Centuria

Centuria Office REIT
and its subsidiaries

ARSN 124 364 718

Annual financial report
for the year ended 30 June 2022

Centuria Property Funds Limited ABN 11 086 553 639 is the Responsible Entity for Centuria Office REIT.

Centuria Office REIT
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Directors' report

For the year ended 30 June 2022

The directors of Centuria Property Funds Limited ('CPFL'), the Responsible Entity of Centuria Office REIT ('COF') present their report, together with the consolidated financial statements of the Trust and its subsidiaries ('the Trust') for the year ended 30 June 2022 and the independent auditor's report thereon.

Directors of the Responsible Entity

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

Name	Appointed	Resigned	Directorship of other listed companies
Peter Done	5 December 2007		Centuria Capital Limited
Matthew Hardy	4 July 2013		
Darren Collins	10 March 2015		
Nicholas Collishaw	1 October 2017	30 August 2021	
Nicole Green	2 July 2021	27 January 2022	
Elizabeth McDonald	1 March 2022		

The company secretary of Centuria Property Funds Limited during or since the end of the financial year is:

Name	Appointed
Anna Kovarik	5 July 2018

Nicholas Collishaw resigned from the board of the Responsible Entity, Centuria Property Funds Limited effective 30 August 2021. Nicole Green was appointed to the Board on 2 July 2021 and resigned from the Responsible Entity, Centuria Property Funds Limited effective 27 January 2022.

Refer to Note D2 of the annual financial report for directors' unitholdings in the Trust.

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

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

Principal activities

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

The principal activity of the Trust is investment in commercial office property within Australia. There have been no significant changes in the nature of the Trust's activities since the date of the Trust's establishment.

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

Significant changes in the state of affairs

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

Review of operations

Results

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of these financial statements. The Trust's profit from continuing operations for the year ended 30 June 2022 was $115,019,000 (30 June 2021: $76,936,000).

As at 30 June 2022, the Trust's Net Tangible Assets ('NTA') was $2.50 per unit (30 June 2021: $2.48 per unit).

Review of operations (continued)

Investment property valuations

The total value of the Trust's portfolio as at 30 June 2022 was $2,367 million (30 June 2021: $2,046 million), a increase of 16% from the prior year. During the year, the Trust sold 131-139 Grenfell St, Adelaide SA for $20.9 million.

The weighted average capitalisation rate for the portfolio firmed 23 basis points year on year to 5.58% as at 30 June 2022 (30 June 2021: 5.81%).

The Trust engaged external valuers to prepare independent valuations for the entire portfolio of investment properties over the course of the financial year.

Leasing and occupancy

The Trust secured 48 leases across 41,283 square metres ('sqm') representing 13.6% of the portfolio's Net Lettable Area ('NLA') in the year ended 30 June 2022. This comprised of 27 new leases across 17,605 sqm and 21 renewals across 23,678 sqm.

As at 30 June 2022, the Weighted Average Lease Expiry ('WALE') of the portfolio was 4.2 years (30 June 2021: 4.3 years) and the occupancy rate was 94.7% (30 June 2021: 93.1%).

Capital management

As at 30 June 2022, the Trust had multi-bank debt facilities totalling $912.5 million (30 June 2021: $812.5 million) with a weighted average expiry of 3.6 years (30 June 2021: 4.2 years). Drawn borrowings totalled $832.0 million (30 June 2021: $704.3 million), and the all-in interest cost (made up of interest expense and line fees) for FY22 was 2.2% (30 June 2021: 2.2%) with 66.3% of the average drawn debt hedged over FY22 (30 June 2021: 80% on average). The Trust's gearing at 30 June 2022 was 33.8% (30 June 2021: 33.5%).

Outlook

The Responsible Entity’s strategy and ongoing focus remains unchanged. The Responsible Entity’s primary focus is on actively managing the Trust’s portfolio, with an emphasis on tenant retention to ensure income and occupancy are maximised. The Responsible Entity will also continue to review asset allocation and assess potential acquisition opportunities that are considered complementary to the existing portfolio and the Trust’s objective of delivering sustainable income returns to unitholders.

The Trust's FFO guidance for the year ending 30 June 2023 is 15.8 cpu. The 2023 financial year distribution guidance is 14.1 cpu which will be paid in equal quarterly instalments.

Review of operations (continued)

Distributions

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

	30 June 2022		30 June 2021	
	Cents per unit	**$'000**	**Cents per unit**	**$'000**
September quarter	**4.15**	**24,689**	4.125	21,224
December quarter	**4.15**	**24,719**	4.125	21,224
March quarter	**4.15**	**24,753**	4.125	21,224
June quarter	**4.15**	**24,789**	4.125	21,224
Total	**16.60**	**98,951**	16.50	84,896

Key dates in connection with the 30 June 2022 distribution are:

Event	**Date**
Ex-distribution date	29 June 2022
Record date	30 June 2022
Distribution payment date	5 August 2022

The Funds From Operations for the year ended 30 June 2022 was $104.9 million (30 June 2021: $102.2 million), representing a 2.6% increase from prior year.

The Trust declared distributions of 16.6 cpu during the 2022 financial year which was in line with guidance provided as part of the June 2021 year end result. The table below provides a reconciliation from the consolidated statement of profit or loss and other comprehensive income to the FFO for the year:

	30 June 2022 $'000	**30 June 2021 $'000**
Net profit for the year	**115,019**	76,936
Adjustments		
(Gain)/loss on fair value of investment properties	**(14,697)**	15,137
Rent free and abatement	**13,859**	10,945
Amortisation of incentives and leasing fees	**9,226**	6,227
Realised/unrealised loss/(gain) on fair value of derivatives	**(14,144)**	(4,816)
Straight-lining of rental income	**(4,289)**	(2,133)
Adjustments for AASB 16	**(67)**	(61)
Funds from operations	**104,907**	102,235

Distribution reinvestment plan

The Trust has activated the Distribution Reinvestment Plan ('DRP') during the year ended 30 June 2022, for the Q1, Q2 and Q3 distributions, under which unitholders may have elected to have all or part of their distribution entitlement reinvested by the issue of new units rather than distributions being paid in cash. The DRP was deactivated for the Q4 distribution.

