

Centuria

**Centuria Office REIT
and its subsidiaries**

ARSN 124 364 718

**Interim Financial Report
For the half-year ended 31 December 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 half-year ended 31 December 2022

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Office REIT ('COF') present their report, together with the consolidated interim financial report of the Trust and its subsidiaries ('the Trust') for the half-year ended 31 December 2022 and the independent auditor's review report thereon.

Directors of the Responsible Entity

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

Name	Appointed	Directorship of listed companies
Matthew Hardy	4 July 2013	
Darren Collins	10 March 2015	
Elizabeth McDonald	1 March 2022	
Peter Done	5 December 2007	Centuria Capital Limited

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

Name	Appointed
Anna Kovarik	5 July 2018

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

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

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

Principal activities

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

The principal activity of the Trust was 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 half-year.

Significant change in the state of affairs

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

Review of operations

Results

The results of the operations of the Trust are disclosed in the consolidated interim statement of profit or loss and other comprehensive income of this interim financial report. The Trust's statutory loss for the half-year ended 31 December 2022 was \$17,363,000 (31 December 2021: \$63,630,000 profit).

The Trust's Net Tangible Assets ('NTA') have decreased \$0.10 per unit or 4.0% to \$2.40 as at 31 December 2022 (30 June 2022: \$2.50 per unit).

The Funds From Operations ('FFO') for the half-year ended 31 December 2022 was \$48.6 million.

For the half-year ended 31 December 2022, total distributions of 7.05 cpu was declared which compared to 8.1 cents of FFO per weighted average unit, representing a payout ratio of 87%.

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

Review of operations (continued)

Results (continued)

	31 December 2022	31 December 2021
	\$'000	\$'000
Net (loss)/profit for the period	(17,363)	63,630
Adjustments:		
Loss/(gain) on fair value of investment properties	51,367	(11,677)
Loss/(gain) on fair value of derivatives	1,540	(5,427)
Rent free and abatement	7,642	6,251
Straight-lining of rental income	486	(2,302)
Amortisation of incentives and leasing fees	4,899	4,233
Adjustments for AASB 16 Leases	(16)	(36)
Funds From Operations	48,555	54,672

Investment property valuations

The total value of the Trust's portfolio as at 31 December 2022 was \$2,341 million (30 June 2022: \$2,367 million).

The weighted average capitalisation rate for the portfolio was 5.75% as at 31 December 2022 (30 June 2022: 5.58%).

Leasing and occupancy

The Trust secured 15,084 square metres ('sqm') of leases across 21 transactions for the half-year ended 31 December 2022. This represented 5.0% of the portfolio's net lettable area. A further 15,336 sqm of signed Heads of Agreement for new leases were secured during the half-year ended 31 December 2022. This represented 5.0% of the portfolio's net lettable area.

At 31 December 2022 the Trust's portfolio was 96.4% occupied with a Weighted Average Lease Expiry ('WALE') of 4.2 years. As at 31 December 2022, FY23 lease expiries represent 3.6% of portfolio income.

Capital management

As at 31 December 2022, the Trust had a multi-bank debt facility totalling \$962.5 million (30 June 2022: \$912.5 million) with a weighted average expiry of 3.4 years (30 June 2022: 3.6 years). Drawn borrowings totalled \$861.0 million (30 June 2022: \$832.0 million). The annualised all-in interest cost for the period (made up of interest expense and line fees) for the period is 3.4% (Half-year 2022: 2.3%). For the period ended 31 December 2022, 54.4% of the average drawn debt was hedged (30 June 2022: 66.3%). The Trust's gearing at 31 December 2022 was 35.6% (30 June 2022: 33.8%).

Outlook

The Responsible Entity's strategy and ongoing focus remains unchanged. The Responsible Entity continues to focus on actively managing the Trust's portfolio, with an emphasis on tenant retention to ensure income and occupancy are maximised. This is coupled with the ongoing strategy to review asset allocations to provide a portfolio of quality 'fit for purpose' office real estate assets delivering quality and sustainable income streams.

