Centuria

Centuria Capital Group

Financial Report
for the year ended 30 June 2019

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.

Centuria Capital Group
Financial Report - 30 June 2019

Contents

These consolidated financial statements are the financial statements of the consolidated entity consisting of Centuria Capital Limited and its subsidiaries. A list of all subsidiaries is included in note E3. The consolidated 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 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

The consolidated financial statements were authorised for issue by the Directors on 13 August 2019.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholder Centre on our website: www.centuria.com.au

Directors' report

The directors of Centuria Capital Limited (the 'Company') present their report together with the consolidated financial statements of the Company and its controlled entities (the 'Group') for the financial year ended 30 June 2019 and the auditor's 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 were a single security under the ticker code 'CNI'.

Directors and directors' interests

Mr Garry S. Charny, BA. LL.B. *Independent Non-Executive Director and Chairman*		
Experience and expertise	Garry was appointed to the Board on 23 February 2016 and appointed Chairman on 30 March 2016. Garry is also Chairman of Centuria Life and Over Fifty Guardian Friendly Society. He is Managing Director and founding principal of Wolseley Corporate, an Australian based corporate advisory and investment house which transacts both domestically and internationally. He has had a broad range experience in both listed and unlisted companies across a diverse range of sectors including property, retail, technology and media. He formerly practised as a barrister in the fields of commercial and equity.	
Other directorships	Garry is Chairman of Wolseley Corporate. He is also Chairman of Spotted Turquoise Films, an international Film and Television company based in Sydney and Los Angeles. He is Chairman of Shero Investments, a Sydney based investment company.	
Special responsibilities	Chairman of the Board Chairman of the Conflicts Committee Chairman of the Nomination and Remuneration Committee Member of the Audit, Risk Management and Compliance Committee	
Interests in CNI	Ordinary stapled securities	326,345

Mr Peter J. Done, B.Comm, FCA. *Independent Non-Executive Director*		
Experience and expertise	Peter was appointed to the Board on 28 November 2007. Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.	
Other directorships	None	
Special responsibilities	Chairman of the Audit, Risk Management and Compliance Committee Member of the Nomination and Remuneration Committee	
Interests in CNI	Ordinary stapled securities	1,300,412

Directors and directors' interests (continued)

Mr John R. Slater, Dip.FS (FP), F Fin. *Independent Non-Executive Director*		
Experience and expertise	John was appointed to the Board on 22 May 2013 having been an adviser to the Centuria Life Friendly Society Investment Committees since 2011. John was a senior executive in the KPMG Financial Services practice from 1989 to 1999 and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital. In 2008, John founded boutique Financial Advisory firm Riviera Capital, subsequently sold in 2016 and has a wealth of financial services experience.	
Other directorships	None	
Special responsibilities	Member of the Audit, Risk Management and Compliance Committee Member of the Nomination and Remuneration Committee	
Interests in CNI	Ordinary stapled securities	3,200,000

Ms Susan Wheeldon-Steele, MBA. *Independent Non-Executive Director*		
Experience and expertise	Susan was appointed to the Board on 31 August 2016. Susan is the Head of Agency at Google where she works with major national and global companies to develop and deliver growth strategies that future proof and build clients' businesses and brands in a constantly changing environment. She has previous experience in retail property asset management at AMP Capital Shopping Centres, as Head of Brand & Retail, responsible for delivering alternative revenue from 38 retail assets across Australia and New Zealand with combined annual sales in excess of $5 billion.	
Other directorships	None	
Special responsibilities	Member of the Conflicts Committee	
Interests in CNI	Ordinary stapled securities	nil

Directors and directors' interests (continued)

Mr Nicholas R. Collishaw, SAFin, FAAPI, FRICS, *Non-Executive Director*		
Experience and expertise	Nicholas was appointed CEO - Listed Property Funds at Centuria Property Funds on 1 May 2013 and to the Board on 27 August 2013. Effective 1 January 2018, Nicholas resigned as CEO - Listed Property Funds and became a Non-Executive Director. Prior to this role, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac (2005-2012), Nicholas was responsible for successfully guiding the business through the GFC and implementing a strategy of sustained growth for the real estate development and investment company. During Nicholas’ 30 year career, he has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.	
Other directorships	Chairman of Redcape Hotel Group Management Ltd	
Special responsibilities	None	
Interests in CNI	Ordinary stapled securities	3,586,227
	Performance rights granted	558,811

Mr John E. McBain, Dip. Urban Valuation, *Executive Director and Joint Chief Executive Officer*		
Experience and expertise	John was a founding director and major shareholder in boutique property funds manager Century Funds Management, which was established in 1999 and was acquired by Over Fifty Group in July 2006. He joined the Over Fifty Group Board on 10 July 2006 and was appointed Chief Executive Officer in 2008. In 2011 the company was renamed Centuria Capital. Prior to forming Century, in 1990 John founded Hanover Group, a specialist property investment consultancy and in 1995 he formed Waltus Investments Australia, a dedicated property fund manager. John formerly held senior positions in a number of property development and property investment companies in Australia, New Zealand and the United Kingdom.	
Other directorships	John is also a director of QV Equities Limited, a licensed investment company listed on the ASX.	
Special responsibilities	Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	5,865,404
	Performance rights granted	1,652,712

Directors and directors' interests (continued)

<table>
<tr><td colspan="3">Mr Jason C. Huljich, B. Comm. Executive Director and Joint Chief Executive Officer</td></tr>
<tr><td>Experience and expertise</td><td colspan="2">Jason was appointed to the Board on 28 November 2007.

Jason leads Centuria’s Property Funds Management business, which is responsible for both listed and unlisted property funds, the property services business, property acquisition and disposal and special property and debt opportunities. In this role he provides strategic leadership, ensuring the effective operation of Centuria’s property business.

He has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also the immediate past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia, and continues to serve on their national executive.</td></tr>
<tr><td>Other directorships</td><td colspan="2">None</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">Group Joint CEO</td></tr>
<tr><td rowspan="2">Interests in CNI</td><td>Ordinary stapled securities</td><td>3,433,294</td></tr>
<tr><td>Performance rights granted</td><td>1,077,789</td></tr>
</table>

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Director	Board Meetings		Audit, Risk, Management & Compliance Committee Meetings		Nomination & Remuneration Committee Meetings		Conflicts Committee meetings	
	A	B	A	B	A	B	A	B
Mr Garry S. Charny	23	24	6	6	2	2	10	10
Mr Peter J. Done	24	24	6	6	2	2	#	#
Mr John R. Slater	24	24	5	6	2	2	#	#
Ms Susan Wheeldon-Steele	21	24	#	#	#	#	8	10
Mr Nicholas R. Collishaw	24	24	#	#	#	#	#	#
Mr John E. McBain	23	24	#	#	#	#	#	#
Mr Jason C. Huljich	21	24	#	#	#	#	#	#

A = Number of meetings attended
B = Number of meetings held during the time the Director held office during the year
# = Not a member of committee

Company secretary

Anna Kovarik was appointed to the position of Company Secretary on 5 July 2018.

Anna holds a Masters of Information Technology, a BA (Hons) in Systems Management and was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the UK and NSW and was a senior associate at Allens law practice in Sydney.

Prior to joining Centuria, Anna held the position of Group Risk Manager at Mirvac Group and was previously Head of Group Insurance for AMP and General Counsel and Company Secretary at AMP Capital Brookfield.

Mr James Lonie held the position of company secretary from 16 June 2017 until his resignation on 5 July 2018.

Principal activities

The principal activities of the Group during the financial year were the marketing and management of investment products including friendly society investment bonds and property investment funds as well as direct interest in property funds and other liquid investments.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year, in addition to the operating and financial review below were as follows:

- Contributed equity attributable to Centuria Capital Group increased by $127,902,000 from $343,700,000 to $471,602,000 as a result of equity raisings, capital reallocation and vesting of rights under the Employee share scheme. Details of changes in contributed equity are disclosed in Note C10 to the consolidated financial statements.

- On 22 October 2018, the Group issued Tranche 3 of secured notes to the value of $80,000,000 consisting of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023.

- The Group increased its stake in Centuria Metropolitan REIT and Centuria Industrial REIT (CIP) to greater than 20% and these investments have been equity accounted in these financial statements.

- The Group sold its strategic stake in Propertylink Group (PLG) of 19.51% for $136,899,000 cash consideration.

- The Group announced the acquisition of a 63.06% economic interest (50.0% voting interest) in Heathley Limited's property funds management platform for $24,400,000. This transaction is due to be settled following a Heathley shareholder vote post 30 June 2019 and satisfaction of certain other conditions precedent.

  As the shareholder vote and the remaining conditions precedent were not satisfied as at 30 June 2019, the transaction was not completed and Group did not have any economic interest in Heathley nor an entitlement to any dividends. As a result, the Group has not consolidated Heathley as at 30 June 2019.

  Under the terms of the Heathley transaction, the Group will seek to raise $61,700,000 by using its unlisted distribution network to support funding requirements for two Heathley funds. The Group will manage and underwrite any shortfall in the fund raising to satisfy the overall funding requirements of $61,700,000 in addition to a further $11,000,000 committed post year-end.

Operating and financial review

The Group recorded a consolidated statutory net profit after tax for the year of $50,941,000 (2018: $56,190,000). Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

The Group recorded an operating profit after tax of $45,706,000 (2018: $45,087,000). Operating profit after tax excludes non-operating items such as transaction costs, fair value movements and share of net profit of equity accounted investments in excess of distributions received.

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.

Reconciliation of statutory profit to operating profit	**2019 $'000**	2018 $'000
Statutory profit after tax	**50,941**	56,190
Statutory earnings per security (EPS) (cents)	***14.2***	*19.8*
Less non-operating items:		
Gain on fair value movements in derivatives and investments	**(4,572)**	(8,604)
Transaction and other costs	**6,625**	230
Impairment charges in relation to seed capital valuations	-	380
Loss/(profit) attributable to controlled property funds	**7,390**	(8,061)
Eliminations between the operating and non-operating segment	**(5,256)**	5,761
Share of equity accounted net profit in excess of distributions received	**(8,433)**	-
Tax impact of above non-operating adjustments	**(989)**	(809)
Operating profit after tax	**45,706**	45,087
Operating EPS (cents)	***12.7***	*16.3*

A summary of the Group's operating segments is provided in Note A4 of the Financial Report. The Operating Profit after tax for the Group comprise of the result of the divisions which report to the Joint CEOs and Board of Directors for the purpose of resource allocation and assessment of performance.

Segment	**Operating profit after tax $'000**		**Increase/ (Decrease) $'000**	**Increase/ (Decrease) %**	**Highlights**
	2019	**2018**			
Property Funds Management	**33,140**	34,221	(1,081)	(3)	(a)
Investment Bonds Management	**2,446**	3,473	(1,027)	(30)	(b)
Co-Investments	**14,505**	11,717	2,788	24	(c)
Corporate	**(4,385)**	(4,324)	(61)	1	
Total	**45,706**	45,087			

A detailed Segment Profit and Loss as well as a detailed Segment Balance Sheet are outlined in Notes B1 and C1 respectively.

Operating and financial review (continued)

Operational highlights for the key segments were as follows:

(a) ***Property Funds Management***

For the year ended 30 June 2019, excluding the after tax impact of performance fees the Property Funds Management segment profit increased by $1,870,000 or 12% reflecting the growth in assets under management (AUM).

Operational highlights for the year included:

- Increase in recurring Property Funds Management fees of $10,166,000 or 31% from $32,649,000 for the year ended 30 June 2018 to $42,815,000 for the year ended 30 June 2019
- 29% increase in Listed AUM from $2.1 billion as at 30 June 2018 to $2.7 billion as at 30 June 2019
- Centuria Industrial REIT acquired eight properties with a total value of $147.4 million
- Centuria Metropolitan REIT acquired four properties with a total value of $0.5 billion
- Performance fees recognised of $22,552,000.
- Acquisition fees of $1,135,110 from Centuria Diversified Property fund which acquired two properties during the year with a total value of $54.7 million.

For the year ended 30 June 2019, Property Funds Management operating profit after tax of $33,140,000 was lower than the prior year ending 30 June 2018 by $1,081,000 primarily due to the impact of $22 552,000 performance fees recognised in the current year in accordance with AASB 15 compared to $25,830,000 of performance fees earned on the sale of 10 Spring Street property in the prior year.

(b) ***Investment Bonds Management***

For the year ended 30 June 2019, the Investment Bonds Management segment's operating profit after tax decreased by $1,027,000 to $2,446,000 due to strategic review costs and launch of new and expanded range of 22 high-quality investment bond, called Centuria LifeGoals.

Centuria's Investment Bonds Management business is the fourth largest friendly society/insurance bond issuer in Australia.

(c) ***Co-Investments***

For the year ended 30 June 2019, the Co-Investments segment operating profit after tax increased by $2,788,000. This was primarily due to a significant increase in Co-Investment holdings across Centuria's listed REITS compared to the prior year.

During the year, the Group's ownership stakes in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) increased to 20.76% and 24.15% respectively. As a result, the Group's accounting treatment of these investments changed from being recognised as financial assets held at fair value to equity accounted investments.

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

Earnings per security (EPS)

	2019		**2018**	
	Operating	**Statutory**	**Operating**	**Statutory**
Basic EPS (cents/security)	**12.7**	**14.2**	16.3	19.8
Diluted EPS (cents/security)	**11.9**	**13.2**	14.9	18.1

Dividends and Distributions

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

Dividends/distributions paid during the year	Cents per security	Total amount $'000	Date paid/payable
Final 2018 dividend (100% franked)	1.00	3,048	27 July 2018
Final 2018 Trust distribution	3.10	9,449	27 July 2018
Interim 2019 dividend (100% franked)	0.85	3,260	4 February 2019
Interim 2019 Trust distribution	3.40	13,038	4 February 2019
Special non-cash divdend/capital reallocation	7.80	30,000	29 June 2019
Dividends/distributions declared during the year			
Final 2019 dividend (100% franked)	0.50	1,918	16 August 2019
Final 2019 Trust distribution	4.50	17,262	16 August 2019
Total amount	**21.15**	**77,975**	

Events subsequent to the reporting date

Since the end of the financial year, the shareholders of Heathley have convened a meeting and approved the proposed acquisition of Heathley by the Group. There are still a number of other conditions precedent outstanding which will need to be satisfied prior to the completion of the transaction.

In addition, since the end of the financial year, the Group has committed to a further $11,000,000 in addition to its original commitment of $61,700,000 to support funding requirements for Heathley funds. The Group will seek to raise these funds by using its unlisted distribution network and will manage and underwrite any shortfall in the fund raising to satisfy the overall funding requirements. As at 30 June 2019, the Group had already provided funding of $2,800,000 with a further $2,100,000 invested since the end of the financial year.

Other than the above, there has not arisen in the interval between 30 June 2019 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, that would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

The Group continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation.

Indemnification of officers and auditor

The Company has agreed to indemnify all current and former directors and executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a director or executive officer unless the liability relates to conduct involving a lack of good faith.

The Company has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

During the financial year, KPMG, the Group’s auditor, has performed services in addition to the audit and review of the financial statements. Details of amounts paid or payable to KPMG are outlined in Note F4 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk Management & Compliance committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

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 financial statements. Amounts in the Directors’ Report and financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

Audited remuneration report

The remuneration report provides information about the remuneration arrangements for key management personnel (KMP), which includes Non-executive Directors and the Group's most senior management, for the year to 30 June 2019.

The report is structured as follows:

- Details of KMP covered in this report
- Remuneration policy and link to performance
- Remuneration of executive directors and senior management
- Key terms of employment contracts
- Non-executive director remuneration
- Director and senior management equity holdings and other transactions

Details of KMP covered in this report

The following persons are considered KMP of the Company during or since the end of the most recent financial year:

Name	Role
Mr Garry S. Charny	Independent Non-Executive Director and Chairman
Mr Peter J. Done	Independent Non-Executive Director
Mr John R. Slater	Independent Non-Executive Director
Ms Susan Wheeldon-Steele	Independent Non-Executive Director
Mr Nicholas R. Collishaw	Non-Executive Director
Mr John E. McBain	Executive Director and Joint Chief Executive Officer
Mr Jason C. Huljich	Executive Director and Joint Chief Executive Officer
Mr Simon W. Holt	Chief Financial Officer

The term 'senior management' is used in this remuneration report to refer to the executive directors and the Chief Financial Officer.

Remuneration policy and link to performance

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

- Ensuring competitive rewards are provided to attract and retain executive talent;
- Linking remuneration to performance so that higher levels of performance attract higher rewards;
- Aligning rewards of all staff, but particularly senior management, to the creation of value to shareholders;
- Making sure the criteria used to assess and reward staff include financial and non-financial measures of performance;
- Ensuring the overall cost of remuneration is managed and linked to the ability of the Group to pay; and
- Ensuring severance payments due to the Joint Chief Executive Officers on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

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

Under the remuneration policy, senior management's remuneration includes a fixed remuneration component, short-term and long-term incentive arrangements. The long-term incentives are based on the Group's performance for the year in reference to specific Earnings per Security (EPS) hurdles and Key Strategic Goals being met. The Group's remuneration is directly related to the performance of the Group through the linking of short and long-term incentives to these financial and non-financial measures.

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

Audited remuneration report (continued)

Remuneration policy and link to performance (continued)

Where senior management is remunerated with shares, the Remuneration Policy places no limitations to their exposure to risk in relation to the shares.

Target incentive remuneration refers to the incentive pay provided for meeting performance requirements. Actual incentive remuneration can vary for senior management depending on the extent to which they meet performance requirements.

In accordance with the Group's corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Remuneration of senior management

Objective

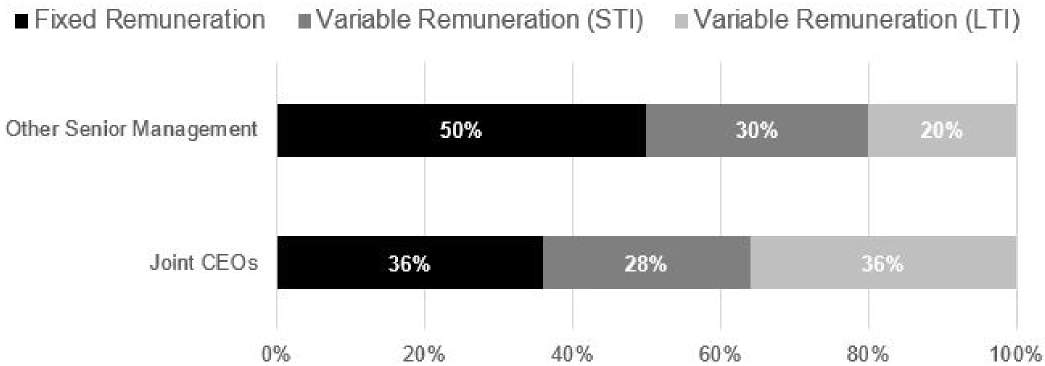
The Group aims to reward senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward senior management for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of senior management with those of stakeholders;
- Link rewards with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of senior management remuneration, the Joint Chief Executive Officers and Board have regard to market levels of remuneration for comparable executive roles.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives. The proportion of fixed and variable remuneration for senior management (excluding the Joint Chief Executive Officers) is established by the Joint Chief Executive Officers and the Nomination & Remuneration Committee. The proportion of fixed and variable remuneration for the Joint Chief Executive Officers is established solely by the Nomination & Remuneration Committee. While the allocation may vary from period to period, the graph below details the approximate fixed and variable components for senior management.



Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

(a) Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. For senior management excluding the Joint Chief Executive Officers, this is reviewed annually by the Joint Chief Executive Officers and the Nomination & Remuneration Committee. The process consists of a review of Group, business unit and individual performance as well as relevant comparative remuneration in the market. The same process is used by the Nomination & Remuneration Committee when reviewing the fixed remuneration of the Joint Chief Executive Officers.

Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and salary sacrifice items such as motor vehicles, motor vehicle allowances and/or additional superannuation contributions.

(b) Variable Remuneration

Under the Group's Senior Management Remuneration Policy, long and short-term performance incentives may be made under the Group's incentive plans. These are discussed further below.

(i) Short-term Incentives (STI)

The objective of the STI program is to link the achievement of the Group's non-financial and financial targets with the remuneration received by senior management charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to senior management to achieve operational targets and such that the cost to the Group is reasonable in the circumstances.

At the Board's absolute discretion, employees may be provided with the opportunity to receive an annual, performance-based incentive, either in the form of cash or the issue of shares in the Group, or a combination of both.

During the current financial year, the Group issued Nil (2018: Nil) STI ordinary securities to employees in addition to cash bonuses provided to employees.

(ii) Long-term Incentives (LTI)

The Group has an Executive Incentive Plan ("LTI Plan") which forms a key element of the Group's incentive and retention strategy for senior management under which Performance Rights ("Rights") are issued.

The primary objectives of the Plan include:

- focusing executives on the longer term performance of the Group to drive long term shareholder value creation;
- ensure senior management remuneration outcomes are aligned with shareholder interests, in particular, the strategic goals and performance of the Group; and
- ensure remuneration is competitive and aligned with general market practice by ASX listed entities.

Rights issued under the LTI Plan are issued in accordance with the thresholds approved at the Annual General Meeting (AGM).

Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

A summary of the key terms of the Performance Rights are set out below.

