Centuria

Centuria Metropolitan REIT
and its subsidiaries

ARSN 124 364 718

Annual financial report
for the year ended 30 June 2019

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

Centuria Metropolitan REIT
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Directors' report

For the year ended 30 June 2019

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Metropolitan REIT ('CMA') present their report, together with the consolidated financial statements of the Trust and its subsidiaries ('the Trust') for the year ended 30 June 2019 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		Centuria Capital Limited, Redcape Hotel Group Management Ltd
Roger Dobson	1 October 2017		

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

Name	Appointed	Resigned
James Lonie	16 June 2017	5 July 2018
Anna Kovarik	5 July 2018	

Refer to Note D2 of the annual 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 securities 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 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.

During the year, the Trust completed the divestment of two industrial assets (13 Ferndell St, Granville NSW and 149 Kerry Rd, Archerfield QLD) to transition the Trust to represent Australia's largest pure play office REIT.

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 2019 was $53,572,000 (30 June 2018: $85,082,000).

As at 30 June 2019, the Trust's Net Tangible Assets ('NTA') remained at $2.49 per unit (30 June 2018: $2.49).

Investment property valuations

The total value of the Trust's portfolio as at 30 June 2019 was $1,400.0 million (30 June 2018: $872.3 million), an increase of 60.5% year on year.

Review of operations (continued)

Investment property valuations (continued)

The weighted average capitalisation rate for the portfolio firmed 46 basis points year on year to 6.22% as at 30 June 2019 (30 June 2018: 6.68%).

Leasing and occupancy

The Trust secured 31 leases across 21,758 square metres ('sqm') representing 10.0% of the portfolio's Net Lettable Area ('NLA') in the year ended 30 June 2019. This comprised of 18 new leases across 5,463 sqm and 13 renewals across 16,295 sqm. The leasing and occupancy risk for the year ending 30 June 2019 has been substantially reduced with only 8.5% of the portfolio expiring in the year ending 30 June 2020.

As at 30 June 2019, the Weighted Average Lease Expiry ('WALE') of the portfolio was 3.9 years (30 June 2018: 4.0 years) and the occupancy rate was 98.4% (30 June 2018: 98.9%).

Capital management

As at 30 June 2019, the Trust had a multi-bank debt facility totalling $555.0 million (30 June 2018: $320.0 million) with a weighted average expiry of 4.03 years (30 June 2018: 2.44 years). Drawn borrowings totalled $498.5 million (30 June 2018: $267.6 million), with an all in interest cost of 3.23% (30 June 2018: 3.63%) and 58% of the drawn debt hedged (30 June 2018: 60%). The Trust's gearing at 30 June 2019 was 34.2% (30 June 2018: 28.3%).

Outlook

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

The Trust's 2020 financial year distributable earnings guidance is expected to be in the range of 19.0 cpu. The 2020 financial year distribution guidance is 17.8 cpu which will be paid in equal quarterly instalments.

Distributions

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

	30 June 2019		**30 June 2018**	
	Cents per unit	**$'000**	**Cents per unit**	**$'000**
September quarter	**4.525**	**10,986**	4.525	9,807
December quarter	**4.358**	**15,527**	4.525	10,961
March quarter	**4.358**	**15,527**	4.525	10,986
June quarter	**4.358**	**15,527**	4.525	10,986
Total	**17.600**	**57,568**	18.100	42,740

Key dates in connection with the 30 June 2019 distribution are:

Event	**Date**
Ex-distribution date	27 June 2019
Record date	28 June 2019
Distribution payment date	9 August 2019

The distributions of 17.6 cpu are in line with the revised 2019 financial year guidance provided at the November 2018 capital raise and subsequently reaffirmed at the December 2018 half year result. The table below provides a reconciliation from the consolidated statement of profit or loss and other comprehensive income to the funds from operations for the year:

Review of operations (continued)

Distributions (continued)

	30 June 2019 $'000	30 June 2018 $'000
Net profit for the year	**53,572**	85,082
Adjustments		
Gain on fair value of investment properties	**(7,143)**	(41,957)
Loss on fair value of derivative financial instruments	**6,752**	646
Straight-lining of rental income	**(4,805)**	(3,927)
Amortisation of incentives and leasing fees	**1,955**	1,530
Transaction costs	**403**	448
One off refinancing costs	**6,682**	-
Rent free and abatement	**3,788**	2,316
Funds from operations	**61,204**	44,138

Distribution reinvestment plan

The Trust did not activate the Distribution Reinvestment Plan ('DRP') during the year ended 30 June 2019.

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 securities in the Trust during or since the end of the financial year.

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

No securities 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 securities in the Trust.

Events subsequent to balance 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 Fund, the results of those operations, or the state of affairs of the Fund, 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 2019 $'000	30 June 2018 $'000
Management fees	**6,867**	4,192
Property management fees	**2,726**	970
Custodian fees	**372**	164
Leasing fees	**249**	408
Due diligence acquisition fees	**150**	-
Project management fees	**147**	448
	10,511	6,182

Under the previous property management agreement, related party and external agent property management fees were billed and paid directly by the Trust. The revised agreement provides that Centuria Property Services Pty Limited ('CPS') as the manager, will pay all external agent property management fees on behalf of the Trust, and will recover these costs from the Trust as part of their billing process. As a result of this change, property management fees are higher compared to the prior period given it includes both external agent and related party property management fees.