The Responsible Entity confirms FFO guidance for the year ending 30 June 2023 is expected to be 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 half-year were:

	31 December 2022		31 December 2021	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	3.525	21,055	4.150	24,689
December quarter	3.525	21,055	4.150	24,719
Total	7.050	42,110	8.300	49,408

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	29 Dec 2022
Record date	30 Dec 2022
Distribution payment date	31 Jan 2023

Distribution reinvestment plan

The Trust did not activate the Distribution Reinvestment Plan ('DRP') for the September and December quarters.

Events subsequent to balance date

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

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Directors' report for half-year ended 31 December 2022.

Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' report and interim financial report.

Amounts in the Directors' report and interim financial report have been rounded off, in accordance with the instrument, to the nearest thousand dollars, unless otherwise indicated.

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



Matthew Hardy
Director



Darren Collins
Director

Sydney
2 February 2023



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 review of Centuria Office REIT for the half-year ended 31 December 2022 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

Peter Zabaks

Partner

Sydney

2 February 2023

Centuria Office REIT Interim Financial Report

For the half-year ended 31 December 2022

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Consolidated interim statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Revenue			
Rent and recoverable outgoings	B2	83,849	86,828
Total revenue		83,849	86,828
Other income			
Net gain on fair value of investment properties		-	11,677
Gain on fair value of derivative financial instruments		-	5,427
Interest income		-	1
Total other income		-	17,105
Total revenue and other income		83,849	103,933
Expenses			
Net loss on fair value of investment properties	C1	51,367	-
Rates, taxes and other property outgoings		24,735	22,315
Finance costs	B3	15,660	9,433
Management fees	D2	6,648	6,092
Loss on fair value of derivative financial instruments		1,540	-
Other expenses		1,185	1,123
Rental waivers and ECL expense		77	1,340
Total expenses		101,212	40,303
Net (loss)/profit for the period		(17,363)	63,630
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period		(17,363)	63,630
Basic and diluted earnings per unit			
Units on issue (cents per unit)		(2.91)	10.68

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

Consolidated interim statement of financial position

As at 31 December 2022

	31 December 2022	30 June 2022
	Note	\$'000
Assets		
Current assets		
Cash and cash equivalents		26,558
Trade and other receivables		7,450
Other assets		2,862
Derivative financial instruments	C3	2,251
Total current assets		39,121
Non-current assets		
Investment properties	C1	2,366,770
Derivative financial instruments	C3	4,882
Total non-current assets		2,371,652
Total assets		2,410,773
Liabilities		
Current liabilities		
Trade and other payables		32,385
Distributions payable		24,789
Total current liabilities		57,174
Non-current liabilities		
Borrowings	C2	828,504
Lease liability		32,594
Total non-current liabilities		861,098
Total liabilities		918,272
Net assets		1,492,501
Equity		
Issued capital	C4	1,484,579
(Accumulated losses)/Retained earnings		7,922
Total equity		1,492,501

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

Consolidated interim statement of changes in equity

For the half-year ended 31 December 2022

	Note	Issued capital \$'000	Retained earnings/ (Accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2021		1,283,138	(8,146)	1,274,992
Net profit for the period		-	63,630	63,630
Total comprehensive income for the period		-	63,630	63,630
Units issued		200,995	-	200,995
Distribution reinvestment plan ('DRP')		1,736	-	1,736
Equity raising costs		(4,858)	-	(4,858)
Distributions provided for or paid	B1	-	(49,408)	(49,408)
Balance at 31 December 2021		1,481,011	6,076	1,487,087
Balance at 1 July 2022		1,484,579	7,922	1,492,501
Net loss for the period		-	(17,363)	(17,363)
Total comprehensive loss for the period		-	(17,363)	(17,363)
Distributions provided for or paid	B1	-	(42,110)	(42,110)
Balance at 31 December 2022		1,484,579	(51,551)	1,433,028

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 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities			
Receipts from customers		95,105	92,942
Payments to suppliers		(38,494)	(30,299)
Interest paid		(16,421)	(7,886)
Interest received		-	1
Net cash generated by operating activities		40,190	54,758
Cash flows from investing activities			
Payments for investment properties		(29,924)	(232,955)
Net cash used in investing activities		(29,924)	(232,955)
Cash flows from financing activities			
Distribution paid		(45,847)	(45,913)
Proceeds from borrowings		29,000	107,675
Payments for borrowing costs		(490)	(434)
Proceeds from issue of units		-	202,731
Equity raising costs		-	(4,858)
Net cash (used in)/generated by financing activities		(17,337)	259,201
Net (decrease)/increase in cash and cash equivalents		(7,071)	81,004
Cash and cash equivalents at beginning of financial period		26,558	15,644
Cash and cash equivalents at end of period		19,487	96,648

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

Condensed notes to the interim financial report

For the half-year ended 31 December 2022

A About the report

A1 General information

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

Statement of compliance

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

The interim financial report does not include all of the notes and information required for the annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2022.

