities</b>		
Net proceeds from sale of investment properties	10,009	11,202
Payments for investment properties	(223,959)	(4,011)
Payments for investments held at fair value through profit or loss	-	(89)
<b>Net cash (used in)/generated by investing activities</b>	<b>(213,950)</b>	<b>7,102</b>
<b>Cash flows from financing activities</b>		
Distribution paid	(16,581)	(10,299)
Proceeds from borrowings	143,027	2,000
Repayment of borrowings	(35,000)	(4,027)
Payments to procure borrowings	(232)	(661)
Proceeds from issue of units	150,450	-
Equity issue costs	(4,949)	-
<b>Net cash generated by/(used in) financing activities</b>	<b>236,715</b>	<b>(12,987)</b>
<b>Net increase in cash and cash equivalents</b>	<b>38,086</b>	<b>3,742</b>
Cash and cash equivalents at beginning of the period	8,187	4,911
Cash and cash equivalents at end of period	<b>46,273</b>	<b>8,653</b>

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

# Condensed notes to the interim financial report

For the half year ended 31 December 2017

## A About the report

### A1 General information

Centuria Metropolitan REIT is a registered managed investment scheme under the Corporations Act 2001 and is domiciled in Australia. The principal activity of the Trust is disclosed in the Directors' report.

#### Statement of compliance

The interim financial report is a general purpose financial report which have been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the notes and information required for the annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2017.

For the purposes of preparing the interim financial report, the Trust is a for profit entity.

The interim financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds Limited, the Responsible Entity, on 8 February 2018.

#### Basis of preparation

The interim financial report have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

#### Going concern

The interim financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The principal accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

#### Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### Functional and presentation currency

The interim financial report is presented in Australian dollars, which is the Trust's functional currency.

#### Additional information

The registered office and principal place of business of the Trust and the Responsible Entity are as follows:

#### Registered office:

Suite 39.01, Level 39, 100 Miller Street  
NORTH SYDNEY NSW 2060

#### Principal place of business:

Suite 39.01, Level 39, 100 Miller Street  
NORTH SYDNEY NSW 2060

### A2 Segment reporting

The Trust operates in one segment, being investments in Australian industrial, metropolitan and business park office property. The Trust has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The Responsible Entity has been identified as the Trust's chief operating decision maker.

## B Trust performance

### B1 Distributions

	31 December 2017		31 December 2016	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.52	9,807	4.37	5,224
December quarter	4.53	10,961	4.38	5,224
	<u>9.05</u>	<u>20,768</u>	<u>8.75</u>	<u>10,448</u>

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2017
Record date	29 Dec 2017
Distribution payment date	31 Jan 2018

### B2 Rental income

	31 December 2017	31 December 2016
	\$'000	\$'000
Rent and recoverable outgoings	33,503	20,032
Straight-lining of lease revenue	<u>2,659</u>	<u>88</u>
	<u>36,162</u>	<u>20,120</u>

### B3 Finance costs

Finance costs include interest expense and amortised borrowing costs. Interest expense is recognised in profit or loss as it accrues. Finance costs are recognised using the effective interest rate applicable to the financial liability.

	31 December 2017	31 December 2016
	\$'000	\$'000
Interest expense	3,764	2,654
Borrowing costs	<u>255</u>	<u>152</u>
	<u>4,019</u>	<u>2,806</u>

## C Trust's assets and liabilities

### C1 Investment properties

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance	609,950	398,730
Properties acquired on Centuria Urban REIT ('CUA') acquisition	-	213,000
Acquisitions of investment properties	215,913	-
Capital improvements and associated costs	4,112	5,119
Total purchase costs	<u>220,025</u>	<u>218,119</u>
Gain on fair value	18,600	17,180
Change in deferred rent and lease incentives	3,049	428
Disposed deferred rent and lease incentives	(63)	938
Change in capitalised leasing fees	270	545
Disposals at fair value	(10,390)	(26,000)
Disposal costs	-	10
Closing gross balance	<u>841,441</u>	<u>609,950</u>
Closing balance <sup>^</sup>	<u>841,441</u>	<u>609,950</u>

<sup>^</sup> The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$12.4 million (2017: \$9.1 million).

