

Centuria

**Centuria Office REIT
and its subsidiaries**

ARSN 124 364 718

**Interim Financial Report
For the half-year ended 31 December 2023**

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 2023

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 2023 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 other 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*

* Resigned on 17 November 2023.

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 2023 was \$99,388,000 (31 December 2022: \$17,363,000 loss).

The Trust's Net Tangible Assets ('NTA') have decreased \$0.22 per unit or 10.0% to \$1.98 as at 31 December 2023 (30 June 2023: \$2.20 per unit).

The Funds From Operations ('FFO') for the half-year ended 31 December 2023 was \$41.8 million.

For the half-year ended 31 December 2023, total distributions of 6.00 cpu were declared which compared to 7.00 cents of FFO per weighted average unit, representing a payout ratio of 85.7%.

Review of operations (continued)

Results (continued)

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:

	31 December 2023	31 December 2022
	\$'000	\$'000
Net loss for the period	(99,388)	(17,363)
Adjustments:		
Loss on fair value of investment properties	118,879	51,367
Loss on fair value of derivatives	8,751	1,540
Rent free and abatement	8,611	7,642
Straight-lining of rental income	142	486
Amortisation of incentives and leasing fees	4,825	4,899
Adjustments for AASB 16 Leases	(31)	(16)
Funds From Operations	41,789	48,555

Investment property valuations

The total value of the Trust's portfolio including held for sale as at 31 December 2023 was \$2,120 million (30 June 2023: \$2,268 million), a decrease of 6.6% for the half year period.

The weighted average capitalisation rate for the portfolio was 6.26% as at 31 December 2023 (30 June 2023: 6.00%).

Leasing and occupancy

The Trust completed 28,659 square metres ('sqm') of leasing across 23 transactions for the half-year ended 31 December 2023. This represented 9.7% of the portfolio's net lettable area.

At 31 December 2023, the Trust's portfolio was 96.2% occupied with a Weighted Average Lease Expiry ('WALE') of 4.4 years. As at 31 December 2023, FY24 expiries represent 4.5% of portfolio income.

Capital management

As at 31 December 2023, the Trust had a multi-bank debt facility totalling \$1,012.5 million (30 June 2023: \$1,012.5 million) with a weighted average expiry of 2.7 years (30 June 2023: 3.2 years). Drawn borrowings totalled \$894.3 million (30 June 2023: \$897.0 million). The annualised all-in interest cost for the period (made up of interest expense and line fees) for the period was 4.9% (30 June 2023: 4.3%). For the period ended 31 December 2023, 76.0% of the average drawn debt was hedged (30 June 2023: 69.0%). The Trust's gearing at 31 December 2023 was 40.9% (30 June 2023: 38.4%).

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 2024 is expected to be 13.8 cpu.

The 2024 financial year distribution guidance is 12.0 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 2023		31 December 2022	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	3.00	17,920	3.525	21,055
December quarter	3.00	17,920	3.525	21,055
Total	6.00	35,840	7.050	42,110

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 December 2023
Record date	29 December 2023
Distribution payment date	31 January 2024

Distribution reinvestment plan

The Trust did not activate the Distribution Reinvestment Plan ('DRP') during the half year ended 31 December 2023.

Events subsequent to balance date

On 23 June 2023, the Trust entered into a contract to sell 54 Marcus Clarke St, Canberra ACT for \$23.0 million. Settlement occurred on 23 January 2024.

Subsequent to the settlement of 54 Marcus Clarke Street, Canberra ACT, the Trust cancelled \$50 million of its debt facilities, which included a \$20 million repayment of drawn debt.

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.

Likely development

The Trust continues to pursue its strategy of focusing on its core operations, these operations along with key risks to the Trusts strategy are summarised below.

Investment property portfolio

The Trust invests in office property in Australia. These investments are located across a diverse range of geographic locations in a variety of states within Australia, enabling the optimisation of investment opportunities to support its growth objectives. The Trust will continue to identify the appropriate investment opportunities to meet investment returns and to provide a strong distribution.

The key risk to the performance of the underlying assets in the Trust is primarily market risks that can impact on the value of the Trust's assets both positively and negatively. Whilst these are predominately market driven factors, the Trust seeks to actively manage its assets through the economic / asset cycle to maximise tenancy and other value add opportunities in order to best position its property assets and optimise fund performance.

In addition, for any new acquisitions, the Trust has access to an experienced team of property specialists who ensure that each asset is subject to a robust due diligence process and process for the analysis and approval of property acquisitions.