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

The interim financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds Limited, the Responsible Entity, on 2 February 2023.

Basis of preparation

The interim financial report has been prepared on the basis of historical cost, except for investment property and financial instruments which have been measured at fair value at the end of the reporting period. Cost is based on the fair value of the consideration given in exchange of assets. All amounts are presented in Australian dollars, which is the Trust's functional currency, unless otherwise noted.

Going concern

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

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

Net current liability position

The directors of the Responsible Entity note that the Trust is in a net current liability position of \$24.4 million as at 31 December 2022. Given the Trust has headroom in existing loan covenants and the ability to draw from the \$100 million of available funds in the facility to fund working capital requirements, has a 3.4 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 an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' report and interim financial report. Amounts in the Directors' report and the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Functional and presentation currency

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

Additional information

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

Registered office:

Level 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

Principal place of business:

Level 41, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

About the report

A2 Significant accounting policies

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

A3 Segment reporting

The Trust operates in one segment, being investment 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 Distributions

	31 December 2022		31 December 2021	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	3.525	21,055	4.150	24,689
December quarter	3.525	21,055	4.150	24,719
Total	7.050	42,110	8.300	49,408

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	29 December 2022
Record date	30 December 2022
Distribution payment date	31 January 2023

B2 Rental income

	31 December 2022	31 December 2021
	\$'000	\$'000
Rental income	72,961	72,492
Recoverable outgoings	11,374	12,034
Straight-lining of lease revenue	(486)	2,302
	83,849	86,828

B3 Finance costs

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

	31 December 2022	31 December 2021
	\$'000	\$'000
Interest expense	15,121	9,069
Borrowing costs	539	364
	15,660	9,433

C Trust's assets and liabilities

C1 Investment properties

	31 December 2022 \$'000	30 June 2022 \$'000
Opening balance	2,366,770	2,046,221
Capital improvements and associated costs	13,236	24,470
Capital developments and associated costs	9,302	-
Purchase price of investment properties	-	284,593
Stamp duty and other transaction costs	-	17,354
	<u>22,538</u>	<u>326,417</u>
Net (loss)/gain on fair value of investment properties	(51,367)	14,697
Change in deferred rent and lease incentives	3,112	(1,421)
Change in capitalised leasing fees	348	1,756
Disposals at fair value	-	(20,900)
	<u>(47,907)</u>	<u>(5,868)</u>
Closing balance	<u>2,341,401</u>	<u>2,366,770</u>

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$47,238,000 (30 Jun 22: \$43,778,000) and a right of use asset of \$31,366,000 (30 Jun 22: \$31,567,000).

Stamp duty and other associated costs incurred for property acquisitions are recognised and included in the initial measurement of the asset. However, these costs are written off on application of the fair value method through profit or loss.