Environmental regulation

The Trust’s operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

Options granted

No options were granted over unissued units in the Trust during or since the end of the financial year.

No unissued units in the Trust were under option as at the date of this report.

Options granted (continued)

No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

Events subsequent to balance date

Subsequent to 30 June 2022, COF completed $257.5 million of debt refinancing and added an additional $50 million of headroom taking its total debt facilities to $962.5 million, across a diversified pool of six lenders.

The debt refinancing increased the REIT's weighted average debt maturity to 3.7 years with no debt tranche expiring until FY25. Despite the increased tenure, there has been no material change to the weighted average debt margin. Debt covenants of a 50% loan to value ratio and 2.0x interest cover ratio apply to the new and extended debt facilities, in line with existing covenants.

Other than the above, there are no other matters or circumstances which have arisen since the end of the period to the date of this report, in the opinion of the Responsible Entity, which significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

Indemnifying officers or auditors

Indemnification

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

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

Insurance premiums

The Responsible Entity has paid insurance premiums in respect of directors' and officers' liability and legal expense insurance contracts, for current and former directors and officers, including senior executives of the Responsible Entity.

Trust information in the directors' report

Responsible Entity interests

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

	30 June 2022 $'000	30 June 2021 $'000
Management fees	**12,668**	11,543
Property management fees	**3,219**	2,727
Facility management fees	**1,906**	1,632
Leasing fees	**940**	1,755
Custodian fees	**859**	791
Project management fees	**746**	1,154
Administration fees	**334**	256
Due diligence acquisition fees	**50**	100
	20,722	19,958

The Responsible Entity and/or its related parties that hold units in the Trust during the financial year are outlined in Note D2 to the financial statements.

Other Trust information

The number of units in the Trust at the end of the financial year are disclosed in Note C6 to the financial statements.

Trust information in the directors' report (continued)

Other Trust information (continued)

The recorded value of the Trust's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as “Total assets” and the basis of recognition and measurement is included in the notes to the financial statements.

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 6.

Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off, in accordance with the instrument, to the nearest thousand dollars, unless otherwise indicated.

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

Matthew Hardy
Director

Darren Collins
Director

Sydney
2 August 2022

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Office REIT for the financial year ended 30 June 2022 there have been:

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

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

KPMG

KPMG

Peter Zabaks

Partner

Sydney

2 August 2022

Centuria Office REIT
Annual Financial Report

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Revenue			
Rent and recoverable outgoings	B2	**167,005**	161,805
Total revenue from continuing operations		**167,005**	161,805
Other income			
Net gain on fair value of investment properties	C2	**14,697**	-
Gain on fair value of derivative financial instruments		**14,144**	4,816
Interest income		**14**	7
Total other income		**28,855**	4,823
Total revenue from continuing operations and other income		**195,860**	166,628
Expenses			
Rates, taxes and other property outgoings		**45,234**	41,167
Finance costs	B3	**19,277**	18,418
Gain/(loss) on fair value of investment properties	C2	**-**	15,137
Management fees	D2	**12,668**	11,543
Other expenses		**2,214**	2,251
Rental waivers expense		**808**	942
Expected credit loss expense		**640**	234
Profit from continuing operations for the year		**115,019**	76,936
Net profit for the year		**115,019**	76,936
Other comprehensive income			
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**115,019**	76,936
Basic and diluted earnings per unit			
Basic earnings per unit (cents per unit)	B4	19.9	15.0

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C8	**26,558**	15,644
Trade and other receivables	C1	**7,450**	5,369
Other assets		**2,862**	1,625
Derivative financial instruments	C5	**2,251**	-
Total current assets		**39,121**	22,638
Non-current assets			
Investment properties	C2	**2,366,770**	2,046,221
Derivative financial instruments	C5	**4,882**	-
Total non-current assets		**2,371,652**	2,046,221
Total assets		**2,410,773**	2,068,859
LIABILITIES			
Current liabilities			
Trade and other payables	C3	**32,385**	31,943
Derivative financial instruments	C5	**-**	3,478
Distributions payable	B1	**24,789**	21,224
Total current liabilities		**57,174**	56,645
Non-current liabilities			
Borrowings	C4	**828,504**	700,800
Derivative financial instruments	C5	**-**	3,762
Lease liability	C2	**32,594**	32,660
Total non-current liabilities		**861,098**	737,222
Total liabilities		**918,272**	793,867
Net assets		**1,492,501**	1,274,992
EQUITY			
Issued capital	C6	**1,484,579**	1,283,138
Retained earnings/(Accumulated losses)		**7,922**	(8,146)
Total equity		**1,492,501**	1,274,992

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

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Note	Issued units $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2020		1,283,138	(186)	1,282,952
Net profit for the year		-	76,936	76,936
Total comprehensive income for the year		**-**	**76,936**	**76,936**
Distributions provided for or paid	B1	-	(84,896)	(84,896)
Balance at 30 June 2021		**1,283,138**	**(8,146)**	**1,274,992**
Balance at 1 July 2021		1,283,138	(8,146)	1,274,992
Net profit for the year		-	115,019	115,019
Total comprehensive income for the year		**-**	**115,019**	**115,019**
Units issued	C6	200,996	-	200,996
Distribution reinvestment plan ('DRP')	C6	5,562	-	5,562
Equity raising costs	C6	(5,117)	-	(5,117)
Distributions provided for or paid	B1	-	(98,951)	(98,951)
Balance at 30 June 2022		**1,484,579**	**7,922**	**1,492,501**

