

# Centuria

## **Centuria Capital Group Interim Financial Report for the half year ended 31 December 2020**

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

## Interim Financial Report - 31 December 2020

### Contents

	Page
Directors' report	1
Auditor's Independence Declaration	4
Consolidated interim financial statements	5
Independent auditor's review report to the members	40

These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital Limited and its subsidiaries. The interim financial statements are presented in 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 interim financial statements were authorised for issue by the Directors on 10 February 2021.

## Directors' report

The Directors of Centuria Capital Limited (the 'Company') present their interim report together with the interim financial statements of the Company and its controlled entities (the 'Group') for the half year ended 31 December 2020 and the auditor's review report thereon.

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

### Directors

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

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

### Operating and financial review

The current year results continue to be impacted by the onset of the COVID-19 pandemic. On 7 April 2020, the government announced a National Cabinet Mandatory Code of Conduct ('the Code'). The Code continues to apply to all tenancies suffering financial stress or hardship as a result of the COVID-19 pandemic. The Group has complied with the Code across all its managed property funds and worked with tenants to provide appropriate rent relief packages.

The Group recorded a consolidated statutory net profit after tax for the half year of \$42,754,000 (half year ended 31 December 2019: \$77,993,000). Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

The Group recorded an operating profit after tax for the half year of \$34,025,000 (half year ended 31 December 2019: \$33,406,000). Operating profit after tax excludes non-operating items such as transaction costs and fair value movements and share of net profit of equity accounted investments in excess of distributions received.

The Segment profit or loss in Note B1 has a detailed breakdown of the composition of operating profit and statutory profit. The Segment summary disclosure in Note A6 provides a detailed summary of the Group's segments and further detail of what is considered operating and non-operating segments.

Eliminations between the operating and non-operating segment largely relate to elimination of inter-group revenues and expenses between the benefit funds, controlled property funds and the Group. Fair value movements of financial instruments and property are also eliminated which relate to movements in fair value of underlying properties in the controlled property funds to appropriately reflect the consolidated results of the controlled property funds.

The table below provides a summarised reconciliation from Statutory Profit after tax to Operating Profit after tax.

Operating and financial review (continued)

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Reconciliation of statutory profit to operating profit</b>		
Statutory profit after tax	42,754	77,993
<i>Statutory earnings per Centuria Capital Group security (EPS) (cents)</i>	7.5	18.6
<b>Less non-operating items:</b>		
Unrealised gain on fair value movements in derivatives, property and investments	(9,036)	(38,316)
Corporate restructure, transaction and other costs	1,013	2,110
Profit attributable to controlled property funds	(4,145)	(645)
Eliminations between the operating and non-operating segment	3,048	(1,940)
Equity accounting adjustments	196	128
Tax impact of above non-operating adjustments	195	(5,924)
<b>Operating profit after tax</b>	<b>34,025</b>	<b>33,406</b>
<i>Operating EPS (cents)</i>	<b>6.2</b>	<b>8.1</b>

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

Operational highlights for the key divisions were as follows:

Segment	Operating profit after tax for the half year \$'000		Increase/ (Decrease)	%	Highlights
	31 December 2020	31 December 2019			
Property Funds Management	23,458	26,856	(3,398)	(13)	(a)
Investment Bonds	372	881	(509)	(58)	(b)
Co-Investments	11,446	8,013	3,433	43	(c)
Corporate	(1,251)	(2,344)	1,093	(47)	
<b>Operating profit after tax</b>	<b>34,025</b>	<b>33,406</b>			

**(a) Property Funds Management**

For the half year ended 31 December 2020, excluding the after tax impact of performance fees, the Property Funds Management segment profit increased by \$2,130,000 or 18.1% reflecting the growth in AUM and accretion from the Group's acquisition of Augusta Capital Limited in the prior year. Significant acquisitions in Centuria Industrial REIT, such as the Telstra data centre acquisition in Clayton, Victoria, have contributed to the increase in AUM in the half year ended 31 December 2020.

For the half year ended 31 December 2020, Property Funds Management operating NPAT of \$23,458,000 was lower than the previous half year ended 31 December 2019 by \$3,398,000. This decrease is primarily due to lower acquisition fees and timing of performance fees in the half year ended 31 December 2020 compared to the previous corresponding period.

**(b) Investment Bonds Management**

For the half year ended 31 December 2020, the Investment Bond Management segment's operating profit after tax decreased by \$509,000 to \$372,000. The lower prevailing level of interest rates have contributed to a decline in the earnings of Capital Guaranteed products which has necessitated the rebating of a portion of the segments management fees to ensure the continued viability and capital adequacy of these products.

**(c) Co-Investments**

For the half year ended 31 December 2020, the Co-Investments segment operating profit after tax increased by \$3,433,000 which is mainly due to higher distribution income from additional co-investment stakes in Centuria Industrial REIT (CIP) during the half-year ended 31 December 2020.

During the current half year, the Group's ownership stakes in Centuria Office REIT (COF) remained at 17.04% and CIP decreased to 15.16% due to the Group not fully participating in all equity raises/rights issue despite additional units purchased in the funds. The operating profit after tax for the Co-Investments segment represents the distributions and returns generated from those investments after the applicable financing costs.

Operating and financial review (continued)

Earnings per security (EPS)

	31 December 2020		31 December 2019	
	Operating	Statutory	Operating	Statutory
Basic EPS (cents/security)	6.2	7.5	8.1	18.6
Diluted EPS (cents/security)	6.1	7.4	7.8	18.0

Dividends and Distributions

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

Dividends/distributions paid during the half year	Cents per security	Total amount \$'000	Date paid/payable
Final 2020 dividend (100% franked)	1.80	8,690	8 July 2020
Final 2020 Trust distribution	3.40	16,420	8 July 2020
<b>Dividends/distributions declared during the half year</b>			
Interim 2021 dividend (100% franked)	1.20	7,203	29 January 2021
Interim 2021 Trust distribution	3.30	19,811	29 January 2021
<b>Total amount</b>	<b>9.70</b>	<b>52,124</b>	


Auditor's independence declaration

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

Rounding of amounts

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

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



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
10 February 2021



# 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 review of Centuria Capital Group for the half-year ended 31 December 2020 there have been:

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

KPMG

Paul Thomas  
Partner  
Sydney  
10 February 2021

# Centuria Capital Group

Interim financial report - 31 December 2020

## Contents

	Page
Consolidated interim statement of comprehensive income	6
Consolidated interim statement of financial position	7
Consolidated interim statement of changes in equity	8
Consolidated interim statement of cash flows	10
Notes to the consolidated interim financial statements	11
A About the report	11
A1 General information	11
A2 Coronavirus (COVID-19) impact	12
A3 Significant accounting policies	13
A4 New Accounting Standards and Interpretations	13
A5 Use of judgements and estimates	13
A6 Segment summary	14
B Business performance	15
B1 Segment profit and loss	15
B2 Revenue	17
B3 Expenses	18
B4 Finance costs	19
B5 Dividends and distributions	19
C Assets and liabilities	20
C1 Segment balance sheet	20
C2 Receivables	22
C3 Financial assets	22
C4 Investment properties	24
C5 Property held for development	26
C6 Intangible assets	27
C7 Payables	27
C8 Borrowings	28
C9 Contributed equity	29
C10 Commitments and contingencies	30
D Cash flows	31
D1 Operating segment cash flows	31
E Group Structure	32
E1 Interests in associates	32
F Other	36
F1 Fair value of financial instruments	36
F2 Events subsequent to the reporting date	38
Directors' declaration	39
Independent auditor's review report to the members	40

# Consolidated interim statement of comprehensive income

For the half year ended 31 December 2020

		31 December 2020 \$'000	31 December 2019 \$'000
	Notes		
Revenue	B1, B2	116,335	79,538
Share of net profit of equity accounted investments	E1	608	9,396
Net movement in policyholder liability		(3,293)	7,648
Fair value movements of financial instruments and property		21,702	44,112
Expenses	B3	(44,459)	(46,143)
Cost of sales		(29,248)	(1,330)
Finance costs	B4	(9,083)	(9,556)
<b>Profit before tax</b>		<b>52,562</b>	<b>83,665</b>
Income tax expense		(9,808)	(5,672)
<b>Profit after tax</b>		<b>42,754</b>	<b>77,993</b>
<b>Profit after tax is attributable to:</b>			
Centuria Capital Limited		15,240	8,338
Centuria Capital Fund (non-controlling interests)		26,148	68,707
External non-controlling interests		1,366	948
<b>Profit after tax</b>		<b>42,754</b>	<b>77,993</b>
<b>Other comprehensive income</b>			
Foreign currency translation reserve		646	-
<b>Total comprehensive income for the period</b>		<b>43,400</b>	<b>77,993</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Centuria Capital Limited		15,362	8,338
Centuria Capital Fund (non-controlling interests)		26,672	68,707
External non-controlling interests		1,366	948
<b>Total comprehensive income</b>		<b>43,400</b>	<b>77,993</b>
<b>Total comprehensive income for the period is attributable to Centuria Capital Group securityholders:</b>			
Centuria Capital Limited		14,716	8,338
Centuria Capital Fund (non-controlling interests)		26,672	68,707
<b>Total comprehensive income for the period is attributable to Centuria Capital Group securityholders</b>		<b>41,388</b>	<b>77,045</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per Centuria Capital Group security</b>			
Basic (cents per stapled security)		7.5	18.6
Diluted (cents per stapled security)		7.4	18.0
<b>Earnings per Centuria Capital Limited share</b>			
Basic (cents per share)		2.8	2.1
Diluted (cents per share)		2.7	2.0

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



# Consolidated interim statement of financial position

As at 31 December 2020

		31 December 2020 \$'000	30 June 2020 \$'000
	Notes		
Cash and cash equivalents	D1	202,515	174,458
Receivables	C2	119,110	68,729
Income tax receivable		4,936	755
Financial assets	C3	839,665	773,417
Other assets		10,305	10,795
Investment properties held for sale		-	861
Property held for development	C5	32,340	31,295
Deferred tax assets		37,614	39,519
Equity accounted investments	E1	33,353	32,955
Investment properties	C4	155,750	167,110
Right of use asset		19,977	21,393
Intangible assets	C6	280,955	280,120
<b>Total assets</b>		<b>1,736,520</b>	<b>1,601,407</b>
Payables	C7	53,049	76,532
Provisions		3,041	2,201
Borrowings	C8	277,214	265,051
Provision for income tax		-	5,998
Interest rate swaps at fair value		34,695	33,388
Benefit Funds policyholder's liability		315,694	311,535
Deferred tax liabilities		45,207	35,825
Call/Put option liability		21,138	17,167
Lease liability		21,703	22,564
<b>Total liabilities</b>		<b>771,741</b>	<b>770,261</b>
<b>Net assets</b>		<b>964,779</b>	<b>831,146</b>
<b>Equity attributable to Centuria Capital Limited</b>			
Contributed equity	C9	217,423	177,149
Reserves		2,910	2,901
Retained earnings		25,111	17,074
<b>Total equity attributable to Centuria Capital Limited</b>		<b>245,444</b>	<b>197,124</b>
<b>Equity attributable to Centuria Capital Fund (non-controlling interests)</b>			
Contributed equity	C9	681,288	545,744
Reserves		524	-
Retained earnings		(3,434)	(9,771)
<b>Total equity attributable to Centuria Capital Fund (non-controlling interests)</b>		<b>678,378</b>	<b>535,973</b>
<b>Total equity attributable to Centuria Capital Group securityholders</b>		<b>923,822</b>	<b>733,097</b>
<b>Equity attributable to external non-controlling interests</b>			
Contributed equity		12,789	57,230
Retained earnings		28,168	40,819
<b>Total equity attributable to external non-controlling interests</b>		<b>40,957</b>	<b>98,049</b>
<b>Total equity</b>		<b>964,779</b>	<b>831,146</b>