Term	Detail
Performance Rights ("Rights")	Each Right is a right to receive a fully paid ordinary stapled security in the Group ("Security"), subject to meeting the Performance Conditions. Upon meeting the Performance Conditions, the Rights vest and securities are allocated. Rights do not carry a right to vote or to dividends or, in general, a right to participate in other corporate actions such as bonus issues.
Vesting conditions	The Rights will vest to the extent that the board determines that: - The performance conditions that apply to the Rights were satisfied; and - The employee was continuously employed by the Company until the end of the Performance Period.
Vesting date	The date on which the Board determines the extent to which the performance conditions are satisfied and the Rights vest.
Performance Conditions	The Performance Conditions set out in the LTI Plan relate to: - Growth in Earnings Per Share ("EPS hurdle"); - Growth in property and friendly society funds under management ("FUM Hurdle"); and - Absolute Total Securityholder Return Performance ("Absolute TSR Hurdle").
Unvested rights	Subject to the Board's discretion, unvested Rights lapse upon the earliest of ceasing employment, corporate restructuring, divestment of material business or subsidiary, change of control, clawback and lapse for fraud and breach, failure to satisfy the Performance Conditions and the 15th anniversary of the date of the grant.

The Group currently operates three tranches of the Executive Incentive Plan (“Plan”) as below.

Tranche	Grant Date	Performance Period
4	1 January 2017	1 July 2016 to 30 June 2019
5	1 November 2017	1 July 2017 to 30 June 2020
6	1 February 2019	1 July 2018 to 30 June 2021

The performance objectives for performance rights granted under Tranche 4 were met in full by 30 June 2019. As a result, these rights will vest on 14 August 2019.

Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

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

5 year summary	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Statutory profit after tax attributable to Centuria Capital Group securityholders ($'000)	**50,795**	54,765	17,323	12,303	8,566
Operating profit after tax ($'000)	**45,706**	45,087	15,489	11,344	6,280
Share price at start of year	**$1.40**	$1.23	$1.05	$0.93	$0.80
Share price at end of year	**$1.77**	$1.40	$1.23	$1.05	$0.93
Interim dividend	**4.25cps**	4.1cps	2.3cps	2.25cps	2.0cps
Final dividend	**5.0cps**	4.1cps	5.2cps	3.0cps	2.75cps
Special non-cash dividend	**7.8cps**	-	17.27cps	-	-
Statutory basic earnings per Centuria Capital Group security	**14.2cps**	19.8cps	11.5cps	15.8cps	11.0cps
Operating basic earnings per Centuria Capital Group security	**12.7cps**	16.3cps	10.3cps	14.8cps	8.1cps

EPS Hurdle

The percentage of Rights subject to the EPS Hurdle that vest, if any, will be determined as follows:

	Compound annual growth Rate	Portion of Rights that vest
	Tranche 4 (30% of rights granted)	
Maximum % or above	10% or greater	100%
Between threshold % and maximum %	More than 6%, less than 10%	Pro-rata between 50% and 100%
	More than 4%, less than 6%	Pro-rata between 25% and 50%
Threshold %	4%	25%
Less than the threshold %	Less than 4%	0%

The Board has discretion to adjust the EPS performance hurdle to ensure that participants are neither advantaged nor disadvantaged by matters outside managements' control that affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals). Tranche 5 and Tranche 6 did not include an EPS hurdle.

Audited remuneration report (continued)

Remuneration of senior management (continued)

FUM Hurdle

The percentage of Rights subject to the growth in FUM Hurdle that vest, if any, will be determined as follows:

	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest
	Tranche 4 (20% of rights granted)		Tranche 5 (25% of rights granted)		Tranche 6 (25% of rights granted)	
Maximum % or above	15% or greater	100%	20% or greater	100%	20% or greater	100%
Between threshold % and maximum %	More than 12%, less than 15%	Pro-rata vesting between 50% to 100%	More than 10%, less than 20%	Pro-rata vesting between 25% to 100%	More than 10%, less than 20%	Pro-rata vesting between 25% to 100%
	More than 10%, less than 12%	Pro-rata vesting between 25% to 50%				
Threshold %	10%	25%	10%	25%	10%	25%
Less than the threshold %	Less than 10%	0%	Less than 10%	0%	Less than 10%	0%

Absolute TSR Hurdle

The percentage of Rights subject to the Absolute TSR Hurdle that vest, if any, will be determined as follows:

	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest
	Tranche 4 (50% of rights granted)		Tranche 5 (75% of rights granted)		Tranche 6 (75% of rights granted)	
Maximum % or above	18% or greater	100%	15% or greater	100%	15% or greater	100%
Between threshold % and maximum %	More than 15% less than 18%	Pro-rata vesting between 50% to 100%	More than 10% less than 15%	Pro-rata vesting between 25% to 100%	More than 10% less than 15%	Pro-rata vesting between 25% to 100%
	More than 12%, less than 15%	Pro-rata vesting between 25% to 50%				
Threshold %	12%	25%	10%	25%	10%	25%
Less than the threshold %	Less than 12%	0%	Less than 10%	0%	Less than 10%	0%

Audited remuneration report (continued)

Remuneration of senior management (continued)

Rights Granted

The following Rights were granted to senior management:

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 4 (grant date of 1 January 2017) (i)			
Mr John E. McBain	153,409	EPS Hurdle	$0.88
	102,273	FUM Growth Hurdle	$0.88
	255,682	Absolute TSR Growth Hurdle	$0.16
Mr Jason C. Huljich	76,875	EPS Hurdle	$0.88
	51,250	FUM Growth Hurdle	$0.88
	128,125	Absolute TSR Growth Hurdle	$0.16
Mr Nicholas R. Collishaw	76,875	EPS Hurdle	$0.88
	51,250	FUM Growth Hurdle	$0.88
	128,125	Absolute TSR Growth Hurdle	$0.16
Mr Simon W. Holt	35,642	EPS Hurdle	$0.88
	23,761	FUM Growth Hurdle	$0.88
	59,403	Absolute TSR Growth Hurdle	$0.16
Total	**1,142,670**		

(i) The performance objectives for performance rights granted under Tranche 4 were met in full by 30 June 2019. As a result, these rights will vest on 14 August 2019.

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 5 (grant date of 1 November 2017)			
Mr John E. McBain	125,762	FUM Growth Hurdle	$1.24
	377,287	Absolute TSR Growth Hurdle	$0.62
Mr Jason C. Huljich	79,055	FUM Growth Hurdle	$1.24
	237,165	Absolute TSR Growth Hurdle	$0.62
Mr Nicholas R. Collishaw	75,640	FUM Growth Hurdle	$1.24
	226,921	Absolute TSR Growth Hurdle	$0.62
Mr Simon W. Holt	43,834	FUM Growth Hurdle	$1.24
	131,502	Absolute TSR Growth Hurdle	$0.62
Total	**1,297,166**		

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 6 (grant date of 1 February 2019)			
Mr John E. McBain	159,575	FUM Growth Hurdle	$1.11
	478,724	Absolute TSR Growth Hurdle	$0.19
Mr Jason C. Huljich	126,330	FUM Growth Hurdle	$1.11
	378,989	Absolute TSR Growth Hurdle	$0.19
Mr Simon W. Holt	57,624	FUM Growth Hurdle	$1.11
	172,872	Absolute TSR Growth Hurdle	$0.19
Total	**1,374,114**		

Audited remuneration report (continued)

Remuneration of senior management (continued)

Statutory remuneration table

The following table discloses total remuneration of executive directors and senior management in accordance with the *Corporations Act 2001*:

		Short-term employee benefits		Post employment benefits	Other long-term benefits	Share-based payments	Total
	Year	Salaries ($)	Bonus ($)	Superannuation ($)	Long service leave ($)	$	$
Mr John E. McBain	**2019**	**1,179,469**	**900,000**	**20,531**	**121,136**	**367,324**	**2,588,460**
	2018	804,951	1,118,750	20,049	33,495	620,019	2,597,264
Mr Jason C. Huljich	**2019**	**934,469**	**850,000**	**20,531**	**(93,160)**	**226,523**	**1,938,363**
	2018	679,076	1,025,000	20,049	(38,845)	187,742	1,873,022
Mr Nicholas R. Collishaw	**2019**	**-**	**-**	**-**	**-**	**152,267**	**152,267**
Note (i)	2018	345,340	-	8,160	-	184,229	537,729
Mr Simon W. Holt	**2019**	**629,469**	**422,500**	**20,531**	**-**	**111,878**	**1,184,378**
	2018	459,201	412,500	20,049	-	63,926	955,676
Total	**2019**	**2,743,407**	**2,172,500**	**61,593**	**27,976**	**857,992**	**5,863,468**
	2018	2,288,568	2,556,250	68,307	(5,350)	1,055,916	5,963,691

Note (i) *Mr Collishaw's role changed from Executive Director and CEO - Listed Property Funds to Non-Executive Director effective 1 January 2018. Mr Collishaw's share based payment amount relates to expense recognised on performance rights granted to him under Tranche 4 and Tranche 5 while he was still employed as an Executive Director.*

Audited remuneration report (continued)

Key terms of employment contracts

Group Joint Chief Executive Officers

Mr John E. McBain, was appointed as Chief Executive Officer of the Group in April 2008. Mr Jason C. Huljich, was appointed as Joint Chief Executive Officer of the Group in June 2019. Mr John E. McBain and Mr Jason C. Huljich are employed under contract. The summary of the major terms and conditions of their employment contracts are as follows:

- Fixed Compensation plus superannuation contributions;
- Car parking within close proximity to the Company’s office;
- Eligible to participate in the bonus program determined at the discretion of the Board;
- The Group may terminate this employment contract by providing six months written notice or provide payment in lieu of the notice period plus an additional six months. Any payment in lieu of notice will be based on the total fixed compensation package; and
- The Group may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the Joint Chief Executive Officers are only entitled to remuneration up to the date of termination.

Other senior management (standard contracts)

All senior management are employed under contract. The Group may terminate their employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the total fixed compensation package).

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the aggregate amount determined is then divided between the directors as agreed. An aggregate maximum amount of not more than $2,000,000 per year was approved at the 2017 Annual General Meeting.

Directors' Fees

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

Audited remuneration report (continued)

Non-executive director remuneration (continued)

Directors' Fees (continued)

		Short-term benefits	Post-employment benefits	
	Year	**Board fees $**	**Superannuation $**	**Total $**
Mr Garry S. Charny	**2019**	**215,753**	**20,497**	**236,250**
	2018	205,479	19,521	225,000
Mr Peter J. Done	**2019**	**182,220**	**6,780**	**189,000**
	2018	164,384	15,616	180,000
Mr John R. Slater	**2019**	**124,658**	**11,842**	**136,500**
	2018	118,722	11,278	130,000
Ms Susan Wheeldon-Steele	**2019**	**92,055**	**8,745**	**100,800**
	2018	87,671	8,329	96,000
Mr Nicholas R. Collishaw	**2019**	**115,068**	**10,932**	**126,000**
	2018	54,795	5,205	60,000
Total	**2019**	**729,754**	**58,796**	**788,550**
	2018	631,051	59,949	691,000

Director and senior management equity holdings and other transactions

Director and senior management equity holdings

Set out below are details of movements in fully paid ordinary shares held by directors and senior management as at the date of this report.

Name	Balance at 1 July 2018	Movement	Balance at 30 June 2019	Changes prior to signing	Balance at signing date
Mr Garry S. Charny	237,314	89,031	**326,345**	**-**	**326,345**
Mr Peter J. Done	1,083,676	216,736	**1,300,412**	**-**	**1,300,412**
Mr John R. Slater	2,889,075	310,925	**3,200,000**	**-**	**3,200,000**
Ms Susan Wheeldon-Steele	-	-	**-**	**-**	**-**
Mr Nicholas R. Collishaw	3,086,227	500,000	**3,586,227**	**-**	**3,586,227**
Mr John E. McBain	5,191,995	673,409	**5,865,404**	**-**	**5,865,404**
Mr Jason C. Huljich	3,133,294	300,000	**3,433,294**	**-**	**3,433,294**
Mr Simon W. Holt	301,021	76,923	**377,944**	**-**	**377,944**

Audited remuneration report (continued)

Director and senior management equity holdings and other transactions (continued)

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 $588,500 (inclusive of GST) (2018: $611,796) for corporate advisory fees.
- Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater was paid a total of $279,836 (inclusive of GST) (2018: $198,000) for consultancy services. In addition, Tailwind Consulting paid the Group $4,840 for rental of office space (2018: $5,280).
- Mr Nicholas R. Collishaw was paid a total of $66,000 (inclusive of GST) (2018: $62,570) for consultancy services.

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

Mr Garry S. Charny
Director

Mr Peter J. Done
Director

Sydney
13 August 2019

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

To the Directors of Centuria Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Capital Group for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner
Sydney
13 August 2019

Centuria Capital Group

ABN 22 095 454 336

Financial report
30 June 2019

Contents

Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue	B1, B2	**115,977**	134,513
Share of net profit of equity accounted investments	E1	**30,213**	-
Net movement in policyholder liability		**17,370**	9,053
Fair value movements of financial instruments and property		**(2,262)**	10,103
Expenses	B3	**(80,692)**	(67,617)
Finance costs	B4	**(20,262)**	(15,989)
Profit before tax		**60,344**	70,063
Income tax expense	B5	**(9,403)**	(13,873)
Profit after tax		**50,941**	56,190
Profit after tax is attributable to:			
Centuria Capital Limited		19,611	24,540
Centuria Capital Fund (non-controlling interests)		31,184	30,225
External non-controlling interests		146	1,425
Profit after tax		**50,941**	56,190
Other comprehensive income		**-**	-
Total comprehensive income for the year		**50,941**	56,190
Total comprehensive income for the year is attributable to:			
Centuria Capital Limited		19,611	24,540
Centuria Capital Fund (non-controlling interests)		31,184	30,225
External non-controlling interests		146	1,425
Total comprehensive income		**50,941**	56,190
Profit after tax attributable to:			
Centuria Capital Limited		19,611	24,540
Centuria Capital Fund (non-controlling interests)		31,184	30,225
Profit after tax attributable to Centuria Capital Group securityholders		**50,795**	54,765
		Cents	Cents
Earning per Centuria Capital Group security			
Basic (cents per stapled security)	B6	**14.2**	19.8
Diluted (cents per stapled security)	B6	**13.2**	18.1
Earnings per Centuria Capital Limited share			
Basic (cents per share)		**5.5**	8.9
Diluted (cents per share)		**5.1**	8.1

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

Consolidated statement of financial position
As at 30 June 2019

	Notes	**2019 $'000**	2018 $'000
Cash and cash equivalents	D2	**124,673**	101,914
Receivables	C2	**69,862**	21,164
Income tax receivable		**-**	161
Financial assets	C3	**356,114**	644,832
Other assets		**5,741**	2,036
Investment properties held for sale	C4	**-**	63,400
Equity accounted investments	E1	**386,713**	-
Investment properties	C5	**177,500**	147,100
Intangible assets	C6	**157,663**	157,663
Total assets		**1,278,266**	1,138,270
Payables	C7	**42,232**	32,405
Liability to 360 Capital Group		**-**	41,161
Provisions		**1,878**	1,597
Borrowings	C8	**303,110**	245,739
Interest rate swaps at fair value		**28,814**	23,411
Benefit Funds policyholder's liability		**339,557**	349,677
Provision for income tax	B5(b)	**813**	-
Deferred tax liabilities	B5(c)	**10,494**	3,119
Total liabilities		**726,898**	697,109
Net assets		**551,368**	441,161
Equity			
Equity attributable to Centuria Capital Limited			
Contributed equity	C10	**128,164**	98,770
Reserves		**2,101**	1,896
Retained earnings		**12,438**	28,005
Total equity attributable to Centuria Capital Limited		**142,703**	128,671
Equity attributable to Centuria Capital Fund (non-controlling interests)			
Contributed equity	C10	**343,438**	244,930
Retained earnings		**19,067**	18,183
Total equity attributable to Centuria Capital Fund (non-controlling interests)		**362,505**	263,113
Total equity attributable to Centuria Capital Group securityholders		**505,208**	391,784
Equity attributable to external non-controlling interests			
Contributed equity		**32,927**	32,927
Retained earnings		**13,233**	16,450
Total equity attributable to external non-controlling interests		**46,160**	49,377
Total equity		**551,368**	441,161

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	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 2018	98,770	1,896	28,005	128,671	244,930	18,183	263,113	391,784	32,927	16,450	49,377	441,161
Profit for the year	-	-	19,611	19,611	-	31,184	31,184	**50,795**	-	146	146	**50,941**
Total comprehensive income for the year	**-**	**-**	**19,611**	**19,611**	**-**	**31,184**	**31,184**	**50,795**	**-**	**146**	**146**	**50,941**
Equity settled share based payments expense	966	205	-	1,171	-	-	-	**1,171**	-	-	-	**1,171**
Dividends and distributions paid/accrued	-	-	(5,178)	(5,178)	-	(30,300)	(30,300)	**(35,478)**	-	(3,363)	(3,363)	**(38,841)**
Special non-cash dividend/capital reallocation	-	-	(30,000)	(30,000)	30,000	-	30,000	**-**	-	-	-	**-**
Stapled securities issued	29,425	-	-	29,425	70,694	-	70,694	**100,119**	-	-	-	**100,119**
Cost of equity raising	(997)	-	-	(997)	(2,186)	-	(2,186)	**(3,183)**	-	-	-	**(3,183)**
Balance at 30 June 2019	**128,164**	**2,101**	**12,438**	**142,703**	**343,438**	**19,067**	**362,505**	**505,208**	**32,927**	**13,233**	**46,160**	**551,368**

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	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 for the year	-	-	24,540	24,540	-	30,225	30,225	54,765	-	1,425	1,425	56,190
Total comprehensive income for the year	**-**	**-**	**24,540**	**24,540**	**-**	**30,225**	**30,225**	**54,765**	**-**	**1,425**	**1,425**	**56,190**
Equity settled share based payments expense	535	345	-	880	-	-	-	880	-	-	-	880
Dividends and distributions paid/accrued	-	-	(8,229)	(8,229)	-	(16,764)	(16,764)	(24,993)	-	(6,880)	(6,880)	(31,873)
Stapled securities issued	21,494	-	-	21,494	77,146	-	77,146	98,640	-	-	-	98,640
Cost of equity raising	(582)	-	-	(582)	(2,888)	-	(2,888)	(3,470)	-	-	-	(3,470)
Deconsolidation of controlled property funds	-	-	-	-	-	(122)	(122)	(122)	(12,440)	(8,595)	(21,035)	(21,157)
Balance at 30 June 2018	**98,770**	**1,896**	**28,005**	**128,671**	**244,930**	**18,183**	**263,113**	**391,784**	**32,927**	**16,450**	**49,377**	**441,161**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Management fees received		**46,330**	50,322
Performance fees received		**1,361**	23,768
Rent received		**20,775**	23,349
Interest received		**6,863**	9,985
Distributions received		**34,628**	22,760
Interest paid		**(15,761)**	(14,162)
Income taxes paid		**(1,052)**	(16,817)
Payments to suppliers and employees		**(64,906)**	(53,440)
Applications - Benefits Funds		**17,160**	21,942
Redemptions - Benefits Funds		**(32,494)**	(30,777)
Net cash provided by operating activities	D3	**12,904**	36,930
Cash flows from investing activities			
Proceeds from sale of related party investments		**3,552**	62,494
Purchase of investments in related parties		**(173,294)**	(123,760)
Loans to related parties for purchase of properties		**-**	(5,865)
Repayment of loans by related parties		**5,865**	2,000
Purchase of other investments		**(72,263)**	(52,723)
Loans provided to other parties		**(5,925)**	(25,980)
Loans repaid by other parties		**-**	25,980
Proceeds from sale of investment property		**22,600**	22,000
Payments in relation to investment properties		**(1,896)**	(8,840)
Benefit Funds disposals of investments in financial assets		**20,001**	13,202
Collections from reverse mortgage holders		**953**	2,113
Payments for property, plant and equipment		**(3,713)**	(788)
Cash contribution to related party		**(20,000)**	-
Purchase of equity accounted investments		**(23,960)**	-
Proceeds from sale of investments		**136,899**	-
Return of investment to external non-controlling interests		**-**	(5,366)
Deconsolidation of controlled property funds cash balance		**-**	(766)
Net cash used in investing activities		**(111,181)**	(96,299)
Cash flows from financing activities			
Proceeds from issues of securities to securityholders of Centuria Capital Group		**100,119**	98,639
Equity raising costs paid		**(3,179)**	(3,710)
Proceeds from borrowings		**80,000**	37,748
Repayment of borrowings		**(21,705)**	(14,185)
Capitalised borrowing costs paid		**(1,725)**	(446)
Distributions paid to securityholders of Centuria Capital Group		**(29,111)**	(24,310)
Distributions paid to external non-controlling interests		**(3,363)**	(6,835)
Net cash provided by financing activities		**121,036**	86,901
Net increase in cash and cash equivalents		**22,759**	27,532
Cash and cash equivalents at the beginning of the financial year		**101,914**	74,382
Cash and cash equivalents at end of year		**124,673**	101,914

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

The consolidated financial statements of the Group comprising the Company (as ‘Parent’) and its controlled entities for the year ended 30 June 2019 were authorised for issue by the Group’s Board of Directors on 13 August 2019.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, other financial assets, investment properties and derivative financial instruments 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 financial statements. Amounts in the Directors’ Report and 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 financial statements are consistent with those adopted in the previous financial year ended 30 June 2018 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated financial statements.

When the presentation or classification of items in the consolidated 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.

The Group has now applied equity accounting to its investments in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) as the Group's ownership in these entities exceeded 20% during the year and significant influence was established. These investments were previously recognised as financial assets at fair value. Details of the accounting policy on equity accounted investments are included in Note E1.

The Group has applied new accounting standards and their impact is disclosed in Note F5. These financial statements contain all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate.