Likely development (continued)

Co-Investments

The Trust has some investments with co-owners. These investments are expected to continue to deliver returns to the Trust in line with the expected performance of the property investment were it wholly owned. The co-owners and the Trust have joint control on the financial and operational decision making on these co-owned assets and disagreement may impact on decisions made in relation to how an asset is managed. This risk is generally managed by regular and close engagement with co-investors and a co-owners agreement that sets out how investments disagreements are managed.

Developments

The Trust's existing investment property portfolio may include further development or redevelopment potential. Key risks to the future prospects for the Trust's development potential include the ability to execute projects that meet a feasibility assessment criteria, particularly where building costs are elevated. Increased costs, project overruns and the ability of building contractors to deliver against contracted obligations are material risks that may impact on the financial performance of the Trust. Management seeks to manage these risks by having a highly experienced development team assessing opportunities, applying a stringent feasibility assessment process, closely monitoring the progress of development projects and by partnering with well-regarded and capitalised building contractors.

Leasing and occupancy

Reduced leasing activity may result in reduced rental income streams affecting the Trust's performance and distributions. Whilst these are predominately market driven factors, the Trust seeks to actively manage its assets through the economic / asset cycle to maximise tenancy and other value add opportunities in order to best position its property assets and optimise trust performance.

Capital management

The Trust accesses capital markets and borrowings to fund acquisitions as well as capital improvement activities. The Trust borrows funds from multi-bank debt facilities which 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 Trust is exposed to a variety of financial risks as a result of these borrowings. 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.

Liability risk events

Assets in the portfolio are exposed to the potential for risk incidents that may cause damage to the property or require rectification. The Trust seeks to manage these risks by way of a comprehensive insurance policy covering the Trust's assets. These policies are set in consultation with the Trust's Insurance Brokers.

Each of the Trust's material risks are monitored and managed at a consolidated as well as subsidiary entity level, applying a strong risk management framework supported by a robust risk culture. An experienced and specialist management team and Board and Committee provide oversight of the management of material risks within the risk appetite set by the Board.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' report for half-year ended 31 December 2023.

Rounding of amounts

The Trust is a scheme 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.

Directors' report

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



Matthew Hardy
Director



Darren Collins
Director

Sydney
16 February 2024



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 2023 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

KPMG

Peter Zabaks

Partner

Sydney

16 February 2024

Centuria Office REIT Interim Financial Report

For the half-year ended 31 December 2023

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Consolidated interim statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Revenue			
Rent and recoverable outgoings	B2	84,940	83,849
Total revenue		84,940	83,849
Expenses			
Net loss on fair value of investment properties	C1	118,879	51,367
Rates, taxes and other property outgoings		26,614	24,735
Finance costs	B3	23,044	15,660
Management fees	D2	6,332	6,648
Loss on fair value of derivative financial instruments		8,751	1,540
Other expenses		708	1,185
Rental waivers and ECL expense		-	77
Total expenses		184,328	101,212
Net loss for the period		(99,388)	(17,363)
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(99,388)	(17,363)
Basic and diluted earnings per unit (cents per unit)		(16.64)	(2.91)

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 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		19,898	17,287
Trade and other receivables		8,165	9,000
Other assets		5,416	2,840
Investment properties held for sale	C2	63,500	63,000
Derivative financial instruments	C4	3,738	5,128
Total current assets		100,717	97,255
Non-current assets			
Investment properties	C1	2,056,066	2,205,554
Derivative financial instruments	C4	2,312	8,208
Total non-current assets		2,058,378	2,213,762
Total assets		2,159,095	2,311,017
Liabilities			
Current liabilities			
Trade and other payables		34,725	47,493
Distributions payable		17,920	21,056
Total current liabilities		52,645	68,549
Non-current liabilities			
Borrowings	C3	891,353	893,576
Lease liability		32,516	32,548
Derivative financial instruments	C4	1,465	-
Total non-current liabilities		925,334	926,124
Total liabilities		977,979	994,673
Net assets		1,181,116	1,316,344
Equity			
Issued capital	C5	1,484,579	1,484,579
Accumulated losses		(303,463)	(168,235)
Total equity		1,181,116	1,316,344

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 2023

	Note	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022		1,484,579	7,922	1,492,501
Net loss for the period		-	(17,363)	(17,363)
Total comprehensive income 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
Balance at 1 July 2023		1,484,579	(168,235)	1,316,344
Net loss for the period		-	(99,388)	(99,388)
Total comprehensive loss for the period		-	(99,388)	(99,388)
Distributions provided for or paid	B1	-	(35,840)	(35,840)
Balance at 31 December 2023		1,484,579	(303,463)	1,181,116