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

## Consolidated interim statement of changes in equity

For the half year 31 December 2020

	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)				Total attributable to Centuria Capital Group Securityholders	External non-controlling interests			
	Contributed equity	Reserves	Retained earnings	Total	Contributed equity	Reserves	Retained earnings	Total		Contributed equity	Retained earnings	Total	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2020</b>	177,149	2,901	17,074	197,124	545,744	-	(9,771)	535,973	733,097	57,230	40,819	98,049	831,146
Profit for the period	-	-	15,240	15,240	-	-	26,148	26,148	41,388	-	1,366	1,366	42,754
Foreign Currency Translation Reserve	-	122	-	122	-	524	-	524	<b>646</b>	-	-	-	646
<b>Total comprehensive income for the period</b>	-	<b>122</b>	<b>15,240</b>	<b>15,362</b>	-	<b>524</b>	<b>26,148</b>	<b>26,672</b>	<b>42,034</b>	-	<b>1,366</b>	<b>1,366</b>	<b>43,400</b>
Equity settled share based payments expense	1,482	(113)	-	1,369	-	-	-	-	1,369	-	-	-	1,369
Dividends and distributions paid/accrued	-	-	(7,203)	(7,203)	-	-	(19,811)	(19,811)	(27,014)	-	(1,423)	(1,423)	(28,437)
Stapled securities issued	39,506	-	-	39,506	137,483	-	-	137,483	176,989	-	-	-	176,989
Cost of equity raising	(714)	-	-	(714)	(1,939)	-	-	(1,939)	(2,653)	-	-	-	(2,653)
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	(42,982)	(13,387)	(56,369)	(56,369)
Deconsolidation of controlled property funds	-	-	-	-	-	-	-	-	-	(1,459)	793	(666)	(666)
<b>Balance at 31 December 2020</b>	<b>217,423</b>	<b>2,910</b>	<b>25,111</b>	<b>245,444</b>	<b>681,288</b>	<b>524</b>	<b>(3,434)</b>	<b>678,378</b>	<b>923,822</b>	<b>12,789</b>	<b>28,168</b>	<b>40,957</b>	<b>964,779</b>

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

## Consolidated interim statement of changes in equity

For the half year 31 December 2019

For the half year ended 31 December 2019	Centuria Capital Limited			Centuria Capital Fund (non-controlling interests)			Total attributable to Centuria Capital Group securityholders	External non-controlling interests			Total equity \$'000	
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000		Total \$'000	Contributed equity \$'000	Retained earnings \$'000		Total \$'000
<b>Balance at 1 July 2019</b>	128,164	2,101	12,438	142,703	343,438	19,067	362,505	505,208	32,927	13,233	46,160	551,368
Profit for the period	-	-	8,338	8,338	-	68,707	68,707	77,045	-	948	948	77,993
<b>Total comprehensive income for the period</b>	-	-	<b>8,338</b>	<b>8,338</b>	-	<b>68,707</b>	<b>68,707</b>	<b>77,045</b>	-	<b>948</b>	<b>948</b>	<b>77,993</b>
Equity settled share based payments expense	795	118	-	913	-	-	-	913	-	-	-	913
Dividends and distributions paid/accrued	-	-	(7,630)	(7,630)	-	(12,567)	(12,567)	(20,197)	-	(1,647)	(1,647)	(21,844)
Stapled securities issued	29,419	-	-	29,419	96,439	-	96,439	125,858	-	-	-	125,858
Cost of equity raising	(594)	-	-	(594)	(1,535)	-	(1,535)	(2,129)	-	-	-	(2,129)
<b>Balance at 31 December 2019</b>	<b>157,784</b>	<b>2,219</b>	<b>13,146</b>	<b>173,149</b>	<b>438,342</b>	<b>75,207</b>	<b>513,549</b>	<b>686,698</b>	<b>32,927</b>	<b>12,534</b>	<b>45,461</b>	<b>732,159</b>

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

## Consolidated interim statement of cash flows

For the half year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Management fees received	53,373	38,936
Performance fees received	394	27,092
Rent received	7,684	10,219
Distributions received	18,566	16,713
Interest received	663	1,677
Payments to suppliers and employees	(87,975)	(42,889)
Interest paid	(4,680)	(5,975)
Income taxes paid	(5,797)	(5,019)
Applications - Benefits Funds	6,429	7,122
Redemptions - Benefits Funds	(11,554)	(17,532)
<b>Net cash (used in)/provided by operating activities</b>	<b>(22,897)</b>	<b>30,344</b>
<b>Cash flows from investing activities</b>		
Purchase of investments in related parties	(63,507)	(94,235)
Benefit Funds net disposals of investments in financial assets	17,130	17,348
Deposits paid	(19,842)	-
Purchase of subsidiaries	(12,950)	-
Proceeds from sale of related party investments	11,753	31,573
Repayment of loans by related parties	2,541	11,800
Payments for property, plant and equipment	(1,347)	(1,545)
Payments in relation to investment properties	(1,376)	(12,481)
Loans to related parties	-	(11,800)
Proceeds from sale of investment property	868	-
Purchase of property held for development	(936)	-
Collections from reverse mortgage holders	695	893
Purchase of equity accounted investments	(586)	(20,477)
Purchase of other investments	-	(124)
Cash on acquisition of Healthcare	-	4,140
Acquisition of Healthcare	-	(20,429)
<b>Net cash used in investing activities</b>	<b>(67,557)</b>	<b>(95,337)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of securities to securityholders of Centuria Capital Group	133,072	125,858
Distributions paid to securityholders of Centuria Capital Group	(25,110)	(19,180)
Proceeds from borrowings	20,958	732
Repayment of borrowings	(6,024)	(35,602)
Equity raising costs paid	(2,635)	(2,129)
Distributions paid to external non-controlling interests	(1,423)	(1,647)
Costs paid to issue debt	(481)	-
<b>Net cash provided by financing activities</b>	<b>118,357</b>	<b>68,032</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,903</b>	<b>3,039</b>
Cash and cash equivalents at the beginning of the period	174,458	124,673
Effects of exchange rate changes on cash and cash equivalents	154	-
<b>Cash and cash equivalents at end of period</b>	<b>202,515</b>	<b>127,712</b>

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

## **A About the report**

### **A1 General information**

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

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

#### **Statement of compliance**

The consolidated interim financial statements for the half year ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2020 and any public announcements made by the Group during the half year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

#### **Basis of preparation**

The consolidated interim financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, investment properties and investment property held for sale 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.

#### **Going Concern**

The financial report has been prepared on a going-concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The COVID-19 pandemic has created uncertainty on the global and local financial markets and may impact on the ability of funds managed by the Group to meet their obligations. The Group has completed an extensive assessment on trade receivables and remains confident that it will be able to continue as a going concern. Refer to Note C2.

#### **Rounding of amounts**

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

### A2 Coronavirus (COVID-19) impact

#### Background

COVID-19 was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global financial markets. Governments across the globe have enforced restrictions to limit the spread of the virus, with most governments having implemented economic stimulus packages. Despite these measures, there is still considerable economic uncertainty.

COVID-19 has presented a fast evolving and significant challenge to global and local economies. The real estate sector specifically has been impacted by concerns surrounding security of income and uncertainty around property valuations. In addition, this uncertainty and associated market volatility has resulted in a significant slowdown of transactional activity and investment in most real estate markets.

The Group has considered the continuing impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note A5 did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

#### Processes applied

As a consequence of COVID-19 and in preparing these financial statements, Management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19; and
- considered the continuing impact of COVID-19 on the Group's financial statement disclosures.

#### Consideration of the statements of financial position and further disclosures

Key statement of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

##### *Financial assets*

The Group carries significant investments in entities that directly own real estate, such as external funds that are managed by subsidiaries of the Group. These investments are impacted by stock market volatility (for investments in ASX-listed securities) and by property valuations (for investments in unlisted securities). Refer to Note C3. The Group's residential mortgage receivables are fair valued with inputs including long term yield curve and assumptions in relation to the valuation of secured properties at the expiry of the arrangement. Refer to Note F1.

##### *Investment properties*

As a result of COVID-19, there is continuing valuation uncertainty in global financial markets and has affected the ability of impacted tenants to meet their rental obligations. The Group has completed an extensive assessment of trade receivables to determine the recoverability of rental income.

##### *Intangible assets*

Consistent with the Group's accounting policies, the Group has tested goodwill and indefinite life intangible assets for impairment. Such assessment incorporated a consideration of COVID-19. Refer to Note C6

##### *Financial instruments*

Given recent market uncertainty as a result of COVID-19, the Group reviewed the appropriateness of the inputs to its valuations of financial instruments including receivables, payables and derivative instruments. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy. Refer to Note F1.

### A3 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2020 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated interim financial statements.

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

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

### A4 New Accounting Standards and Interpretations

A number of new accounting standards have been published that are not effective for the 31 December 2020 reporting period. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

#### **AASB 17 Insurance Contracts**

AASB 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of AASB 17 have on the financial position, financial performance and cash flows of the entity. The Group is currently assessing the impact of AASB 17 Insurance Contracts.

#### **AASB 2018-6**

Clarifies the definition of a business as per AASB 3 Business Combinations and is applied prospectively to future acquisitions.

#### **AASB 2018-7**

Clarifies the definition of material as applied across all reporting standards as per AASB 101 Presentation of Financial Statements with intention of increasing a user's focus on the material items in a financial report.

#### **AASB 2014-10**

Clarifies the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture.

### A5 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2020.

### A6 Segment summary

As at 31 December 2020 the Group has four reportable operating segments. These reportable operating segments are the divisions which report to the Group's Joint Chief Executive Officer's and Board of Directors for the purpose of resource allocation and assessment of performance.

The reportable operating segments are:

<b>Operating segments</b>	<b>Description</b>
Property Funds Management	Management of listed and unlisted property funds and completion of structured property developments which span sectors ranging from Commercial Office, Industrial and Health through to Affordable Housing and Residential Mixed Use.
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, properties held for development 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 provides disclosures in relation to a further four non-operating segments, which are:

<b>Non-operating segments</b>	<b>Description</b>
Non-operating items	Comprises transaction costs, mark-to-market movements on financial assets, 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 managed by the Group and consolidated under accounting standards. The Group's principal activities do not include direct ownership of these funds for the purpose of control and deriving rental income. Therefore, the results attributable to the controlled property funds are excluded from operating profit. However, the performance management of the controlled property funds is included in operating profit, aligned with how performance of the business is assessed by management of the Group.
Eliminations	Elimination of transactions between the operating segments and the other non-operating segments above, including transactions between the operating entities within the Group and the property funds controlled by the Group and the benefit funds.

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

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

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



## B Business performance

### B1 Segment profit and loss

For the half year 31 December 2020	Property	Investment	Co-	Operating			Non	Controlled	Statutory	
	Funds	Bonds	Co-	Corporate	profit	operating	Benefits	Property	Eliminations	profit
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees	34,313	3,959	-	-	38,272	-	-	-	(2,172)	36,100
Property acquisition fees	4,786	-	-	-	4,786	-	-	-	-	4,786
Property performance fees	13,632	-	-	-	13,632	-	-	-	-	13,632
Development revenue	31,983	-	-	-	31,983	-	-	-	-	31,983
Property sales fees	115	-	-	-	115	-	-	-	-	115
Interest revenue	148	11	67	1,411	1,637	-	419	1	(30)	2,027
Rental income	-	-	-	87	87	-	-	5,233	-	5,320
Recoverable outgoings	-	-	-	-	-	-	-	1,677	-	1,677
Distribution/dividend revenue	-	-	17,658	-	17,658	(804)	2,374	-	(1,302)	17,926
Premiums - discretionary participation features	-	-	-	-	-	-	659	-	-	659
Other income	465	183	40	1,354	2,042	-	30	38	-	2,110
<b>Total Revenue</b>	<b>85,442</b>	<b>4,153</b>	<b>17,765</b>	<b>2,852</b>	<b>110,212</b>	<b>(804)</b>	<b>3,482</b>	<b>6,949</b>	<b>(3,504)</b>	<b>116,335</b>
Share of profit from associates and joint venture partnership	E1	-	-	-	-	608	-	-	-	608
Net movement in policyholder liabilities	-	-	-	-	-	-	(3,293)	-	-	(3,293)
Fair value movements of financial instruments and property	-	-	-	-	-	9,036	12,776	1,636	(1,746)	21,702
Expenses	B3	(21,947)	(3,586)	(370)	(7,846)	(33,749)	(445)	(9,089)	(3,348)	(44,459)
Cost of sales	(29,248)	-	-	-	(29,248)	-	-	-	-	(29,248)
Finance costs	B4	(361)	(1)	(5,837)	(1,252)	(7,451)	(568)	(2)	(1,092)	(9,083)
<b>Profit/(Loss) before tax</b>		33,886	566	11,558	(6,246)	39,764	7,827	3,874	4,145	(3,048)
Income tax benefit/(expense)		(10,428)	(194)	(112)	4,995	(5,739)	(195)	(3,874)	-	(9,808)
<b>Profit/(Loss) after tax</b>		<b>23,458</b>	<b>372</b>	<b>11,446</b>	<b>(1,251)</b>	<b>34,025</b>	<b>7,632</b>	<b>-</b>	<b>4,145</b>	<b>(3,048)</b>
<b>Profit/(Loss) after tax attributable to:</b>										
Centuria Capital Limited		23,458	372	111	(10,586)	13,355	1,885	-	-	15,240
Centuria Capital Fund		-	-	11,335	9,335	20,670	5,747	-	(269)	26,148
<b>Profit/(Loss) after tax attributable to Centuria Capital Group Securityholders</b>		<b>23,458</b>	<b>372</b>	<b>11,446</b>	<b>(1,251)</b>	<b>34,025</b>	<b>7,632</b>	<b>-</b>	<b>(269)</b>	<b>41,388</b>
Non-controlling interests		-	-	-	-	-	-	4,145	(2,779)	1,366
<b>Profit/(Loss) after tax</b>		<b>23,458</b>	<b>372</b>	<b>11,446</b>	<b>(1,251)</b>	<b>34,025</b>	<b>7,632</b>	<b>-</b>	<b>4,145</b>	<b>(3,048)</b>