A3 Use of judgements and estimates

In preparing these consolidated 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.

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

- Note C5 Investment properties
- Note C6 Intangible assets
- Note F3 Financial instruments

A4 Segment summary

As at 30 June 2019 the Group has four reportable operating segments. These reportable operating segments are the divisions which report to the Group's Joint Chief Executive Officers 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 and rendering of services in social and affordable housing developments.
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
Corporate	Overheads for supporting the Group's operating segments and management of a reverse mortgage lending portfolio

In addition, the Group also 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, share of equity accounted net profit in excess of distributions received 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

Where relevant, comparative financial information has been restated to ensure consistency in presentation of financial information across the applicable comparative periods.

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 year ended 30 June 2019	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Corporate $'000	Operating profit $'000	Non operating items $'000	Benefits Funds $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory profit $'000
Management fees		39,720	9,963	-	-	**49,683**	-	-	-	(7,543)	**42,140**
Property acquisition fees		1,135	-	-	-	**1,135**	-	-	-	-	**1,135**
Property performance fees		22,522	-	-	-	**22,522**	-	-	-	-	**22,522**
Development revenue		1,558	-	-	-	**1,558**	-	-	-	-	**1,558**
Property sales fees		1,581	-	-	-	**1,581**	-	-	(226)	-	**1,355**
Interest revenue		343	78	317	3,443	**4,181**	-	5,453	41	(140)	**9,535**
Rental income		-	-	-	-	**-**	-	-	14,653	-	**14,653**
Recoverable outgoings		-	-	-	-	**-**	-	-	4,328	-	**4,328**
Distribution/dividend revenue		-	-	27,591	-	**27,591**	(19,798)	7,163	-	(1,056)	**13,900**
Premiums - discretionary participation features		-	-	-	-	**-**	-	2,407	-	-	**2,407**
Other income		1,194	272	686	16	**2,168**	-	157	119	-	**2,444**
Total Revenue		**68,053**	**10,313**	**28,594**	**3,459**	**110,419**	**(19,798)**	**15,180**	**18,915**	**(8,739)**	**115,977**
Share of net profit of equity accounted investments	E1	-	-	-	-	**-**	28,231	1,982	-	-	**30,213**
Net movement in policyholder liabilities		-	-	-	-	**-**	-	17,370	-	-	**17,370**
Fair value movements of financial instruments and property		-	-	-	-	**-**	4,572	(2,193)	(10,953)	6,312	**(2,262)**
Expenses	B3	(20,464)	(6,792)	(65)	(12,278)	**(39,599)**	(6,625)	(31,294)	(10,717)	7,543	**(80,692)**
Finance costs	B4	(2)	(2)	(13,846)	(1,913)	**(15,763)**	-	(4)	(4,635)	140	**(20,262)**
Profit/(Loss) before tax		47,587	3,519	14,683	(10,732)	**55,057**	6,380	1,041	(7,390)	5,256	**60,344**
Income tax benefit/(expense)	B5	(14,447)	(1,073)	(178)	6,347	**(9,351)**	989	(1,041)	-	-	**(9,403)**
Profit/(Loss) after tax		**33,140**	**2,446**	**14,505**	**(4,385)**	**45,706**	**7,369**	**-**	**(7,390)**	**5,256**	**50,941**
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		33,020	2,446	417	(13,710)	**22,173**	(2,562)	-	-	-	**19,611**
Centuria Capital Fund		120	-	14,088	9,325	**23,533**	9,931	-	-	(2,280)	**31,184**
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		**33,140**	**2,446**	**14,505**	**(4,385)**	**45,706**	**7,369**	**-**	**-**	**(2,280)**	**50,795**
Non-controlling interests		-	-	-	-	**-**	-	-	(7,390)	7,536	**146**
Profit/(loss) after tax		**33,140**	**2,446**	**14,505**	**(4,385)**	**45,706**	**7,369**	**-**	**(7,390)**	**5,256**	**50,941**

B1 Segment profit and loss (continued)

For the year ended 30 June 2018	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Corporate $'000	Operating profit $'000	Non operating items $'000	Benefits Funds $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory profit $'000
Management fees		30,996	10,299	-	-	**41,295**	-	-	(2)	(7,882)	**33,411**
Property acquisition fees		4,070	-	-	-	**4,070**	-	-	-	-	**4,070**
Property performance fees		26,738	-	-	-	**26,738**	-	-	-	-	**26,738**
Property sales fees		2,971	-	-	-	**2,971**	-	-	-	-	**2,971**
Interest revenue		282	75	1,556	2,808	**4,721**	-	6,418	81	(112)	**11,108**
Rental income		-	-	-	7	**7**	-	-	16,988	-	**16,995**
Recoverable outgoings		-	-	-	-	**-**	-	-	4,558	-	**4,558**
Distribution/dividend revenue		-	-	18,984	-	**18,984**	-	10,880	-	(243)	**29,621**
Premiums - discretionary participation features		-	-	-	-	**-**	-	2,711	-	-	**2,711**
Other income		1,371	418	165	30	**1,984**	-	170	176	-	**2,330**
Total revenue		**66,428**	**10,792**	**20,705**	**2,845**	**100,770**	**-**	**20,179**	**21,801**	**(8,237)**	**134,513**
Share of net profit of equity accounted investments		-	-	-	-	**-**	-	-	-	-	**-**
Net movement in policyholder liabilities		-	-	-	-	**-**	-	9,053	-	-	**9,053**
Fair value movements of financial instruments and property		-	-	-	-	**-**	8,604	3,670	3,347	(5,518)	**10,103**
Expenses		(17,474)	(5,816)	(134)	(10,117)	**(33,541)**	(610)	(29,751)	(11,597)	7,882	**(67,617)**
Finance costs		(9)	(1)	(8,680)	(1,918)	**(10,608)**	-	(3)	(5,490)	112	**(15,989)**
Profit/(Loss) before tax		48,945	4,975	11,891	(9,190)	**56,621**	7,994	3,148	8,061	(5,761)	**70,063**
Income tax benefit/(expense)	B5	(14,724)	(1,502)	(174)	4,866	**(11,534)**	809	(3,148)	-	-	**(13,873)**
Profit/(Loss) after tax		**34,221**	**3,473**	**11,717**	**(4,324)**	**45,087**	**8,803**	**-**	**8,061**	**(5,761)**	**56,190**
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		34,221	3,473	406	(11,208)	**26,892**	(2,267)	-	47	(132)	**24,540**
Centuria Capital Fund		-	-	11,311	6,884	**18,195**	11,070	-	6,589	(5,629)	**30,225**
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		**34,221**	**3,473**	**11,717**	**(4,324)**	**45,087**	**8,803**	**-**	**6,636**	**(5,761)**	**54,765**
Non-controlling interests		-	-	-	-	**-**	-	-	1,425	-	**1,425**
Profit/(loss) after tax		**34,221**	**3,473**	**11,717**	**(4,324)**	**45,087**	**8,803**	**-**	**8,061**	**(5,761)**	**56,190**

B2 Revenue

(a) Recognition and measurement

Revenue is recognised over time if:

• the customer simultaneously receives and consumes the benefits as the entity performs;
• the customer controls the asset as the entity creates or enhances it; or
• the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Type of revenue	Description	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15
Management fees	The Group provides:		
	a) fund management services to property funds in accordance with the fund constitutions. The services are provided on an ongoing basis and revenue is calculated and recognised in accordance with the relevant constitution. The fees are invoiced and paid monthly in arrears.	Recognised on accruals basis based on the contract terms.	Over-time
	b) property management services to the owners of property assets in accordance with property services agreements. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements.	Recognised on an accruals basis based on the contract terms.	Over-time
	c) lease management service to the owners. The revenue is recognised when the specific service is delivered (e.g. on lease execution) and consideration is due 30 days from invoice date.	Recognised in the period in which the services are rendered.	Point-in-time
	d) short-term development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated in accordance with the specific agreement and invoiced in accordance with the contract terms. Consideration is due from the customer based on the specific terms agreed in the contract and is recognised when the Company has control of the benefit.	Recognised in the period in which the services are rendered.	Point-in-time

B2 Revenue (continued)

(a) Recognition and measurement (continued)

Type of revenue	Description	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15
Performance fees	The Group receives a performance fee for providing management services where the property fund outperforms a set IRR benchmark at the time the property is sold. The consideration is due upon successful sale of the investment property if the performance hurdles are satisfied. In assessing the timing and measurement of performance fees to be recognised, consideration is given to the facts and circumstances with respect to each investment property including external factors such as its current valuation, passage of time and outlook of the property market. Performance fees are only recognised when they are deemed to be highly probable and the amount of the performance fees will not result in a significant reversal in future periods.	Recognised in the period in which the services are rendered.	Over-time
Recoverable outgoings	The Group recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and billed annually.	Recognised on an accruals basis based on the contract terms.	Over-time
Property acquisition fees	The Group provides property acquisition related services to property funds and the revenue is based on a fixed percentage included in the PDS issued at the establishment of the fund. The consideration is due upon successful settlement of the investment property.	Recognised in the period in which the services are rendered.	Point-in-time
Property sales fees	The Group provides sales services to the owners of property assets in accordance with property management agreements. The consideration is due upon successful sale of the investment property.	Recognised in the period in which the services are rendered.	Point-in-time
Development revenue	The Group provides property development services to customers in accordance with development agreements. The input method is used to recognise development revenue over-time on an expected cost plus margin approach.	Recognised in the period in which the services are rendered.	Over-time

The recognition and measurement of revenue outside the scope of AASB 15 are as follows:

(i) *Interest revenue*

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

(ii) *Distribution/dividend revenue*

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

(iii) *Rental income*

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

B2 Revenue (continued)

(b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Recognised in 2019 $'000	Balance of unrecognised performance obligations $'000
Property performance fees*	22,522	1,989
Development revenue	7,278	66,617
Management fees**	38,566	46,830

* The underlying property funds managed by the Group have recognised a total performance fee of $56,905,000, the Group has recognised $22,522,000 of this amount, with a total constrained amount being $24,511,000.

** Only relates to unlisted property funds management fees which have defined fund terms.

(c) Transactions with related parties

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

	2019 $	2018 $
Management fees from Property Funds managed by Centuria	**38,566,046**	29,704,620
Distributions from Property Funds managed by Centuria	**2,121,706**	14,467,430
Property acquisition fees from Property Funds managed by Centuria	**1,135,110**	4,070,177
Performance fees from Property Funds managed by Centuria	**22,522,000**	26,737,500
Management fees from Over Fifty Guardian Friendly Society	**3,574,208**	3,552,177
Sales fees from Property Funds managed by Centuria	**1,354,000**	2,970,550
Interest income on loans to Property Funds managed by Centuria	**36,958**	501,525
Fees from Debt funds managed by Centuria	**1,209,583**	1,054,857
Distributions and interest from Debt Funds managed by Centuria	**202,062**	108,825
	70,721,673	83,167,661

(i) Terms and conditions of transactions with related parties

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

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

The Group pays some expenses on behalf of related entities and receives a reimbursement for these payments.

B3 Expenses

	2019 $'000	2018 $'000
Employee benefits expense	**26,084**	21,260
Consulting and professional fees	**3,805**	3,966
Property outgoings and fund expenses	**7,992**	8,531
Transaction costs	**5,934**	230
Administration fees	**2,019**	2,316
Impairment of seed capital	**-**	380
Cost of sales - development	**848**	-
Claims - discretionary participation features only	**24,985**	23,144
Property management fees paid	**1,336**	-
Other expenses	**7,689**	7,790
	80,692	67,617

(a) Transactions with key management personnel

(i) *Transactions with directors*

For transactions with directors, refer to details included in the Audited remuneration report on page 20.

(ii) *Key management personnel compensation*

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

	2019 $	2018 $
Short-term employee benefits	**5,645,160**	5,475,869
Post-employment benefits	**120,390**	128,256
Other long-term employment benefits	**115,816**	(5,350)
Share-based payments	**857,992**	1,055,916
	6,739,358	6,654,691

Detailed information on key management personnel is included in the Audited remuneration report.

B4 Finance costs

	2019 $'000	2018 $'000
Operating interest charges	**13,003**	8,567
Bank loans in Controlled Property Funds interest charges	**4,636**	5,490
Reverse mortgage facility interest charges	**1,888**	1,738
(Gain)/loss on derivatives on fair value hedges	**(6,909)**	1,115
Loss/(gain) on financial assets fair value hedges	**6,909**	(1,115)
Other finance costs	**735**	194
	20,262	15,989

Recognition and measurement

The Group's finance costs include:

- Interest expense recognised using the effective interest method.
- The net gain or loss on hedging instruments that are recognised in profit or loss.

B5 Taxation

	2019 $'000	2018 $'000
Current tax expense in respect of the current year	**2,542**	13,203
Adjustments to current tax in relation to prior years	**(514)**	(102)
	2,028	13,101
Deferred tax expense relating to the origination and reversal of temporary differences	**7,375**	772
Income tax expense	**9,403**	13,873

(a) Reconciliation of income tax expense

The prima facie income tax expense on profit before income tax reconciles to the income tax expense in the consolidated financial statements as follows:

	2019 $'000	2018 $'000
Profit before tax	**60,344**	70,063
Less: profit not subject to income tax	**(27,211)**	(20,222)
	33,133	49,841
Income tax expense calculated at 30%	**9,940**	14,952
Add/(deduct) tax effect of amounts which are not deductible/(assessable)		
Tax offset for franked dividends	**(617)**	(1,032)
Non-allowable expenses - seed capital impairment	**-**	114
Non-allowable expenses - other	**594**	181
Recognition of previously unbooked capital losses	**-**	(240)
Adjustments to current tax in relation to prior years	**(514)**	(102)
Income tax expense	**9,403**	13,873

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Current tax assets and liabilities

	2019 $'000	2018 $'000
Current tax assets/(liabilities) attributable to:		
Benefit Funds	**(738)**	690
Securityholders	**(75)**	(529)
	(813)	161

B5 Taxation (continued)

(c) Movement of deferred tax balances

Financial year ended 30 June 2019	Opening balance $'000	Movement $'000	Closing balance $'000
Deferred tax assets			
Provisions	**2,643**	**(1,083)**	**1,560**
Revenue tax losses	**-**	**4,021**	**4,021**
Capital losses	**26,814**	**(22)**	**26,792**
Deferred tax liabilities			
Indefinite life management rights	**(27,638)**	**-**	**(27,638)**
Accrued performance fees	**-**	**(6,115)**	**(6,115)**
Transaction costs	**346**	**(5,079)**	**(4,733)**
Accrued income	**(290)**	**-**	**(290)**
Unrealised gain/(loss) on financial assets	**(2,529)**	**1,097**	**(1,432)**
Prepayments	**(6)**	**-**	**(6)**
Fair value measurements in mortgage assets	**(2,459)**	**(62)**	**(2,521)**
Other	**-**	**(132)**	**(132)**
	(3,119)	**(7,375)**	**(10,494)**

Financial year ended 30 June 2018	Opening balance $'000	Movement $'000	Closing balance $'000
Deferred tax assets			
Provisions	2,207	436	2,643
Capital losses	27,640	(826)	26,814
Transaction costs	374	(28)	346
Deferred tax liabilities			
Indefinite life management rights	(27,638)	-	(27,638)
Accrued income	(290)	-	(290)
Unrealised gain/(loss) on financial assets	(1,007)	(1,522)	(2,529)
Prepayments	(6)	-	(6)
Fair value measurements in mortgage assets	(3,600)	1,141	(2,459)
	(2,320)	(799)	(3,119)

(d) Capital tax losses

At 30 June 2019, the Group has no unrecognised capital tax losses (2018: $nil).

Recognition and measurement

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

(i) *Current tax*

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

B5 Taxation (continued)

Recognition and measurement (continued)

(ii) *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither taxable income nor accounting profit;
- taxable temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from goodwill

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) *Tax consolidation*

The Company and all its wholly-owned Australian resident companies are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in their separate financial statements using a 'standalone tax payer' approach. Under the tax funding arrangement between members of the tax-consolidated group, amounts are recognised as payable to or receivable by each member in relation to the tax contribution amounts paid or payable between Company and the members of the the tax-consolidated group.

Centuria Capital Fund (CCF) and its subsidiaries are not part of the tax-consolidation group. Under current Australian income tax legislation, Trusts are not liable for income tax, provided their securityholders are presently entitled to the taxable income of the Trust including realised capital gains each financial year.

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

(iv) *Current and deferred tax for the period*

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in the statement of comprehensive income. In the case of a business combination, the tax effect is included in the accounting for the business combination.

B6 Earnings per security

	2019 Cents	2018 Cents
Basic (cents per stapled security)	**14.2**	19.8
Diluted (cents per stapled security)	**13.2**	18.1

The earnings used in the calculation of basic and diluted earnings per security is the profit for the year attributable to Centuria Capital Group securityholders as reported in the consolidated statement of comprehensive Income.

The weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security is as follows:

	2019	2018
Weighted average number of ordinary securities (basic)	**358,809,337**	277,224,977
Weighted average number of ordinary securities (diluted) [(i)]	**383,381,274**	301,789,890

[(i)] The weighted average number of ordinary securities used in the calculation of diluted earnings per security is determined:

- as if 30 June 2019 was the end of the performance period of the grants of Rights under the LTI plan. All Rights that would have vested if 30 June 2019 was the end of the performance period are deemed to have been issued at the start of the financial year.
- as if 20,098,470 unexercised options with an exercise price of $1.30 per option have been converted to ordinary securities at the start of the financial year.

B7 Dividends and distributions

	2019 Cents per security	2019 Total $'000	2018 Cents per security	2018 Total $'000
Dividends/distributions paid during the year				
Final year-end dividend (fully franked)	**1.00**	**3,048**	2.40	5,453
Final year-end distribution	**3.10**	**9,449**	2.80	6,361
Interim dividend (fully franked)	**0.85**	**3,260**	1.70	5,184
Interim distribution	**3.40**	**13,038**	2.40	7,314
Special non-cash dividend/capital reallocation	**7.80**	**30,000**	-	-
Dividends/distributions declared during the year				
Final dividend (fully franked) (i)	**0.50**	**1,918**	1.00	3,048
Final distribution (i)	**4.50**	**17,262**	3.10	9,449
Dividends/distributions paid/declared to Centuria Capital Group securityholders (iii)	**21.15**	**77,975**	13.40	36,809

(i) The Group declared a final dividend/distribution in respect of the year ended 30 June 2019 of 5.0 cents per stapled security which included a dividend of 0.50 cents per share and a distribution of 4.50 cents per security. The final dividend had a record date of 28 June 2019 and to be subsequently paid on 16 August 2019. The total amount payable of $19,180,000 (2018: $12,497,000) has been provided as a liability in these financial statements.

(ii) On 29 June 2019, a special non-cash dividend was paid by Centuria Capital Limited of $30,000,000 which was reinvested as capital into Centuria Capital Fund.

(iii) In addition to the dividends and distributions paid to Centuria Capital Group securityholders, the Group paid distributions of $3,363,000 (2018: $6,880,000) to external non-controlling interests.

(a) Franking credits

	2019 $'000	2018 $'000
Amount of franking credits available to shareholders of the Company for subsequent financial years (i)	**337**	15,682

(i) Before taking into account the impact of the final dividend payable on 16 August 2019.