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

Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers		**180,960**	185,778
Payments to suppliers		**(68,152)**	(63,000)
Interest received		**14**	7
Interest paid		**(16,792)**	(17,250)
Net cash generated by operating activities	C8	**96,030**	105,535
Cash flows from investing activities			
Payments for investment properties		**(338,526)**	(30,379)
Proceeds from sale of investment properties		**20,900**	44,516
Transaction cost		**(267)**	-
Net cash (used in)/generated by investing activities		**(317,893)**	14,137
Cash flows from financing activities			
Distribution paid		**(95,386)**	(86,568)
Proceeds from borrowings		**175,175**	177,500
Repayment of borrowings		**(47,500)**	(222,200)
Payments for borrowing costs		**(725)**	(1,569)
Payments for derivative financial instruments		**(228)**	-
Proceeds from issue of units		**206,558**	-
Equity raising costs		**(5,117)**	-
Net cash generated by/(used in) financing activities		**232,777**	(132,837)
Net increase/(decrease) in cash and cash equivalents		**10,914**	(13,165)
Cash and cash equivalents at beginning of financial period		**15,644**	28,809
Cash and cash equivalents at end of financial year	C8	**26,558**	15,644

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

Note to the financial statements

For the year ended 30 June 2022

A About the report

A1 General information

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

Statement of compliance

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

For the purposes of preparing the financial statements, the Trust is a for-profit entity.

The financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds Limited, the Responsible Entity, on 2 August 2022.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for investment property and derivative financial instruments which have been measured at fair value at the end of the 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 Trust's functional currency, unless otherwise noted.

(i) 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 the settlement of liabilities in the ordinary course of business.

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

(ii) Net current liability position

The directors of the Responsible Entity note that the Trust is in a net current liability position of $18.1 million as at 30 June 2022. Given the Trust has the headroom in existing loan covenants and the ability to draw from the $80.5 million of available funds in the facility to fund working capital requirements, has a 3.6 year weighted average debt expiry, and the future cash generating potential of the Trust, the directors of the Responsible Entity expect the Trust will be able to pay its debts as and when they fall due.

After taking into account all available information, the directors of the Responsible Entity have concluded that there are reasonable grounds to believe the basis of preparation of the financial report on a going concern basis is appropriate.

Rounding of amounts

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

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated financial statements are consistent with those adopted in the previous financial year ended 30 June 2021 unless specifically outlined below or in the relevant notes to the consolidated financial statements.

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

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

A2 Significant accounting policies (continued)

These financial statements contain all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate.

Use of estimates and judgements

In the application of the Trust's accounting policies, the Responsible Entity is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to the valuation of investment properties (Note C2) and derivative financial instruments (Note E2).

Judgements made by the Responsible Entity that have significant effects on the financial statements and estimates with significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Segment reporting

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

B Trust performance

B1 Distribution

	30 June 2022 Cents per unit	30 June 2022 $'000	30 June 2021 Cents per unit	30 June 2021 $'000
September quarter	**4.15**	**24,689**	4.125	21,224
December quarter	**4.15**	**24,719**	4.125	21,224
March quarter	**4.15**	**24,753**	4.125	21,224
June quarter	**4.15**	**24,789**	4.125	21,224
Total	**16.60**	**98,951**	16.50	84,896

Key dates in connection with the 30 June 2022 distribution are:

Event	Date
Ex-distribution date	29 June 2022
Record date	30 June 2022
Distribution payment date	5 August 2022

Distribution and taxation

Under current Australian income tax legislation, the Trust is not liable for income tax for the financial year as the Trust has fully distributed its distributable income as determined under the Trust's constitution, whilst its unitholders are presently entitled to the income.

Distributions paid and payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

B2 Revenue

	30 June 2022 $'000	30 June 2021 $'000
Rental income	**138,548**	134,498
Recoverable outgoings	**24,168**	25,174
Straight-lining of lease revenue	**4,289**	2,133
	167,005	161,805

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

(i) Rental income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income not received at reporting date is reflected in the consolidated statement of financial position as a receivable. If rents are paid in advance these amounts are recorded as payables in the consolidated statement of financial position.

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form or the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when charged.

B2 Revenue (continued)

Recognition and measurement (continued)

(ii) Recoverable outgoings

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

(iii) Interest revenue

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

(iv) Sale of properties

Any gain or loss arising on the sale of an investment property is recognised when the control of the asset is passed on to the buyer, which normally coincides with the settlement of the contract for sale.

B3 Expenses

Recognition and measurement

Finance costs are recognised in the profit or loss statement as they accrue. Finance costs are recognised using the effective interest rate applicable to the financial liability.

(i) Finance costs

Finance costs include interest expense and amortised borrowing costs.

	30 June 2022 $'000	30 June 2021 $'000
Interest expense	**18,523**	17,722
Amortisation of borrowing costs	**754**	696
	19,277	18,418

(ii) Other expenses

All other expenses, including rates, taxes and other property outgoings and management fees are recognised in profit or loss on an accruals basis. Other operating expenses include legal, accounting and audit fees.

(iii) Goods and services tax

Revenues, expenses and assets are recognised exclusive of goods and services tax ('GST') which is recoverable from the Australian Taxation Office ('ATO') as an input tax credit ('ITC').

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows with the amount of GST included. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

B4 Earnings per unit

	30 June 2022	30 June 2021
Basic earnings per COF unit (cents per unit)	**19.91**	**15.00**
Earnings used in calculating basic earnings per unit ($'000)	**115,019**	76,936
Weighted average number of COF units ('000)	**577,675**	514,522

C Trust's assets and liabilities

C1 Trade and other receivables

	30 June 2022 $'000	30 June 2021 $'000
Current		
Trade receivables	**3,449**	3,804
Expected credit loss provision	**(2,568)**	(1,929)
Other receivables	**6,569**	3,494
	7,450	5,369

Refer to Note E2 for details on fair value measurement and the Trust's exposure to risks associated with financial assets (other receivables are not considered to be financial assets).