## Business performance

### B1 Segment profit and loss (continued)

For the half year 31 December 2019		Property Funds Management	Investment Bonds Management	Co- Investments	Corporate	Operating profit	Non operating items	Benefits Funds	Controlled Property Funds	Eliminations	Statutory profit
Notes		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Management fees	25,636	5,010	-	-	30,646	-	-	-	(3,086)	27,560
	Property acquisition fees	6,193	-	-	-	6,193	-	-	-	-	6,193
	Property performance fees	21,529	-	-	-	21,529	-	-	-	-	21,529
	Property sales fees	1,398	-	-	-	1,398	-	-	-	-	1,398
	Interest revenue	56	31	263	1,507	1,857	-	1,494	16	(59)	3,308
	Development revenue	1,967	-	-	-	1,967	-	-	-	-	1,967
	Rental income	-	-	-	276	276	-	-	6,924	-	7,200
	Recoverable outgoings	-	-	-	-	-	-	-	2,115	-	2,115
	Distribution/dividend revenue	-	-	15,391	-	15,391	(9,063)	1,562	-	(1,409)	6,481
	Premiums - discretionary participation features	-	-	-	-	-	-	1,019	-	-	1,019
	Other income	550	114	-	5	669	-	64	35	-	768
	<b>Total revenue</b>	<b>57,329</b>	<b>5,155</b>	<b>15,654</b>	<b>1,788</b>	<b>79,926</b>	<b>(9,063)</b>	<b>4,139</b>	<b>9,090</b>	<b>(4,554)</b>	<b>79,538</b>
	Share of net profit of equity accounted investments	E1	-	-	-	-	8,935	461	-	-	9,396
	Net movement in policyholder liabilities		-	-	-	-	-	7,648	-	-	7,648
	Fair value movements of financial instruments and property		-	-	-	-	38,316	4,945	(2,498)	3,349	44,112
	Expenses	B3	(16,916)	(3,829)	(330)	(6,564)	(27,639)	(1,659)	(15,460)	(4,471)	(46,143)
	Cost of sales		(1,330)	-	-	(1,330)	-	-	-	-	(1,330)
	Finance costs	B4	(7)	(2)	(6,886)	(791)	(7,686)	(451)	(2)	(1,476)	(9,556)
	<b>Profit/(Loss) before tax</b>		<b>39,076</b>	<b>1,324</b>	<b>8,438</b>	<b>(5,567)</b>	<b>43,271</b>	<b>36,078</b>	<b>1,731</b>	<b>645</b>	<b>83,665</b>
	Income tax benefit/(expense)		(12,220)	(443)	(425)	3,223	(9,865)	5,924	(1,731)	-	(5,672)
	<b>Profit/(Loss) after tax</b>		<b>26,856</b>	<b>881</b>	<b>8,013</b>	<b>(2,344)</b>	<b>33,406</b>	<b>42,002</b>	<b>-</b>	<b>645</b>	<b>77,993</b>
	<b>Profit/(loss) after tax attributable to:</b>										
	Centuria Capital Limited		26,856	881	368	(7,391)	20,714	(12,376)	-	-	8,338
	Centuria Capital Fund		-	-	7,645	5,047	12,692	54,378	-	-	68,707
	Profit/(loss) after tax attributable to Centuria Capital Group securityholders		26,856	881	8,013	(2,344)	33,406	42,002	-	1,637	77,045
	Non-controlling interests		-	-	-	-	-	-	645	303	948
	<b>Profit/(loss) after tax</b>		<b>26,856</b>	<b>881</b>	<b>8,013</b>	<b>(2,344)</b>	<b>33,406</b>	<b>42,002</b>	<b>-</b>	<b>645</b>	<b>77,993</b>

# Business performance

## B2 Revenue

Revenue has been disaggregated in the segment profit and loss in Note B1.

### (a) Performance fees

#### *Property 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. Consideration is due upon successful sale of the investment property if the performance hurdles are satisfied.

In measuring the performance fees to be recognised each period, 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.

The Group's performance fees are recognised over-time under AASB 15 Revenue from Contracts with Customers.

The key assumptions made in estimating the amount of performance fee revenue that is highly probable include:

**2 years from forecast fund end date:** It is assumed that the highly probable threshold is only met when the forecast end date of the fund is within two years from balance date. The forecast end date is generally based on the relevant fund's end date as expressed in the relevant PDS or a revised fund end date in the event that an alternative strategy is undertaken by the Group, in which case the unbooked portion of any forecast performance fees are recognised over the extended term of the fund.

**Probability thresholds for sensitivity to property valuations:** The level of constraint applied to performance fee revenue is adjusted depending on remaining fund tenure. Specifically, a discount in property values between 10.0% to 20.0% is applied, depending on when in the two-year window the fund is expected to wind up.

**Fair value of investment properties:** The fair value of investment properties is based on the latest available valuation of the underlying property from the published financial statements or board approved valuations.

#### *Development revenue*

In 2019, the Group entered into agreements to develop four social affordable housing dwellings in the greater Newcastle and Gosford areas of NSW. The Group recognises development revenue based on satisfaction of performance obligations on an over-time basis as its customers control the land on which the developments are being delivered.

### (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.

	<b>Recognised in Half-year ended 31 December 2020 \$'000</b>	<b>Balance of unrecognised performance obligations \$'000</b>
Property performance fee*	13,632	22,299
Development revenue	31,983	21,256
Management fees**	9,384	35,510

\* The underlying property funds managed by the Group have accrued total performance fees of \$43,754,000 as at 31 December 2020. Based on the assumptions outlined in B2(a), the total estimated amount of performance fees available to the Group to recognise is \$22,299,000.

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

## Business performance

### B2 Revenue (continued)

#### (c) Transactions with related parties

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

	<b>31 December 2020</b>	31 December 2019
	\$	\$
Management fees from Property Funds managed by Centuria	<b>33,862,229</b>	25,119,968
Distributions from Property Funds managed by Centuria	<b>15,552,474</b>	4,190,094
Performance fees from Property Funds managed by Centuria	<b>13,631,796</b>	21,528,921
Property acquisition fees from Property Funds managed by Centuria	<b>4,786,076</b>	6,193,114
Management fees from Over Fifty Guardian Friendly Society	<b>2,237,487</b>	2,307,374
Fees from Debt funds managed by Centuria	<b>345,065</b>	408,358
Sales fees from Property Funds managed by Centuria	<b>114,781</b>	1,398,193
Interest income on loans to Property Funds managed by Centuria	-	229,297
	<b>70,529,908</b>	61,375,319

### B3 Expenses

	<b>31 December 2020</b>	31 December 2019
	\$'000	\$'000
Employee benefits expense	<b>21,680</b>	17,254
Consulting and professional fees	<b>2,449</b>	2,355
Property outgoings and fund expenses	<b>2,581</b>	3,431
Transaction costs	<b>301</b>	1,035
Administration fees	<b>1,095</b>	1,896
Claims - discretionary participation features	<b>7,368</b>	12,890
Property management fees paid	<b>1,920</b>	1,053
Depreciation Expense	<b>1,973</b>	1,332
Other expenses	<b>5,092</b>	4,897
	<b>44,459</b>	46,143

#### (a) Transactions with key management personnel

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

During the half 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 \$160,350 (inclusive of GST) (31 December 2019: \$363,000) for corporate advisory fees.
- Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater, was paid \$120,312 (inclusive of GST) (31 December 2019: \$137,498) for consultancy services. In addition, Tailwind Consulting paid the Group \$nil (31 December 2019: \$2,640 inclusive of GST) for rental of office space.

## Business performance

### B4 Finance costs

	31 December 2020 \$'000	31 December 2019 \$'000
Operating interest charges	5,254	6,188
Bank loans in Controlled Property Funds interest charges	1,092	1,477
Reverse mortgage facility interest charges	1,174	1,029
Fair value (gain)/loss on derivatives	(4,538)	1,588
Fair value loss/(gain) on financial assets - reverse mortgages	4,538	(1,588)
Finance lease interest	568	451
Other finance costs	995	411
	<b>9,083</b>	<b>9,556</b>

### B5 Dividends and distributions

	31 December 2020		31 December 2019	
	Cents per security	Total \$'000	Cents per security	Total \$'000
<b>Dividends/distributions paid during the half year</b>				
Final year-end dividend (fully franked)	1.80	8,690	0.50	1,918
Final year-end distribution	3.40	16,420	4.50	17,262
<b>Dividends/distributions declared during the half year</b>				
Interim dividend (fully franked) <sup>(i)</sup>	1.20	7,203	1.70	7,630
Interim distribution <sup>(i)</sup>	3.30	19,811	2.80	12,567
<b>Dividends and distributions paid/declared to Centuria Capital Group securityholders <sup>(ii)</sup></b>	<b>9.70</b>	<b>52,124</b>	<b>9.50</b>	<b>39,377</b>

<sup>(i)</sup> The Group declared a dividend/distribution in respect of the half year ended 31 December 2020 of 4.5 cents per stapled security which included a dividend of 1.2 cents per share and a distribution of 3.3 cents per security. The final dividend/distribution had a record date of 31 December 2020 and was paid on 29 January 2021. The total amount payable of \$27,014,000 has been provided as a liability in these financial statements.

<sup>(ii)</sup> In addition to the dividends and distributions paid to Centuria Capital Group securityholders, the Group paid distributions of \$1,423,000 to external non-controlling Interests.