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 22 Valuer	Last independent valuation date
	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 22 %	30 Jun 22 %	31 Dec 22 %	30 Jun 22 %		
NSW								
8 Central Ave, Eveleigh NSW*	205,500	210,000	5.13%	5.00%	6.13%	6.00%	C&W	Dec 2022
203 Pacific Hwy, St Leonards NSW^	138,000	138,000	5.75%	5.62%	6.25%	6.25%	Directors	Jun 2022
201 Pacific Hwy, St Leonards NSW*	106,500	107,500	5.63%	5.50%	6.38%	6.37%	KF	Dec 2022
9 Help St, Chatswood NSW	97,500	97,000	5.50%	5.25%	6.25%	6.00%	Directors	Jun 2022
77 Market St, Wollongong NSW	37,000	37,100	6.75%	6.50%	7.00%	6.75%	KF	Dec 2022
ACT								
2 Phillip Law St, Canberra ACT^	252,000	253,500	5.13%	5.00%	5.75%	5.75%	Directors	Jun 2022
60 Marcus Clarke St, Canberra ACT^	63,000	63,000	6.63%	6.50%	6.75%	6.75%	KF	Dec 2022
54 Marcus Clarke St, Canberra ACT^	23,400	24,900	7.00%	6.75%	7.00%	6.75%	M3	Dec 2022
QLD								
825 Ann St, Fortitude Valley QLD	158,000	161,000	6.00%	5.75%	6.25%	6.00%	Directors	Jun 2022
100 Brookes St, Fortitude Valley QLD	88,500	89,500	6.00%	5.75%	6.25%	6.00%	Directors	Jun 2022
154 Melbourne St, South Brisbane QLD	82,000	81,000	6.38%	6.00%	6.50%	6.25%	Directors	Jun 2022
438-517 Kingsford Smith Dr, Hamilton QLD	79,000	79,500	6.00%	6.00%	6.75%	6.50%	M3	Dec 2022
35 Robina Town Ctr Dr, Robina QLD	42,000	45,000	7.00%	7.00%	7.00%	7.25%	Colliers	Dec 2022
555 Coronation Dr, Brisbane QLD	41,000	45,600	6.50%	6.00%	7.00%	6.50%	M3	Dec 2022
VIC								
818 Bourke St, Docklands VIC	205,000	215,000	5.25%	5.12%	6.50%	6.00%	C&W	Dec 2022
101 Moray, South Melbourne VIC	204,000	203,700	5.00%	4.87%	5.88%	5.87%	Directors	Jun 2022
2 Kendall St, Williams Landing VIC	72,000	72,000	5.75%	5.62%	6.25%	6.25%	Directors	Jun 2022
576 Swan St, Richmond VIC	70,000	71,500	5.63%	5.25%	6.25%	6.00%	CBRE	Dec 2022
SA								
1 Richmond Rd, Keswick SA	44,700	44,000	6.50%	6.50%	6.75%	7.25%	JLL	Dec 2022
57 Wyatt St, Adelaide SA**	21,645	12,153	-%	-%	-%	-%		

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 22 Valuer	Last independent valuation date
	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 22 %	30 Jun 22 %	31 Dec 22 %	30 Jun 22 %		
WA								
235 William St, Northbridge WA	168,000	172,500	6.63%	6.50%	6.75%	6.75%	Directors	Jun 2022
144 Stirling St, Perth WA	73,250	73,250	6.50%	6.00%	6.88%	6.75%	C&W	Dec 2022
46 Colin St, Perth WA [~]	69,406	70,067	6.50%	6.25%	7.25%	6.25%	Directors	Jun 2022
	2,341,401	2,366,770						

* The Trust owns 50% of these properties.

** This property is under development and the fair value based on development progress is \$21.6m

[^] The Trust holds a leasehold interest in 46 Colin Street, Perth WA, 203 Pacific Highway, St Leonards NSW, 2 Phillip Law St, Canberra ACT, 60 Marcus Clarke St, Canberra ACT and 54 Marcus Clarke St ACT.

[~] 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 31 December 2022 is \$32.58 million.

The Trust's weighted average capitalisation rate for the period is 5.75% (30 Jun 22: 5.58%).

Trust's assets and liabilities

C1 Investment properties (continued)

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, as 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 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).

Fair Value at 31 December 2022	Capitalisation rate impact	
	+0.25%	-0.25%
\$'000	\$'000	\$'000
2,341,401	(95,335)	104,001

Trust's assets and liabilities

C2 Borrowings

	31 December 2022 \$'000	30 June 2022 \$'000
Non-current		
Secured loan	861,004	832,004
Borrowing costs	(3,451)	(3,500)
	<u>857,553</u>	<u>828,504</u>
	31 December 2022 \$'000	30 June 2022 \$'000
Facility limit	962,500	912,500
Facilities used - bank loans	(861,004)	(832,004)
Facilities used - bank guarantee	(1,496)	(1,496)
Facilities unused at reporting date - bank loans	<u>100,000</u>	<u>79,000</u>

As at 31 December 2022, the Trust had \$500.0 million (30 Jun 22: \$465.0 million), or 58.1% of interest rate swaps hedged against its drawn debt.