C Assets and liabilities

C1 Segment balance sheet

As at 30 June 2019	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'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	D2	13,193	6,289	62,817	5,460	**87,759**	32,123	4,791	-	**124,673**
Receivables	C2	37,940	947	22,181	4,658	**65,726**	5,979	(460)	(1,383)	**69,862**
Other assets		46	248	-	5,447	**5,741**	-	-	-	**5,741**
Financial assets	C3	-	-	58,540	53,720	**112,260**	283,794	-	(39,940)	**356,114**
Equity accounted investments	E1	-	-	360,400	-	**360,400**	26,313	-	-	**386,713**
Investment properties	C5	-	-	-	-	**-**	-	177,500	-	**177,500**
Intangible assets	C6	157,663	-	-	-	**157,663**	-	-	-	**157,663**
Total assets		**208,842**	**7,484**	**503,938**	**69,285**	**789,549**	**348,209**	**181,831**	**(41,323)**	**1,278,266**
Liabilities										
Payables	C7	2,540	469	20,060	12,599	**35,668**	2,962	4,985	(1,383)	**42,232**
Provisions		858	-	-	1,020	**1,878**	-	-	-	**1,878**
Borrowings	C8	-	-	202,607	8,194	**210,801**	-	94,309	(2,000)	**303,110**
Interest rate swap at fair value		-	-	-	28,083	**28,083**	-	731	-	**28,814**
Benefit Funds policy holders' liability		-	-	-	-	**-**	339,557	-	-	**339,557**
Provision for income tax		2,420	-	-	(2,345)	**75**	738	-	-	**813**
Deferred tax liability	B5(c)	7,817	(204)	5,615	(7,686)	**5,542**	4,952	-	-	**10,494**
Total liabilities		**13,635**	**265**	**228,282**	**39,865**	**282,047**	**348,209**	**100,025**	**(3,383)**	**726,898**
Net assets		**195,207**	**7,219**	**275,656**	**29,420**	**507,502**	**-**	**81,806**	**(37,940)**	**551,368**

C1 Segment balance sheet (continued)

As at 30 June 2018	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'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	D2	22,189	6,170	11,531	36,499	**76,389**	20,148	5,377	-	**101,914**
Receivables	C2	6,209	1,318	6,334	3,290	**17,151**	6,400	(378)	(2,009)	**21,164**
Income tax receivable		490	(82)	-	(937)	**(529)**	690	-	-	**161**
Other assets		62	244	-	1,730	**2,036**	-	-	-	**2,036**
Financial assets	C3	-	-	277,919	48,059	**325,978**	330,505	-	(11,651)	**644,832**
Investment properties held for sale		-	-	-	-	**-**	-	63,400	-	**63,400**
Investment properties	C5	-	-	-	-	**-**	-	147,100	-	**147,100**
Intangible assets	C6	157,663	-	-	-	**157,663**	-	-	-	**157,663**
Total assets		**186,613**	**7,650**	**295,784**	**88,641**	**578,688**	**357,743**	**215,499**	**(13,660)**	**1,138,270**
Liabilities										
Payables	C7	1,908	729	12,783	11,426	**26,846**	1,916	5,652	(2,009)	**32,405**
Liability to 360 Capital Group		-	-	6,562	-	**6,562**	-	34,599	-	**41,161**
Provisions		885	-	-	712	**1,597**	-	-	-	**1,597**
Borrowings	C8	-	-	123,552	8,429	**131,981**	-	115,758	(2,000)	**245,739**
Interest rate swap at fair value		-	-	-	22,939	**22,939**	-	472	-	**23,411**
Benefit Funds policy holders' liability		-	-	-	-	**-**	349,677	-	-	**349,677**
Deferred tax liability	B5(c)	923	(94)	-	(3,860)	**(3,031)**	6,150	-	-	**3,119**
Total liabilities		**3,716**	**635**	**142,897**	**39,646**	**186,894**	**357,743**	**156,481**	**(4,009)**	**697,109**
Net assets		**182,897**	**7,015**	**152,887**	**48,995**	**391,794**	**-**	**59,018**	**(9,651)**	**441,161**

C2 Receivables

	Notes	2019 $'000	2018 $'000
Receivables from related parties	C2(a)	**51,708**	11,682
Other receivables		**10,846**	9,482
Contract assets - Development		**7,308**	-
		69,862	21,164

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 year:

	2019 $	2018 $
Management fees owing from property funds managed by Centuria	**4,324,197**	3,126,289
Sales fees owing from property funds managed by Centuria	**985,000**	-
Performance fees owing from property funds managed by Centuria	**22,296,386**	357,000
Acquisition fee receivable from Centuria 80 Grenfell Fund	**-**	1,765,177
Distribution receivable from Centuria Industrial REIT	**2,958,601**	2,346,074
Recoverable expenses owing from property funds managed by Centuria	**1,404,810**	1,486,241
Distribution receivable from Centuria Metropolitan REIT	**2,814,461**	1,250,856
Receivable from Over Fifty Guardian Friendly Society	**435,035**	758,951
Distribution receivable from Centuria Diversified Property Fund	**110,393**	28,378
Distribution receivable from Centuria Scarborough House Fund	**699**	613
Redemption funds receivable from Centuria Diversified Property Fund	**16,000,000**	435,781
Receivables from debt funds managed by Centuria	**378,571**	64,000
Interest receivable from Centuria 80 Grenfell Fund	**-**	62,799
	51,708,153	11,682,159

Recognition and measurement

Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

(i) *Contract balances*

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (trade receivables) and unbilled receivables (contract assets) on the consolidated statement of financial position.

In respect to the Social Affordable Housing Developments within the Property Funds Management segment, billing occurs subsequent to revenue recognition, resulting in contract assets.

C3 Financial assets

	Notes	2019 $'000	2018 $'000
Investments in trusts, shares and other financial instruments at fair value		**281,757**	362,799
Investment in related party unit trusts at fair value	C3(a)	**14,571**	228,109
Loans receivable from related parties	C3(b)	**-**	5,865
Loans receivable [(i)]		**6,066**	-
Reverse mortgage receivables [(ii)]		**26,702**	28,289
Reverse mortgages - hedged item		**27,018**	19,770
		356,114	644,832

[(i)] This is an unsecured loan to a third party that accrues interest at 10% per annum.
[(ii)] Whilst some mortgages are likely to be repaid during the next 12 months, the Group does not control the repayment date.

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.

	2019			2018		
Financial assets held by the Group	**Fair value $**	**Units held**	**Ownership**	**Fair value $**	**Units held**	**Ownership**
Centuria Industrial REIT*	**-**	**-**	**0%**	124,317,757	48,372,668	19.48%
Centuria Metropolitan REIT*	**-**	**-**	**0%**	68,555,158	27,643,209	11.39%
Centuria Diversified Property Fund	**11,591,312**	**8,060,718**	**14.92%**	7,050,751	5,250,001	18.88%
Centuria Bottleyard Fund	**-**	**-**	**0%**	1,548,500	1,630,000	14.17%
Centuria Rouse Hill Debt Fund	**-**	**-**	**0%**	1,515,527	1,515,527	18.20%
Centuria Scarborough House Fund	**102,826**	**102,826**	**0.22%**	102,826	102,826	0.22%
	11,694,138			203,090,519		
Financial assets held by the Benefit Funds						
Centuria Metropolitan REIT*	**-**	**-**	**0%**	17,454,984	7,038,300	2.90%
Centuria Industrial REIT*	**-**	**-**	**0%**	2,601,467	1,012,244	0.41%
Centuria Iskia Development Fund	**1,850,000**	**1,850,000**	**15.83%**	1,850,000	1,850,000	15.83%
Centuria Bottleyard Fund	**-**	**-**	**0%**	1,425,000	1,500,000	13.04%
Centuria SOP Fund	**1,026,800**	**1,000,000**	**3.28%**	951,400	1,000,000	3.28%
Centuria Rouse Hill Debt Fund	**-**	**-**	**0%**	735,716	735,716	8.83%
	2,876,800			25,018,567		
	14,570,938			228,109,086		

* These investments which were previously held as related party investments are equity accounted for the year ended 30 June 2019. See Note E1 for details. Also, see next page for a movement of the related party unit trusts during the year.

C3 Financial assets (continued)

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

Related party unit trusts carried at fair value through profit and loss	30 June 2019 $'000
Opening balance	228,109
Investment purchases	139,424
Return of investment	(5,895)
Disposal	(16,000)
Fair value gain	2,693
Carrying value transferred to equity accounted investments	(333,760)
	14,571

(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 year:

	2019 $	2018 $
Centuria 80 Grenfell Street Fund	-	5,865,000

Recognition and measurement

Policy application at 30 June 2018

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

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

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income.

Reverse mortgage loan receivable financial assets are recognised at FVTPL.

Policy application from 1 July 2018

AASB 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit and loss (FVTPL).

C3 Financial assets (continued)

Recognition and measurement (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Financial assets at amortised cost

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the ECL model.

(ii) Recoverability of loans and receivables

At each reporting period, the Group assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including forecasts of interest rates and inflation, as well as the financial stress of counterparties and their ability to operate as a going concern. Debts that are known to be uncollectable are written off when identified.

(iii) Financial assets at fair value through profit and loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets recognised at FVTPL include reverse mortgage loan receivables, reverse mortgage derivatives and investments in trusts.

C4 Investment properties held for sale

In June 2018, the Group Group decided to sell the investment properties within Centuria Retail Fund. Windsor Marketplace, Windsor NSW was sold during December 2018 for $22,600,000, however City Centre Plaza Rockhampton QLD was taken off the market and is no longer held for sale and has been reclassified as an investment property.

Property	2019 $'000	2018 $'000
City Centre Plaza, Rockhampton QLD	-	40,000
Windsor Marketplace, Windsor NSW	-	23,400
Total fair value	-	63,400

The fair values listed above do not include estimated selling costs which are expected to be incurred upon disposal.

Recognition and measurement

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These investment properties are carried at fair value. The valuation techniques to determine the fair value of investment properties held for sale are the same as the valuation techniques of investment properties described in Note C5(a).

C5 Investment properties

	2019 $'000	2018 $'000
Opening balance	**147,100**	257,100
Capital improvements and associated costs	**1,726**	3,985
Loss on fair value	**(10,705)**	(3,041)
Change in deferred rent and lease incentives	**(621)**	2,456
Deconsolidation of Havelock House Fund	**-**	(28,000)
Sale of investment property	**-**	(22,000)
Transfer from/(to) investment properties held for sale	**40,000**	(63,400)
Closing balance ^	**177,500**	147,100

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $12,000,000 (30 June 2018: $9,387,000).

Property	2019 $'000	2018 $'000	2019 capitalisation rate %	2019 Discount rate %	2019 Valuer
111 St George Terrace, Perth WA	**150,000**	147,100	**7.00%**	**7.25%**	**Colliers**
City Centre Plaza, Rockhampton Qld	**27,500**	-	**8.75%**	**8.75%**	**Urbis**
Total fair value	**177,500**	147,100			

C5 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 valuer 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 the 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).

C6 Intangible assets

	2019 $'000	2018 $'000
Indefinite life management rights	**92,128**	92,128
Goodwill	**65,535**	65,535
	157,663	157,663

	2019 $'000	2018 $'000
Balance at the beginning of the period	**157,663**	157,663
Acquired goodwill	**-**	-
Acquired management rights	**-**	-
	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.

Recognition and measurement

(i) *Indefinite life management rights*

Management rights acquired in a business combination are initially measured at fair value and reflect the right to provide asset and fund management services in accordance with the management agreements.

(ii) *Goodwill*

Goodwill acquired in a business combination is measured at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

(iii) *Impairment*

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGUs). Non-financial assets other than goodwill that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

C6 Intangible assets (continued)

Key estimates and judgements

The key assumptions used in the value in use calculations for the Property Funds Management cash-generating unit are as follows:

Revenue

Revenues in 2020 are based on the Board approved budget for 2020 and are assumed to increase at a rate of 7.5% (2018: 7.5%) per annum for years 2021-2023. The directors believe this is a prudent and achievable growth rate based on past experience.

Expenses

Expenses in 2020 are based on the budget for 2020 and are assumed to increase at a rate of 5.0% (2018: 5.0%) per annum for the years 2021-2023. The directors believe this is an appropriate growth rate based on past experience.

Discount rate

Discount rates are determined to calculate the present value of future cash flows. A pre-tax rate of 9.53% (2018: 10.28%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to relevant market data as well as Company specific inputs.

Terminal growth rate

Beyond 2023, a growth rate of 3.0% (2018: 3.0%), in line with long term economic growth, has been applied to determine the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2019, the estimated recoverable amount of intangibles including goodwill relating to the Property Funds Management cash-generating unit exceeded its carrying amount by $188.1 million (2018: $175.2 million). The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Revenue growth rate (average)	Pre-tax discount rate	Expenses growth rate
Assumptions used in value in use calculation	**7.50%**	**9.53%**	**5.00%**
Rate required for recoverable amount to equal carrying value	**(0.40)%**	**17.55%**	**12.63%**

C7 Payables

	2019 $'000	2018 $'000
Sundry creditors [(i)]	**13,869**	10,880
Dividend/distribution payable	**19,180**	12,813
Accrued expenses	**9,183**	8,712
	42,232	32,405

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

Recognition and measurement

Payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Due to the short-term nature of these financial obligations, their carrying amounts are estimated to represent their fair values.

C8 Borrowings

	Notes	2019 $'000	2018 $'000
Fixed rate secured notes	C8(a)	**128,000**	83,000
Floating rate secured notes	C8(a)	**75,000**	40,000
Reverse mortgage bill facilities and notes	C8(b)	**8,194**	8,429
Bank loans in Controlled Property Funds	C8(c)	**94,309**	115,758
Borrowing costs capitalised		**(2,393)**	(1,448)
		303,110	245,739

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

(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 Centuria Capital Fund Group.

The Group issued Tranche 3 of secured corporate notes to the value of $80,000,000 on 22 October 2018. This consisted of an issue of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023 and are secured against assets within certain subsidiaries of Centuria Capital Fund.

C8 Borrowings (continued)

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

As at 30 June 2019, the Group had $8,194,000 (2018: $8,429,000) 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) due to mature on 30 September 2020.

The facility limit as at 30 June 2019 is $9,100,000 (2018: $10,000,000) and is reassessed every 6 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.

	2019 $'000	2018 $'000
Facility	**9,100**	10,000
Amount used at reporting date	**(8,194)**	(8,429)
Amount unused at reporting date	**906**	1,571

(c) 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	Total $'000
30 June 2019							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	10,521	**79,479**	(107)	**79,372**
Centuria Retail Fund	Current	31 December 2019	14,938	-	**14,938**	(1)	**14,937**
							94,309
30 June 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	**79,480**	(130)	**79,350**
Centuria Retail Fund	Current	31 July 2018	37,400	992	**36,408**	-	**36,408**
							115,758

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

C9 Commitments and contingencies

(a) Operating leases

(i) *Group as a leasee*

The Group has commercial leases with respect to its Sydney and Melbourne office premises.

Future minimum rentals payable under operating leases are as follows:

	2019 $'000	2018 $'000
Not longer than 1 year	**2,241**	865
Longer than 1 year and not longer than 5 years	**10,023**	158
Longer than 5 years	**14,691**	-
	26,955	1,023

(ii) *Group as a lessor*

The Group leases out its investment properties under operating leases.

The future minimum lease payments receivable under non-cancellable leases are as follows:

	2019 $'000	2018 $'000
Not longer than 1 year	**10,201**	13,574
Longer than 1 year and not longer than 5 years	**42,376**	39,120
Longer than 5 years	**63,631**	27,176
	116,208	79,870

(b) Commitments and contingencies

The Group has provided bank guarantees of $3,279,301 for commercial leases with respect to its Sydney and Melbourne office premises. These bank guarantees are cash collateralised.

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.

As at 30 June 2019, the Group has outstanding commitments of $58.9 million in relation to the proposed funding support for Heathley funds. The Group will seek to raise these funds by using its unlisted distribution network and will manage and underwrite any shortfall in the fund raising to satisfy the overall funding requirements. This is in addition to the Group's agreed acquisition price of $24.4 million which will be payable on successful completion of the Heathley transaction.

The Directors of the Group are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the financial statements, which should be brought to the attention of securityholders as at the date of completion of this report.

Recognition and measurement

When the terms of a lease transfer substantially all the risks and rewards of ownership to the Group, the lease is classified as a finance lease. All other leases are classified as operating leases.

(i) *Group as a leasee*

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(ii) *Group as a lessor*

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

C10 Contributed equity

Centuria Capital Limited	2019 No. of securities	2019 $'000	2018 No. of securities	2018 $'000
Balance at beginning of the period	**304,793,174**	**98,770**	229,815,736	77,323
Equity settled share based payments expense	**1,747,653**	**966**	875,401	535
Stapled securities issued	**77,016,505**	**29,425**	74,102,037	21,494
Cost of equity raising	**-**	**(997)**	-	(582)
Balance at end of period	**383,557,332**	**128,164**	304,793,174	98,770

Centuria Capital Fund (non-controlling interests)	2019 No. of securities	2019 $'000	2018 No. of securities	2018 $'000
Balance at beginning of the period	**304,793,174**	**244,930**	229,815,736	170,672
Equity settled share based payments expense	**1,747,653**	**-**	875,401	-
Cost of equity raising	**-**	**(2,186)**	-	(2,888)
Stapled securities issued	**77,016,505**	**70,694**	74,102,037	77,146
Special non-cash dividend/capital reallocation(i)	**-**	**30,000**	-	-
Balance at end of the period	**383,557,332**	**343,438**	304,793,174	244,930

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.

(i) On 29 June 2019, a special non-cash dividend was paid by Centuria Capital Limited of $30,000,000 which was reinvested as capital into Centuria Capital Fund.

Recognition and measurement

Incremental costs directly attributed to the issue of ordinary shares are accounted for as a deduction from equity, net of any tax effects.

D Cash flows

D1 Operating segment cash flows (i)

For the year ended 30 June 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Management fees received	**55,406**	54,632
Performance fees received	**1,361**	26,738
Distributions received	**27,246**	15,529
Interest received	**1,509**	2,268
Payments to suppliers and employees	**(56,420)**	(36,342)
Income tax paid	**(242)**	(15,353)
Interest paid	**(11,261)**	(9,281)
Net cash provided by operating activities	**17,599**	38,191
Cash flows from investing activities		
Repayment of loans by related parties	**5,865**	4,650
Collections from reverse mortgage holders	**952**	2,113
Purchase of investments in related parties	**(173,487)**	(123,762)
Purchase of other investments	**(72,262)**	(52,723)
Payments for plant and equipment	**(3,713)**	(788)
Loans provided to other parties	**(5,925)**	(25,980)
Cash contribution to related party	**(20,000)**	-
Purchase of equity accounted investments	**(23,960)**	-
Proceeds from sale of related party investments	**3,552**	64,009
Loans to related parties for purchase of properties	**-**	(5,865)
Proceeds from sale of investments	**136,899**	-
Loans repaid by other parties	**-**	25,980
Net cash used in investing activities	**(152,079)**	(112,366)
Cash flows from financing activities		
Proceeds from issue of securities	**100,119**	98,639
Proceeds from borrowings	**80,000**	25,375
Repayment of borrowings	**(235)**	(718)
Distributions paid	**(29,111)**	(24,310)
Capitalised borrowing costs paid	**(1,744)**	(446)
Equity raising costs paid	**(3,179)**	(3,710)
Net cash provided by financing activities	**145,850**	94,830
Net increase in operating cash and cash equivalents	**11,370**	20,655
Cash and cash equivalents at the beginning of the period	**76,389**	55,734
Cash and cash equivalents at the end of the period	**87,759**	76,389

(i) The operating segment cash flows support the segment note disclosures of Centuria Capital Group 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 27 of the consolidated financial statements for the full statutory cash flow statement of the Group.

D2 Cash and cash equivalents

Included in cash and cash equivalents of $124,673,000 attributable to shareholders is $39,359,000 (2018: $27,268,000) relating to amounts held by Centuria Life Limited, Senex Warehouse Trust No.1 and the Benefit Funds which is not readily available for use by the Group.

D3 Reconciliation of profit for the period to net cash flows from operating activities

	2019 $'000	2018 $'000
Profit for the year	**50,941**	56,190
Add (deduct) non-cash items:		
Depreciation and amortisation	**460**	370
Impairment of seed capital	**-**	380
Share-based payment expense	**966**	662
Amortisation of borrowing costs	**799**	58
Profit on sale of investment property	**-**	(2,000)
Fair value movement of financial assets	**(8,434)**	(13,894)
Interest revenue from reverse mortgages	**(2,530)**	(2,453)
Interest expense reverse mortgage facility	**1,495**	-
Contract asset- development	**(7,278)**	-
Non-cash performance and sales fees	**(22,270)**	-
Equity accounted profit in excess of distribution paid	**(10,415)**	-
Unrealised gain on investment properties	**10,695**	5,790
Amortisation of lease incentives	**1,602**	1,650
Costs paid for debt issuance	**1,744**	446
Provision for doubtful debts	**-**	100
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	**(1,406)**	(7,526)
Prepayments	**(452)**	(67)
Increase/(decrease) in liabilities:		
Other payables	**(2,699)**	(2,660)
Tax provision	**975**	(3,113)
Deferred tax liability	**7,375**	820
Provisions	**1,454**	515
Policyholder liability	**(10,118)**	1,662
Net cash flows provided by operating activities	**12,904**	36,930

Recognition and measurement

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the statement of financial position.

E Group Structure

E1 Interests in associates and joint ventures

During the year, the Group's investment in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) exceeded 20% and significant influence was established. As a result, these investments which were previously recognised as financial assets at fair value are now accounted for using the equity method.

Set out below are the associates of the Group as at 30 June 2019 which, in the opinion of the Directors, are material to the Group and are accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Group. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	% of ownership interest 30 June 2019 %	Principal activity	Quoted fair value 30 June 2019 $'000	Carrying amount 30 June 2019 $'000
Centuria Metropolitan REIT	**20.76**	Property investment	**207,104**	**203,435**
Centuria Industrial REIT	**24.15**	Property investment	**200,138**	**183,278**
Total equity accounted investments			407,242	386,713

E1 Interests in associates and joint ventures (continued)

(a) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates and not the Group share of those amounts.

	Centuria Metropolitan REIT	Centuria Industrial REIT	Total
Summarised balance sheet (excluding intangibles)	**30 June 2019 $'000**	**30 June 2019 $'000**	**30 June 2019 $'000**
Cash and cash equivalents	17,546	9,348	26,894
Investment properties held for sale	78,500	11,400	89,900
Other current assets	5,544	9,144	14,688
Total current assets	101,590	29,892	131,482
Investment properties	1,321,475	1,209,850	2,531,325
Total tangible non-current assets	1,321,475	1,209,850	2,531,325
Other current liabilities	30,451	28,724	59,175
Total current liabilities	30,451	28,724	59,175
Borrowings	497,222	468,431	965,653
Other non-current liabilities	7,180	3,541	10,721
Total non-current liabilities	504,402	471,972	976,374
Net tangible assets	888,212	739,046	1,627,258
Group share in %	20.76	24.15	
Group share	184,392	178,544	362,936
Goodwill	19,043	4,734	23,777
Carrying amount	203,435	183,278	386,713
Movements in carrying amounts of equity accounted investments			
Opening balance	-	-	-
Carrying value transferred from financial assets	179,736	154,024	333,760
Investment	20,000	23,960	43,960
Share of net profit after tax	13,369	16,844	30,213
Distributions received/receivable	(9,670)	(11,550)	(21,220)
Closing balance	203,435	183,278	386,713

E1 Interests in associates and joint ventures (continued)

(a) Summarised financial information for associates and joint ventures (continued)

Summarised statement of comprehensive income	Centuria Metropolitan REIT 30 June 2019 $'000	Centuria Industrial REIT 30 June 2019 $'000	Total 30 June 2019 $'000
Revenue	**108,859**	**93,863**	**202,722**
Interest income	**334**	**195**	**529**
Other income	**8**	**602**	**610**
Net gain on fair value of investment properties	**7,143**	**53,808**	**60,951**
Loss on fair value of derivative financial instruments	**(6,752)**	**(3,581)**	**(10,333)**
Finance costs	**(22,110)**	**(21,496)**	**(43,606)**
Other expenses	**(33,910)**	**(34,563)**	**(68,473)**
Profit from continuing operations	**53,572**	**88,828**	**142,400**
Profit for the year	**53,572**	**88,828**	**142,400**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income	**53,572**	**88,828**	**142,400**

Recognition and measurement

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

E2 Business combination

(a) Current year

During the current year, there were no business combinations.