## C Assets and liabilities

### C1 Segment balance sheet

As at 31 December 2020		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
Notes										
<b>Assets</b>										
		47,817	7,182	91,061	21,892	167,952	33,090	1,473	-	202,515
		79,671	615	31,234	9,196	120,716	430	14	(2,050)	119,110
		(2,418)	-	-	6,335	3,917	1,019	-	-	4,936
		-	-	525,834	58,977	584,811	285,071	-	(30,217)	839,665
		208	210	-	9,887	10,305	-	-	-	10,305
		-	-	32,340	-	32,340	-	-	-	32,340
		32,038	95	-	5,481	37,614	-	-	-	37,614
		-	-	33,353	-	33,353	-	-	-	33,353
		-	-	-	-	-	-	155,750	-	155,750
		-	-	-	19,977	19,977	-	-	-	19,977
		280,955	-	-	-	280,955	-	-	-	280,955
		<b>438,271</b>	<b>8,102</b>	<b>713,822</b>	<b>131,745</b>	<b>1,291,940</b>	<b>319,610</b>	<b>157,237</b>	<b>(32,267)</b>	<b>1,736,520</b>
<b>Liabilities</b>										
		6,728	1,461	24,043	18,612	50,844	222	4,033	(2,050)	53,049
		1,503	-	-	1,538	3,041	-	-	-	3,041
		20,268	-	167,138	7,112	194,518	-	83,873	(1,177)	277,214
		-	-	-	-	-	-	-	-	-
		-	-	-	33,881	33,881	-	814	-	34,695
		-	-	-	-	-	315,694	-	-	315,694
		35,439	-	-	6,074	41,513	3,694	-	-	45,207
		-	-	-	21,138	21,138	-	-	-	21,138
		-	-	-	21,703	21,703	-	-	-	21,703
		<b>(63,938)</b>	<b>(1,461)</b>	<b>(191,181)</b>	<b>(110,058)</b>	<b>(366,638)</b>	<b>(319,610)</b>	<b>(88,720)</b>	<b>3,227</b>	<b>(771,741)</b>
		<b>374,333</b>	<b>6,641</b>	<b>522,641</b>	<b>21,687</b>	<b>925,302</b>	<b>-</b>	<b>68,517</b>	<b>(29,040)</b>	<b>964,779</b>

## Assets and liabilities

### C1 Segment balance sheet (continued)

As at 30 June 2020	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
<b>Assets</b>										
Cash and cash equivalents		24,632	6,985	50,707	67,137	149,461	22,585	2,412	-	174,458
Receivables	C2	51,188	1,780	7,744	4,818	65,530	4,192	88	(1,081)	68,729
Income tax receivable		306	-	-	449	755	-	-	-	755
Financial assets	C3	-	-	464,191	58,904	523,095	289,359	-	(39,037)	773,417
Other assets		332	206	205	10,052	10,795	-	-	-	10,795
Investment properties held for sale		-	-	861	-	861	-	-	-	861
Deferred tax assets		29,092	104	-	10,323	39,519	-	-	-	39,519
Equity accounted investments		-	-	32,955	-	32,955	-	-	-	32,955
Investment properties	C4	-	-	-	-	-	-	167,110	-	167,110
Property held for development		-	-	31,295	-	31,295	-	-	-	31,295
Right of use asset		-	-	-	21,393	21,393	-	-	-	21,393
Intangible assets	C6	280,120	-	-	-	280,120	-	-	-	280,120
<b>Total assets</b>		<b>385,670</b>	<b>9,075</b>	<b>587,958</b>	<b>173,076</b>	<b>1,155,779</b>	<b>316,136</b>	<b>169,610</b>	<b>(40,118)</b>	<b>1,601,407</b>
<b>Liabilities</b>										
Payables	C7	4,417	2,345	20,749	43,145	70,656	2,220	4,737	(1,081)	76,532
Provisions		873	-	-	1,328	2,201	-	-	-	2,201
Borrowings	C8	-	-	167,291	13,017	180,308	-	85,920	(1,177)	265,051
Interest rate swap at fair value		-	-	-	32,752	32,752	-	636	-	33,388
Benefit Funds policy holders' liability		-	-	-	-	-	311,535	-	-	311,535
Provision for income tax		2,570	-	-	494	3,064	2,934	-	-	5,998
Deferred tax liability		33,253	2	200	2,923	36,378	(553)	-	-	35,825
Call/Put option liability		-	-	-	17,167	17,167	-	-	-	17,167
Lease liability		-	-	-	22,564	22,564	-	-	-	22,564
<b>Total liabilities</b>		<b>41,113</b>	<b>2,347</b>	<b>188,240</b>	<b>133,390</b>	<b>365,090</b>	<b>316,136</b>	<b>91,293</b>	<b>(2,258)</b>	<b>770,261</b>
<b>Net assets</b>		<b>344,557</b>	<b>6,728</b>	<b>399,718</b>	<b>39,686</b>	<b>790,689</b>	<b>-</b>	<b>78,317</b>	<b>(37,860)</b>	<b>831,146</b>

## Assets and liabilities

### C2 Receivables

	31 December 2020 \$'000	30 June 2020 \$'000
Contract assets	52,594	26,537
Receivables from related parties (refer to note C2(a))	43,801	26,098
Other receivables	22,715	16,094
	<b>119,110</b>	<b>68,729</b>

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

#### (a) Receivables from related parties

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

	31 December 2020 \$	30 June 2020 \$
Performance fees accrued from property funds managed by Centuria	21,411,211	9,385,830
Management fees owing from property funds managed by Centuria	7,997,201	7,294,799
Redemption receivable of Centuria Healthcare Property Fund units	4,395,588	-
Distribution receivable from Centuria Office REIT	3,229,602	3,484,055
Distribution receivable from Centuria Industrial REIT	3,488,640	3,182,678
Recoverable expenses owing from property funds managed by Centuria	1,916,151	336,300
Acquisition fee receivable from Centuria Healthcare Property Fund	633,452	-
Distribution receivable from unlisted property funds managed by Centuria	410,378	288,220
Receivable from Over Fifty Guardian Friendly Society	211,965	1,104,355
Sales fees owing from property funds managed by Centuria	-	1,022,000
Distribution receivable from Augusta funds	107,222	-
	<b>43,801,410</b>	<b>26,098,237</b>

### C3 Financial assets

	31 December 2020 \$'000	30 June 2020 \$'000
Investment in related party unit trusts at fair value (refer to Note C3(a))	512,375	440,529
Investments in trusts, shares and other financial instruments at fair value	261,266	267,282
Reverse mortgage receivables <sup>(ii)</sup>	58,977	58,904
Loans receivable <sup>(i)</sup>	7,047	6,702
	<b>839,665</b>	<b>773,417</b>

<sup>(i)</sup> This is an unsecured loan to a third party that accrues interest at 10% per annum.

<sup>(ii)</sup> Whilst some mortgages are likely to be repaid during the next 12 months, the Group does not control the repayment date.

The COVID-19 pandemic has had a substantial impact on equity capital markets with significant volatility in security prices as a result of economic uncertainty. Given the continuing and evolving impact of COVID-19 on global financial markets, this volatility is expected to continue in the near term.

The Group holds significant co-investment stakes in its managed funds, COF and CIP, which are listed on the ASX and are therefore exposed to volatility in the equity capital markets. This volatility has resulted in fair value movements being recognised in the financial year in respect of these investments.

In addition, the Group also holds co-investment stakes in other unlisted funds that are managed by subsidiaries of the Group. As these funds are unlisted, they are not exposed to volatility in equity capital markets to the same extent as listed securities, however they are exposed to changes in underlying property values and potential impacts on future cashflows. The funds have taken into account the impact of rent relief packages provided to tenants, increase in downtime, incentive allowances and reductions in rental growth in determining property valuations.



## Assets and liabilities

### C3 Financial assets (continued)

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

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

	31 December 2020			30 June 2020		
	Fair value \$	Units held	Ownership %	Fair value \$	Units held	Ownership %
<b>Financial assets held by the Group</b>						
Centuria Industrial REIT	253,644,634	82,085,642	14.91%	215,809,359	68,078,662	17.01%
Centuria Office REIT	167,547,805	78,923,367	15.22%	158,152,599	78,293,366	15.22%
Asset Plus Limited	23,816,387	72,575,945	19.99%	9,705,148	30,528,933	18.85%
Augusta Industrial Fund	21,575,712	19,000,000	10.00%	17,232,050	19,000,000	10.00%
Centuria Healthcare Direct Medical Fund No.2	13,337,301	12,472,928	8.38%	10,305,433	11,025,391	7.48%
Centuria Healthcare Aged Care Property Fund No.1	2,945,343	5,513,559	9.21%	5,748,988	5,513,559	9.21%
Augusta Property Fund	3,613,158	3,850,000	10.00%	-	-	0%
Nexus Property Unit Trust	347,863	347,169	2.60%	-	-	0%
Centuria Scarborough House Fund	105,921	102,836	0.22%	97,694	102,836	0.22%
Centuria Life Goals - Various Funds	14,096	13,499	0%	11,096	10,499	0%
	<u>486,948,220</u>			<u>417,062,367</u>		
<b>Financial assets held by the Benefit Funds</b>						
Centuria Office REIT	20,082,614	9,384,398	1.82%	18,956,484	9,384,398	1.82%
Centuria Industrial REIT	4,267,506	1,381,070	0.25%	3,446,506	1,087,226	0.27%
Centuria SOP Fund	1,076,200	1,000,000	3.28%	1,064,000	1,000,000	3.28%
	<u>25,426,320</u>			<u>23,466,990</u>		
	<u>512,374,540</u>			<u>440,529,357</u>		

## Assets and liabilities

### C3 Financial assets (continued)

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

	31 December 2020 \$	30 June 2020 \$
<b>Related party unit trusts carried at fair value through profit and loss</b>		
Opening balance	440,529	14,571
Investment purchases	63,506	105,176
Acquisition of subsidiary	-	26,937
Disposal	(16,256)	(28,194)
Fair value (loss)/gain	14,438	(108,138)
Carrying value transferred from deconsolidation of controlled property funds	9,860	-
Foreign exchange translation	298	-
Carrying value transferred from/(to) equity accounted investments	-	378,407
Fair value gain on discontinuing equity accounted investments	-	51,770
	<b>512,375</b>	<b>440,529</b>

### C4 Investment properties

	31 December 2020 \$'000	30 June 2020 \$'000
Opening balance	167,110	177,500
Acquisition of investment properties	-	15,116
Capital improvements and associated costs	1,376	4,660
Gain/(loss) on fair value	362	(6,141)
Change in deferred rent and lease incentives	(988)	(525)
Deconsolidation of controlled property funds	(12,110)	-
Sale of investment property	-	(23,500)
	<b>155,750</b>	<b>167,110</b>

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$12,943,314 (30 June 2020: \$12,704,534).

## Assets and liabilities

### C4 Investment properties (continued)

Property	31	30 June	31 December	31 December	31
	December	2020	2020	2020	December
	2020	2020	Capitalisation	Discount rate	2020
	\$'000	\$'000	rate %	%	valuer
111 St George Terrace, Perth WA	155,750	155,000	6.75%	7.00%	Director
8-10 Warneford St, Sandy Bay TAS	-	5,610	-%	-%	valuation*
120 and 122 Spencer St, South Bunbury WA	-	6,500	-%	-%	
	<u>155,750</u>	<u>167,110</u>			

\*111 St Georges Terrace, Perth WA was last externally valued by Colliers as at 30 June 2020.

#### Key estimate and judgements

##### (a) Valuation techniques and significant unobservable inputs

The investment properties recognised by the Group are properties owned by related party funds that are taken to be controlled by the Group under accounting standards. 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 the 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.

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

Given the changing economic conditions as a result of the COVID-19 pandemic, there is uncertainty surrounding the potential impact on future cash flows and the potential impact on the valuation. Rent relief allowances in accordance with the National Cabinet's Code of Conduct (the 'Code') which sets out commercial leasing principles for businesses during the pandemic were taken into consideration when determining the cashflows for the property, however actual future cashflows may differ from this.

The valuations were prepared by considering the following valuation methodologies:

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

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

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

## Assets and liabilities

### C4 Investment properties (continued)

#### (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 inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity decrease in input	Inputs for half-year ended 31 December 2020
Market rent	Increase	Decrease	\$552 psm
Capitalisation rate	Decrease	Increase	6.75%
Discount rate	Decrease	Increase	7.00%

A further sensitivity analysis was taken by the Group to assess the fair value of investment properties given the uncertain impact of the COVID-19 pandemic on property values. The table below illustrates the valuation of movements in capitalisation rates and discount rate:

	Fair value at 31 December 2020	Capitalisation rate impact	
	\$'000	-0.25% \$'000	+0.25% \$'000
Investment properties	155,750	5,990	(5,563)

Management acknowledges the current valuation is subject to ongoing valuation uncertainty as a consequence of this. To date, there has been little evidence to suggest that capitalisation and discount rates have softened since the onset of COVID-19. As the COVID-19 pandemic progresses, the Group has continued to re-assess the valuation method to ensure appropriate consideration is given to inputs used.

### C5 Property held for development

Property	31 December 2020	30 June 2020
	\$'000	\$'000
Opening Balance	31,295	-
Capital expenditure	936	-
Foreign currency translation	109	-
Acquisitions	-	1,295
Acquisition of subsidiary balance	-	30,000
	<b>32,340</b>	<b>31,295</b>

Properties held for development relates to land and property developments that are held for sale or development and sale in the normal course of the Group's business. Properties held for development are carried at the lower of cost or net realisable value. The calculation of net realisable value requires estimates and assumptions which are regularly evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Properties held for development are classified as non-current assets unless they are contracted to be sold within 12 months of the end of the reporting period, in which case they are classified as current assets.