Centuria Metropolitan REIT pay both external custodians and related party custodians for the custody services provided. Centuria Property Funds Limited ('CPFL') is the custodian for Centuria Urban REIT ('CUA') which is a subsidiary of Centuria Metropolitan REIT. The custodian fees above reflect the fees paid by the Trust to the related party custodian only for the assets under their custody.

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

Other Trust information

The number of securities in the Trust issued and redeemed during the financial year, and the balance of issued securities at the end of the financial year are disclosed in Note C9 to the financial statements.

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.

Peter Done
Director

Matthew Hardy
Director

Sydney
6 August 2019

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 Metropolitan REIT

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

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

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

KPMG

Nigel Virgo

Partner

Sydney

6 August 2019

Centuria Metropolitan REIT
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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Revenue			
Rent and recoverable outgoings	B2	**108,859**	77,049
Total revenue from continuing operations		**108,859**	77,049
Other income			
Interest income		**334**	195
Net gain on fair value of investment properties	C2	**7,143**	41,957
Other income		**8**	27
Total other income		**7,485**	42,179
Total revenue from continuing operations and other income		**116,344**	119,228
Expenses			
Rates, taxes and other property outgoings		**25,498**	18,537
Finance costs	B3	**22,110**	9,010
Loss on fair value of derivative financial instruments		**6,752**	646
Management fees	D2	**6,867**	4,192
Other expenses		**1,142**	1,313
Transaction costs		**403**	448
Profit from continuing operations for the year		**53,572**	85,082
Net profit for the year		**53,572**	85,082
Other comprehensive income			
Other comprehensive income for the period		**-**	-
Total comprehensive income for the period		**53,572**	85,082
Basic and diluted earnings per unit			
Basic earnings per unit (cents per unit)	B4	16.3	37.4

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 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C11	**17,546**	18,978
Trade and other receivables	C1	**4,080**	1,325
Other assets		**1,464**	940
Investment properties held for sale	C3	**78,500**	36,000
Total current assets		**101,590**	57,243
Non-current assets			
Investment properties	C2	**1,321,475**	836,300
Intangibles	C4	**6,356**	6,356
Other non-current assets	C5	**-**	2,912
Total non-current assets		**1,327,831**	845,568
Total assets		**1,429,421**	902,811
LIABILITIES			
Current liabilities			
Trade and other payables	C6	**14,924**	14,964
Distributions payable	B1	**15,527**	10,986
Total current liabilities		**30,451**	25,950
Non-current liabilities			
Borrowings	C7	**497,222**	265,961
Derivative financial instruments	C8	**7,180**	428
Total non-current liabilities		**504,402**	266,389
Total liabilities		**534,853**	292,339
Net assets		**894,568**	610,472
EQUITY			
Issued capital	C9	**833,320**	545,228
Retained earnings		**61,248**	65,244
Total equity		**894,568**	610,472

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Note	Issued capital $'000	Retailed earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2017		397,637	22,902	420,539
Net profit for the year		-	85,082	85,082
Total comprehensive income for the year		**-**	**85,082**	**85,082**
Units issued		150,450	-	150,450
Distribution reinvestment plan ('DRP')		2,272	-	2,272
Equity raising costs		(5,131)	-	(5,131)
Distributions provided for or paid	B1	-	(42,740)	(42,740)
Balance at 30 June 2018		**545,228**	**65,244**	**610,472**
Balance at 1 July 2018		545,228	65,244	610,472
Net profit for the year		-	53,572	53,572
Total comprehensive income for the year		**-**	**53,572**	**53,572**
Units issued	C9	275,845	-	275,845
Equity raising costs	C9	(7,753)	-	(7,753)
Distributions provided for or paid	B1	-	(57,568)	(57,568)
Contribution from manager	C9	20,000	-	20,000
Balance at 30 June 2019		**833,320**	**61,248**	**894,568**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers		**117,752**	85,619
Payments to suppliers		**(41,382)**	(28,582)
Interest received		**334**	195
Interest paid		**(19,158)**	(8,079)
Net cash generated by operating activities	C11	**57,546**	49,153
Cash flows from investing activities			
Proceeds from sale of investment properties		**56,038**	10,008
Payments for investment properties		**(578,525)**	(231,929)
Net cash used in investing activities		**(522,487)**	(221,921)
Cash flows from financing activities			
Distribution paid		**(53,027)**	(37,213)
Payments for borrowing costs		**(2,507)**	(368)
Proceeds from borrowings		**524,951**	143,027
Repayment of borrowings		**(294,000)**	(65,000)
Payments for derivative financial instruments		**-**	(2,206)
Equity issue costs		**(7,753)**	-
Contribution from manager		**20,000**	-
Proceeds from issue of units		**275,845**	150,450
Equity issue costs		**-**	(5,131)
Net cash generated by financing activities		**463,509**	183,559
Net (decrease)/increase in cash and cash equivalents		**(1,432)**	10,791
Cash and cash equivalents at beginning of financial period		**18,978**	8,187
Cash and cash equivalents at end of financial year	C11	**17,546**	18,978

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 2019

A About the report

A1 General information

Centuria Metropolitan 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 6 August 2019.