(b) Prior Year

During the prior year, there were no business combinations.

E3 Interests in material subsidiaries

The Group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have issued capital consisting solely of ordinary shares or units that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The subsidiaries of the Group were incorporated in Australia which is also their principal place of business. The parent entity of the Group is Centuria Capital Limited.

	Ownership interest %	
Name of subsidiary	**2019**	**2018**
Centuria Capital Fund (refer to Note A1)	0% (100% NCI)	0% (100% NCI)
A.C.N. 062 671 872 Pty Limited	100%	100%
Belmont Road Development Pty Limited	100%	100%
Belmont Road Management Pty Limited	100%	100%
Centuria Belmont Road Development Fund	-%	27%
Centuria Canberra No. 3 Pty Limited	100%	100%
Centuria Capital No. 2 Fund	100%	100%
Centuria Capital No. 2 Industrial Fund	100%	100%
Centuria Capital No. 2 Office Fund	100%	100%
Centuria Capital No. 3 Fund	100%	100%
Centuria Capital No. 4 Fund	100%	0%
Centuria Capital No. 5 Fund	100%	0%
Centuria Capital No. 7 Fund	100%	0%
Centuria Capital Private Limited	100%	100%
Centuria Developments (Cardiff) Pty Limited	100%	0%
Centuria Developments (Mann Street) Pty Limited	100%	0%
Centuria Developments (Mayfield) Pty Limited	100%	0%
Centuria Developments (Young Street) Pty Limited	100%	0%
Centuria Developments Pty Limited	100%	0%
Centuria Employee Share Fund Pty Ltd	100%	100%
Centuria Finance Pty Ltd	100%	100%
Centuria Funds Management Limited	100%	100%
Centuria Industrial Property Services Pty Limited	100%	0%
Centuria Institutional Investments No. 3 Pty Limited	100%	100%
Centuria Investment Holdings Pty Limited	100%	100%
Centuria Investment Management (CDPF) Pty Ltd	100%	100%
Centuria Investment Services Pty Limited	100%	100%
Centuria Lane Cove Debt Fund	100%	100%
Centuria Life Limited	100%	100%
Centuria Nominees No. 3 Pty Limited	100%	100%
Centuria Platform Investments Pty Limited	100%	0%
Centuria Properties No. 3 Limited	100%	100%
Centuria Property Funds Limited	100%	100%
Centuria Property Funds No. 2 Limited	100%	100%
Centuria Property Services Pty Limited	100%	100%
Centuria Strategic Property Limited	0%	100%
Centuria SubCo Pty Limited	100%	0%
Over Fifty Capital Pty Ltd	100%	100%
Over Fifty Funds Management Pty Ltd	100%	100%
Over Fifty Investments Pty Ltd	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	100%	100%
Senex Warehouse Trust No. 1	100%	100%

E3 Interests in material subsidiaries (continued)

Recognition and measurement

(i) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The Company is required by AASB 10 Consolidated Financial Statements to recognise the assets, liabilities, income, expenses and equity of the benefit funds of its subsidiary, Centuria Life Limited (the “Benefit Funds”). The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the securityholders of the Company and the shareholders of the Company have no rights over the assets and liabilities held in the Benefit Funds.

In order to reflect the assets and liabilities pertaining to the benefit funds an equal and offsetting policyholder liability is recognised on consolidation. On a consistent basis, on consolidation of the various income and expenses attributable to benefit funds an equal and opposite net change in policyholder liabilities is recorded in the statement of comprehensive income.

The Company has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, the Company has no legal rights to Guardian's net assets, nor does it derive any benefit from exercising its power and therefore does not control Guardian.

E4 Parent entity disclosure

As at, and throughout the current and previous financial year, the parent entity of the Group was Centuria Capital Limited.

Result of parent entity	**2019 $'000**	2018 $'000
Profit or loss for the year	**43,386**	13,147
Total comprehensive income for the year	**43,386**	13,147
Financial position of parent entity at year end		
Total assets	**180,847**	104,332
Total liabilities	**(50,557)**	(11,830)
Net assets	**130,290**	92,502

The parent entity presents its assets and liabilities in order of liquidity. The assets of the parent entity mainly consist of cash, short term receivables, investments in subsidiaries and deferred tax assets. The liabilities of the parent entity mainly consist of short term payables.

Total equity of the parent entity comprising of:		
Share capital	**128,143**	98,770
Share-based incentive reserve	**2,102**	1,896
Retained earnings/(loss)	**45**	(8,164)
Total equity	**130,290**	92,502

(a) Guarantees entered into by the parent entity

The parent entity has, in the normal course of business, entered into guarantees in relation to the debts of its subsidiaries during the financial year.

(b) Commitments and contingent liabilities of the parent entity

The parent entity has bank guarantees of $3,279,301 for commercial leases with respect to its Sydney and Melbourne office premises. These bank guarantees are cash collateralised.

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

The Directors of the Company are not aware of any other contingent liabilities in relation to the parent entity, other than those disclosed in the financial statements.

F Other

F1 Share-based payment arrangements

(a) LTI Plan details

The Company has an Executive Incentive Plan ("LTI Plan") which forms a key element of the Company's incentive and retention strategy for senior executives under which Performance Rights ("Rights") are issued.

Each employee receives ordinary securities of the Group on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting.

It is expected that future annual grants of performance rights will be made, subject to the Board's determination of the overall performance of the Group and market conditions. The vesting of any performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the Group.

Further details of the LTI Plan are included in the Audited remuneration report from page 10 to page 20.

	2019 Number	2018 $
Performance rights outstanding at the beginning of the year	**5,368,687**	5,103,963
Performance rights granted during the year	**2,276,559**	2,113,780
Performance rights lapsed during the year	**(288,868)**	(458,129)
Performance rights vested during the year	**(1,629,244)**	(1,390,927)
Performance rights outstanding at the end of the year	**5,727,134**	5,368,687

The performance objectives for 1,529,430 of the performance rights issued under Tranche 4 were met in full at 30 June 2019. As a result, these rights will vest on 14 August 2019.

(b) Measurement of fair values

The fair value of the rights was calculated using a binomial tree valuation methodology for the Rights with non-market vesting conditions and a Monte-Carlo simulation for the Rights with market vesting conditions.

The inputs used in the measurement of the fair values at grant date of the rights were as follows:

	Tranche 4	**Tranche 5**	**Tranche 6**
Expected vesting date	14 August 2019	31 August 2020	31 August 2021
Share price at the grant date	$1.02	$1.46	$1.32
Expected life	2.7 years	2.8 years	2.6 years
Volatility	20%	20%	18%
Risk free interest rate	1.94%	1.96%	1.75%
Dividend yield	5.7%	5.7%	6.5%

The following table sets out the fair value of the rights at the respective grant date:

Performance Condition	**Tranche 4**	**Tranche 5**	**Tranche 6**
EPS	$0.88	N/A	N/A
Growth in FUM	$0.88	$1.24	$1.11
Absolute TSR	$0.16	$0.62	$0.19

During the year, share based payment expenses were recognised of $1,172,048 (2018: $1,478,291).

F1 Share-based payment arrangements (continued)

Recognition and measurement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

F2 Guarantees to Benefit Fund policyholders

Centuria Life Limited (CLL) provides a guarantee to policyholders of two of its Benefit Funds, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Fund as follows:

If, when CLL, in light of the Bonds, is required under the bond rules to pay policy benefits to a policy owner as a consequence of the termination of the Bond or the maturity or surrender of a policy, and CLL determines that the sums to be paid to the policy owner from the bonds shall be less than the amounts standing to the credit of the relevant accumulation account balance, (or in the case of a partial surrender, the relevant proportion of the accumulation account balance), CLL guarantees to take all action within its control, including making payment from its management fund to the policy owner to ensure that the total sums received by the policy owner as a consequence of the termination, maturity or surrender equal the relevant accumulation account balance, (or) in the case of a partial surrender, the relevant proportion thereof.

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

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

F3 Financial instruments

(a) Management of financial instruments

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

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

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

Centuria Life Limited (CLL) has also established an Investment Committee. The Investment Committee's function is to manage and oversee the Benefit Fund investments in accordance with the investment objectives and framework. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

F3 Financial instruments (continued)

(a) Management of financial instruments (continued)

From time to time, the Group outsources certain parts of the investment management of the Benefit Funds to specialist investment managers including co-ordinating access to domestic and international financial markets, and managing the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and the Benefit Funds' product disclosure statements. The Benefit Funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

The Group uses interest rate swaps to manage interest rate risk and not for speculative purposes in any situation. Hedging is put in place where the Group is either seeking to minimise or eliminate cash-flow variability, i.e., converting variable rates to fixed rates, or changes in the fair values of underlying assets or liabilities, i.e., to convert fixed rates to variable rates.

Derivative financial instruments of the Benefit Funds, consolidated into the financial statements of the Group under AASB 10 Consolidated Financial Statements, are used only for hedging factual or anticipated exposures relating to investments. The use of financial derivatives in respect of Benefit Funds is governed by the Funds' investment policies, which provide written principles on the use of financial derivatives.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity capital. This overall strategy remains unchanged from the prior year.

The Group's capital structure consists of net debt (borrowings, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of Centuria Life Limited are regulated by APRA and the management fund of the Society has a minimum Prescribed Capital Amount (PCA) that must be maintained at all times. It is calculated monthly and these results are reported to the Board each month. The current level of share capital of Centuria Life Limited meets the PCA requirements.

In addition, Centuria Property Funds Limited, Centuria Funds Management Limited and Centuria Property Fund No.2 Limited have AFS licences so as to operate registered property trusts. Regulations require these entities to hold a minimum net asset amount which is maintained by way of cash term deposits and listed liquid investments.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and the most appropriate form of funding (capital raising or borrowings) depending on what the funding will be used for.

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

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

F3 Financial instruments (continued)

(c) Fair value of financial instruments

(i) *Valuation techniques and assumptions applied in determining fair value*

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.

The valuation technique used to determine the fair value of the Group's reverse mortgage loan book is as follows:

- the weighted average reverse mortgage holders' age is 80 years;
- the future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from mortality tables provided by the actuary;
- fixed or variable interest rates charged to borrowers are used to project future cash flows;
- a redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast; and
- year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2019 to determine the fair value.

(ii) *Valuation techniques and assumptions applied in determining fair value of derivatives*

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The valuation technique used to determine the fair value of the Fixed for Life interest rate swaps is as follows:

- the weighted average reverse mortgage holders' age is 80 years;
- the expected future cash flows in relation to the swaps are based on reverse mortgage borrowers' expected life expectancy sourced from mortality tables provided by the actuary; and the difference between the fixed swap pay rates and forward rates as of 30 June 2019 is used to calculate the future cash flows in relation to the swaps; and year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2019 to determine the fair value.

(iii) *Fair value measurements recognised in the statement of financial position*

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.

F3 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(iii) *Fair value measurements recognised in the statement of financial position (continued)*

30 June 2019	**Measurement basis**	**Fair value hierarchy**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash and cash equivalents	**Amortised cost**	**Not applicable**	**124,673**	**124,673**
Receivables	**Amortised cost**	**Not applicable**	**69,862**	**69,862**
Financial assets	**Fair value**	**Level 1**	**252,883**	**252,883**
Financial assets	**Fair value**	**Level 2**	**48,296**	**48,296**
Financial assets - mortgage backed assets	**Fair value**	**Level 3**	**1,215**	**1,215**
Reverse mortgages receivables	**Fair value**	**Level 3**	**53,720**	**53,720**
			550,649	**550,649**
Financial liabilities				
Payables	**Amortised cost**	**Not applicable**	**42,232**	**42,232**
Benefit Funds policy holders' liability	**Amortised cost**	**Not applicable**	**339,557**	**339,557**
Borrowings (net of borrowing costs)	**Amortised cost**	**Not applicable**	**303,110**	**309,624**
Interest rate swaps - controlled property funds	**Fair value**	**Level 2**	**731**	**731**
Interest rate swaps - reverse mortgage fixed-for-life	**Fair value**	**Level 3**	**28,083**	**28,083**
			713,713	**720,227**

30 June 2018	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	101,914	101,914
Receivables	Amortised cost	Not applicable	21,164	21,164
Financial assets	Fair value	Level 1	495,837	495,837
Financial assets	Fair value	Level 2	99,721	99,721
Financial assets - mortgage backed assets	Fair value	Level 3	1,215	1,215
Reverse mortgages receivables	Amortised cost	Level 3	28,289	28,289
Reverse mortgages - hedged item fair value adjustment	Fair value	Level 3	19,770	19,770
			767,910	767,910
Financial liabilities				
Payables	Amortised cost	Not applicable	32,405	32,405
Liability to 360 Capital Group	Amortised cost	Not applicable	41,161	41,161
Benefit Funds policy holders' liability	Amortised cost	Not applicable	349,677	349,677
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	245,739	246,854
Interest rate swaps - controlled property funds	Fair value	Level 2	472	472
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	22,939	22,939
			692,393	693,508

F3 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

***(iii)** Fair value measurements recognised in the statement of financial position (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.

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.

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

Year ended 30 June 2019	**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 2018	**1,215**	**48,059**	**(22,939)**	**26,335**
Loan repaid	**-**	**(1,379)**	**227**	**(1,152)**
Accrued interest	**-**	**2,956**	**(1,495)**	**1,461**
Attributable to interest rate and other risk	**-**	**5,061**	**(7,211)**	**(2,150)**
Attributable to credit risk	**-**	**(977)**	**3,335**	**2,358**
Balance at 30 June 2019	**1,215**	**53,720**	**(28,083)**	**26,852**

Year ended 30 June 2018	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	-	(1,695)	471	(1,224)
Accrued interest	-	2,453	(1,466)	987
Attributable to interest rate and other risk	-	1,114	(1,114)	-
Attributable to credit risk	-	-	(2,639)	(2,639)
Balance at 30 June 2018	1,215	48,059	(22,939)	26,335

F3 Financial instruments (continued)

(c) 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. A discounted cash flow model is used for 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.

Assumptions and inputs used for valuation of reverse mortgage loan receivables:
- The loan interest compounding period is the expected remaining life of the borrower;
- Mortality rates for males and females are based on portfolio-adjusted 2013-2015 Life Tables;
- The compounding interest rate is the fixed rate of loan for the period from day 1 up to the point of time when loan carrying amount equals the property value. After that point of time, the loan compounding rate will be reduced to the same as long term residential property growth rate determined by Management, on the grounds that any fixed rate exceeds the property growth rate will not be recovered after that point of time;
- For 30 June 2019 valuation, the property growth rates are -5% for FY2020, -3% for FY2021, then reverted back to 3% flat rate from FY22 onwards;
- Discount factors are calculated based on the market quoted long term rates on 30 June 2019;
- The 1% flat credit risk premium, reflecting the portfolio default profile on 30 June 2019, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

Assumptions and inputs used for valuation of the 50-year interest rate swaps:
- Mortality rates for males and females based on portfolio-adjusted 2013-2015 Life Tables. 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;
- 46% of the residential mortgage loan portfolio consists of joint lives;
- Discount factors are calculated based on the market quoted long term rates on 30 June 2019;
- The 1.881% flat credit risk premium, reflecting the business default profile on 30 June 2019, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

Recognition and measurement

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The hedge is considered ineffective if it falls outside the range of 80% to 125%.

F3 Financial instruments (continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised in the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

(i) *Credit risk of reverse mortgages*

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

Individual property valuations are conducted at least every 3 years in accordance with financier's requirements. At 30 June 2019, the highest loan to value ratio (LVR) of a loan in the reverse mortgage loan book is 103% (2018: 107%), and there are 63 out of 212 (2018: 58 out of 222) reverse mortgage loans where the LVR is higher than 50%.

(ii) *Credit risk on other financial assets*

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

The Group does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics.

(e) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities.

The liquidity risk is managed for the Group at a corporate level. Bank account balances across all entities, current and future commitments, and expected cash inflows are reviewed in detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statements of financial position, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- renegotiate the repayment terms of the borrowings;
- sell assets that are held on the statement of financial position; and/or
- undertake an equity raising.

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

The Group's overall strategy to liquidity risk management remains unchanged from the prior year.

The following table summarises the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The policy holders in the Benefit Funds are able to redeem their policies at any time and the Benefit Funds are therefore exposed to the liquidity risk of meeting policyholders' withdrawals at any time. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by policyholders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

F3 Financial instruments (continued)

(e) Liquidity risk (continued)

Non-derivative financial liabilities	On demand $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2019						
Borrowings	**-**	**1,141**	**29,603**	**317,172**	**-**	**347,916**
Payables	**-**	**42,232**	**-**	**-**	**-**	**42,232**
Benefit Funds policyholder's liability	**339,557**	**-**	**-**	**-**	**-**	**339,557**
Total	**339,557**	**43,373**	**29,603**	**317,172**	**-**	**729,705**
2018						
Borrowings	-	38,213	90,160	148,460	-	276,833
Payables	-	32,405	-	-	-	32,405
Liability to 360 Capital Group	-	-	41,161	-	-	41,161
Benefit Funds policyholder's liability	349,677	-	-	-	-	349,677
Total	349,677	70,618	131,321	148,460	-	700,076

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis.

Derivative financial liabilities	On demand $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2019						
Interest rate swaps	**-**	**39**	**789**	**1,446**	**49,182**	**51,456**
Total	**-**	**39**	**789**	**1,446**	**49,182**	**51,456**
2018						
Interest rate swaps	-	-	393	1,214	46,588	48,195
Total	-	-	393	1,214	46,588	48,195

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. Due to the nature of assets held by the Group (excluding the Benefit Funds), there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes. The Group manages the market risk associated with its Benefit Funds by outsourcing its investment management. The Investment Manager manages the financial risks relating to the operations of the Benefit Funds in accordance with an investment mandate set out in the Benefit Funds’ constitution and product disclosure statement. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

F3 Financial instruments (continued)

(f) Market risk (continued)

(i) *Interest rate risk management*

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Management of this risk is evaluated regularly and interest rate swaps are used accordingly.

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

	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000
2019				
Financial assets				
Cash and cash equivalents	**1.31%**	**104,462**	**20,211**	**124,673**
Other financial assets held by Benefit Funds	**2.93%**	**124,120**	**5,065**	**129,185**
Other interest bearing loans	**10.00%**	**-**	**6,066**	**6,066**
Reverse mortgage receivables	**8.73%**	**1,158**	**52,562**	**53,720**
Total financial assets		**229,740**	**83,904**	**313,644**
Financial liabilities				
Borrowings	**5.24%**	**(175,110)**	**(128,000)**	**(303,110)**
Total financial liabilities		**(175,110)**	**(128,000)**	**(303,110)**
Net interest bearing financial assets/(liabilities)		**54,630**	**(44,096)**	**10,534**

	Weighted average effective interest rate %	Variable rate $'000	Fixed rate $'000	Total $'000
2018				
Financial assets				
Cash and cash equivalents	1.63%	75,522	26,392	101,914
Other financial assets held by Benefit Funds	2.91%	205,035	26,229	231,264
Reverse mortgage receivables	8.72%	1,316	26,973	28,289
Total financial assets		281,873	79,594	361,467
Financial liabilities				
Borrowings	5.23%	(162,739)	(83,000)	(245,739)
Total financial liabilities		(162,739)	(83,000)	(245,739)
Net interest bearing financial assets/(liabilities)		119,134	(3,406)	115,728

F3 Financial instruments (continued)

(f) Market risk (continued)

(ii) *Interest rate swap contracts*

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss.

	Average contracted rate		**Notional principal amount**		**Fair value**	
Pay fixed for floating contracts designated as effective in fair value hedge	**2019 %**	2018 %	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Controlled property funds interest rate swaps	**1.36%**	2.33%	**84,815**	99,600	**(731)**	(472)
Benefit funds interest rate swaps	**-%**	2.02%	**-**	3,000	**-**	5
50 years swaps contracts	**7.48%**	7.48%	**10,402**	10,677	**(28,083)**	(22,939)
			95,217	113,277	**(28,814)**	(23,406)

(iii) *Interest rate sensitivity*

The sensitivity analysis below has been determined based on the parent and the Group's exposure to interest rates at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

At reporting date, if variable interest rates had been 100 (2018: 100) basis points higher or lower and all other variables were held constant, the impact to the Group would have been as follows:

	Change in variable	**Effect on profit after tax**	
		2019 $'000	2018 $'000
Consolidated			
Interest rate risk	**+1%**	**631**	568
Consolidated			
Interest rate risk	**-1%**	**(537)**	(405)

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analysis takes into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only, and does not take into account the bank bill facility margin changes.