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Last Independent valuation date
	31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 %	30 Jun 2017 %	31 Dec 2017 %	30 Jun 2017 %	
3 Carlingford Rd, Epping NSW	28,300	27,000	6.25%	6.25%	6.25%	7.00%	Director Nov 2017
44 Hampden Rd, Artarmon NSW <sup>^</sup>	-	9,000	-	8.00%	-	8.75%	Director May 2016
1 Richmond Rd, Keswick SA	31,364	28,500	8.00%	8.50%	8.00%	8.75%	Director Nov 2017
9 Help St, Chatswood NSW	68,500	65,000	6.50%	6.50%	7.50%	7.50%	Director Nov 2017
555 Coronation Dr, Brisbane QLD	33,715	31,500	7.75%	8.00%	8.00%	8.75%	Director Nov 2017
149 Kerry Rd, Archerfield QLD	27,300	25,500	6.50%	7.25%	7.50%	8.25%	Director Nov 2017
13 Ferndell St, Granville NSW	19,850	18,200	7.00%	7.50%	8.25%	8.75%	Director Nov 2017
35 Robina Town Ctr Dr, Robina QLD	55,000	51,000	7.13%	7.25%	7.00%	8.25%	Director Nov 2017
54 Marcus Clarke St, Canberra ACT	20,005	18,250	8.00%	8.75%	7.75%	9.00%	Director Nov 2017
60 Marcus Clarke St, Canberra ACT	62,495	56,000	7.25%	7.75%	8.00%	8.00%	Director Nov 2017
131-139 Grenfell St, Adelaide SA	19,250	19,500	8.00%	8.50%	8.00%	8.75%	Director Nov 2017
203 Pacific Hwy, St Leonards NSW <sup>*^</sup>	53,750	47,500	6.75%	7.00%	7.75%	7.50%	Director Nov 2017
438-517 Kingsford Smith Dr, Hamilton QLD	77,000	74,500	6.38%	7.00%	7.50%	8.00%	Director Nov 2017
154 Melbourne St, South Brisbane QLD	76,152	77,500	6.75%	7.00%	7.25%	7.75%	Director Nov 2017
567 Swan St, Richmond VIC	62,000	61,000	5.88%	6.25%	6.75%	7.25%	Director Nov 2017
46 Collin St, Perth WA <sup>^</sup>	33,613	-	7.50%	-	7.25%	-	Director Nov 2017
144 Stirling St, Perth WA	55,300	-	7.50%	-	7.00%	-	Director Nov 2017
77 Market St, Wollongong NSW	33,274	-	7.25%	-	8.25%	-	Director Sep 2017
201 Pacific Hwy, St Leonards NSW <sup>*</sup>	84,573	-	6.50%	-	7.50%	-	Director Nov 2017
	<b>841,441</b>	<b>609,950</b>					

\* The Trust owns 50% of 201 and 203 Pacific Highway, St Leonards NSW.

<sup>^</sup> The Trust holds a leasehold interest in 44 Hampden Road, Artarmon NSW, 46 Colin Street, Perth WA and 203 Pacific Highway, St Leonards NSW.

During the period, the Trust acquired 46 Colin Street, Perth WA, 144 Stirling St, Perth WA, 77 Market Street, Wollongong NSW and 50% of 201 Pacific Highway, St Leonards NSW. In addition, the Trust disposed of 44 Hampden Road, Artarmon NSW for a gross sale price of \$10,300,000.

The Trust's weighted average capitalisation rate for the year is 6.89% (2017: 7.19%).

## Trust's assets and liabilities

### C2 Borrowings

	31 December 2017 \$'000	30 June 2017 \$'000
<b>Non-current</b>		
Secured loan	297,553	189,526
Borrowing costs	(1,760)	(1,784)
	<u>295,793</u>	<u>187,742</u>

As at 31 December 2017, the Trust had \$160 million (2017: \$84 million) of interest rate swaps hedged against its drawn debt.