Recognition and measurement

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

Refer to the policy application below for further details.

Recoverability of loans and receivables

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

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

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

C2 Investment properties

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	**2,046,221**	2,085,650
Purchase price of investment properties	**284,593**	-
Stamp duty and other transaction costs	**17,354**	-
Capital improvements and associated costs	**24,470**	15,357
	326,417	15,357
Gain/(loss) on fair value	**14,697**	(15,137)
Change in deferred rent and lease incentives	**(1,421)**	1,992
Change in capitalised leasing fees	**1,756**	3,065
Disposal at fair value	**(20,900)**	(44,706)
Closing balance^	**2,366,770**	2,046,221

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $43,778,000 (30 June 2021: $46,139,000) and a right of use asset of $31,567,000 (30 June 2021: $31,971,000).

C2 Investment properties (continued)

Leases as lessor

The Trust leases out its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	30 June 2022 $'000	30 June 2021 $'000
Less than one year	**139,602**	120,407
Between one and five years	**385,330**	340,369
More than five years	**148,332**	156,511
	673,264	617,287

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
NSW								
8 Central Ave, Eveleigh NSW*	**210,000**	200,000	**5.00**	5.13	**6.00**	6.13	Directors	Dec 2021
203 Pacific Hwy, St Leonards NSW**^	**138,000**	68,000	**5.62**	5.75	**6.25**	6.63	Colliers	Jun 2022
201 Pacific Hwy, St Leonards NSW*	**107,500**	107,000	**5.50**	5.63	**6.37**	6.38	Directors	Dec 2021
9 Help St, Chatswood NSW	**97,000**	92,500	**5.25**	5.38	**6.00**	6.38	Colliers	Jun 2022
77 Market St, Wollongong NSW	**37,100**	36,000	**6.50**	6.75	**6.75**	7.75	Directors	Dec 2021
ACT								
2 Phillip Law St, Canberra ACT^	**253,500**	252,000	**5.00**	5.00	**5.75**	5.75	Colliers	Jun 2022
60 Marcus Clarke St, Canberra ACT^	**63,000**	61,000	**6.50**	6.75	**6.75**	7.00	Directors	Dec 2021
54 Marcus Clarke St, Canberra ACT^	**24,900**	22,800	**6.75**	7.25	**6.75**	7.00	M3	Jun 2022
QLD								
825 Ann St, Fortitude Valley QLD	**161,000**	155,000	**5.75**	6.00	**6.00**	6.75	Colliers	Jun 2022
100 Brookes St, Fortitude Valley QLD	**89,500**	82,000	**5.75**	6.00	**6.00**	6.50	Colliers	Jun 2022
154 Melbourne St, South Brisbane QLD	**81,000**	80,500	**6.00**	6.00	**6.25**	6.50	Savills	Jun 2022
438-517 Kingsford Smith Dr, Hamilton QLD	**79,500**	77,000	**6.00**	6.25	**6.50**	7.00	Directors	Dec 2021
555 Coronation Dr, Brisbane QLD	**45,600**	39,000	**6.00**	6.75	**6.50**	7.25	Directors	Dec 2021
35 Robina Town Ctr Dr, Robina QLD	**45,000**	42,000	**7.00**	7.50	**7.25**	7.75	Directors	Dec 2021
VIC								
818 Bourke St, Docklands VIC	**215,000**	220,000	**5.12**	5.13	**6.00**	6.00	Directors	Dec 2021
101 Moray, South Melbourne VIC	**203,700**	-	**4.87**	-	**5.87**	-	Colliers	Jun 2022
2 Kendall St, Williams Landing VIC	**72,000**	69,000	**5.62**	5.75	**6.25**	6.75	C&W	Jun 2022
576 Swan St, Richmond VIC	**71,500**	65,500	**5.25**	5.50	**6.00**	6.50	Directors	Dec 2021
WA								
235 William St, Northbridge WA	**172,500**	181,750	**6.50**	6.50	**6.75**	6.75	C&W	Jun 2022
144 Stirling St, Perth WA	**73,250**	70,000	**6.00**	6.00	**6.75**	6.75	Directors	Dec 2021
46 Colin St, Perth WA^~	**70,067**	66,971	**6.25**	7.00	**6.25**	7.00	C&W	Jun 2022

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
SA								
1 Richmond Rd, Keswick SA	**44,000**	39,200	**6.50**	7.00	**7.25**	7.75	Knight Frank	Jun 2022
57 Wyatt St, Adelaide SA***	**12,153**	-	**-**	-	**-**	-		
131-139 Grenfell St, Adelaide SA	**-**	19,000	**-**	7.00	**-**	6.50		
	2,366,770	2,046,221						

* The Trust owns 50% of these properties.
** The Trust owned 50% of 203 Pacific Hwy, St Leonards NSW at 30 June 2021. The Trust purchased the remaining 50% on 14 March 2022 for $68.0m and owns 100% at 30 June 2022.
*** This property is under development and was acquired in June 2022, due to its proximity to year-end, the transaction price is considered the fair value for this property.
^ The Trust holds a leasehold interest in these properties.
~ A right of use asset on the ground lease at 46 Colin St is included in the fair value of the property. The carrying value of the lease liability as at 30 June 2022 was $32,594,000 (30 June 2021: $32,660,000).

The Trust's weighted average capitalisation rate for the year is 5.58% (2021: 5.81%).

C2 Investment properties (continued)

Recognition and measurement

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

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

Valuation techniques and significant unobservable inputs

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

The valuations were prepared by considering the following valuation methodologies:

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

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

Fair value measurement

The fair value measurement of investment property 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 to significant decrease in input	Range of inputs	
			30 June 2022	30 June 2021
Net market rent	Increase	Decrease	$324 - $801	$267 - $788
Capitalisation rate	Decrease	Increase	4.87% - 7.00%	5.00% - 7.50%
Discount rate	Decrease	Increase	5.75% - 7.25%	5.75% - 7.75%

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note E2 for further information.