F3 Financial instruments (continued)

(f) Market risk (continued)

(iv) *Fair value hedges*

The Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity		
	1-6 months	**6-12 months**	**More than one year**
Interest rate swaps - as at 30 June 2019			
Net exposure ($'000)	-	-	**10,402**
Average fixed interest rate	-	-	7.48%
Interest rate swaps - as at 30 June 2018			
Net exposure ($'000)	-	-	**10,677**
Average fixed interest rate	-	-	7.48%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

		Carrying Amount				
	Nominal Amount	**Assets**	**Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**	**Hedge ineffectiveness recognised in profit or loss**	**Line item in profit or loss that includes hedge ineffectiveness**
Interest rate swaps						
30 June 2019	10,402	-	(28,083)	Interest rate swaps at fair value	37	Finance costs
30 June 2018	10,677	-	(22,939)	Interest rate swaps at fair value	144	Finance costs

F4 Remuneration of auditors

Amounts received or due and receivable by KPMG:

	2019 **$**	2018 $
Audit and review of the financial report	**479,218**	347,165
Other services including AFSL and compliance plan audits	**64,831**	52,275
Non-audit services	**84,837**	89,175
	628,886	488,615

F5 Adoption of new accounting standards and interpretations

New and amended accounting standards relevant to the Group as well as their impact on the Group's consolidated financial statements that are effective for the period are as follows:

(a) AASB 9 Financial instruments

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. This standard replaces AASB *139 Financial Instruments: Recognition and Measurement*.

(i) *Classification - Financial assets*
AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

On transition to AASB 9, the new classification requirements do not have an impact on the Group's accounting for all receivables and financial assets (which are already carried at fair value with the exception of reverse mortgage loan receivables and trade receivables).

Reverse mortgage loan receivables were previously recorded at amortised cost using the effective interest method less impairment. On transition to AASB 9, these receivables have been be reclassified to FVTPL as the criteria for solely payments of principal and interest (SPPI) criteria was not satisfied. There is no material change in their measurement and as a result there is no impact on the Group's equity at 1 July 2018.

The implication of the change from amortised cost to FVTPL could result in increased volatility in the Group's results as gains or losses arising from changes in fair value measurement assumptions are reported through the profit and loss.

(ii) *Impairment - Receivables*
AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, determined on a probability-weighted basis.

The new impairment model applies to the Group's receivables which continue to be measured at amortised cost. The new impairment model does not apply to the Group's reverse mortgage loan receivables which are now classified as FVTPL under AASB 9.

On transition to AASB 9, the new impairment model does not have a material impact on the Group's equity as at 1 July 2018 and no material impact during the year ended 30 June 2019.

F5 Adoption of new accounting standards and interpretations (continued)

The following table shows the changes in classification, if any, as at 1 July 2018, between AASB 139 and AASB 9. There is no material impact to retained earnings at 1 July 2018.

Financial assets	Original classification under AASB 139	New Classification under AASB 9	Original carrying amount under AASB 139 $'000	New carrying amount under AASB 9 $'000
Cash and cash equivalents	Amortised cost	Amortised cost	101,914	101,914
Receivables	Amortised cost	Amortised cost	21,164	21,164
Financial assets	Fair value	Fair value	495,837	495,837
Financial assets	Fair value	Fair value	99,721	99,721
Financial assets - mortgage backed assets	Fair value	Fair value	1,215	1,215
Reverse mortgages receivables	Amortised cost	Fair value	28,289	28,289
Reverse mortgages - hedged item fair value adjustment	Fair value	Fair value	19,770	19,770
Total financial assets			**767,910**	**767,910**

Financial liabilities	Original classification under AASB 139	New Classification under AASB 9	Original carrying amount under AASB 139 $'000	New carrying amount under AASB 9 $'000
Payables	Amortised cost	Amortised cost	32,405	32,405
Liability to 360 Capital Group	Amortised cost	Amortised cost	41,161	41,161
Benefit Funds policy holders' liability	Amortised cost	Amortised cost	349,677	349,677
Borrowings (net of borrowing costs)	Amortised cost	Amortised cost	245,739	245,739
Interest rate swaps - controlled property funds	Fair value	Fair value	472	472
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Fair value	22,939	22,939
Total financial assets			**692,383**	**692,393**

(iii) *Classification - Financial liabilities*
There is no impact on the Group's accounting for financial liabilities, as AASB 9 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.

(iv) *Hedge accounting*
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 have a significant impact as a result of the hedging changes on transition on 1 July 2018.

The Group has made an election under AASB 9 to continue to apply the hedge accounting requirements in AASB 139 instead of AASB 9 for its fair value hedges.

(v) *Transition*
Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however as there is no material impact on carrying amounts of financial assets and financial liabilities, there are no transitional implications on the Group's equity at 1 July 2018 nor it's comparatives.

F5 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with customers

AASB 15 Revenue from customers applies to all contracts with customers to deliver goods or services as part of the entity's ordinary course of business excluding insurance contracts, financial instruments and leases which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

AASB 15 replaces the considerations of risks and rewards under AASB 118 to the concept of when control passes to the customer as the trigger point for the recognition of revenue.

The Group's revenue streams which are in scope under the new standard include management fees from property funds, property acquisition fees, property sales fees, recoverable outgoings and property performance fees. Rental income, interest income, distribution and dividend income and fair value movements in investment properties are excluded from the scope of this standard.

(i) *Impact*
The Group has adopted AASB 15 using the cumulative effect method and as a result, there has been no impact on the Group's previously reported financial position.

In accordance with AASB 15, based on the Group's assessment of when performance obligations are satisfied there is no change to the classification, measurement or timing of revenue recognition (other than property performance fees) when comparing to the previous accounting policy, other than the change in terminology.

Performance fees were previously recognised upon satisfaction of all conditions precedent to the sale of an investment property and when significant risks and rewards have transferred. There is no transitional impact from adoption of AASB 15, however future performance fees will be recognised over-time. In assessing the timing and measurement of performance fees to be recognised, consideration is given to the facts and circumstances with respect to each investment property including external factors such as its current valuation, passage of time and outlook of the property market. Performance fees are only recognised when they are deemed to be highly probable and the amount of the performance fees will not result in a significant reversal in future periods.

In accordance with AASB 15, the Group has recognised $22,522,000 of property performance fees for the year ended 30 June 2019. Under AASB 118, performance fees of $11,133,735 would be recognised for the year ended 30 June 2019. On transition to AASB 15, there is no material impact on the Group's equity as at 1 July 2018 and no other material impact for the year ended 30 June 2019.

Refer to Note B2 for a summary of the changes in terminology with respect to the timing of revenue recognition between AASB 111 and AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15.

F6 Other new Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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 16 Leases

(i) *Nature of change*

AASB 16 *Leases* 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.

(ii) *Impact*

The new standard will primarily impact the accounting for the Group's operating leases. As at the reporting date, the Group has only one material operating lease commitments at Level 41 Chifley Square, Sydney NSW. The application of the new standard will result in the recognition of a right of use asset along with a lease liability in the consolidated statement of financial position.

The adoption of the new standard will also require reclassifications on the consolidated statement of profit or loss and other comprehensive income with the lease repayments expense associated with this lease replaced with depreciation expense on the leased asset and in interest charge with respect to the lease liability. The changes on first time adoption of the new standard are not expected to have a material impact on retained earnings, and the consolidated statement of profit or loss and other comprehensive income in future periods.

Upon adoption of the new leasing standard effective 1 July 2019, management estimate that the lease assets would increase by approximately $20,000,000 offset by a corresponding increase in lease liabilities amounting to approximately $20,000,000, with no material impact to net profit.

(iii) *Mandatory application date*

It is mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. The Group will adopt this standard in the year ending 30 June 2020.

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

F7 Events subsequent to the reporting date

Since the end of the financial year, the shareholders of Heathley have convened a meeting and approved the proposed acquisition of Heathley by the Group. There are still a number of other conditions precedent outstanding which will need to be satisfied prior to the completion of the transaction.

In addition, since the end of the financial year, the Group has committed to a further $11,000,000 in addition to its original commitment of $61,700,000 to support funding requirements for Heathley funds. The Group will seek to raise these funds by using its unlisted distribution network and will manage and underwrite any shortfall in the fund raising to satisfy the overall funding requirements. As at 30 June 2019, the Group had already provided funding of $2,800,000 with a further $2,100,000 invested since the end of the financial year.

Other than the above, there has not arisen in the interval between 30 June 2019 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 financial statements and notes set out on pages 22 to 79 and the Remuneration Report set out on pages 10 to 20 in the Directors' Report, 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 Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Mr Garry S. Charny
Director

Mr Peter J. Done
Director

Sydney
13 August 2019

Independent Auditor's Report

To the stapled security holders of Centuria Capital Group

Report on the audit of the Financial Report

Opinion

We have audited the ***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 Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Stapled Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year and Centuria Capital Fund and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified for the Stapled Group are:

- Recognition of performance fee income
- Value of equity accounted investments
- Recoverable amount of goodwill and indefinite life intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of performance fee income ($22.5m)

Refer to Note B2 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Stapled Group, in its capacity as a property fund manager, earns performance fees based on agreements with some of its managed property funds. Performance fees are triggered when underlying funds internal rate of return exceeds the agreed hurdle rate. Recognition of performance fee income is considered a key audit matter due to the: • Quantum of performance fee income, representing 19% of the Stapled Group's total revenue; and • Significant judgement exercised by us in assessing the amount of performance fees recognised by the Stapled Group. The key assumptions impacting the amount of performance fees, are subject to estimation uncertainty, bias and inconsistent application. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. Increased time and effort is spent by the audit team in assessing these key assumptions. The amount of performance fees recognised are impacted by key assumptions including: • Fair value of underlying investment properties held by the funds. The valuation of investment properties contains assumptions with estimation uncertainty such as expected capitalisation rates and market rental yields. This leads to additional audit effort due to the differing assumptions based on asset	In performing our procedures, we: • Read the Stapled Group's agreements with managed property funds to understand the key terms related to performance fees, including hurdle rates. • Evaluated the Stapled Group's accounting policies regarding the recognition of performance fee income against accounting standard requirements. This included assessing the Stapled Group's policies for constraining performance fee income and valuing investment properties against accounting standard requirements. • Assessed the scope, competence and objectivity of the funds external experts and their internal valuers to fair value the underlying investment properties held by the funds. • With the assistance of our real-estate valuation specialists, challenged specific property fair value assumptions such as capitalisation rates and market rental yields by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Stapled Group, historical performance of the underlying investment properties and using our industry experience. • Assessed the Stapled Group's determination of the forecast fund end date based on the underlying managed property fund agreements, the fair value of underlying investment properties, the Stapled Group's

classes, geographies and characteristics of individual investment properties.

- Forecast fund end date. The fund end date impacts the level of returns that can be achieved over the course of the funds life and may change depending on management's view of when maximum value can be obtained for unitholders of the fund.
- Constraint. This is impacted by the Stapled Group's expectations of how much of the performance fee is highly probable to be received in accordance with the requirements of the accounting standards.

In the financial year the Stapled Group adopted AASB 15 *Revenue from Contracts with Customers* (AASB 15). This required the Stapled Group to assess their accounting policies against the revenue recognition requirements of this accounting standard. This required additional audit effort for us to assess the Stapled Group's performance fee income in the current year.

In assessing this Key Audit Matter, we involved our real-estate valuation specialists, who understand the Group's investment profile and business.

fund strategy and history of extending fund term end dates.

- Recalculated the Stapled Group's performance fee recognised against hurdles in the underlying performance fee agreements with managed property funds.
- Challenged the constraints applied in determining the amount of performance fees that are highly probable to be received by the Stapled Group, based on the Stapled Group's estimate of current and forecast property fund performance. We used our knowledge of the Stapled Group, their past performance, business, and our industry experience.

Value of equity accounted investments ($386.7m)

Refer to Note E1 to the Financial Report

The key audit matter

The Stapled Group holds equity accounted investments in Centuria Industrial REIT (CIP) and Centuria Metropolitan REIT (CMA), the value of which is underpinned by investment property valuations.

The value of equity accounted investments is a key audit matter as they are significant in value (being 30% of total assets) and the valuation of underlying investment properties contain assumptions with estimation uncertainty.

This leads to additional audit effort due to the differing assumptions based on asset classes, geographies and characteristics of individual investment properties.

How the matter was addressed in our audit

In performing our procedures, we:

- Obtained an understanding of the Stapled Group's process regarding the valuation of their equity accounted investments, in particular for the investment properties within.
- Assessed the methodologies used in the valuations of their equity accounted investments, in particular the investment properties within, for consistency with accounting standards, industry practice and the Stapled Group's policies.
- Assessed the scope, competence and objectivity of the funds external experts and their internal valuers.
- Worked with our real estate valuation specialists to read published reports and industry

The Underlying investment properties held by CIP and CMA, making up the majority of the equity accounted investees, are valued at fair value. The fair value is determined by CIP and CMA using internal methodologies and through the use of external valuation experts. The valuations of CIP and CMA's property assets include a number of significant assumptions: • capitalisation rates; • market rental yield; • weighted average lease expiry and vacancy levels; • capital adjustments; and • leasing incentives. In assessing this Key Audit Matter, we involved our real-estate valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in.	commentary to gain an understanding of prevailing property market conditions. • On a portfolio basis, took into consideration asset classes, geographies and characteristics of individual investment properties, challenged, with reference to published reports or industry commentary, capitalisation rates. • With the assistance of our real-estate valuation specialists, assessed a sample of key valuation assumptions for individual investment properties. These assumptions included capitalisation rates, market rental yields, weighted average lease expiry and vacancy levels, capital adjustments and leasing incentives. We did this by comparison to market analysis published by industry experts, recent market transactions, inquiries with the Stapled Group, historical performance of the investment properties and using our industry experience.

Recoverable amount of goodwill and indefinite life intangible assets ($157.7m)	
Refer to Note C6 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter was the Group's annual testing of goodwill and indefinite life intangible assets for impairment, given the size of the balance and sensitivity of the forward looking assumptions to small changes. We focussed on the significant forward-looking assumptions the Stapled Group applied in their value in use model, including: • forecast operating cash flows, growth rates and terminal growth rates (taking into consideration future growth in funds under management and transactional fees). The Group's model is sensitive to small changes in these assumptions, which may reduce available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • discount rate – this is complicated in nature and varies according to the conditions and environment the specific	In performing our procedures, we: • Considered the appropriateness of the value in use method applied by the Stapled Group, to perform the annual test of goodwill and indefinite life intangible assets for impairment, against the requirements of the accounting standards. • Compared the forecast cash flows contained in the value in use model to the Board approved forecast. • Assessed the accuracy of previous Stapled Group's forecasts to inform our evaluation of forecasts incorporated in the model. • Challenged the Group's significant forecast cash flow and growth assumptions: - Challenged the Group's significant forecast cash flow by comparing baseline cash flows to actual historic cash flows and comparing key events to the Board approved plan and strategy.

Cash Generating Unit (CGU) is subject to from time to time. We involved valuation specialists in assessing this key audit matter.	- With the assistance of our valuation specialists, compared terminal growth rates to published studies of industry trends and expectations, and considered differences for the Stapled Group's operations. We used our knowledge of the Stapled Group, their past performance, business and customers, and our industry experience. - Checked the consistency of the forecast growth rates to the Stapled Group's stated plan and strategy and our experience regarding the feasibility of these in the economic environment in which they operate. • Worked with our valuation specialists to independently develop a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Stapled Group and the industry it operates in. • Considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • Assessed the disclosures in the financial report using our understanding of any issues obtained from our testing and against the requirements of the accounting standards.

KPMG

Other Information

Other Information is financial and non-financial information in Centuria Capital Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Company are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Key Financial Metrics, Chairman's Report, Chief Executive's Report, Unlisted Property, Listed Property, Centuria Life and Centuria in the Community are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Centuria Capital Limited (the Company) for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 20 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Nigel Virgo

Partner

Sydney

13 August 2019

Additional stock exchange information

The securityholder information set out below was applicable as at 31 July 2019.

Distribution of securities

Analysis of numbers of securityholders by size of holding:

Holding	Number of holders	Number of securities
1 - 1000	906	450,430
1,001 - 5,000	4,026	9,891,118
5,001 - 10,000	895	6,230,035
10,001 - 100,000	1,090	31,026,683
100,001 and over	150	335,959,066
	7,067	383,557,332

There were 184 holders of less than a marketable parcel of securities holding 18,705 securities.

Top 20 Securityholders

The names of the twenty largest holders of securities are listed below:

	Number held	Percentage of issued securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,994,692	16.42
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	56,973,253	14.85
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 12 A/C>	56,834,761	14.82
THE TRUST COMPANY (AUSTRALIA) LIMITED <A/C 4>	28,415,438	7.41
CITICORP NOMINEES PTY LIMITED	27,037,714	7.05
HWM (NZ) HOLDINGS LIMITED	10,020,000	2.61
GH 2016 PTY LIMITED <HARVEY 2006 OPTION A/C>	9,536,034	2.49
NATIONAL NOMINEES LIMITED	7,839,171	2.04
BNP PARIBAS NOMS (NZ) LTD <DRP>	6,251,937	1.63
RESOLUTE FUNDS MANAGEMENT <HANOVER GRP STAFF SUPER A/C>	4,230,079	1.10
ERSKINE IMPORT PTY LTD	4,076,238	1.06
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,627,629	0.95
CICERONE CAPITAL PTY LTD <MELBURGP A/C>	3,512,057	0.92
PARITAI PTY LIMITED <PARITAI A/C>	3,206,531	0.84
BRYSHAW MANAGEMENT PTY LTD <BRYSHAW A/C>	2,925,002	0.76
BNP PARIBAS NOMS PTY LTD <DRP>	2,849,812	0.74
PARSONAGE PROVIDENT P/L <PARSONAGE PROVIDENT FUND A/C>	2,200,830	0.57
MR ROGER WILLIAM DOBSON <DOBSON SUPER FUND A/C>	1,576,050	0.41
ONE MANAGED INVESTMENT FUNDS LIMITED <CHARTER HALL MAXIM PROPERTY SECURITIES A/C>	1,500,000	0.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	1,467,696	0.38
	297,074,924	77.44

Substantial holders

Substantial holders in the Group are set out below as at 19 July 2019.

	Number held	Percentage
ESR Pte. Ltd	56,834,761	14.82%
Magic TT Pty Ltd including Moelis Australia Limited	42,677,495	11.13%
Investment Administration Services Pty ltd	21,625,155	7.10%
BlackRock, Inc.	26,239,552	6.84%
	147,376,963	39.89%

Voting rights

All ordinary securities carry one vote per security without restriction.

Centuria Capital Fund

Financial Report
for the year ended 30 June 2019

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
Financial Report - 30 June 2019

Contents

These consolidated financial statements are the financial statements of the consolidated entity consisting of Centuria Capital Fund and its subsidiaries. A list of subsidiaries is included in note E3. The consolidated financial statements are presented in the Australian currency.

Centuria Capital Fund is a trust, registered and domiciled in Australia.

Its registered office is:
Centuria Capital Fund
Level 41, Chifley Tower
2 Chifley Square
Sydney NSW 2000

The consolidated financial statements were authorised for issue by the Directors of the Responsible Entity on 13 August 2019.

Directors' Report

The directors of Centuria Funds Management Limited (the 'Company') as the Responsible Entity for Centuria Capital Fund (the 'Fund') present their report together with the consolidated financial statements of the Fund and its controlled entities (the 'Group') for the financial year ended 30 June 2019 and the auditor’s report thereon.