The facilities are secured by first mortgages over the Trust's investment properties and a first ranking fixed and floating charge over all assets of the Trust.

The secured loan has covenants in relation to Loan to Value Ratio ('LVR') and Interest Coverage Ratio ('ICR') which the Trust has complied with during the period.

### C3 Issued capital

	31 December 2017		30 June 2017	
	Units '000	\$'000	Units '000	\$'000
<b>Opening balance</b>	178,241	397,637	119,407	129,328
Centuria Metropolitan REIT No. 2 ('CMR2') applications - 22 Mar 2017	-	-	95,526	124,704
Consolidation - 22 Mar 2017	-	-	(95,526)	-
CUA unitholder applications - 29 Jun 2017	-	-	58,834	144,142
Units issued	63,594	150,450	-	-
Distributions reinvested	402	957	-	-
Equity raising costs	-	(4,949)	-	(537)
<b>Closing balance</b>	<u>242,237</u>	<u>544,095</u>	178,241	397,637

All units in the Trust are of the same class and carry equal rights to capital and income distributions.

### C4 Non-controlling interest - CMR2

	31 December 2017		30 June 2017	
	Units '000	\$'000	Units '000	\$'000
<b>Opening balance</b>	-	-	119,407	119,250
Redemptions - 22 Mar 2017	-	-	(119,407)	(124,704)
Distributions to members of CMR2	-	-	-	(4,926)
Net profit attributable to members of CMR2	-	-	-	10,380
<b>Closing balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 22 March 2017, the units in Centuria Metropolitan REIT No. 1 ('CMR1') were unstapled to the units in CMR2 and CMR1 acquired 100% of the units in CMR2. Accordingly, there is no non-controlling interest of the Trust following this date.



## D Other notes

### D1 Fair value of financial instruments

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

	Measurement	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>31 December 2017</b>				
<b>Financial liabilities</b>				
Payables (excluding non-financial payables)	Amortised Cost	Not applicable	15,477	15,477
Borrowings (excluding borrowing costs)	Amortised Cost	Not applicable	297,553	297,553
Interest rate swaps	Fair Value	Level 2	434	434
			<b>313,464</b>	<b>313,464</b>
<b>30 June 2017</b>				
<b>Financial liabilities</b>				
Payables (excluding non-financial payables)	Amortised Cost	Not applicable	11,779	11,779
Borrowings (excluding borrowing costs)	Amortised Cost	Not applicable	189,526	189,526
Interest rate swaps	Fair Value	Level 2	1,988	1,988
			<b>203,293</b>	<b>203,293</b>

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities recorded at amortised cost in the financial report approximates their fair value.

#### Valuation techniques

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

- The fair value of interest rate swaps are determined using a discounted cash flow analysis. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Trust can access at the measurement date.
- Level 2: 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: derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

#### Fair value hierarchy

The following table sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

## Other notes

### D1 Fair value of financial instruments (continued)

#### Fair value hierarchy (continued)

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>31 December 2017</b>				
<b>Financial liabilities held at fair value</b>				
Interest rate swaps	434	-	434	-
<b>30 June 2017</b>				
<b>Financial liabilities held at fair value</b>				
Interest rate swaps	1,988	-	1,988	-

There were no transfers between Level 1 and Level 2 during the period.

The Responsible Entity obtains independent valuations to measure the fair value of financial instruments at each reporting date. The Responsible Entity assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of International Financial Reporting Standards, including the level in the fair value hierarchy that the resulting fair value estimate should be classified.

### D2 Related parties

#### Key management personnel

The Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the key management personnel. The directors of the Responsible Entity are key management personnel.

No compensation is paid directly by the Trust to any key management personnel of the Responsible Entity.

#### Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

#### Responsible entity fees and other transactions

The Responsible Entity is entitled to a management fee which is calculated at 0.55% of the gross value of assets held plus GST, in accordance with the Trust's constitution.