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 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities			
Receipts from customers		97,283	95,105
Payments to suppliers		(39,669)	(38,494)
Interest paid		(21,400)	(16,421)
Net cash generated by operating activities		<u>36,214</u>	<u>40,190</u>
Cash flows from investing activities			
Proceeds from sale of investment properties		38,149	-
Payments for investment properties		(30,023)	(29,924)
Net cash generated by/(used in) investing activities		<u>8,126</u>	<u>(29,924)</u>
Cash flows from financing activities			
Distribution paid		(38,976)	(45,847)
Proceeds from borrowings		32,000	29,000
Repayment of borrowings		(34,700)	-
Payments for borrowing costs		(53)	(490)
Net cash used in financing activities		<u>(41,729)</u>	<u>(17,337)</u>
Net increase/(decrease) in cash and cash equivalents		2,611	(7,071)
Cash and cash equivalents at beginning of financial period		<u>17,287</u>	<u>26,558</u>
Cash and cash equivalents at end of period		<u>19,898</u>	<u>19,487</u>

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 2023

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* adopted by the Australian Accounting Standards Board (AASB) 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 2023.

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 16 February 2024.

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.

Going concern

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

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

Rounding of amounts

The Trust is a scheme of the kind referred to in ASIC Legislative 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, in accordance with the instrument 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

A2 Significant accounting policies

In the current period, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. There was no material impact to the Interim Financial Report.

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 2023		31 December 2022	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	3.00	17,920	3.525	21,055
December quarter	3.00	17,920	3.525	21,055
Total	6.00	35,840	7.050	42,110

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 December 2023
Record date	29 December 2023
Distribution payment date	31 January 2024

B2 Rental income

	31 December 2023	31 December 2022
	\$'000	\$'000
Rental income	70,369	72,961
Recoverable outgoings	14,713	11,374
Straight-lining of lease revenue	(142)	(486)
	84,940	83,849

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 2023	31 December 2022
	\$'000	\$'000
Interest expense	22,514	15,121
Amortisation of borrowing costs	530	539
	23,044	15,660

C Trust's assets and liabilities

C1 Investment properties

	31 December 2023 \$'000	30 June 2023 \$'000
Opening balance	2,205,554	2,366,770
Capital improvements and associated costs	8,453	54,737
	<u>8,453</u>	<u>54,737</u>
Net loss on fair value of investment properties	(118,879)	(162,157)
Add back: fair value loss on investment properties sold during the period	1,143	-
	<u>(117,736)</u>	<u>(162,157)</u>
Change in deferred rent and lease incentives	1,775	4,470
Change in capitalised leasing fees	(1,480)	4,734
Transfer to held for sale	(40,500)	(63,000)
	<u>(40,205)</u>	<u>(53,796)</u>
Closing balance	<u>2,056,066</u>	<u>2,205,554</u>

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$53,277,000 (30 Jun 23: \$52,982,000) and a right of use asset of \$32,516,000 (30 Jun 23: \$31,164,000).

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 23 Valuer	Last independent valuation date
	31 Dec 23 \$'000	30 Jun 23 \$'000	31 Dec 23 %	30 Jun 23 %	31 Dec 23 %	30 Jun 23 %		
NSW								
8 Central Ave, Eveleigh NSW*	190,000	201,000	5.75%	5.38%	6.75%	6.38%	C&W	Dec 2023
203 Pacific Hwy, St Leonards NSW^	124,000	129,000	6.25%	6.13%	7.00%	6.75%	Directors	Jun 2023
9 Help St, Chatswood NSW	92,500	96,700	6.00%	5.75%	6.75%	6.50%	Directors	Jun 2023
201 Pacific Hwy, St Leonards NSW*	86,000	92,500	6.25%	6.00%	7.00%	7.00%	JLL	Dec 2023
77 Market St, Wollongong NSW	35,000	37,000	7.13%	6.75%	7.50%	7.00%	KF	Dec 2023
ACT								
2 Phillip Law St, Canberra ACT^	228,500	234,000	5.75%	5.50%	6.50%	6.13%	Directors	Jun 2023
60 Marcus Clarke St, Canberra ACT^	60,100	63,000	7.00%	6.75%	7.25%	7.00%	M3	Dec 2023
QLD								
825 Ann St, Fortitude Valley QLD	141,000	152,400	6.75%	6.25%	7.00%	6.25%	Savills	Dec 2023
154 Melbourne St, South Brisbane QLD	85,500	86,000	6.75%	6.38%	7.00%	6.50%	Directors	Jun 2023
100 Brookes St, Fortitude Valley QLD	82,200	82,900	6.75%	6.25%	6.75%	6.13%	Directors	Jun 2023
485-517 Kingsford Smith Dr, Hamilton QLD	73,000	77,500	6.63%	6.38%	7.13%	6.75%	Savills	Dec 2023
555 Coronation Dr, Brisbane QLD	36,000	41,000	7.50%	6.75%	7.50%	7.00%	C&W	Dec 2023
VIC								
818 Bourke St, Docklands VIC	189,000	202,000	6.00%	5.50%	6.75%	6.50%	C&W	Dec 2023
101 Moray, South Melbourne VIC	181,000	190,000	5.50%	5.25%	6.25%	6.00%	Directors	Jun 2023
2 Kendall St, Williams Landing VIC	67,500	70,000	6.25%	6.00%	6.75%	6.50%	Directors	Jun 2023
584 Swan St, Richmond VIC	59,500	70,500	6.63%	5.88%	7.37%	6.38%	C&W	Dec 2023
SA								
1 Richmond Rd, Keswick SA**	-	44,500	-%	6.75%	-%	7.00%	Savills	Dec 2023
57 Wyatt St, Adelaide SA	36,000	38,100	6.00%	5.75%	6.50%	6.50%	Savills	Dec 2023