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

Directors and directors' interests

Directors of Centuria Funds Management Limited during or since the end of the financial year are:

Mr Garry S Charny, BA. LL.B. *Independent Non-Executive Director and Chairman*		
Experience and expertise	Garry was appointed to the Board on 8 August 2016, and appointed as Chairman of the Board on the same date. He is Managing Director and founding principal of Wolseley Corporate, an Australian based corporate advisory and investment house which transacts both domestically and internationally. He has had a broad range experience in both listed and unlisted companies across a diverse range of sectors including property, retail, technology and media. He formerly practised as a barrister in the fields of commercial and equity.	
Other directorships	Garry is Chairman of Wolseley Corporate. He is also Chairman of Spotted Turquoise Films, an international Film and Television company based in Sydney and Los Angeles. He is Chairman of Shero Investments, a Sydney based investment company.	
Special responsibilities	Chairman of the Board Chairman of the Conflicts Committee Member of the Audit, Risk Management and Compliance Committee	
Interests in CNI	Ordinary stapled securities	326,345

Mr Peter J. Done, B.Comm, FCA. *Independent Non-Executive Director*		
Experience and expertise	Peter was appointed to the Board on 8 August 2016. Peter was a partner of KPMG for 27 years until his retirement in June 2006. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.	
Other directorships	None	
Special responsibilities	Chairman of the Audit, Risk Management and Compliance Committee	
Interests in CNI	Ordinary stapled securities	1,300,412

Directors and directors' interests (continued)

Mr John R. Slater, Dip.FS (FP), F Fin. *Independent Non-Executive Director*		
Experience and expertise	John was appointed to the Board on 8 August 2016. John was a senior executive in the KPMG Financial Services practice from 1989 to 1999 and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital. In 2008, John founded boutique Financial Advisory firm Riviera Capital, subsequently sold in 2016 and has a wealth of financial services experience.	
Other directorships	None	
Special responsibilities	Member of the Audit, Risk Management and Compliance Committee	
Interests in CNI	Ordinary stapled securities	3,200,000

Ms Susan Wheeldon-Steele, MBA. *Independent Non-Executive Director*		
Experience and expertise	Susan was appointed to the Board on 31 August 2016. Susan is the Head of Agency at Google where she works with major national and global companies to develop and deliver growth strategies that future proof and build clients' businesses and brands in a constantly changing environment. She has previous experience in retail property asset management at AMP Capital Shopping Centres, as Head of Brand & Retail, responsible for delivering alternative revenue from 38 retail assets across Australia and New Zealand with combined annual sales in excess of $5 billion.	
Other directorships	Director of Nimble Australia	
Special responsibilities	Member of the Conflicts Committee	
Interests in CNI	Ordinary stapled securities	nil

Directors and directors' interests (continued)

Mr Nicholas R. Collishaw, SAFin, FAAPI, FRICS. *Non-Executive Director*		
Experience and expertise	Nicholas was appointed to the Board on 8 August 2016. Nicholas was appointed CEO - Listed Property Funds at Centuria Property Funds on 1 May, 2013. Effective 1 January 2018, Nicholas resigned as CEO - Listed Property Funds and became a Non-Executive Director Prior to this role, Nicholas held the position of CEO and Managing Director at the Mirvac Group. During his time at Mirvac (2005-2012), Nicholas was responsible for successfully guiding the business through the GFC and implementing a strategy of sustained growth for the real estate development and investment company. During Nicholas' 30 year career, he has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.	
Other directorships	Chairman of Redcape Hotel Group Management Ltd	
Special responsibilities	None	
Interests in CNI	Ordinary stapled securities	3,586,227
	Performance rights granted	558,811

Mr John E. McBain, Dip. Urban Valuation. *Executive Director and Chief Executive Officer*		
Experience and expertise	John was appointed to the Board and Chief Executive Officer on 8 August 2016. John was a founding director and major shareholder in boutique property funds manager Century Funds Management, which was established in 1999 and was acquired by Over Fifty Group in July, 2006. He joined the Over Fifty Group Board on 10 July, 2006 and was appointed Chief Executive Officer in 2008. In 2011 the company was renamed Centuria Capital. Prior to forming Century, in 1990 John founded Hanover Group, a specialist property investment consultancy and in 1995 he formed Waltus Investments Australia, a dedicated property fund manager. John formerly held senior positions in a number of property development and property investment companies in Australia, New Zealand and the United Kingdom.	
Other directorships	John is also a director of QV Equities Limited, a licensed investment company listed on the ASX.	
Special responsibilities	Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	5,865,404
	Performance rights granted	1,652,712

Directors and directors' interests (continued)

Mr Jason C. Huljich, B. Comm. *Executive Director and Group Joint CEO*		
Experience and expertise	Jason was appointed to the Board on 8 August 2016. Jason leads Centuria's Property Funds Management business, which is responsible for both listed and unlisted property funds, the property services business, property acquisition and disposal and special property and debt opportunities. He is also an Executive Director of Centuria Capital Group. In this role he provides strategic leadership, ensuring the effective operation of Centuria's property business. He has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also the immediate past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia, and continues to serve on their national executive.	
Other directorships	None	
Special responsibilities	Group Joint CEO	
Interests in CNI	Ordinary stapled securities	3,433,294
	Performance rights granted	1,077,789

Company secretary

Anna Kovarik was appointed to the position of Company Secretary on 5 July 2018.

Anna holds a Masters of Information Technology, a BA (Hons) in Systems Management and was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the UK and NSW and was a senior associate at Allens law practice in Sydney.

Prior to joining Centuria, Anna held the position of Group Risk Manager at Mirvac Group and was previously Head of Group Insurance for AMP and General Counsel and Company Secretary at AMP Capital Brookfield.

Mr James Lonie held the position of company secretary from 16 June 2017 until his resignation on 5 July 2018.

Principal activities

The principal activity of the Group during the financial year was holding direct interest in property funds and other liquid investments.

Significant changes and state of affairs

Significant changes in the state of affairs of the Group during the financial year, in addition to the operating and financial review below were as follows

- Contributed equity attributable to Centuria Capital Fund increased by $98,508,000 from $244,930,000 to $343,438,000 as a result of equity raisings and capital reallocation. Details of changes in contributed equity is are disclosed in Note C8 to the consolidated financial statements.
- On 22 October 2018, the Group issued Tranche 3 of secured notes to the value of $80,000,000 consisting of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023.
- The Group increased its investment in Centuria Metropolitan REIT to 17.5% and Centuria Industrial REIT (CIP) to 22.9%. These have been equity accounted for the first time as equity accounted investments in accordance with accounting standards.
- The Group sold its strategic stake in Propertylink Group (PLG) of 19.51% for $136,899,000 cash consideration.

Significant changes and state of affairs (continued)

- Centuria Capital Group announced the acquisition of a 63.06% economic interest (50.0% voting interest) in Heathley Limited's property funds management platform for $24,400,000. This transaction is due to be settled by Centuria Capital Limited following a Heathley shareholder vote post 30 June 2019 and satisfaction of certain other conditions precedent.

  Under the terms of the Heathley transaction, the Group will seek to raise approximately $61,700,000 by using its unlisted distribution network to support funding requirements for two Heathley funds. The Group will manage and underwrite any shortfall in the fund raising to satisfy the overall funding requirements of $61,700,000 in addition to a further $11,000,000 committed post year-end.

Results of operations

The Group's profit from continuing operations for the year ended 30 June 2019 was $31,327,000 (2018: $31,763,000).

Earnings per unit

	2019 Statutory	**2018 Statutory**
Basic earnings per unit (cents/unit)	**8.7**	10.9
Diluted earnings per unit (cents/unit)	**8.1**	10.0

Distributions

Distributions paid or declared by the Group to the Fund's unitholders during the current financial year were:

Distributions paid during the year	**Cents per unit**	**Total amount $'000**	**Date paid/payable**
Final 2018 Trust distribution	3.10	9,449	27 July 2018
Interim 2019 Trust distribution	3.40	13,038	4 February 2019
Distributions declared during the year			
Final 2019 Trust distribution	4.50	17,262	16 August 2019
Total amount	**11.00**	**39,749**	

Responsible Entity interests

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

	2019 $	2018 $
Management and custodian fees paid to Centuria Property Funds No. 2 Limited and Centuria Property Funds Limited	**1,153,639**	1,228,459
Management fees paid to Centuria Funds Management Limited	**200,000**	200,000
	1,353,639	1,428,459

Events subsequent to the reporting date

Since the end of the financial year, the Group has committed to a further $11,000,000 in addition to its original commitment of $61,700,000 to support funding requirements for Heathley funds. As at 30 June 2019, the Group had already provided funding of $2,800,000 with a further $2,100,000 invested since the end of the financial year.

Other than the above, there has not arisen in the interval between 30 June 2019 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, that would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

The Group continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group’s operations are not subject to any significant environmental regulation.

Indemnification of officers and auditors

Under the Fund's constitution the Responsible Entity, including its officers and employees, is indemnified out of the Fund’s assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Responsible Entity has not indemnified or agreed to indemnify any auditor or other officer of the Fund, or any related body corporate.

Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the ‘rounding off’ of amounts in the directors’ report. Amounts in the directors’ report 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

Mr Peter J. Done
Director

Sydney
13 August 2019

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 audit of Centuria Capital Fund for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner
Sydney
13 August 2019

Centuria Capital Fund

Financial report
30 June 2019

Contents

Consolidated statement of comprehensive income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue	B1	**35,450**	48,797
Expenses	B2	**(13,989)**	(11,764)
Fair value movements of financial instruments and property		**109**	8,900
Finance costs	B3	**(18,481)**	(14,170)
Share of net profit of equity accounted investments	E1	**28,238**	-
Net Profit		**31,327**	31,763
Profit is attributable to:			
Centuria Capital Fund		**31,181**	30,224
Non-controlling interests		**146**	1,539
Profit after tax		**31,327**	31,763
Other comprehensive income		**-**	-
Total comprehensive income for the year		**31,327**	31,763
Total comprehensive income for the year is attributable to:			
Centuria Capital Fund		**31,181**	30,224
Non-controlling interests		**146**	1,539
Total comprehensive income		**31,327**	31,763
Profit attributable to Centuria Capital Fund unitholders		**31,181**	30,224

	Notes	Cents	Cents
Earnings per Centuria Capital Fund unit			
Basic (cents per unit)	B4	**8.7**	10.9
Diluted (cents per unit)	B4	**8.1**	10.0

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

Consolidated balance sheet

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents		**68,018**	16,909
Receivables	C1	**27,580**	5,987
Financial assets at fair value	C2	**116,537**	365,732
Investment properties held for sale	C3	**-**	63,400
Investment properties	C4	**177,500**	147,100
Equity accounted investments	E1	**329,572**	-
Total assets		**719,207**	599,128
Liabilities			
Payables	C5	**25,640**	18,437
Liability to 360 Capital Group		**-**	41,161
Borrowings	C6	**296,916**	239,310
Interest rate swaps at fair value		**731**	472
Total liabilities		**323,287**	299,380
Net assets		**395,920**	299,748
Equity			
Equity attributable to Centuria Capital Fund			
Contributed equity	C8	**343,438**	244,930
Retained earnings		**6,399**	5,518
Total equity attributable to unitholders of Centuria Capital Fund		**349,837**	250,448
Equity attributable to non-controlling interests			
Contributed equity		**32,927**	32,927
Retained earnings		**13,156**	16,373
Total equity attributable to non-controlling interests		**46,083**	49,300
Total equity		**395,920**	299,748

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Centuria Capital Fund			Non-controlling interests			
	Contributed equity $'000	**Retained earnings $'000**	**Equity attributable to Centuria Capital Fund unitholders $'000**	**Contributed equity $'000**	**Retained earnings $'000**	**Total $'000**	**Total equity $'000**
Balance at 1 July 2018	244,930	5,518	250,448	32,927	16,373	49,300	299,748
Profit/(loss) for the year	-	31,181	31,181	-	146	146	31,327
Total comprehensive income for the year	**-**	**31,181**	**31,181**	**-**	**146**	**146**	**31,327**
Distributions paid/accrued	-	(30,300)	(30,300)	-	(3,363)	(3,363)	(33,663)
Units issued during the year	70,696	-	70,696	-	-	-	70,696
Cost of equity raising	(2,188)	-	(2,188)	-	-	-	(2,188)
Capital re-invested from Centuria Capital Limited	30,000	-	30,000	-	-	-	30,000
Balance at 30 June 2019	**343,438**	**6,399**	**349,837**	**32,927**	**13,156**	**46,083**	**395,920**

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

	Centuria Capital Fund			Non-controlling interests			
	Contributed equity $'000	Retained earnings $'000	Equity attributable to Centuria Capital Fund unitholders $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2017	170,672	(7,821)	162,851	45,367	29,957	75,324	238,175
Profit for the year	-	30,224	30,224	-	1,539	1,539	31,763
Total comprehensive income for the year	**-**	**30,224**	**30,224**	**-**	**1,539**	**1,539**	**31,763**
Distributions paid/accrued	-	(16,763)	(16,763)	-	(6,528)	(6,528)	(23,291)
Units issued during the year	77,146	-	77,146	-	-	-	77,146
Cost of equity raising	(2,888)	-	(2,888)	-	-	-	(2,888)
Deconsolidation of controlled property funds	-	(122)	(122)	(12,440)	(8,595)	(21,035)	(21,157)
Balance at 30 June 2018	**244,930**	**5,518**	**250,448**	**32,927**	**16,373**	**49,300**	**299,748**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest received		**10,530**	1,933
Rent received		**21,451**	23,639
Distributions received		**26,387**	15,155
Payments to suppliers		**(19,038)**	(16,267)
Interest paid		**(15,249)**	(12,386)
Other income		**925**	192
Net cash provided by operating activities	D1	**25,006**	12,266
Cash flows from investing activities			
Proceeds from sale of related party investments		**14,552**	61,037
Purchase of investments in related parties		**(174,314)**	(125,339)
Loans to related parties for purchase of properties		**(5,128)**	(5,865)
Proceeds from sale of investments		**136,899**	-
Repayment of loans by related parties		**5,865**	6,020
Purchase of other investments		**(72,262)**	(52,944)
Purchase of equity accounted investments		**(23,243)**	-
Loans provided to other parties		**(5,925)**	(17,400)
Loans repaid by other parties		**-**	17,400
Sale of investment property		**22,600**	22,000
Payments in relation to investment properties		**(1,896)**	(8,840)
Deconsolidation of controlled property funds cash balance		**-**	(766)
Return of investment to external non-controlling interests		**-**	(5,366)
Net cash used in investing activities		**(102,852)**	(110,063)
Cash flows from financing activities			
Proceeds from issues of units to unitholders of Centuria Capital Fund		**70,694**	77,146
Equity raising costs paid		**(2,184)**	(2,888)
Proceeds from borrowings		**80,000**	37,746
Repayment of borrowings		**(21,470)**	(13,467)
Capitalised borrowing costs paid		**(1,725)**	(446)
Capital reinvested from Centuria Capital Limited		**30,000**	-
Distributions paid to unitholders of Centuria Capital Fund		**(22,997)**	(13,676)
Distributions paid to non-controlling interests		**(3,363)**	(6,484)
Net cash provided by financing activities		**128,955**	77,931
Net increase (decrease) in cash and cash equivalents		**51,109**	(19,866)
Cash and cash equivalents at the beginning of the financial period		**16,909**	36,775
Cash and cash equivalents at end of year		**68,018**	16,909

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

A About the report

A1 General information

The units in the Fund and the shares in CCL are stapled to trade together as a single stapled security ('Stapled Security') on the ASX as 'Centuria Capiutal Group' under the ASX ticker code of 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 financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Group comprising the Fund (as 'Parent') and its controlled entities for the year ended 30 June 2019 were authorised for issue by the Board of Directors of Centuria Funds Management Limited as the Responsible Entity on 13 August 2019.

This Fund was established on 20 July 2016.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, investment properties and derivative financial instruments, 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 Group'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 Fund The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the 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 financial statements are consistent with those adopted in the previous financial year ended 30 June 2018 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated financial statements.

When the presentation or classification of items in the consolidated 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.

The Group has now applied equity accounting to its investments in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) as the Group's ownership in these entities exceeded 20% during the period (either directly through the Group or through entities within Centuria Capital Group) and significant influence was established. These investments were previously recognised as financial assets at fair value. Details of the accounting policy on equity accounted investments are included in Note D1.

The Group has applied new accounting standards and their impact is disclosed in Note F3.

A3 Use of judgements and estimates

In preparing these consolidated 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.

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

- Note C4 Investment properties
- Note F1 Financial instruments

B Business performance

B1 Revenue

	2019 $'000	2018 $'000
Interest revenue	**8,809**	8,713
Distribution revenue	**6,735**	18,358
Rent	**14,653**	16,988
Recoverable outgoings	**4,328**	4,559
Other income	**925**	179
	35,450	48,797

(a) Transactions with related parties

	2019 $	2018 $
Distributions from Property Funds managed by Centuria	**2,121,706**	14,200,093
Interest income on loan to Centuria Finance Pty Limited	**8,451,173**	7,084,552
Interest income on loans to Property Funds managed by Centuria	**36,958**	501,525
Distributions and interest from Debt Funds managed by Centuria	**202,062**	108,825
	10,811,899	21,894,995

Recognition and measurement

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

(i) *Interest revenue*

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

(ii) *Rent*

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

(iii) *Recoverable outgoings*

The Group recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and billed annually.

Recoverable outgoings were recognised on an accruals basis based on the contract terms under AASB 118 and on an overtime basis under AASB 15.

(iv) *Distribution revenue*

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

B2 Expenses

	2019 $'000	2018 $'000
Consulting and professional fees	**188**	321
Property outgoings and fund expenses	**10,996**	11,395
Corporate restructure and transaction costs	**2,782**	-
Other expenses	**23**	48
	13,989	11,764

(a) Transactions with related parties

	2019 $	2018 $
Management and custodian fees paid to Centuria Property Funds No. 2 Limited and Centuria Property Funds Limited	**1,153,639**	1,228,459
Management fees paid to Centuria Funds Management Limited	**200,000**	200,000
	1,353,639	1,428,459

B3 Finance costs

	2019 $'000	2018 $'000
Operating interest charges	**13,845**	8,679
Bank loans in Property Funds interest charges	**4,636**	5,490
Other finance costs	**-**	1
	18,481	14,170

Recognition and measurement

The Group's finance costs include interest expense recognised using the effective interest method.

B4 Earnings per unit

	2019 Cents	2018 Cents
Basic earnings per unit	**8.7**	10.9
Diluted earnings per unit	**8.1**	10.0

The earnings used in the calculation of basic and diluted earnings per unit is the profit for the year attributable to unitholders of the Fund as reported in the consolidated statement of comprehensive income.

The weighted average number of ordinary units used in the calculation of basic and diluted earnings per units is as follows:

	2019	2018
Weighted average number of ordinary units (basic)	**358,809,337**	277,224,977
Weighted average number of ordinary units (diluted) (i)	**383,381,274**	301,789,890

(i) The weighted average number of ordinary units used in the calculation of diluted earnings per unit is determined:
- as if 30 June 2019 was the end of the performance period of the grants of Rights under the LTI plan issued by Centuria Capital Group. All Rights that would have vested if 30 June 2019 was the end of the performance period are deemed to have been issued at the start of the financial year.
- as if 20,098,470 unexercised options with an exercise price of $1.30 per option have been converted to ordinary units at the start of the financial year.

B5 Taxation

Under current tax legislation, Trusts are not liable for income tax, provided their unitholders are presently entitled to the taxable income of the Trust including realised capital gains each financial year.

B6 Distributions

	2019 Cents per unit	2019 Total $'000	2018 Cents per unit	2018 Total $'000
Distributions paid during the year				
Final year-end distribution	**3.10**	**9,449**	**2.80**	**6,361**
Interim distribution	**3.40**	**13,038**	**2.40**	**7,314**
Distributions declared during the year				
Final distribution (i)	**4.50**	**17,262**	3.10	9,449
Distributions paid/declared distributions paid to Centuria Capital Fund unitholders (ii)	**11.00**	**39,749**	**8.30**	**23,124**

(i) The Group declared a final distribution in respect of the year ended 30 June 2019 of 4.50 cents per unit. The final distribution had a record date of 28 June 2019 to be subsequently paid on 16 August 2019. The total amount payable of $17,262,000 (2018: $9,449,000) has been provided as a liability in these financial statements.

(ii) In addition to the distributions paid to Centuria Capital Fund unitholders, the Group paid distributions of $3,363,000 to non-controlling interests.

C Assets and liabilities

C1 Receivables

	2019 $'000	2018 $'000
Receivables from related parties	**26,952**	4,189
Other receivables	**628**	1,798
	27,580	5,987

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 related parties of the Group at the end of the financial year:

	2019 $	2018 $
Distribution receivable from Centuria Industrial REIT	**2,858,271**	2,346,074
Distribution receivable from Centuria Metropolitan REIT	**2,715,823**	1,250,856
Intercompany receivable from Corporate entities within Centuria Capital Group	**5,188,638**	-
Distribution receivable from Centuria Scarborough House Fund	**699**	613
Receivables from Debt Funds managed by Centuria	**78,571**	64,000
Interest receivable from Centuria 80 Grenfell Street Fund	**-**	62,799
Redemption funds receivable from Centuria Diversified Property Fund	**16,000,000**	435,781
Distribution receivable from Centuria Diversified Property Fund	**110,393**	28,378
	26,952,395	4,188,501

Recognition and measurement

Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

C2 Financial assets at fair value

	Notes	2019 $'000	2018 $'000
Investments in trusts and other financial assets		**2,840**	58,977
Loans receivable from other parties(i)		**6,066**	-
Investment in related party unit trusts	C2(a)	**11,694**	203,091
Loans receivable from related parties	C2(b)	**95,937**	103,664
		116,537	365,732

(i) This is an unsecured loan to a third party which accrues 10% interest per annum

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.

	2019 Fair value $	2019 Units held	2019 Ownership %	2018 Fair value $	2018 Units held	2018 Ownership %
Financial assets held by the Group						
Centuria Industrial REIT*	**-**	**-**	**0%**	124,317,757	48,372,688	19.48%
Centuria Metropolitan REIT*	**-**	**-**	**0%**	68,555,158	27,643,209	11.39%
Centuria Diversified Property Fund	**11,591,312**	**8,060,718**	**14.92%**	7,050,751	5,250,001	18.88%
Centuria Bottleyard Fund	**-**	**-**	**0%**	1,548,500	1,630,000	14.17%
Centuria Rouse Hil Debt Fund	**-**	**-**	**0%**	1,515,527	1,515,527	18.20%
Centuria Scarborough House Fund	**102,826**	**102,826**	**0.22%**	102,826	102,826	0.22%
	11,694,138			203,090,519		

* These investments which were previously held as related party investments are equity accounted for the year ended 30 June 2019. See Note E1 for details.

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 year:

	2019 **$**	2018 $
Centuria Finance Pty Limited	**95,936,587**	97,799,425
Centuria 80 Grenfell Street Fund	**-**	5,865,000
	95,936,587	103,664,425

Recognition and measurement

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

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

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income.

C3 Investment properties held for sale

In June 2018, the Group Group decided to sell the investment properties within Centuria Retail Fund. Windsor Marketplace, Windsor NSW was sold during December 2018 for $22,600,000, however City Centre Plaza Rockhampton QLD was taken off the market and is no longer held for sale and has been reclassified as an investment property.

Property	**2019** **$'000**	2018 $'000
Windsor Marketplace, Windsor NSW	**-**	23,400
City Centre Plaza, Rockhampton	**-**	40,000
Total fair value	**-**	63,400

The fair values listed above do not include estimated selling costs which are expected to be incurred upon disposal.

Recognition and measurement

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These investment properties are carried at fair value. The valuation techniques to determine the fair value of investment properties held for sale are the same as the valuation techniques of investment properties described in Note C4(a).