A further sensitivity analysis was undertaken by the Trust to assess the fair value of investment properties from movements in capitalisation rates:

C2 Investment properties (continued)

Fair value measurement (continued)

Fair Value at 30 June 2022 $'000	Capitalisation rate impact -0.25% $'000	Capitalisation rate impact +0.25% $'000
2,366,770	107,437	(98,227)

C3 Trade and other payables

	30 June 2022 $'000	30 June 2021 $'000
Current		
Trade creditors and expenses payable	**16,177**	15,436
Other current creditors and accruals	**16,208**	16,507
	32,385	31,943

Refer to Note D2 for amounts payable to related parties.

Recognition and measurement

Trade payables and other accounts payable are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services and are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Distributions paid and payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

C4 Borrowings

	30 June 2022 $'000	30 June 2021 $'000
Non-current		
Secured loan	**832,004**	704,329
Borrowing costs	**(3,500)**	(3,529)
	828,504	700,800

At 30 June 2022, the Trust had the following secured debt facilities:

	30 June 2022 $'000	30 June 2021 $'000
Secured loan facility		
Facility limit	**912,500**	812,500
Facilities used - bank loans	**(832,004)**	(704,329)
Facilities used - bank guarantee	**(1,496)**	(1,496)
Facilities unused	**79,000**	106,675

As at 30 June 2022, the Trust had $465.0 million (2021: $565.0 million) of interest rate swaps hedged against its drawn debt. Refer to Note C5 for further details on interest rate swap contracts held at 30 June 2022.

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

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

Recognition and measurement

Borrowings are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method with any difference between the initial and recognised amount and redemption value being recognised in profit or loss over the period of borrowing and are derecognised when the contractual obligations are discharged, cancelled or expire.

Refer to Note E2 for details on the Trust's exposure to risks associated with financial liabilities.

C5 Derivatives

Interest rate swap contracts

Under interest rate swap contracts, the Trust agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Trust to mitigate the risk of changing interest rates on the cash flow exposures on the debt held. The following table details the specific instruments held at reporting date, showing the notional principal amounts and contracted fixed interest rate of each contract:

C5 Derivatives (continued)

Interest rate swap contracts (continued)

Type of contract	Classification	Maturity Date	Contracted interest rate	Notional amount of contract $'000	Fair value of contracts $'000
30 June 2022					
Interest rate swap	Current	15 Jun 2023	2.25%	55,000	512
Extendable interest rate swap	Current	26 Sep 2022	0.93%	50,000	111
Extendable interest rate swap	Current	20 Nov 2022	0.75%	50,000	267
Interest rate swap	Current	22 Nov 2022	0.69%	75,000	403
Extendable interest rate swap	Current	24 Feb 2023	0.64%	100,000	1,323
Interest rate cap	Current	15 Jun 2023	4.65%	25,000	(365)
Interest rate swap	Non-current	16 May 2024	1.27%	60,000	2,305
Interest rate swap	Non-current	25 Jun 2024	0.70%	50,000	2,577
				465,000	**7,133**

Type of contract	Classification	Maturity Date	Contracted interest rate	Notional amount of contract $'000	Fair value of contracts $'000
30 June 2021					
Interest rate swap	Current	25 Sep 2021	0.70%	50,000	(302)
Interest rate swap	Current	20 Nov 2021	0.68%	50,000	(317)
Interest rate swap	Current	22 Nov 2021	0.69%	75,000	(583)
Interest rate swap	Current	16 May 2022	1.33%	60,000	(1,550)
Interest rate swap	Current	30 May 2022	1.15%	70,000	(726)
Extendable interest rate swap	Non-current	26 Sep 2022	0.93%	50,000	(748)
Extendable interest rate swap	Non-Current	20 Nov 2022	0.75%	50,000	(610)
Extendable interest rate swap	Non-Current	24 Feb 2023	0.64%	100,000	(1,003)
Interest rate swap	Non-Current	16 May 2024	1.27%	60,000	(1,401)
				565,000	**(7,240)**

Recognition and measurement

Derivatives are initially recognised at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the resulting gain or loss is recognised in profit or loss.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The Trust has not applied hedge accounting to its derivative financial instruments.

Refer to Note E2 for details on the Trust's exposure to risks associated with financial liabilities.

C6 Issued capital

	30 June 2022		30 June 2021	
	Units '000	**$'000**	**Units '000**	**$'000**
Opening balance	**514,522**	**1,283,138**	514,522	1,283,138
Units issued	**80,398**	**200,996**	-	-
Distribution reinvestment plan ('DRP')	**2,416**	**5,562**	-	-
Equity raising costs	**-**	**(5,117)**	-	-
Closing balance	**597,336**	**1,484,579**	514,522	1,283,138

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

An equity instrument is any contract that evidences a residual interest in the assets of a Trust after deducting all of its liabilities. Equity instruments issued by the Trust are recognised at the proceeds received, net of direct issue costs.

C7 Contingent assets, liabilities and commitments

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 30 June 2022.

C8 Cash and cash equivalents

	30 June 2022 $'000	30 June 2021 $'000
Cash and bank balances	**26,558**	15,644
	26,558	15,644

Reconciliation of profit for the year to net cash flows from operating activities:

Net profit for the year	**115,019**	76,936
Adjustments:		
Net (gain)/loss on fair value of investment properties	**(14,697)**	15,137
Gain on fair value of derivatives	**(14,144)**	(4,816)
Change in deferred rent and lease incentives	**6,931**	4,708
Change in capitalised leasing fees	**2,295**	1,520
Borrowing cost amortisation	**754**	696
Changes in operating assets and liabilities:		
Increase in receivables	**(2,080)**	(2,106)
(Increase)/decrease in other assets	**(833)**	314
Increase in payables	**2,785**	13,146
Net cash generated by operating activities	**96,030**	105,535

Cash and cash equivalents comprise of cash on hand and cash in banks.