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 23 Valuer	Last independent valuation date
	31 Dec 23 \$'000	30 Jun 23 \$'000	31 Dec 23 %	30 Jun 23 %	31 Dec 23 %	30 Jun 23 %		
WA								
235 William St, Northbridge WA	151,000	155,000	6.25%	6.75%	7.00%	7.25%	Directors	Jun 2023
46 Colin St, Perth WA ^{^~}	69,766	69,454	6.75%	6.50%	7.25%	7.00%	Directors	Jun 2023
144 Stirling St, Perth WA	68,500	73,000	7.00%	6.50%	7.00%	6.88%	C&W	Dec 2023
	2,056,066	2,205,554						

* The Trust owns 50% of these properties.

** 1 Richmond Rd, Keswick SA was transferred to investment properties classified as held for sale (Note C2).

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

[~] A right of use asset on the ground lease at 46 Colin Street, Perth WA is included in the fair value of the property. The carrying value of the lease liability as at 31 December 2023 is \$32.52 million.

The Trust's weighted average capitalisation rate for the period is 6.26% (30 Jun 23: 6.00%).

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 2023	Capitalisation rate impact	
	-0.25%	+0.25%
\$'000	\$'000	\$'000
2,056,066	85,534	(78,966)

Trust's assets and liabilities

C2 Investment properties classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable or the asset is available for immediate sale in its present condition.

	31 December 2023 \$'000	30 June 2023 \$'000
54 Marcus Clarke St, Canberra ACT*	23,000	23,000
1 Richmond Rd, Keswick SA	40,500	-
35 Robina Town Ctr Dr, Robina QLD	-	40,000
	<u>63,500</u>	<u>63,000</u>

*The Trust holds a leasehold interest in 54 Marcus Clarke St, Canberra ACT.

On 23 June 2023, the Trust entered into a contract to sell 54 Marcus Clarke St, Canberra ACT for \$23.0 million. Settlement occurred on 23 January 2024.

On 11 May 2023, the Trust entered into a put and call option agreement to sell 35 Robina Town Centre Drive, Robina QLD for \$40.0 million. The buyer exercised the call option and the sales contract was executed on 24 July 2023. Settlement occurred on 31 August 2023.

C3 Borrowings

	31 December 2023 \$'000	30 June 2023 \$'000
Non-current		
Secured loans	894,304	897,004
Borrowing costs	(2,951)	(3,428)
Total borrowings	<u>891,353</u>	<u>893,576</u>
	31 December 2023 \$'000	30 June 2023 \$'000
Facility limit	1,012,500	1,012,500
Facilities used - bank loans	(894,304)	(897,004)
Facilities used - bank guarantee	(1,496)	(1,496)
Facilities unused at reporting date - bank loans	<u>116,700</u>	<u>114,000</u>

As at 31 December 2023, the Trust had \$680.0 million (30 Jun 23: \$620.0 million), or 76.0% (30 Jun 23: 69.0%) 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 loans have covenants in relation to Loan to Value Ratio ('LVR') and Interest Coverage Ratio ('ICR') which the Trust has complied with during the period.