Property	Carrying value at 31 December 2020	Carrying value at 30 June 2020
	\$'000	\$'000
54 Cook Street, Auckland	20,532	19,884
17 - 19 Mann Street, Queenstown	10,513	10,116
27 - 29 Young St, West Gosford	1,295	1,295
	<b>32,340</b>	<b>31,295</b>

## Assets and liabilities

### C6 Intangible assets

	31 December 2020 \$'000	30 June 2020 \$'000
Goodwill	168,718	167,938
Indefinite life management rights	112,237	112,182
	<u>280,955</u>	<u>280,120</u>

	31 December 2020 \$'000	30 June 2020 \$'000
Opening balance	280,120	157,663
Acquired goodwill	-	102,403
Acquired indefinite life management rights	-	20,054
Foreign currency translation	263	-
Purchase price accounting adjustments	572	-
	<u>280,955</u>	<u>280,120</u>

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.

### C7 Payables

	31 December 2020 \$'000	30 June 2020 \$'000
Sundry creditors <sup>(i)</sup>	19,636	36,498
Dividend/distribution payable	27,014	25,110
Accrued expenses	6,399	14,924
	<u>53,049</u>	<u>76,532</u>

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

## Assets and liabilities

### C8 Borrowings

		31 December 2020	30 June 2020
	Notes	\$'000	\$'000
Fixed rate secured notes	C8(a)	93,823	93,823
Floating rate secured notes	C8(a)	75,000	75,000
Reverse mortgage bill facilities and notes	C8(b)	7,112	7,422
Secured facility - Augusta	C8(c)	-	5,610
Secured bank loans - Controlled Property Funds	C8(d)	83,873	85,920
Development facilities	C8(e)	20,268	-
Borrowing costs capitalised		(2,862)	(2,724)
		<u>277,214</u>	<u>265,051</u>

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

#### (a) Secured notes

The Group has issued fixed and floating corporate notes as per below:

	Classification	Coupon Rate	Due Date	31 December 2020	30 June 2020
				\$'000	\$'000
<b>Fixed</b>					
Tranche 1	Current	7.0%	21 April 2021	19,447	30,708
Tranche 2	Non-current	6.5%	21 April 2023	45,000	45,000
Tranche 3	Non-current	5.0%	21 April 2024	29,376	18,115
				<u>93,823</u>	<u>93,823</u>
	Classification	Coupon Rate	Due Date	31 December 2020	30 June 2020
				\$'000	\$'000
<b>Variable</b>					
Tranche 1	Current	BBSW +4.5%	21 April 2021	8,350	26,040
Tranche 2	Non-current	BBSW +4.25%	21 April 2023	35,000	35,000
Tranche 3	Non-current	BBSW +4.5%	21 April 2024	31,650	13,960
				<u>75,000</u>	<u>75,000</u>

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

As at 31 December 2020, the Group had \$7,112,000 (30 June 2020: \$7,422,000) 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) currently due to mature on 30 September 2021.

The facility limit is \$8,200,000 (30 June 2020: \$8,200,000) and is reassessed every 6 to 12 months with a view to reducing the facility in line with the reduction in the reverse mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month.

	31 December 2020	30 June 2020
	\$'000	\$'000
Facility	8,200	8,200
Amount used at reporting date	(7,112)	(7,422)
Amount unused at reporting date	<u>1,088</u>	<u>778</u>

#### (c) Secured facility - Augusta

Borrowings facilities acquired as part of Augusta are outlined as follows:

Fund	Current/ non-current classification	Maturity date	Facility limit \$'000	Funds available \$'000	Draw Borrowing down \$'000	costs \$'000	Total \$'000
<b>30 June 2020</b>							
Augusta Warehouse Facility	Current	30 June 2021	5,610	-	5,610	-	<u>5,610</u>
							<u>5,610</u>

## Assets and liabilities

### C8 Borrowings (continued)

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

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

Fund	Current/ non-current classification	Maturity date	Facility limit available \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Total \$'000
<b>31 December 2020</b>							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	5,956	84,044	(171)	<u>83,873</u>
							<u>83,873</u>
<b>30 June 2020</b>							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	6,644	83,356	(193)	83,163
Nexus Property Unit Trust	Non-current	4 December 2022	2,805	-	2,805	(48)	<u>2,757</u>
							<u>85,920</u>

#### (e) Development facilities

Details of the amounts drawn and the maturity of each development facility are as follows:

Social affordable housing development	Current/ non-current classification	Maturity date	Facility limit available \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Total \$'000
<b>31 December 2020</b>							
45 Pendlebury Road (Cardiff)	Non-current	7 April 2022	10,842	7,667	3,175	-	<b>3,175</b>
357 - 359 Mann Street	Non-current	7 April 2022	10,258	7,020	3,238	-	<b>3,238</b>
316 Maitland Road (Mayfield)	Non-current	7 April 2022	10,097	2,882	7,215	-	<b>7,215</b>
23 - 25 Young Street	Non-current	7 April 2022	14,016	7,376	6,640	-	<b>6,640</b>
							<u>20,268</u>

### C9 Contributed equity

	31 December 2020		30 June 2020	
	No. of securities	\$'000	No. of securities	\$'000
<b>Centuria Capital Limited</b>				
Opening balance	509,998,482	177,149	383,557,332	128,164
Equity settled share based payments expense	1,921,149	1,482	1,529,427	795
Stapled securities issued	88,316,492	39,506	124,911,723	49,845
Cost of equity raising	-	(714)	-	(1,655)
	<u>600,236,123</u>	<u>217,423</u>	<u>509,998,482</u>	<u>177,149</u>
<b>Centuria Capital Fund (non-controlling interests)</b>				
Opening balance	509,998,482	545,744	383,557,332	343,438
Equity settled share based payments expense	1,921,149	-	1,529,427	-
Stapled securities issued	88,316,492	137,483	124,911,723	205,216
Cost of equity raising	-	(1,939)	-	(2,910)
	<u>600,236,123</u>	<u>681,288</u>	<u>509,998,482</u>	<u>545,744</u>

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

## Assets and liabilities

### C9 Contributed equity (continued)

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. Half of these options (10,049,235) were exercised on 12 December 2019 with the remaining 10,049,235 being exercised on 9 December 2020.

The Group issued 24,832,025 stapled securities in relation to the completion of the Augusta Capital Limited acquisition during the half-year ended 31 December 2020.

The Group issued 53,336,998 stapled securities in relation to a \$120.0m equity raising completed in October 2020.

#### 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.

### C10 Commitments and contingencies

#### Australian Guarantees

The Group has provided bank guarantees of \$3,349,911 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.

#### Construction Contracts

As at 31 December 2020, the Group was committed to expenditure of \$13,732,052 (excluding GST) in relation to construction contracts in relation to its social affordable housing developments.

#### Social affordable housing development guarantees

As at 31 December 2020, the Group has provided guarantees of \$4,084,091 with respect to its social affordable housing developments.

#### New Zealand Guarantees

Under the Development Agreement with Queenstown Lakes District Council (QLDC) as part of the Lakeview joint venture, the Group have provided a guarantee of the Partnership's obligations under the Development Agreement, with a maximum capital commitment of NZ\$14.0 million. The Group's total aggregate liability under this guarantee is capped at NZ\$4.25 million. Refer to Note E1 Interests in associates and joint ventures for more information.

#### Capital Commitments

At 31 December 2020 the Group has capital commitments of NZ\$1.3 million. In addition, the Company has committed up to a further NZ\$12.8 million of capital over approximately the next 10 years in its joint venture partnership with Ninety Four Feet.

The directors of the Group are not aware of any other commitments and contingencies 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.



## D Cash flows

### D1 Operating segment cash flows <sup>(i)</sup>

For the half year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Management fees received	55,244	45,661
Performance fees received	394	27,092
Distributions received	17,194	14,350
Interest received	273	226
Other income received	87	276
Payments to suppliers and employees	(81,220)	(41,916)
Income tax paid	(5,797)	(4,160)
Interest paid	(3,591)	(4,589)
<b>Net cash (used in)/provided by operating activities</b>	<b>(17,416)</b>	<b>36,940</b>
<b>Cash flows from investing activities</b>		
Purchase of investments in related parties	(63,507)	(102,874)
Loans to related parties	(19,842)	(11,800)
Purchase of subsidiaries	(12,950)	-
Proceeds from sale of related party investments	11,753	31,573
Proceeds from sale of investments	868	-
Repayment of loans by related parties	-	11,800
Collections from reverse mortgage holders	695	893
Purchase of other investments	-	(124)
Payments for plant and equipment	(1,347)	(1,545)
Acquisition of Heathley	-	(20,429)
Cash on acquisition of Heathley	-	4,140
Loans repaid by other parties	2,541	-
Purchase of Property Held for Development	(936)	-
Purchase of equity accounted investments	(586)	(20,477)
<b>Net cash used in investing activities</b>	<b>(83,311)</b>	<b>(108,843)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of securities	133,072	125,858
Equity raising costs paid	(2,653)	(2,129)
Proceeds from borrowings	20,268	-
Repayment of borrowings	(6,024)	(35,602)
Costs paid to issue debt	(481)	-
Distributions paid	(25,118)	(19,180)
<b>Net cash provided by financing activities</b>	<b>119,064</b>	<b>68,947</b>
<b>Net increase/(decrease) in operating cash and cash equivalents</b>	<b>18,337</b>	<b>(2,956)</b>
Cash and cash equivalents at the beginning of the period	149,461	87,759
Effects of exchange rate changes on cash and cash equivalents	154	-
<b>Cash and cash equivalents at the end of the period</b>	<b>167,952</b>	<b>84,803</b>

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

## E Group Structure

### E1 Interests in associates

As at 26 February 2020, the Group increased its ownership stakes in Centuria Diversified Property Fund to 22.7%. From that date, the Group has equity accounted its interest in that fund.

The Group's subsidiary, Augusta Lakeview Holdings Limited (Lakeview Holdings) has signed a partnership agreement with NFF QT Development Unit Trust (NFF) to establish QT Lakeview Partnership (the Joint Venture) to develop the Lakeview site in Queenstown, New Zealand. Lakeview Holdings has a 25% interest in the Joint Venture which represents a maximum capital commitment to Lakeview Holdings of NZ\$14.0 million. The Joint Venture has entered into a development agreement with the Queenstown Lakes District Council to develop a range of residential, hotels, co-working, co-living, hospitality and retail options on the 3 hectare site on a staged basis, with construction estimated to take more than 10 years and phased over 7 stages.

	% of ownership interest		Principal activity	Quoted fair value		Carrying amount	
	31			31		31	
	December	30 June		December	30 June	December	30 June
	2020	2020		2020	2020	2020	2020
	%	%	\$'000	\$'000	\$'000	\$'000	
QT Lakeview Developments Limited	25.00	25.00	Property investment	1,719	1,125	1,719	1,125
Centuria Diversified Property Fund	24.27	22.68	Property investment	31,634	31,830	31,634	31,830
				<b>33,353</b>	<b>32,955</b>	<b>33,353</b>	<b>32,955</b>

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2020 to 31 December 2020.

	QT Lakeview Developments Limited \$'000	Centuria Diversified Property Fund \$'000	Total \$'000
<b>Movements in carrying amounts of equity accounted investments</b>			
Opening balance at 1 July 2020	1,125	31,830	32,955
Capital contribution	586	-	586
Share of net profit after tax	-	608	608
Distributions received/receivable	-	(804)	(804)
Foreign exchange translation	8	-	8
<b>Closing balance at 31 December 2020</b>	<b>1,719</b>	<b>31,634</b>	<b>33,353</b>

## Group Structure

### E1 Interests in associates (continued)

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2019 to 30 June 2020.