D Trust structure

D1 Interest in material subsidiaries

Recognition and measurement

(i) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Trust elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Trust acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved where the Trust is exposed to, or has rights to, the variable returns from its involvement with an entity and has the ability to affect these returns through its power over the entity.

The Trust accounts for business combinations using the acquisition method when control is transferred to the Trust. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. When the Trust loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which control commences until the date on which control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets attributable to unit holders of consolidated subsidiaries are identified separately from the Trust's unit holders. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(iii) Subsidiaries

The consolidated financial statements include the assets, liabilities and results of Centuria Office REIT and the subsidiaries it controls. Subsidiaries are entities controlled by the Trust in accordance with AASB 10. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

The Trust uses the purchase method of accounting to account for the acquisition of subsidiaries. Intercompany transactions, balances and recognised gains on transactions between Trust entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

D1 Interest in material subsidiaries (continued)

Recognition and measurement (continued)

(iii) Subsidiaries (continued)

Name of entity	Country of domicile	Class of units	Equity interest 30 June 2022 %	30 June 2021 %
Centuria Urban REIT	Australia	Ordinary	100	100
Centuria Urban REIT Sub Trust	Australia	Ordinary	100	100
Centuria Urban REIT Sub Trust No. 2	Australia	Ordinary	100	100
Centuria Metropolitan REIT No. 2	Australia	Ordinary	100	100
Centuria Metropolitan Property Trust	Australia	Ordinary	100	100

D2 Related parties

Key management personnel

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

Peter Done		
Matthew Hardy		
Darren Collins		
Nicholas Collishaw	Resigned 30 August 2021	
Nicole Green	Appointed 2 July 2021	Resigned 27 January 2022
Elizabeth McDonald	Appointed 1 March 2022	

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

Key management personnel loan disclosures

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

Responsible entity fees and other transactions

The Responsible Entity is entitled to a management fee which is calculated at 0.60% of the gross value of assets held plus GST, however, the Responsible Entity has elected to charge a management fee calculated at 0.55% of the gross value of assets held plus GST.

Centuria Property Services Pty Limited undertakes property and facility management services of all properties in the Trust. These fees are benchmarked to market rates at least every 2 years. These fees are calculated as a percentage of annualised gross income between 2.5% up to a total of 4.0% and vary based on the service level and scope required of each property. The fees are outlined in the relevant property and facility management services agreements in place for each property and are sometimes are recovered from tenants depending on the lease agreements.

Custodian fees are paid to the custodians. Custody fees paid to Centuria Property Funds Limited are calculated in relation to some of the Trust's assets and in accordance with the constitution at a rate of 0.05% of the Fund's gross assets.

On 14 March 2023, the Trust acquired an additional 50% share in 203 Pacific Highway, St Leonards NSW from an unlisted Centuria syndicate, Centuria 203 Pacific Highway Fund. The settlement occurred after approval was obtained from the unitholders of Centuria 203 Pacific Pacific Highway Fund and Centuria Office REIT.

On 30 June 2022, the Trust acquired 57 Wyatt St, Adelaide SA from a subsidiary of Centuria Capital Group.

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

At reporting date, an amount of $1,534,679 (2021: $2,107,940) owing to the Responsible Entity and its related parties was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices. The following fees were paid and/or payable to the Responsible Entity and its related parties from the Trust and all subsidiaries during the financial year:

	30 June 2022	30 June 2021
Management fees	**12,667,953**	11,543,457
Property management fees	**3,218,878**	2,726,904
Facility management fees	**1,906,299**	1,632,280
Leasing fees	**939,598**	1,755,223
Custodian fees	**858,695**	790,934
Project management fees	**746,443**	1,154,135
Administration fees	**334,414**	256,307
Due diligence acquisition fees	**50,000**	100,000
	20,722,280	19,959,240

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

Related party investments held by the Fund

At 30 June 2022, the Fund did not hold any units in related parties to the Responsible Entity (30 June 2021: nil).

D2 Related parties (continued)

Units in the Trust held by related parties

At 30 June 2022, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
30 June 2022		
Centuria Capital No. 2 Office Fund	**85,433,773**	**14.30%**
Over Fifty Guardian Friendly Society Limited	**14,861,980**	**2.49%**
Centuria Growth Bond Fund	**5,808,906**	**0.97%**
Centuria Capital No. 2 Fund	**3,396,219**	**0.57%**
Centuria Property Funds Limited	**2,263,375**	**0.38%**
Centuria Balanced Bond Fund	**957,413**	**0.16%**
Peter Done	**268,614**	**0.04%**
Simon Holt	**81,519**	**0.01%**
John McBain	**73,027**	**0.01%**
Darren Collins	**65,000**	**0.01%**
Matthew Hardy	**37,366**	**0.01%**
Jason Huljich	**3,896**	**0.01%**
Total	**113,251,088**	**18.96%**
30 June 2021		
Centuria Capital No. 2 Office Fund	75,233,773	14.62%
Over Fifty Guardian Friendly Society Limited	14,861,980	2.89%
Centuria Growth Bond Fund	5,808,906	1.13%
Centuria Capital No. 2 Fund	3,396,219	0.66%
Centuria Property Funds Limited	2,263,375	0.44%
Centuria Balanced Bond Fund	975,493	0.19%
Roger Dobson	205,128	0.04%
Peter Done	202,044	0.04%
Simon Holt	66,041	0.01%
Nicholas Collishaw	153,217	0.03%
John McBain	73,027	0.01%
Darren Collins	34,500	0.01%
Matthew Hardy	32,316	0.01%
Jason Huljich	3,896	0.01%
Total	**103,309,915**	**20.09%**

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

Other transactions within the Trust

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

D3 Parent entity disclosures

As at, and throughout the current and previous financial year, the parent entity of the Trust was Centuria Office REIT. The table below represents the stand alone financial position and performance of Centuria Office REIT. This table does not include the performance and financial position of its subsidiaries and the parent entity's investment in underlying subsidiaries are measuring at fair value. Accordingly, the amounts reflected above may be different from the consolidated financial statements

D3 Parent entity disclosures (continued)

	30 June 2022 $'000	30 June 2021 $'000
Results of parent entity		
Profit for the year	**115,019**	76,936
Total comprehensive income for the year	**115,019**	76,936

At reporting date, Centuria Office REIT has not entered into any guarantees or commitments to purchase property plant and equipment.