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

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

C3 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:

Type of contract	Classification	Maturity Date	Contracted Interest Rate	Notional Amount of Contract \$'000	Fair Value of contracts \$'000
31 December 2022					
Extendable interest rate swap	Current	24 Feb 2023	0.64%	100,000	629
Interest rate cap	Current	15 Jun 2023	2.25%	55,000	316
Interest rate swap	Current	15 Jun 2023	4.65%	25,000	(146)
Interest rate swap	Current	15 Oct 2023	2.90%	40,000	261
Interest rate swap	Current	15 Oct 2023	2.90%	40,000	262
Interest rate swap	Current	15 Nov 2023	3.35%	40,000	127
Interest rate swap	Non-current	16 May 2024	1.27%	60,000	2,315
Interest rate swap	Non-current	25 Jun 2024	0.70%	50,000	2,369
Interest rate swap	Non-current	15 Nov 2024	3.25%	30,000	395
Interest rate swap	Non-current	15 Dec 2024	2.90%	30,000	365
Interest rate swap	Non-current	15 Sep 2025	3.00%	30,000	665
				<u>500,000</u>	<u>7,557</u>

Trust's assets and liabilities

C3 Derivatives (continued)

Type of contract	Classification	Maturity Date	Contracted Interest Rate	Notional	Fair Value of
				Amount of Contract	contracts
				\$'000	\$'000
30 June 2022					
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	2.25%	55,000	512
Interest rate swap	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 June 2024	0.70%	50,000	2,577
				465,000	7,133

C4 Issued capital

	31 December 2022		30 June 2022	
	Units '000	\$'000	Units '000	\$'000
Opening balance	597,336	1,484,579	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	597,336	1,484,579

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

D Other notes

D1 Fair value of 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.

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 which has been identified as key management personnel.

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

Key management personnel loan disclosures

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

Responsible entity fees and other transactions

The Responsible Entity is entitled to a management fee which is calculated at 0.60% 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.

At reporting date an amount of \$279,281 (30 June 2022: \$1,534,679) owing to the Responsible Entity was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

Other notes

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

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

	31 December 2022 \$'000	31 December 2021 \$'000
Management fees	6,648	6,092
Property management fees	1,677	1,507
Facility management fees	1,029	904
Project management fees	746	363
Leasing fees	684	581
Custodian fees	451	413
Administration fees	171	118
Due diligence acquisition fees	-	50
	11,406	10,028

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

Units in the Trust held by related parties

At 31 December 2022, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
31 December 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	328,614	0.06%
Simon Holt	81,519	0.01%
Darren Collins	75,000	0.01%
John McBain	73,027	0.01%
Matthew Hardy	52,336	0.01%
Jason Huljich	3,896	0.01%
	113,336,058	18.98%

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%
Darren Collins	65,000	0.01%
John McBain	73,027	0.01%
Matthew Hardy	37,366	0.01%
Jason Huljich	3,896	0.01%
	113,251,088	18.96%

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

Other notes

D2 Related parties (continued)

Other transactions within the Trust

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

D3 Commitments

The Trust has committed to a construction project during the half-year period:

- 57 Wyatt Street, Adelaide SA: Estimated total development cost of \$40.2 million. As at 31 December the Trust has spent \$21.6 million on this development project.

D4 Events subsequent to reporting date

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.

Directors' declaration

For the half-year ended 31 December 2022

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

- (a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note A1 to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes A1 to D3 are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and giving a true and fair view of the Trust's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

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



Matthew Hardy
Director



Darren Collins
Director

Sydney
2 February 2023



Independent Auditor's Review Report

To the unitholders of Centuria Office REIT

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Office REIT (the Trust).

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 Office REIT does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Trust's** financial position as at 31 December 2022 and of its performance for the **half-year** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of profit or loss and other comprehensive income;
- Consolidated interim statement of financial position;
- Consolidated interim statement of changes in equity;
- Consolidated interim statement of cash flows;
- Notes A1 to D3 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises of the Trust and the entities it controlled at the half-year or from time to time during the interim period.

The **half-year** is the 6 months ended on 31 December 2022.

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 Interim Financial Report* section of our report.

We are independent of the Trust 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 these requirements.



Responsibilities of the Directors for the Interim Financial Report

The Directors of Centuria Property Funds Limited (the Responsible Entity of the Trust) 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 Trust's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Peter Zabaks

Partner

Sydney

2 February 2023