	Augusta Capital Limited \$'000	QT Lakeview Developments Limited \$'000	Centuria Diversified Property Fund \$'000	Centuria Office REIT \$'000	Centuria Industrial REIT \$'000	Total \$'000
<b>Movements in carrying amounts of equity accounted investments</b>						
Opening balance at 1 July 2019	-	-	-	203,435	183,278	386,713
Carrying value transferred from/(to) financial assets	-	-	31,830	(210,429)	(199,808)	(378,407)
Acquisition of investments	20,285	-	-	7,500	12,976	40,761
Acquisition of subsidiary that held significant influence	-	1,125	-	-	-	1,125
Share of net (loss)/profit after tax	(584)	-	(502)	2,785	6,611	8,310
Distributions received/receivable	-	-	502	(3,291)	(3,057)	(5,846)
Fair value gain/(loss)	16,517	-	-	-	-	16,517
Gain of control of Augusta Capital Limited on 30 June 2020	(36,218)	-	-	-	-	(36,218)
<b>Closing balance at 30 June 2020</b>	<b>-</b>	<b>1,125</b>	<b>31,830</b>	<b>-</b>	<b>-</b>	<b>32,955</b>

## Group Structure

### E1 Interests in associates (continued)

#### (a) Summarised financial information for associates

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

	QT Lakeview Developments Limited		Centuria Diversified Property Fund	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
<b>Summarised balance sheet</b>				
Cash and cash equivalents	-	-	7,561	18,013
Other current assets	-	-	12,746	11,633
<b>Total current assets</b>	-	-	<b>20,307</b>	<b>29,646</b>
Other non-current assets	6,876	4,501	166,412	166,588
<b>Total tangible non-current assets</b>	<b>6,876</b>	<b>4,501</b>	<b>166,412</b>	<b>166,588</b>
Other current liabilities	-	-	2,711	3,812
<b>Total current liabilities</b>	-	-	<b>2,711</b>	<b>3,812</b>
Borrowings	-	-	65,150	64,988
Other non-current liabilities	-	-	-	351
<b>Total non-current liabilities</b>	-	-	<b>65,150</b>	<b>65,339</b>
<b>Net tangible assets</b>	<b>6,876</b>	<b>4,501</b>	<b>118,858</b>	<b>127,083</b>
Group share in %	25.00%	25.00%	24.27%	22.68%
Group share	1,719	1,125	28,848	28,822
Goodwill	-	-	2,786	3,008
<b>Carrying amount</b>	<b>1,719</b>	<b>1,125</b>	<b>31,634</b>	<b>31,830</b>

## Group Structure

### E1 Interests in associates (continued)

#### (a) Summarised financial information for associates (continued)

	QT Lakeview Investments Limited		Centuria Diversified Property Fund		Total
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000
	<b>Summarised statement of comprehensive income</b>				
Revenue	-	-	6,715	-	6,715
Interest income	-	-	2	-	2
Net gain on fair value of investment properties and other investments	-	-	1,154	-	1,154
Finance costs	-	-	(699)	-	(699)
Other expenses	-	-	(5,961)	-	(5,961)
Other income	-	-	3	-	3
<b>Profit from continuing operations</b>	-	-	<b>1,214</b>	-	<b>1,214</b>
<b>Profit for the period</b>	-	-	1,214	-	1,214
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>1,214</b>	-	<b>1,214</b>

## F Other

### F1 Fair value of financial instruments

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

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

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

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

31 December 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	202,515	202,515
Receivables	Amortised cost	Not applicable	119,110	119,110
Financial assets	Fair value	Level 1	692,137	692,137
Financial assets	Fair value	Level 2	87,369	87,369
Financial assets - mortgage backed assets	Fair value	Level 3	1,182	1,182
Financial assets - Reverse mortgages receivables	Fair value	Level 3	58,977	58,977
			<u>1,161,290</u>	<u>1,161,290</u>

<b>Financial liabilities</b>				
Payables	Amortised cost	Not applicable	53,049	53,049
Benefit Funds policy holders' liability	Amortised cost	Not applicable	315,694	315,694
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	277,214	279,719
Interest rate swaps - controlled property funds	Fair value	Level 2	814	814
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	33,881	33,881
Call/Put option liability	Fair value	Level 3	21,138	21,138
			<u>701,790</u>	<u>704,295</u>

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	174,458	174,458
Receivables	Amortised cost	Not applicable	68,729	68,729
Financial assets	Fair value	Level 1	639,398	639,398
Financial assets	Fair value	Level 2	73,920	73,920
Financial assets - mortgage backed assets	Fair value	Level 3	1,195	1,195
Financial assets - Reverse mortgages receivables	Fair value	Level 3	58,904	58,904
			<u>1,016,604</u>	<u>1,016,604</u>

## F1 Fair value of financial instruments (continued)

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial liabilities</b>				
Payables	Amortised cost	Not applicable	76,532	76,532
Benefit Funds policy holders' liability	Amortised cost	Not applicable	311,535	311,535
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	265,051	267,907
Interest rate swaps - controlled property funds	Fair value	Level 2	636	636
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	32,752	32,752
Call/Put option liability	Fair value	Level 3	17,167	17,167
			<u>703,673</u>	<u>706,529</u>

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

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

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

Half year ended 31 December 2020	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/put option liability \$'000	Total \$'000
Opening balance	1,195	58,904	(32,752)	(17,167)	10,180
Loan repaid	(13)	(724)	249	-	(488)
Accrued interest	-	1,379	(958)	-	421
Attributable to interest rate and other risk	-	(848)	4,538	-	3,690
Attributable to credit risk	-	266	(4,958)	-	(4,692)
Call/Put option liability	-	-	-	(3,971)	(3,971)
	<u>1,182</u>	<u>58,977</u>	<u>(33,881)</u>	<u>(21,138)</u>	<u>5,140</u>

Year ended 30 June 2020	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/put Option Liability \$'000	Total \$'000
Opening balance	1,215	53,720	(28,083)	-	26,852
Loan repaid	(20)	(1,646)	465	-	(1,201)
Accrued interest	-	2,871	(1,760)	-	1,111
Attributable to interest rate and other risk	-	4,782	(4,669)	-	113
Call/Put option liability	-	-	-	(17,167)	(17,167)
Attributable to credit risk	-	(823)	1,295	-	472
	<u>1,195</u>	<u>58,904</u>	<u>(32,752)</u>	<u>(17,167)</u>	<u>10,180</u>

## F1 Fair value of financial instruments (continued)

### Key estimates and judgements

The fair value of the 50-year residential mortgage loans and 50-year swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. A discounted cash flow model is used for fair valuation using expected net cash flows and a discount factor derived from a 20-year yield curve, with the yield curve rates at 20 years employed as the best proxy over the 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 exceeding the property growth rate will not be recovered after that point of time;
- For 31 December 2020 valuation, the property growth rates are 0.00% for FY21, 0.75% for FY22, then reverted back to 3.4% flat rate from FY23 onwards;
- Discount factors are calculated based on the market quoted long term rates on 31 December 2020;
- The 1% flat credit risk premium, reflecting the portfolio default profile on 31 December 2020, 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;
- 34% of the residential mortgage loan portfolio consists of joint lives;
- Discount factors are calculated based on the market quoted long term rates on 31 December 2020;
- The 1.135% flat credit risk premium, reflecting the business default profile on 31 December 2020, is added to the monthly cash flow discount factors to discount future cash flows generated by the interest rate swaps.

## F2 Events subsequent to the reporting date

There has not arisen in the interval between 31 December 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



## Directors' declaration

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

- (a) the consolidated interim financial statements and notes set out on pages 5 to 38 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
10 February 2021



# Independent Auditor's Review Report

To the stapled security holders of Centuria Capital Group

## Conclusion

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

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

- giving a true and fair view of the **Stapled Group's** financial position as at 31 December 2020 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2020;
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Interim Period ended on that date;
- Notes A1 to F2 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Stapled Group** comprises Centuria Capital Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period and Centuria Capital Fund and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2020.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Stapled Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Paul Thomas  
Partner  
Sydney  
10 February 2021

# Centuria

## **Centuria Capital Fund Interim Financial Report for the half year ended 31 December 2020**

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

**Centuria Capital Fund  
Interim Financial Report - 31 December 2020**

**Contents**

	Page
Directors' report	1
Auditor's Independence Declaration	3
Consolidated interim financial statements	4
Independent auditor's review report to the members	28

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

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

Centuria Capital Fund  
Level 41, Chifley Tower 2 Chifley Square  
Sydney NSW 2000

The consolidated interim financial statements were authorised for issue by the Directors of the Responsible Entity on 10 February 2021.

## Directors' report

The directors of Centuria Funds Management Limited (the 'Company') as the Responsible Entity for Centuria Capital Fund (the 'Fund') present their interim report together with the consolidated interim financial statements of the Fund and its controlled entities (the 'Fund') for the half year ended 31 December 2020 and the auditor's review report thereon.

### Directors

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

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

### Operating and financial review

The Fund's profit from continuing operations for the half year ended 31 December 2020 was \$27,974,000 (half year ended 31 December 2019: profit of \$69,653,000).

### Earnings per security (EPS)

	31 December 2020	31 December 2019
Basic earnings per unit (cents/unit)	4.7	16.6
Diluted earnings per unit (cents/unit)	4.6	16.1

### Distributions

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

Distributions paid during the half year	Cents per security	Total amount \$'000	Date paid/payable
Final 2020 Trust distribution	3.40	16,420	8 July 2020
<b>Distributions declared during the half year</b>			
Interim 2021 Trust distribution	3.30	19,811	29 January 2021
<b>Total amount</b>	<b>6.70</b>	<b>36,231</b>	

### Rounding of amounts

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

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



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
10 February 2021



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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Centuria Capital  
Fund for the half-year ended 31 December 2020 there have been:

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

KPMG

Paul Thomas

Partner

Sydney

10 February 2021



# Centuria Capital Fund

## Interim financial report 31 December 2020

### Contents

	Page
Consolidated interim statement of comprehensive income	5
Consolidated interim balance sheet	6
Consolidated interim statement of changes in equity	7
Consolidated interim statement of cash flows	9
Notes to the consolidated interim financial statements	10
A About the report	10
A1 General information	10
A2 Coronavirus (COVID-19) impact	11
A3 Significant accounting policies	12
A4 Other new accounting standards and interpretations	12
A5 Use of judgements and estimates	12
B Business performance	13
B1 Revenue	13
B2 Expenses	13
B3 Finance costs	14
B4 Distributions	14
C Assets and liabilities	15
C1 Receivables	15
C2 Financial assets at fair value	15
C3 Investment properties	18
C4 Payables	19
C5 Borrowings	20
C6 Contributed equity	21
D Group Structure	22
D1 Interests in associates	22
E Other	25
E1 Fair value of financial instruments	25
E2 Events subsequent to the reporting date	26
Directors' declaration	27
Independent auditor's review report to the members	28

# Consolidated interim statement of comprehensive income

For the half year ended 31 December 2020

		31 December 2020 \$'000	31 December 2019 \$'000
	Notes		
Revenue	B1	31,105	19,030
Share of net profit of equity accounted investments		608	8,634
Expenses	B2	(3,626)	(4,718)
Fair value movements of financial instruments and property		6,816	55,069
Finance costs	B3	(6,929)	(8,362)
<b>Profit after tax</b>		<b>27,974</b>	<b>69,653</b>
<b>Profit is attributable to:</b>			
Centuria Capital Fund		26,606	68,707
Non-controlling interests		1,368	946
<b>Profit after tax</b>		<b>27,974</b>	<b>69,653</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>27,974</b>	<b>69,653</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Centuria Capital Fund		26,606	68,707
Non-controlling interests		1,368	946
<b>Total comprehensive income</b>		<b>27,974</b>	<b>69,653</b>
<b>Total comprehensive income for the period is attributable to unitholders of Centuria Capital Fund</b>		<b>26,606</b>	<b>68,707</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per Centuria Capital Fund unit:</b>			
Basic (cents per unit)		4.7	16.6
Diluted (cents per unit)		4.6	16.1

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

# Consolidated interim balance sheet

As at 31 December 2020

	31 December 2020	30 June 2020
Notes	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	96,002	53,059
Receivables	C1 14,849	7,329
Financial assets at fair value	C2 685,362	581,670
Investment properties	C3 155,750	167,110
Other assets	1,295	1,295
Equity accounted investments	D1 31,634	31,830
<b>Total assets</b>	<b>984,892</b>	<b>842,293</b>
<b>Liabilities</b>		
Payables	C4 26,516	23,531
Borrowings	C5 251,021	253,211
Interest rate swaps at fair value	814	636
<b>Total liabilities</b>	<b>278,351</b>	<b>277,378</b>
<b>Net assets</b>	<b>706,541</b>	<b>564,915</b>
<b>Equity</b>		
<b>Equity attributable to Centuria Capital Fund</b>		
Contributed equity	681,288	545,744
Retained earnings	(15,644)	(22,439)
<b>Total equity attributable to Centuria Capital Fund</b>	<b>665,644</b>	<b>523,305</b>
<b>Equity attributable to external non-controlling interests</b>		
Contributed equity	12,798	14,248
Retained earnings	28,100	27,362
<b>Total equity attributable to external non-controlling interests</b>	<b>40,898</b>	<b>41,610</b>
<b>Total equity</b>	<b>706,542</b>	<b>564,915</b>