	30 June 2022 $'000	30 June 2021 $'000
Financial position of parent entity at year end		
Assets		
Current assets	**428**	221
Non-current assets	**1,530,880**	1,313,820
Total assets	**1,531,308**	1,314,041
Liabilities		
Current liabilities	**1,919**	2,096
Non-current liabilities	**36,887**	36,954
Total liabilities	**38,806**	39,050
Equity		
Issued capital	**1,484,579**	1,283,138
Retained earnings	**7,922**	(8,146)
Total equity	**1,492,501**	1,274,992

E Other notes

E1 Auditor's remuneration

	30 June 2022 $'000	30 June 2021 $'000
KPMG:		
Audit and review of financials	**161**	138

E2 Financial instruments

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair value in the financial statements. All financial instruments are measured at amortised cost with the exception of the derivative financial instruments. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during the period.

Independent valuations are obtained from third parties to support the fair value measurement of financial instruments at each reporting date to meet the requirements of International Financial Reporting Standards.

Valuation techniques

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

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

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

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

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

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

Capital management

The capital structure of the Trust consists of cash and cash equivalents and the proceeds from the issue of the units of the Trust.

The Trust's overall investment strategy remains unchanged from the prior year.

Financial risk management objectives

The Trust is exposed to a variety of financial risks as a result of its activities. These potential risks include market risk (interest rate risk), credit risk and liquidity risk. The Trust’s risk management and investment policies seek to minimise the potential adverse effects of these risks on the Trust’s financial performance.

E2 Financial instruments (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust’s activities expose it primarily to the financial risks of changes in interest rates. The Trust enters into derivative financial instruments to manage its exposure to interest rate risk and these include interest rate swaps that the Trust has entered into to mitigate the risk of rising interest rates.

There has been no change to the Trust’s exposure to market risks or the manner in which it manages and measures the risk from the previous year.

Interest rate risk management

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at reporting date:

		30 June 2022		30 June 2021	
	Note	Effective interest rate	Total $'000	Effective interest rate	Total $'000
Financial assets					
Cash and cash equivalents		**0.01%**	**26,558**	0.01%	15,644
Trade and other receivables		**-%**	**7,450**	-%	5,369
Interest rate swaps		**0.56%**	**7,133**	-%	-
			41,141		21,013
Financial liabilities					
Borrowings (excluding borrowing costs)		**2.17%**	**832,004**	1.60%	704,329
Interest rate swaps		**-%**	**-**	0.80%	7,240
			832,004		711,569

Interest rate sensitivity

The sensitivity analysis below has been determined based on the Trust’s exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates.

At reporting date, if variable interest rates had been 100 (2021: 100) basis points higher or lower and all other variables were held constant, the impact to the Trust would have been as follows:

		Sensitivity impact	
	Variable + / -	Rate increase $'000	Rate decrease $'000
30 June 2022			
Net profit/(loss)	100 bps	**3,070**	(3,100)
		3,070	(3,100)
30 June 2021			
Net profit/(loss)	100 bps	7,681	(12,911)
		7,681	(12,911)

The Trust’s sensitivity to interest rates calculated above is after taking into account the impact of interest rate changes on the interest rate swap fair values. The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

E2 Financial instruments (continued)

Credit risk

The Trust has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Trust's exposure and the credit ratings of its counterparties are continuously monitored by the Responsible Entity.

At 30 June 2022, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2022. Refer to Note C1 for details of trade receivables.

The credit risk on receivables is minimal because of the proven remittance history of the counterparties. Credit risk from balances with banks and financial institutions is managed by the Responsible Entity in accordance with the Trust's investment policy. Cash investments are made only with approved counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Liquidity risk

The Trust's strategy of managing liquidity risk is in accordance with the Trust's investment strategy. The Trust manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and aligning the profiles of financial assets and liabilities.

The following tables summarise the maturity profile of the Trust's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trust can be required to pay. The tables include both interest and principal cash flows:

	Effective interest rate	Total principal and interest $'000	Less than 1 year $'000	1 to 5 years $'000	5+ years $'000
30 June 2022					
Trade and other payables	**-%**	**16,177**	**16,177**	**-**	**-**
Borrowings	**2.17%**	**918,588**	**24,222**	**819,277**	**75,089**
		934,765	**40,399**	**819,277**	**75,089**
30 June 2021					
Trade and other payables	-%	15,436	15,436	-	-
Borrowings	1.60%	752,430	11,288	447,458	293,684
Derivative financial instruments	0.80%	3,929	2,008	1,921	-
		771,795	28,732	449,379	293,684

The principal amounts included in the above borrowings is $832 million (2021: $704 million).

E3 Events subsequent to reporting date

Subsequent to 30 June 2022, COF completed $257.5 million of debt refinancing and added an additional $50 million of headroom taking its total debt facilities to $962.5 million, across a diversified pool of six lenders.

The debt refinancing increased the REIT's weighted average debt maturity to 3.7 years with no debt tranche expiring until FY25. Despite the increased tenure, there has been no material change to the weighted average debt margin. Debt covenants of a 50% loan to value ratio and 2.0x interest cover ratio apply to the new and extended debt facilities, in line with existing covenants.