C4 Investment properties

	2019 $'000	2018 $'000
Opening balance	**147,100**	257,100
Capital improvements and associated costs	**1,726**	3,985
Loss on fair value	**(10,705)**	(3,041)
Change in deferred rent and lease incentives	**(621)**	2,456
Deconsolidation of Havelock House Fund	**-**	(28,000)
Sale of investment property	**-**	(22,000)
Transfer from/(to) investment properties held for sale	**40,000**	(63,400)
Closing balance^	**177,500**	147,100

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $12,000,000 (30 June 2018: $9,387,000).

Property	**30 June 2019 $'000**	30 June 2018 $'000	**30 June 2019 Capitalisation rate %**	**30 June 2019 Discount rate %**	**30 June 2019 valuer**
111 St George Terrace, Perth WA	**150,000**	147,100	**7.00%**	**7.25%**	**Colliers**
City Centre Plaza, Rockhampton Qld	**27,500**	-	**8.75%**	**8.75%**	**Urbis**
Total fair value	**177,500**	147,100			

Recognition and measurement

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are initially recorded at cost which includes stamp duty and other transaction costs. Subsequently, the investment properties are measured at fair value with any change in value recognised in profit or loss. The carrying amount of investment properties includes components relating to deferred rent, lease incentives and leasing fees.

An investment property is derecognised upon disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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 valuer 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.

(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).

Significant unobservable input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase

C5 Trade and other payables

	2019 $'000	2018 $'000
Sundry creditors (i)	**8,012**	8,069
Distribution Payable	**17,262**	9,959
Accrued expenses	**366**	409
	25,640	18,437

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

Recognition and measurement

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Due to the short-term nature of these financial obligations, their carrying amounts are estimated to represent their fair values.

C6 Borrowings

	Notes	2019 $'000	2018 $'000
Fixed rate secured notes	C6(a)	**130,000**	85,000
Floating rate secured notes	C6(a)	**75,000**	40,000
Bank loans in Property Funds	C6(b)	**94,309**	115,758
Borrowing costs capitalised		**(2,393)**	(1,448)
		296,916	239,310

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.

The Group issued Tranche 3 to the value of $80,000,000 on 22 October 2018. This consisted of an issue of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023 and are secured against assets within certain subsidiaries of the Group.

C6 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
30 June 2019							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	10,521	**79,479**	(107)	**79,372**
Centuria Retail Fund	Current	31 December 2019	14,938	-	**14,938**	(1)	**14,937**
							94,309
30 June 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	**79,480**	(130)	**79,350**
Centuria Retail Fund	Current	31 July 2018	37,400	992	**36,408**	-	**36,408**
							115,758

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

C7 Commitments and contingencies

(a) Operating leases

(i) *Group as a lessor*

The Group leases out its investment properties under operating leases.

The future minimum lease payments receivable under non-cancellable leases are as follows:

	2019 $'000	2018 $'000
Not longer than 1 year	**10,201**	13,574
Longer than 1 year and not longer than 5 years	**42,376**	39,120
Longer than 5 years	**63,631**	27,176
	116,208	79,870

C7 Commitments and contingencies (continued)

(b) Commitments and contingencies

As at 30 June 2019, the Group has outstanding commitments of approximately $58.9m in relation to the proposed funding support for Heathley funds.

Recognition and measurement

When the terms of a lease transfer substantially all the risks and rewards of ownership to the Group, the lease is classified as a finance lease. All other leases are classified as operating leases.

(i) *Group as a lessor*

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

C8 Contributed equity

	2019		2018	
	No. of units	**$'000**	**No. of units**	**$'000**
Balance at beginning of the period	**304,793,174**	**244,930**	229,815,736	170,672
Equity settled share based payment expense	**1,747,653**	**-**	875,401	-
Units issued	**77,016,505**	**70,696**	74,102,037	77,146
Cost of equity raising	**-**	**(2,188)**	-	(2,888)
Capital reinvested by Centuria Capital Limited[(i)]	**-**	**30,000**	-	-
Balance at end of the period	**383,557,332**	**343,438**	304,793,174	244,930

Fully paid ordinary units carry one vote per unit and carry the right to distributions.

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

[(i)] On 29 June 2019, a non-cash dividend was paid by Centuria Capital Limited of $30,000,000 which was reinvested as capital into Centuria Capital Fund.

Recognition and measurement

Incremental costs directly attributed to the issue of ordinary units are accounted for as a deduction from equity, net of any tax effects.

D Cash flows

D1 Reconciliation of profit for the period to net cash flows from operating activities

	2019 $'000	2018 $'000
Profit for the year	**31,327**	31,763
Add (deduct) non-cash items:		
Loss/(gain) on investment property	**10,694**	3,790
Equity accounted profit in excess of distributions paid	**(8,444)**	-
Fair value movement of financial instruments	**(10,803)**	(12,691)
Non-cash interest capitalised on related party loan	**1,862**	(7,085)
Costs paid for debt issuance	**1,727**	446
Amortisation of borrowing costs	**799**	52
Amortisation of lease incentives	**1,602**	1,650
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Decrease/(Increase) in Receivables	**464**	(683)
Increase/(decrease) in liabilities:		
Increase/(Decrease) in Other Payables	**(4,222)**	(4,976)
Net cash flows provided by operating activities	**25,006**	12,266

Recognition and measurement

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

E Group Structure

E1 Interests in associates

During the year, the Group's investment in Centuria Industrial REIT (CIP) exceeded 20% and reached 17.5% for Centuria Metropolitan REIT (CMA). Significant influence was established as ownership exceeded 20% either directly through the Group or through entities within Centuria Capital Group (which share the same Directors). As a result, these investment which were previously recognised as financial assets at fair value are now accounted for using the equity method.

Set out below are the associates of the Group as at 30 June 2019 which, in the opinion of the Director's, are material to the Group and are accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Group. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	% of ownership interest 30 June 2019 %	Principal activity	Quoted fair value 30 June 2019 $'000	Carrying amount 30 June 2019 $'000
Centuria Metropolitan REIT	**17.49**	Property investments	**180,828**	**155,355**
Centuria Industrial REIT	**22.94**	Property investments	**187,266**	**174,217**
Total equity accounted investments			**368,094**	**329,572**

(a) Commitments and contingent liabilities in respect of associates and joint ventures

The associates do not have any commitments or contingent liabilities as at 30 June 2019.

E1 Interests in associates (continued)

(b) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates and not the Group's share of those amounts.

	Centuria Metropolitan REIT	Centuria Industrial REIT	Total
Summarised balance sheet	**30 June 2019 $'000**	**30 June 2019 $'000**	**30 June 2019 $'000**
Cash and other cash equivalents	17,546	9,348	26,894
Investment properties held for sale	78,500	11,400	89,900
Other current assets	5,544	9,144	14,688
Total current assets	101,590	29,892	131,482
Investment properties	1,321,475	1,209,850	2,531,325
Total tangible non-current assets	1,321,475	1,209,850	2,531,325
Other current liabilities	30,451	28,724	59,175
Total current liabilities	30,451	28,724	59,175
Borrowings	497,222	468,431	965,653
Other non-current liabilities	7,180	3,541	10,721
Total non-current liabilities	504,402	471,972	976,374
Net tangible assets	888,212	739,046	1,627,258
Group share in %	17.49	22.94	
Group's share	155,355	169,609	324,964
Goodwill	-	4,608	4,608
Carrying amount	155,355	174,217	329,572
Carrying value transferred from financial assets	151,433	151,281	302,714
Disposal	-	(5,420)	(5,420)
Investment	-	23,243	23,243
Share of net profit after tax	12,069	16,169	28,238
Distributions received/receivable	(8,147)	(11,056)	(19,203)
	155,355	174,217	329,572

E1 Interests in associates (continued)

(b) Summarised financial information for associates and joint ventures (continued)

Summarised statement of comprehensive income	Centuria Metropolitan REIT 30 June 2019 $'000	Centuria Industrial REIT 30 June 2019 $'000	Total 30 June 2019 $'000
Revenue	108,859	93,863	202,722
Interest income	334	195	529
Other income	8	602	610
Net gain on fair value of investment properties	7,143	53,808	60,951
Loss on fair value of derivative financial instruments	(6,752)	(3,581)	(10,333)
Finance costs	(22,110)	(21,496)	(43,606)
Other expenses	(33,910)	(34,563)	(68,473)
Profit from continuing operations	53,572	88,828	142,400
Profit for the period	53,572	88,828	142,400
Other comprehensive income	-	-	-
Total comprehensive income	53,572	88,828	142,400

Recognition and measurement

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

E2 Business combination

(a) Current year

During the current period, there were no business combinations.

(b) Prior year

During the current period, there were no business combinations.

Recognition and measurement

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

E3 Interests in subsidiaries

The Group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have issued capital consisting solely of ordinary units that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The subsidiaries are incorporated in Australia which is also their principal place of business.

	Ownership interest %	
Name of subsidiary	**2019**	**2018**
Centuria Capital No. 2 Fund	100%	100%
Centuria Capital No. 2 Office Fund	100%	100%
Centuria Capital No. 2 Industrial Fund	100%	100%
Centuria Capital No. 3 Fund	100%	100%
Centuria Capital No. 5 Fund	100%	0%
Centuria Capital No. 7 Fund	100%	0%

Recognition and measurement

(i) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund (subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

E4 Parent entity disclosure

As at, and throughout the current financial year, the parent entity of the Group was Centuria Capital Fund.

	2019	2018
Result of parent entity	**$'000**	$'000
Profit or loss for the year	**34,271**	18,214
Total comprehensive income for the year	**34,271**	18,214
Financial position of parent entity at year end		
Total assets	**363,076**	253
Total liabilities	**(17,297)**	(9,584)
Net assets	**345,779**	(9,331)

The parent entity presents its assets and liabilities in order of liquidity. The assets of the parent entity mainly consist of cash, short term receivables and financial assets. The liabilities of the parent entity mainly consist of short term payables.

Total equity of the parent entity comprising of:		
Share capital	**343,439**	244,930
Retained earnings/(loss)	**2,340**	(1,634)
Total equity	**345,779**	243,296

(a) Guarantees entered into by the parent entity

The parent entity has, in the normal course of business, entered into guarantees in relation to the debts of its subsidiaries during the financial year

(b) Commitments and contingent liabilities of the parent entity

The parent entity had no commitments for acquisition of property, plant and equipment nor any contingent liabilities as at 30 June 2019.

F Other

F1 Financial instruments

(a) Management of financial instruments

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

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

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

The Group uses interest rate swaps to manage interest rate risk and not for speculative purposes in any situation. Hedging is put in place where the Group is either seeking to minimise or eliminate cash-flow variability, i.e., converting variable rates to fixed rates, or changes in the fair values of underlying assets or liabilities, i.e., to convert fixed rates to variable rates.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity capital.

The Group's capital structure consists of net debt (borrowings, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Group operates.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group reviews regularly its anticipated funding requirements and the most appropriate form of funding (capital raising or borrowings) depending on what the funding will be used for.

(c) Fair value of financial instruments

(i) Valuation techniques and assumptions applied in determining fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.

(ii) Valuation techniques and assumptions applied in determining fair value of derivatives

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(iii) Fair value measurements recognised in the statement of financial position

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.

F1 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(iii) *Fair value measurements recognised in the statement of financial position (continued)*

- 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.

30 June 2019	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	**Amortised cost**	**Not applicable**	**68,018**	**68,018**
Receivables	**Amortised cost**	**Not applicable**	**27,580**	**27,580**
Financial assets	**Fair value**	**Level 2**	**116,537**	**116,537**
			212,135	**212,135**
Financial liabilities				
Payables	**Amortised cost**	**Not applicable**	**25,640**	**25,640**
Borrowings (net of borrowing costs)	**Amortised cost**	**Not applicable**	**296,916**	**303,429**
Interest rate swaps at fair value	**Fair value**	**Level 2**	**731**	**731**
			323,287	**329,800**

30 June 2018	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	16,909	16,909
Receivables	Amortised cost	Not applicable	5,987	5,987
Financial assets	Fair value	Level 1	252,157	252,157
Financial assets	Fair value	Level 2	113,575	113,575
			388,628	388,628
Financial liabilities				
Payables	Amortised cost	Not applicable	18,437	18,437
Liability to 360 Capital Group	Amortised cost	Not applicable	41,161	41,161
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	239,310	240,424
Interest rate swaps at fair value	Fair value	Level 2	472	472
Total			299,380	300,494

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.

F1 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Recognition and measurement

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

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

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised in the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

(i) *Credit risk on other financial assets*

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

The Group does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics.

(e) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities.

The liquidity risk is managed for the Group at a corporate level. Bank account balances across all entities, current and future commitments, and expected cash inflows are reviewed in detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statements of financial position, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- renegotiate the repayment terms of the borrowings;
- sell assets that are held on the statement of financial position; and/or
- undertake an equity raising.

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

F1 Financial instruments (continued)

(e) Liquidity risk (continued)

The following table summarises the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Non-derivative financial liabilities	On Demand $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Consolidated						
2019						
Borrowings	**-**	**1,015**	**29,368**	**311,222**	**-**	**341,605**
Payables	**-**	**25,640**	**-**	**-**	**-**	**25,640**
Total	**-**	**26,655**	**29,368**	**311,222**	**-**	**367,245**
2018						
Borrowings	-	37,902	89,340	140,600	-	267,842
Payables	-	18,437	-	-	-	18,437
Liability payable to 360 Capital Group	-	-	41,161	-	-	41,161
Total	-	56,339	130,501	140,600	-	327,440

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis.

Derivative financial liabilities	On Demand $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Consolidated						
2019						
Interest rate swaps	**-**	**-**	**664**	**67**	**-**	**731**
Total	**-**	**-**	**664**	**67**	**-**	**731**
2018						
Interest rate swaps	-	-	268	204	-	472
Total	-	-	268	204	-	472

F1 Financial instruments (continued)

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. Due to the nature of assets held by the Group, there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes.

(i) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Management of this risk is evaluated regularly and interest rate swaps are used accordingly.

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

	Weighted average effective interest rate	Variable rate $'000	Fixed rate $'000	Total $'000
2019				
Financial assets				
Cash and cash equivalents	**1.23%**	**68,018**	**-**	**68,018**
Other interest bearing loans	**9.06%**	**95,937**	**6,066**	**102,003**
Total financial assets		**163,955**	**6,066**	**170,021**
Financial liabilities				
Borrowings	**5.29%**	**(166,916)**	**(130,000)**	**(296,916)**
Total financial liabilities		**(166,916)**	**(130,000)**	**(296,916)**
Net interest bearing financial liabilities		**(2,961)**	**(123,934)**	**(126,895)**

	Weighted average effective interest rate	Variable rate $'000	Fixed rate $'000	Total $'000
2018				
Financial assets				
Cash and cash equivalents	1.41%	16,909	-	16,909
Related party loan	7.50%	97,799	-	97,799
Total financial assets		114,708	-	114,708
Financial liabilities				
Borrowings	5.28%	(154,310)	(85,000)	(239,310)
Total financial liabilities		(154,310)	(85,000)	(239,310)
Net interest bearing financial liabilities		(39,602)	(85,000)	(124,602)

F1 Financial instruments (continued)

(f) Market risk (continued)

(ii) *Interest rate swap contracts*

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss.

	Average contracted rate		Notional principal amount		Fair value	
Pay fixed for floating contracts	**2019**	**2018**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Interest rate swaps	**1.36%**	2.33%	**84,815**	99,600	**(731)**	(472)
			84,815	99,600	**(731)**	(472)

(iii) *Interest rate sensitivity*

The sensitivity analysis below has been determined based on the parent and the Group's exposure to interest rates at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

At reporting date, if variable interest rates had been 100 basis points higher or lower and all other variables were held constant, the impact to the Group would have been as follows:

	Change in variable		Effect on profit	
	2019	**2018**	**2019 $'000**	**2018 $'000**
Consolidated				
Interest rate risk	**+1%**	+1%	**2,500**	2,272
Consolidated				
Interest rate risk	**-1%**	-1%	**(2,516)**	(2,337)

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analysis takes into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only, and does not take into account the bank bill facility margin changes.

F2 Remuneration of auditors

Amounts received or due and receivable by KPMG:

	2019 $	2018 $
Audit and review of the financial report	**15,606**	14,863

F3 Adoption of new accounting standards and interpretations

(a) AASB 9 Financial instruments

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. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

(i) *Classification - Financial assets*

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.

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

On transition to AASB 9, the new classification requirements do not have a material impact on the Group's accounting for all receivables and financial assets (which are already carried at fair value).

(ii) *Impairment - Receivables*

AASB 9 replaces the ‘incurred loss’ model in AASB 139 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

The new impairment model applies to the Group’s receivables which continue to be measured at amortised cost.

On transition to AASB 9, the new impairment model does not have a material impact on the Group’s equity upon as at 30 June 2019.

(iii) *Hedge accounting*

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 have a significant impact as a result of the hedging changes on transition on 1 July 2018.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however as there is no material impact on carrying amounts of financial assets and financial liabilities, there are no transitional implications on the Group’s equity at 1 July 2018 nor it’s comparatives.

F3 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from customers applies to all contracts with customers to deliver goods or services as part of the entity's ordinary course of business excluding insurance contracts, financial instruments and leases which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts.

AASB 15 replaces the considerations of risks and rewards under AASB 118 to the concept of when control passes to the customer as the trigger point for the recognition of revenue.

Recoverable outgoings are in scope under the new standard. Rental income, interest income, distribution and dividend income and fair value movements in investment properties are excluded from the scope of this standard.

The Group has adopted AASB 15 using the cumulative effect method and as a result, there has been no impact on the Group's previously reported financial position.

(i) *Impact*

In accordance with AASB 15, based on the Group's assessment of when performance obligations are satisfied there is no change to the classification, measurement or timing of revenue recognition when comparing to the previous accounting policy, other than the change in terminology.

F4 Other new Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period 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 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. Based on the Group's assessment there will be no material impact of application of 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.

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.

F5 Events subsequent to the reporting date

Since the end of the financial year, the Group has committed to a further $11,000,000 in addition to its original commitment of $62,000,000 to support funding requirements for Heathley funds. As at 30 June 2019, the Group had already provided funding of $2,800,000 with a further $2,100,000 million provided since the end of the financial year.

Other than the above, there has not arisen in the interval between 30 June 2019 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 financial statements and notes set out on pages 8 to 41, 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 Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Mr Garry S Charny
Director

Mr Peter J. Done
Director

Sydney
13 August 2019

Independent Auditor's Report

To the unitholders of Centuria Capital Fund

Opinion

We have audited the ***Financial Report*** of Centuria Capital Fund (the Fund Financial Report).

In our opinion, the accompanying Fund Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Fund***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Fund comprises:

- Consolidated balance sheet as at 30 June 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Stapled Group consists of Centuria Capital Limited and the entities it controlled at year-end or from time to time during the financial year and Centuria Capital Fund (the ***Fund***) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Fund and Centuria Funds Management Limited (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Centuria Capital Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Nigel Virgo

Partner

Sydney

13 August 2019

Additional stock exchange information

The unitholder information set out below was applicable as at 31 July 2019.

Distribution of units

Analysis of numbers of unitholders by size of holding:

Holding	Total holders	Units
1 - 1000	906	450,430
1,001 - 5,000	4,026	9,891,118
5,001 - 10,000	895	6,230,035
10,001 - 100,000	1,090	31,026,683
100,001 and over	150	335,959,066
	7,067	383,557,332

There were 184 holders of less than a marketable parcel of units holding 18,705 units.

Top 20 unitholders

The names of the twenty largest unitholders are listed below:

	Number held	Percentage of issued units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,994,692	16.42
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	56,973,253	14.85
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 12/AC>	56,834,761	14.82
THE TRUST COMPANY (AUSTRALIA) LIMITED <A/C 4>	28,415,438	7.41
CITCORP NOMINEES PTY LIMITED	27,037,714	7.05
HWM (NZ) HOLDINGS LIMITED	10,020,000	2.61
GH 2016 PTY LIMITED <HARVEY 2006 OPTION A/C>	9,536,034	2.49
NATIONAL NOMINEES LIMITED	7,839,171	2.04
BNP PARIBAS NOMS (NZ) LTD <DRP>	6,251,937	1.63
RESOLUTE FUNDS MANAGEMENT <HANOVER GRP STAFF SUPER A/C>	4,230,079	1.10
ERSKINE IMPORT PTY LTD	4,076,238	1.06
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,627,629	0.95
CICERONE CAPITAL PTY LTD <MELBURGP A/C>	3,512,057	0.92
PARITAI PTY LIMITED <PARITAI A/C>	3,206,531	0.84
BRYSHAW MANAGEMENT PTY LTD <BRYSHAW A/C>	2,925,002	0.76
BNP PARIBAS NOMS PTY LTD <DRP>	2,849,812	0.74
PARSONAGE PROVIDENT P/L <PARSONAGE PROVIDENT FUND A/C>	2,200,830	0.57
MR ROGER WILLIAM DOBSON <DOBSON SUPER FUND A/C>	1,576,050	0.41
ONE MANAGED INVESTMENT FUNDS LIMITED <CHARTER HALL MAXIM PROPERTY SECURITIES A/C>	1,500,000	0.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	1,467,696	0.38
	297,074,924	77.44

Substantial holders

Substantial holders in the Group are set out below as at 19 July 2019:

	Number held	Percentage of units held
ESR Pte. Ltd	56,834,761	14.82%
Magic TT Pty Ltd including Moelis Australia Limited	42,677,496	11.13%
BlackRock Group	26,239,552	6.84%
Investment Administration Services Pty Ltd	21,625,155	7.10%
	147,376,964	39.89%

Voting rights

All ordinary units carry one vote per unit without restriction.