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

## Consolidated interim statement of changes in equity

For the half year ended 31 December 2020

	Centuria Capital Fund			Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
<b>Balance at 1 July 2020</b>	545,744	(22,439)	523,305	14,248	27,362	41,610	564,915
Profit for the period	-	26,606	26,606	-	1,368	1,368	27,974
<b>Total comprehensive income for the period</b>	-	<b>26,606</b>	<b>26,606</b>	-	<b>1,368</b>	<b>1,368</b>	<b>27,974</b>
Distributions paid/accrued	-	(19,811)	(19,811)	-	(1,423)	(1,423)	(21,234)
Stapled securities issued	137,483	-	137,483	-	-	-	137,483
Cost of equity raising	(1,939)	-	(1,939)	-	-	-	(1,939)
Deconsolidation of controlled property funds	-	-	-	(1,450)	793	(657)	(657)
<b>Balance at 31 December 2020</b>	<b>681,288</b>	<b>(15,644)</b>	<b>665,644</b>	<b>12,798</b>	<b>28,100</b>	<b>40,898</b>	<b>706,542</b>

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

## Consolidated interim statement of changes in equity

For the period ended 31 December 2019

	Centuria Capital Fund			Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
<b>Balance at 1 July 2019</b>	343,438	6,399	349,837	32,927	13,156	46,083	395,920
Profit for the period	-	68,707	68,707	-	946	946	69,653
<b>Total comprehensive income for the period</b>	-	<b>68,707</b>	<b>68,707</b>	-	<b>946</b>	<b>946</b>	<b>69,653</b>
Dividends and distributions paid/accrued	-	(12,567)	(12,567)	-	(1,647)	(1,647)	(14,214)
Stapled securities issued	96,439	-	96,439	-	-	-	96,439
Cost of equity raising	(1,535)	-	(1,535)	-	-	-	(1,535)
<b>Balance at 31 December 2019</b>	<b>438,342</b>	<b>62,539</b>	<b>500,881</b>	<b>32,927</b>	<b>12,455</b>	<b>45,382</b>	<b>546,263</b>

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

## Consolidated interim statement of cash flows

For the half year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Distributions received	14,438	12,302
Rent received	7,601	9,537
Interest received	68	-
Payments to suppliers	(4,251)	(7,634)
Interest paid	(6,043)	(5,585)
Other income	91	35
<b>Net cash provided by operating activities</b>	<b>11,904</b>	<b>8,655</b>
<b>Cash flows from investing activities</b>		
Purchase of investments in related parties	(45,603)	(94,639)
Loans to related parties	(9,462)	(37,800)
Proceeds from sale of related party investments	9,060	31,573
Payments in relation to investment properties	(1,376)	(9,981)
Deposits paid	(3,181)	-
Repayment of loans by related parties	693	46,988
Purchase of other investments	-	(124)
Purchase of equity accounted investments	-	(20,477)
<b>Net cash used in investing activities</b>	<b>(49,869)</b>	<b>(84,460)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of units to unitholders of Centuria Capital Fund	100,483	96,439
Equity raising costs paid	(1,939)	(1,535)
Distributions paid to unitholders of Centuria Capital Fund	(16,420)	(17,262)
Proceeds from borrowings	688	732
Repayment of borrowings	-	(35,000)
Costs paid to issue debt	(481)	-
Distributions paid to non-controlling interests	(1,423)	(1,647)
<b>Net cash provided by financing activities</b>	<b>80,908</b>	<b>41,727</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>42,943</b>	<b>(34,078)</b>
Cash and cash equivalents at the beginning of the financial period	53,059	68,018
<b>Cash and cash equivalents at end of period</b>	<b>96,002</b>	<b>33,940</b>

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

## **A About the report**

### **A1 General information**

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

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

#### **Statement of compliance**

The consolidated interim financial statements 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 interim financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated interim financial statements of the Fund comprising the Fund (as 'Parent') and its controlled entities for the half year ended 31 December 2020 were authorised for issue by the Board of Directors of Centuria Funds Management Limited as the Responsible Entity on 10 February 2021.

The Fund was established on 20 July 2016.

#### **Basis of preparation**

The consolidated interim financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, investment properties, 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 Fund'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.

#### **Going concern**

The consolidated interim financial statements have been prepared on a going-concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The COVID-19 pandemic creates uncertainty on the global and local financial markets. The Fund has completed an extensive assessment on its key investments and receivables and the directors remain confident that the Fund will be able to continue as a going concern. Refer to note C1.

#### **Rounding of amounts**

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

### A2 Coronavirus (COVID-19) impact

#### Background

COVID-19 was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global financial markets. Governments across the globe have enforced restrictions to limit the spread of the virus, with most governments having implemented economic stimulus packages. Despite these measures, there is still considerable economic uncertainty.

COVID-19 has presented a fast evolving and significant challenge to global and local economies. The real estate sector specifically has been impacted by concerns surrounding security of income and uncertainty around property valuations. In addition, this uncertainty and associated market volatility has resulted in a significant slowdown of transactional activity and investment in most real estate markets.

The Fund has considered the continuing impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note A5 did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

#### Processes applied

As a consequence of COVID-19 and in preparing these financial statements, Management:

- re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19; and
- considered the impact of COVID-19 on the Fund's financial statement disclosures.

#### Consideration of the statements of financial position and further disclosures

Key statement of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

#### Financial assets

The Fund carries significant investments in entities that directly own real estate, such as external funds that are managed by subsidiaries of the Fund. These investments are impacted by stock market volatility (for investments in ASX-listed securities) and by property valuations (for investments in unlisted securities). Refer to Note C2.

#### Investment properties

As a result of COVID-19, there is continuing valuation uncertainty in global financial markets and has affected the ability of impacted tenants to meet their rental obligations. The Fund has completed an extensive assessment of trade receivables to determine the recoverability of rental income.

#### Financial instruments

Given recent market volatility as a result of COVID-19, the Fund reviewed the appropriateness of the inputs to its valuations of financial instruments including receivables, payables and derivative instruments. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy. Refer to Note E1.



### A3 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2020 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated interim financial statements.

When the presentation or classification of items in the consolidated interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical. Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

### A4 Other new accounting standards and interpretations

A number of new accounting standards have been published that are not effective for the 31 December 2020 reporting period. The Fund has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Fund's consolidated interim financial statements.

#### **AASB 2018-6**

Clarifies the definition of a business as per AASB 3 Business Combinations and is applied prospectively to future acquisitions.

#### **AASB 2018-7**

Clarifies the definition of material as applied across all reporting standards as per AASB 101 Presentation of Financial Statements with intention of increasing a user's focus on the material items in a financial report.

#### **AASB 2014-10**

Clarifies the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture.

### A5 Use of judgements and estimates

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

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

- Note C3 Investment properties
- Note E1 Financial instruments

## B Business performance

### B1 Revenue

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
Rent	<b>5,233</b>	6,924
Recoverable outgoings	<b>1,677</b>	2,115
Distribution revenue	<b>14,116</b>	4,630
Interest revenue	<b>9,464</b>	5,326
Other income	<b>615</b>	35
	<b>31,105</b>	19,030

#### (a) Transactions with related parties

	<b>31 December 2020 \$</b>	31 December 2019 \$
Distributions from Property Funds managed by Centuria	<b>13,770,897</b>	4,190,094
Interest income on loan to Centuria Finance Pty Limited	<b>7,042,255</b>	5,048,087
Interest income on loan to Centuria New Zealand Holdings Pty Ltd	<b>2,292,522</b>	-
Interest income on loans to Property Funds managed by Centuria	<b>345,065</b>	229,297
	<b>23,450,739</b>	9,467,478

### B2 Expenses

	<b>31 December 2020 \$'000</b>	31 December 2019 \$'000
Consulting and professional fees	<b>95</b>	83
Property outgoings and fund expenses	<b>3,511</b>	4,616
Other expenses	<b>20</b>	19
	<b>3,626</b>	4,718

#### (a) Transactions with related parties

	<b>31 December 2020 \$</b>	31 December 2019 \$
Management and custodian fees paid to Centuria Property Funds No. 2 Limited	<b>10,826</b>	92,254
Management and custodian fees paid to Centuria Property Funds Limited	<b>439,710</b>	424,819
Management fees paid to Centuria Funds Management Limited	<b>200,000</b>	100,000
	<b>650,536</b>	617,073

## Business performance

### B3 Finance costs

	31 December 2020 \$'000	31 December 2019 \$'000
Operating interest charges	5,837	6,885
Bank loans in Property Funds interest charges	1,092	1,477
	<u>6,929</u>	<u>8,362</u>

### B4 Distributions

	31 December 2020		31 December 2019	
	Cents per unit	Total \$'000	Cents per unit	Total \$'000
<b>Distributions paid during the half year</b>				
Final year-end distribution	3.40	16,420	4.50	17,262
<b>Distributions declared during the half year</b>				
Interim distribution <sup>(i)</sup>	3.30	19,811	2.80	12,567
<b>Total distributions paid/declared to Centuria Capital Fund unitholders <sup>(ii)</sup></b>	<u>6.70</u>	<u>36,231</u>	<u>7.30</u>	<u>29,829</u>

<sup>(i)</sup> The Fund declared a distribution in respect of the half year ended 31 December 2020 of 3.3 cents per unit. The interim distribution had a record date of 31 December 2020 and was paid on 29 January 2021. The total amount payable of \$19,811,000 has been provided as a liability in these financial statements.

<sup>(ii)</sup> In addition to the distributions paid to Centuria Capital Fund unitholders, the Fund paid distributions of \$1,423,000 to external non-controlling Interests.

## C Assets and liabilities

### C1 Receivables

	<b>31 December 2020 \$'000</b>	30 June 2020 \$'000
Receivables from related parties (refer to note )	<b>11,338</b>	6,752
Other receivables	<b>3,511</b>	577
	<b>14,849</b>	7,329

The Fund 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 Fund to the counterparty.

	<b>31 December 2020 \$</b>	30 June 2020 \$
Redemption receivable from Centuria Healthcare Property Fund units	<b>4,395,588</b>	-
Distribution receivable from Centuria Industrial REIT	<b>3,395,943</b>	3,080,712
Distribution receivable from Centuria Office REIT	<b>3,136,237</b>	3,383,335
Distribution receivable from Centuria Heathley Direct Medical Fund No. 2	<b>223,771</b>	18,515
Distribution receivable from Centuria Diversified Property Fund	<b>135,429</b>	154,464
Distribution receivable from Centuria Heathley Aged Care Fund No. 1	<b>50,449</b>	114,544
Distribution receivable from Centuria Scarborough House Fund	<b>729</b>	697
	<b>11,338,146</b>	6,752,267

### C2 Financial assets at fair value

	<b>31 December 2020 \$'000</b>	30 June 2020 \$'000
Investments in trusts and other financial assets	<b>2,647</b>	2,416
Loans receivable from other parties	<b>7,047</b>	6,702
Investment in related party unit trusts	<b>426,360</b>	378,639
Loans receivable from related parties	<b>249,308</b>	193,913
	<b>685,362</b>	581,670

## Assets and liabilities

### C2 Financial assets at fair value (continued)

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

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

	31 December 2020			30 June 2020		
	Fair value	Units held	Ownership %	Fair value	Units held	Ownership %
<b>Financial assets held by the Fund</b>						
Centuria Industrial REIT	246,905,078	79,904,556	14.51%	208,895,316	65,897,576	16.46%
Centuria Office REIT	162,704,183	76,029,992	14.78%	153,580,584	76,029,992	14.78%
Centuria Healthcare Direct Medical Fund No. 2	13,337,301	12,472,928	8.38%	10,305,433	11,025,391	7.48%
Centuria Healthcare Aged Care Property Fund No. 1	2,945,343	5,513,559	9.21%	5,748,988	5,513,559	9.21%
Nexus Property Unit Trust	347,863	347,169	2.60%	-	-	0%
Centuria Scarborough House Fund	105,921	102,836	0.22%	97,530	102,836	0.22%
Centuria Life Goals - Various Funds	14,096	10,499	0%	11,096	10,499	0%
	<u>426,359,785</u>			<u>378,638,947</u>		

## Assets and liabilities

### C2 Financial assets at fair value (continued)

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

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Related party unit trusts carried at fair value through profit and loss</b>		
Opening balance	378,639	11,694
Investment purchases	45,603	111,831
Disposal	(13,563)	(37,554)
Fair value gain/(loss)	5,821	(92,389)
Carrying value transferred from equity accounted investments	-	321,175
Carrying value transferred from controlled property funds	9,860	-
Fair value gain on discontinuation of equity accounting	-	63,882
	<b>426,360</b>	<b>378,639</b>

#### (b) Loans receivable from related parties

The following current loans were receivable from related parties of the Fund at the end of the financial period:

	31 December 2020 \$	30 June 2020 \$
Centuria Finance Pty Limited	249,307,602	152,537,093
Centuria New Zealand Holdings Limited	-	41,376,387
	<b>249,307,602</b>	<b>193,913,480</b>

The maturity date is the earliest of 23 December 2025 or such other date as the Fund and borrower may agree in writing.