Other than the above, there are no other matters or circumstances which have arisen since the end of the period and the date of this report, in the opinion of the Responsible Entity, which significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

E4 Additional information

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

Registered office:
Level 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

Principal place of business:
Level 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

Directors' declaration

For the year ended 30 June 2022

In the opinion of the Directors' of Centuria Property Funds Limited, the Responsible Entity of Centuria Office REIT ('the Trust'):

(a) the consolidated financial statements and notes set out on pages 7 to 33 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Trust's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and

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

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

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

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

Matthew Hardy
Director

Darren Collins
Director

Sydney
2 August 2022

Independent Auditor's Report

To the unitholders of Centuria Office REIT

Opinion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

This matter was addressed in the context of our audit of the Financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th colspan="2">Valuation of investment property ($2,366.8m)</th></tr>
<tr><td colspan="2">Refer to Note C2 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The valuation of investment properties is a key audit matter as they are significant in value (being 98.2% of total assets) and contain assumptions with estimation uncertainty.
The properties being valued at fair value increased the judgment applied by us when evaluating evidence available.
The Group approached the uncertainty risk, including consideration of the recent economic uncertainties, using internal methodologies and through the use of external valuation experts.
We focused on the significant forward-looking assumptions the Group applied in external and internal valuation models with a consideration to the impact of economic uncertainty including:

Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties;
Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and
Forecast cash flows: net market rent assumptions.

In assessing this Key Audit Matter, we involved our real estate valuation specialists, who understand the Group's investment profile and business, and the economic environment it operates in.
We paid particular attention to knowledge and sources of information available regarding market conditions specific to year end.
</td><td>
Our procedures included:

Understanding the Group's process regarding the valuations of investment property, including specific considerations of the impact of recent changes in interest rates and inflation and the resulting valuation approach;
Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group policies;
Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers.

Working with our real estate valuation specialists:

Gaining an understanding of prevailing market conditions, including existence of market transactions, and
Performing a risk assessment of the investment property portfolio by assessing key assumptions and metrics including the capitalisation rate, discount rate, weighted average lease expiry and market rents to identify investment properties with significant valuation movements and outliers in key assumptions.

For externally valued investment properties:

Taking into account the asset classes, geographies and characteristics of individual investment properties, assessing the appropriateness of adopted discount and cap rates through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties;
Testing, on a sample basis, other key inputs to the investment property valuations such as net market rent, occupancy rate, lease

</td></tr>
</table>

	terms, for consistency to existing lease contracts; • Assessing sources of information for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Group's investment properties values; • Enquiring with the external valuers on a sample basis to challenge the investment property valuation methodology and the assumptions applied in the external valuations. For internally valued investment properties: • Taking into account the asset classes, geographies and characteristics of individual investment properties, assessing the appropriateness of adopted discount and cap rates through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties; • Comparing the advice obtained from the external valuers on the weighted average change in capitalisation rates, including any outliers, to the capitalisation rates applied in the Directors' internal valuations of investment properties For financial statement disclosure: • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements. This was considered in light of changes and economic uncertainty that existed at balance date and up until issuance of our audit report.

Other Information

Other Information is financial and non-financial information in Centuria Office REIT's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Centuria Property Funds Limited (the Responsible Entity) are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, Corporate Governance Statement and Additional stock exchange Information. The Letter from the Chairman & Fund Manager, portfolio overview and portfolio profile are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Peter Zabaks
Partner
Sydney
2 August 2022

Corporate Governance Statement

The corporate governance statement for the Trust was last updated on 21 September 2021 and is available on the Centuria website at https://centuria.com.au/centuria-capital/corporate/sustainability/governance/.

Additional stock exchange information

As at 25 July 2022

Distribution of units

Holding	Number of units	Number of holders	Percentage of total (%)
1 - 1000	520,261	1,291	0.1
1,001 - 5,000	7,742,420	2,519	1.3
5,001 - 10,000	13,311,160	1,739	2.2
10,001 - 100,000	76,809,289	2,931	12.9
100,001 and over	498,953,801	193	83.5
Total	**597,336,931**	**8,673**	**100.0**

Top 20 unit holders

	Number of units	Percentage of issued units
HSBC CUSTODY NOMINEES	207,838,021	34.79
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	85,433,773	14.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	72,373,272	12.12
CITICORP NOMINEES PTY LIMITED	45,385,701	7.60
NATIONAL NOMINEES LIMITED	14,059,516	2.35
BNP PARIBAS NOMS PTY LTD <DRP>	9,429,169	1.58
CENTURIA FUNDS MANAGEMENT LIMITED	3,396,219	0.57
BINET PTY LTD	3,379,593	0.57
CENTURIA PROPERTY FUNDS LIMITED	2,263,375	0.38
BNP PARIBAS NOMINEES PTY LIMITED <IB AU NOMS RETAILCLIENT DRP>	2,054,877	0.34
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,843,673	0.31
CHARTER HALL WSALE MNGT LTD	1,500,000	0.25
G C F INVESTMENTS PTY LTD	1,400,000	0.23
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,278,778	0.21
KOLL PTY LTD <NO 1 ACCOUNT>	1,270,000	0.21
SWORD EQUITY INVESTMENTS PTY LTD	1,250,000	0.21
SOUTH CREEK INVESTMENTS PTY LTD	1,206,077	0.20
HORRIE PTY LTD	1,168,540	0.20
ARCHERNAR PTY LTD	1,090,462	0.18
TRISTAR METALS PTY LTD	1,000,000	0.17
	458,621,046	**76.77**

Substantial unit holders

	Number of units	Percentage of total (%)
PEJR Investments Pty Ltd	63,718,297	10.67
THE VANGUARD GROUP, INC.	53,421,706	8.94
HWM (NZ) Holdings Ltd.	50,887,204	8.52
Blackrock, Inc	38,658,027	6.47
Total	**206,685,234**	**34.60**

Voting rights

All units carry one vote per unit without restriction.