Custodian fees are paid to the custodians. Custodian fee paid to Centuria Property Funds No. 2 Limited are calculated in relation to some of the Trust's assets and in accordance with the constitution at a rate of 0.05% of the Fund's gross assets.

At reporting date an amount of \$217,651 (2017: \$247,384) owing to the Responsible Entity was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

The following fees were paid and/or payable to the Responsible Entity and its related parties during the period:

	31 December 2017	31 December 2016
	\$	\$
Management fees	1,959	1,138
Property management fees	472	310
Leasing fees	360	47
Project management fees	250	-
Due diligence acquisition fees	100	-
Custodian fees	64	-
Facility management fees	23	-
Other professional fees	-	1
	<u>3,228</u>	<u>1,496</u>

## Other notes

### D2 Related parties (continued)

#### Responsible entity fees and other transactions (continued)

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Centuria Property Funds Limited, its directors or its director-related entities may buy or sell units in the Trust. These transactions are on the same terms and conditions as those entered into by other Trust investors.

#### Units in the Trust held by related parties

At 31 December 2017, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
<b>31 December 2017</b>		
Centuria Capital No. 2 Office Fund	22,262,000	9.19%
Over Fifty Guardian Friendly Society Limited	14,862,000	6.14%
Centuria Growth Bond Fund	6,307,000	2.60%
Centuria Capital No. 2 Fund	4,245,000	1.75%
Centuria Property Funds No. 2 Limited	1,233,000	0.51%
Centuria Balanced Bond Fund	732,000	0.30%
Nicholas Collishaw	153,000	0.06%
Peter Done	97,000	0.04%
Roger Dobson	93,000	0.04%
John McBain	63,000	0.03%
Darren Collins	26,000	0.01%
Matthew Hardy	22,000	0.01%
Jason Huljich	4,000	-%
	<b>50,099,000</b>	<b>20.68%</b>
<b>31 December 2016</b>		
Over Fifty Guardian Friendly Society Limited	11,522,000	9.65%
Centuria Growth Bond Fund	4,739,000	3.97%
Centuria Capital Limited	2,591,000	2.17%
Centuria Balanced Bond Fund	357,000	0.30%
Centuria High Growth Bond Fund	150,000	0.13%
Nicholas Collishaw	133,000	0.11%
Peter Done	75,000	0.06%
Roger Dobson	208,000	0.17%
John McBain	63,000	0.05%
Darren Collins	20,000	0.02%
Matthew Hardy	17,000	0.01%
Jason Huljich	3,000	-%
	<b>19,878,000</b>	<b>16.64%</b>

No other related parties of the Responsible Entity held units in the Trust.

#### Other transactions within the Trust

No director has entered into a material contract with the Trust since the end of the previous year and there were no material contracts involving directors' interests subsisting at period end.

#### D3 Events subsequent to reporting date

On 18 January 2018, the Trust repaid \$30.0 million of borrowings which was funded by funds received from the entitlement offer. The drawn debt was 59.8% hedged post debt repayment.

No other matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

## Directors' declaration

### For the half year ended 31 December 2017

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Metropolitan REIT ('the Trust'), declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note A1 to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes A1 to D3 are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

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



Peter Done  
Director  
Sydney



Matthew Hardy  
Director

Sydney  
8 February 2018



# Independent Auditor's Review Report

To the unitholders of Centuria Metropolitan REIT

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Metropolitan REIT (the Group).

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **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 profit or loss and other 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 D3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Centuria Metropolitan REIT and the entities it controlled at the Half-year's end or from time to time during the Half-year.

The **Half-year** is the 6 months ended on 31 December 2017.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Centuria Property Funds 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*
- 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

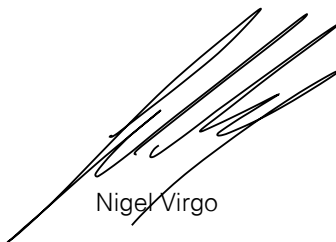
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 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 Metropolitan REIT, *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

8 February 2018