## Assets and liabilities

### C3 Investment properties

	31 December 2020 \$'000	30 June 2020 \$'000
Opening Balance	167,110	177,500
Acquisition of investment properties	-	15,116
Capital improvements and associated costs	1,376	4,660
Gain/(Loss) on fair value	362	(6,141)
Deconsolidation of controlled property funds	(12,110)	-
Sale of investment property	-	(23,500)
Change in deferred rent and lease incentives	(988)	(525)
	155,750	167,110

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$12,943,314 (30 June 2020: \$12,704,534).

Property	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 Cap rate %	31 December 2020 Discount rate %	31 December 2020 Director valuation*
111 St Georges Terrace, Perth WA	155,750	155,000	6.75	7.00	
120 and 122 Spencer St, South Bunbury WA	-	6,500	-	-	
8-10 Warneford St, Sandy Bay TAS	-	5,610	-	-	
	155,750	167,110			

\*111 St Georges Terrace, Perth WA was last externally valued by Colliers as at 30 June 2020.

### Key estimates and judgements

#### (a) Valuation techniques and significant unobservable inputs

The fair values 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.

Given the changing economic conditions as a result of the COVID-19 pandemic, there is uncertainty surrounding the potential impact on future cashflows and valuations. Rent relief allowances in accordance with the National Cabinet's Code of Conduct which set out commercial leasing principles for businesses during the pandemic were taken into consideration when determining the cashflows for the properties, however actual future cashflows may differ from this.

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.

## Assets and liabilities

### C3 Investment properties (continued)

#### (a) Valuation techniques and significant unobservable inputs (continued)

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 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).

#### (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 inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity decrease in input	Inputs for half-year ended 31 December 2020
Market rent	Increase	Decrease	\$552 psm
Capitalisation rate	Decrease	Increase	6.75%
Discount rate	Decrease	Increase	7.0%

A further sensitivity analysis was taken to assess the fair value of investment properties given the uncertain impact of the COVID-19 pandemic on property values. The table below illustrates the valuation impact of movements in capitalisation rates and discount rates:

	Fair value at 31 December 2020 '\$000	Capitalisation rate impact -0.25% '\$000	+0.25% '\$000
Investment property	155,750	5,990	(5,563)

Management acknowledges the current valuation is subject to ongoing valuation uncertainty as a consequence of this. To date, there has been little evidence to suggest that capitalisation and discount rates have softened since the onset of COVID-19. As the COVID-19 pandemic progresses, the Fund has continued to re-assess the valuation method to ensure appropriate consideration is given to inputs used.

### C4 Payables

	31 December 2020 \$'000	30 June 2020 \$'000
Sundry creditors <sup>(i)</sup>	6,193	6,521
Distribution Payable	19,811	16,420
Accrued expenses	512	590
	<b>26,516</b>	<b>23,531</b>

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



## Assets and liabilities

### C5 Borrowings

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Fixed rate secured notes	C5(a)	95,000	95,000
Floating rate secured notes	C5(a)	75,000	75,000
Bank loans in Property Funds	C5(b)	83,873	85,920
Borrowing costs capitalised		(2,852)	(2,709)
		251,021	253,211

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

#### (a) Secured notes

The Fund issued fixed and floating corporate notes as per below:

	Fixed	Classification	Coupon Rate	Due Date	31 December 2021 \$'000	30 June 2020 \$'000
	Tranche 1	Current	7.0%	21 April 2021	19,447	30,708
	Tranche 2	Non-current	6.5%	21 April 2023	45,000	45,000
	Tranche 3	Non-current	5.0%	21 April 2024	30,553	19,292
					95,000	95,000

	Variable	Classification	Coupon Rate	Due Date	31 December 2021 \$'000	30 June 2020 \$'000
	Tranche 1	Current	90 day BBSW +4.5%	21 April 2021	8,350	26,040
	Tranche 2	Non-current	90 day BBSW +4.25%	21 April 2023	35,000	35,000
	Tranche 3	Non-current	90 day BBSW +4.5%	21 April 2024	31,650	13,960
					75,000	75,000

#### (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	Total \$'000
<b>31 December 2020</b>							
Centuria 111 St Georges Terrace Fund		30 June 2022	90,000	5,956	84,044	(171)	83,873
<b>30 June 2020</b>							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	6,644	83,356	(193)	83,163
Nexus Property Unit Trust	Non-current	4 December 2022	2,805	-	2,805	(48)	2,757
							85,920

## Assets and liabilities

### C6 Contributed equity

	31 December 2020		30 June 2020	
	No. of securities	\$'000	No. of securities	\$'000
Opening balance	509,998,482	545,744	383,557,332	343,438
Equity settled share based payment expense	1,921,149	-	1,529,427	-
Units issued	88,316,492	137,483	124,911,723	205,216
Cost of equity raising	-	(1,939)	-	(2,910)
	<b>600,236,123</b>	<b>681,288</b>	509,998,482	545,744

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

On 29 June 2017, the Fund 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. Half of these options (10,049,235) were exercised on 12 December 2019 with the remaining 10,049,235 being exercised on 9 December 2020.

The Fund issued 24,832,025 stapled securities in relation to the completion of the Augusta Capital Limited acquisition during the half-year ended 31 December 2020.

The Fund issued 53,336,998 stapled securities in relation to a \$120.0m equity raising completed in October 2020.

#### ***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 Group Structure

### D1 Interests in associates

Set out below are the associates of the Fund as at 31 December 2020 which, in the opinion of the Directors, were material to the Fund and were accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Fund. 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.

	% of ownership interest		Principal activity	Quoted fair value		Carrying amount	
	31 December	30 June		31 December	30 June	31 December	30 June
	2020	2020		2020	2020	2020	2020
	%	%		\$	\$	\$	\$
Centuria Diversified Property Fund	24.27	22.68	Property Investments	31,634	31,830	31,634	31,830
<b>Total equity accounted investments</b>				<b>31,634</b>	<b>31,830</b>	<b>31,634</b>	<b>31,830</b>

The below table shows the movement in carrying amounts of equity accounted investments for the half year ended 31 December 2020.

	Centuria Diversified Property Fund
<b>Movement in carrying amount of equity accounted investments</b>	
Opening balance	31,830
Investment	-
Carrying value transferred from/ (to) financial assets	-
Distributions received/receivable	(804)
Share of net profit after tax	608
<b>Closing balance</b>	<b>31,634</b>

The below table shows the movement in carrying amounts of equity accounted investments for the year ended 30 June 2020.

	Centuria Diversified Property Fund	Centuria Office REIT \$'000	Centuria Industrial REIT \$'000	Total
<b>Movement in carrying amount of equity accounted investments</b>				
Opening balance	-	155,355	174,217	329,572
Investment	-	7,500	12,977	20,477
Carrying value transferred from/ (to) financial assets	31,830	(162,429)	(190,576)	(321,175)
Distributions received/receivable	502	(2,773)	(2,905)	(5,176)
Share of net profit after tax	(502)	2,347	6,287	8,132
<b>Closing balance</b>	<b>31,830</b>	<b>-</b>	<b>-</b>	<b>31,830</b>

## Group Structure

### D1 Interests in associates (continued)

#### (a) Summarised financial information for associates

The tables below provide summarised financial information for those associates that were material to the Fund for the year ended 31 December 2020. The information disclosed reflects the amounts presented in the consolidated interim financial statements of the relevant associates and not the Fund's share of those amounts.

	<b>Centuria Diversified Property Fund</b>	
	<b>31 December</b>	
	<b>2020</b>	30 June 2020
	<b>\$000</b>	\$000
<b>Summarised balance sheet</b>		
Cash and other cash equivalents	<b>7,561</b>	18,013
Other current assets	<b>501</b>	11,633
<b>Total current assets</b>	<b>8,062</b>	29,646
Non-current assets	<b>178,795</b>	166,588
<b>Total tangible non-current assets</b>	<b>178,795</b>	166,588
Other current liabilities	<b>2,849</b>	3,812
<b>Total current liabilities</b>	<b>2,849</b>	3,812
Borrowings	<b>65,150</b>	64,988
Other non-current liabilities	<b>-</b>	351
<b>Total non-current liabilities</b>	<b>65,150</b>	65,339
<b>Net tangible assets</b>	<b>118,858</b>	127,083
Fund share in %	<b>24.27%</b>	22.68%
Fund's share	<b>28,848</b>	28,822
Goodwill	<b>2,786</b>	3,008
<b>Carrying amount</b>	<b>31,634</b>	31,830

## Group Structure

### D1 Interests in associates (continued)

#### (a) Summarised financial information for associates (continued)

	Centuria Diversified Property Fund
	31 December 2020 \$000
<b>Summarised statement of comprehensive income</b>	
Revenue	6,715
Interest income	2
Other income	3
Net gain on fair value of investment properties	1,154
Finance costs	(699)
Other expenses	(5,961)
<b>Profit for the period</b>	<b>1,214</b>
Other comprehensive income	-
Total comprehensive income	<u>1,214</u>

## E Other

### E1 Fair value of financial instruments

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

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

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

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

31 December 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	96,002	96,002
Receivables	Amortised cost	Not applicable	14,849	14,849
Financial assets	Fair value	Level 1	409,609	409,609
Financial assets	Fair value	Level 2	275,753	275,552
			<u>796,213</u>	<u>796,012</u>

#### Financial liabilities

Payables	Amortised cost	Not applicable	26,516	26,516
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	251,021	253,535
Interest rate swaps at fair value	Fair value	Level 2	814	814
			<u>278,351</u>	<u>280,865</u>

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	53,059	53,059
Receivables	Amortised cost	Not applicable	7,329	7,329
Financial assets	Fair value	Level 1	362,475	362,475
Financial assets	Fair value	Level 2	219,195	219,195
			<u>642,058</u>	<u>642,058</u>

#### Financial liabilities

Payables	Amortised cost	Not applicable	23,531	23,531
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	253,211	253,211
Interest rate swaps at fair value	Fair value	Level 2	636	636
Total			<u>277,378</u>	<u>277,378</u>

The Fund 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.

## **E1 Fair value of financial instruments (continued)**

### ***Recognition and measurement***

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

## **E2 Events subsequent to the reporting date**

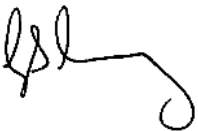
Other than the above, there has not arisen in the interval between 31 December 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Fund, to affect significantly the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

## Directors' declaration

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

- (a) the consolidated interim financial statements and notes set out on pages 4 to 26 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
10 February 2021





# Independent Auditor's Review Report

To the stapled security holders of Centuria Capital Fund

## Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2020;
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Interim Period ended on that date;
- Notes A1 to E2 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Centuria Capital Fund and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2020.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



### Responsibilities of the Directors for the Interim Financial Report

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

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Paul Thomas  
Partner  
Sydney  
10 February 2021