C4 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:

Trust's assets and liabilities

C4 Derivatives (continued)

Type of contract	Classification	Maturity date	Contracted interest rate	Notional amount of contract \$'000	Fair value of contracts \$'000
Current assets					
31 December 2023					
Interest rate swap	Current	16 May 2024	1.27%	60,000	683
Interest rate swap	Current	15 Jun 2024	3.10%	50,000	281
Interest rate swap	Current	25 Jun 2024	0.70%	50,000	865
Interest rate swap	Current	15 Sep 2024	2.02%	30,000	469
Interest rate swap	Current	16 Sep 2024	1.89%	50,000	828
Interest rate swap	Current	15 Nov 2024	3.25%	30,000	249
Interest rate swap	Current	15 Dec 2024	2.90%	30,000	363
				300,000	3,738

Type of contract	Classification	Maturity date	Contracted interest rate	Notional amount of contract \$'000	Fair value of contracts \$'000
Non-current assets					
31 December 2023					
Interest rate swap	Non-current	15 Jun 2025	3.43%	25,000	219
Interest rate swap	Non-current	16 Jun 2025	3.44%	75,000	650
Interest rate swap	Non-current	15 Jun 2026	3.10%	50,000	890
Interest rate swap	Non-current	15 Jun 2026	3.39%	50,000	553
				200,000	2,312

Non-current liabilities					
31 December 2023					
Interest rate swap	Non-current	15 Dec 2025	4.29%	80,000	(518)
Interest rate swap	Non-current	15 Sep 2026	4.21%	100,000	(947)
				180,000	(1,465)

Type of contract	Classification	Maturity Date	Contracted Interest Rate	Notional amount of contract \$'000	Fair value of contracts \$'000
Current assets					
30 June 2023					
Interest rate swap	Current	16 Oct 2023	2.90%	40,000	223
Interest rate swap	Current	16 Oct 2023	2.90%	40,000	223
Interest rate swap	Current	15 Nov 2023	3.35%	40,000	169
Interest rate swap	Current	16 May 2024	1.27%	60,000	1,902
Interest rate swap	Current	15 Jun 2024	3.10%	50,000	718
Interest rate swap	Current	25 Jun 2024	0.70%	50,000	1,893
				280,000	5,128

Trust's assets and liabilities

C4 Derivatives (continued)

Type of contract	Classification	Maturity date	Contracted interest rate	Notional amount of contract \$'000	Fair value of contracts \$'000
Non-current assets					
30 June 2023					
Interest rate swap	Non-current	15 Nov 2024	3.25%	30,000	545
Interest rate swap	Non-current	15 Dec 2024	2.90%	30,000	498
Interest rate swap	Non-current	15 Jun 2025	3.43%	25,000	499
Interest rate swap	Non-current	16 Jun 2025	3.44%	75,000	1,486
Interest rate swap	Non-current	15 Sep 2025	3.00%	30,000	876
Interest rate swap	Non-current	15 Jun 2026	3.00%	50,000	1,364
Interest rate swap	Non-current	15 Jun 2026	3.10%	50,000	1,673
Interest rate swap	Non-current	25 Jun 2024	3.39%	50,000	1,267
				340,000	8,208

C5 Issued capital

	31 December 2023		30 June 2023	
	Units '000	\$'000	Units '000	\$'000
Opening balance	597,336	1,484,579	597,336	1,484,579
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.

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.

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 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
Elizabeth McDonald

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.

Other notes

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

At reporting date an amount of \$1,455,998 (30 June 2023: \$2,486,990) 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 during the period:

	31 December 2023 \$'000	31 December 2022 \$'000
Management fees	6,332	6,648
Property management fees	1,796	1,677
Facility management fees	1,158	1,029
Leasing fees	561	684
Custodian fees	484	451
Project management fees	417	746
Administration fees	345	171
	11,093	11,406

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 2023, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
31 December 2023		
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	47,646	0.01%
	113,379,808	18.98%

30 June 2023

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	47,646	0.01%
	113,379,808	18.98%

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

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

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 31 December 2023.

D4 Events subsequent to reporting date

On 23 June 2023, the Trust entered into a contract to sell 54 Marcus Clarke St, Canberra ACT for \$23.0 million. Settlement occurred on 23 January 2024.

Subsequent to the settlement of 54 Marcus Clarke Street, Canberra ACT, the Trust cancelled \$50 million of its debt facilities, which included a \$20 million repayment of drawn debt.

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.

Directors' declaration

For the half-year ended 31 December 2023

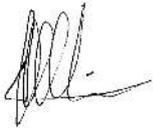
The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Office REIT ('the Trust'), declare that:

- (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) in the directors' opinion, the attached financial statements and notes A1 to D4 are in accordance with the Corporations Act 2001, including compliance with *AASB 134: Interim Financial Reporting*, 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 2023 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
16 February 2024



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 2023 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 D4 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 2023.

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 2023 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

16 February 2024