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 each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the 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.

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 2018 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.

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.

A2 Significant accounting policies (continued)

Use of estimates and judgements (continued)

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 (per Note C2), goodwill (per Note C4) and derivative financial instruments (per 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 metropolitan and business park 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 2019 Cents per unit	30 June 2019 $'000	30 June 2018 Cents per unit	30 June 2018 $'000
September quarter	**4.525**	**10,986**	4.525	9,807
December quarter	**4.358**	**15,527**	4.525	10,961
March quarter	**4.358**	**15,527**	4.525	10,986
June quarter	**4.358**	**15,527**	4.525	10,986
Total	**17.600**	**57,568**	18.100	42,740

Key dates in connection with the 30 June 2019 distribution are:

Event	**Date**
Ex-distribution date	27 June 2019
Record date	28 June 2019
Distribution payment date	9 August 2019

Distribution and taxation

Under current legislation the Trust is not subject to income tax when its taxable income (including assessable realised capital gains) is distributed in full to the security holders. The Trust ordinarily fully distributes its distributable income, calculated in accordance with the Trust constitution and applicable taxation legislation, to the security holders who are presently entitled to the income under the constitution.

Investments and financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed to security holders so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to security holders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the security holders.

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 2019 $'000	30 June 2018 $'000
Rental income	**87,234**	60,541
Recoverable outgoings	**16,820**	12,581
Straight-lining of lease revenue	**4,805**	3,927
	108,859	77,049

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.

B2 Revenue (continued)

Recognition and measurement (continued)

(i) Rental income (continued)

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

(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. Under AASB 118, recoverable outgoings revenue was recognised on an accruals basis based on the contract terms. On transition to AASB 15, these are not recognised over time as defined in the contract terms.

(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. Under the old accounting standard, the gain was only recognised when the risk and rewards had been transferred to the buyer. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

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 2019 $'000	30 June 2018 $'000
Interest expense	**19,293**	8,450
Amortisation of borrowing costs	**2,817**	560
	22,110	9,010

(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 net of the amount of goods and services tax (GST) 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 on a gross basis. 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 2019	30 June 2018
Basic and diluted earnings per CMA unit (cents per unit)	**16.3**	**37.4**
Earnings used in calculating basic and diluted earnings per unit ($'000)	**53,572**	85,082
Weighted average number of CMA units ('000)	**327,683**	227,637

C Trust's assets and liabilities

C1 Trade and other receivables

	30 June 2019 $'000	30 June 2018 $'000
Current		
Trade receivables	**1,013**	91
Other receivables	**3,067**	1,234
	4,080	1,325

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. Under the old standard, receivables are measured at amortised cost. On transition to AASB 9, the Trust's receivables continue to be measured at amortised cost. The new impairment model does not have a material impact on the Trust.

Refer to the policy application below and Note E3 for further details.

Policy application from 1 July 2018

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.

The Trust analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including forecasts of interest rates and inflation, as well as the financial stress of counterparties and their ability to operate as a going concern.

Debts that are known to be uncollectable are written off when identified.

C2 Investment properties

	30 June 2019 $'000	30 June 2018 $'000
Opening balance	**836,300**	609,950
Purchase price of investment properties	**562,492**	222,485
Stamp duty and other transaction costs	**32,652**	-
Capital improvements and associated costs	**10,941**	9,279
	606,085	231,764
Gain on fair value	**7,143**	41,957
Change in deferred rent and lease incentives	**4,108**	(1,323)
Change in capitalised leasing fees	**495**	281
Disposal at fair value	**(54,775)**	(10,300)
Disposed deferred rent and lease incentives	**619**	(29)
Transfers to held for sale	**(78,500)**	(36,000)
Closing balance^	**1,321,475**	836,300

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $22,004,000 (30 June 2018: $17,401,000).

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 2019 $'000	30 June 2018 $'000
Less than one year	**85,741**	56,050
Between one and five years	**220,918**	133,302
More than five years	**53,620**	27,338
	360,279	216,690

C2 Investment properties (continued)

Property	Fair value 30 June 2019 $'000	Fair value 30 June 2018 $'000	Capitalisation rate 30 June 2019 %	Capitalisation rate 30 June 2018 %	Discount rate 30 June 2019 %	Discount rate 30 June 2018 %	30 June 2019 Valuer	Last independent valuation date
NSW								
201 Pacific Hwy, St Leonards NSW*	**101,500**	85,000	**5.75**	6.50	**6.75**	7.50	Colliers	Jun 2019
9 Help St, Chatswood NSW	**84,000**	76,000	**5.75**	6.00	**7.00**	7.50	C&W	Jun 2019
203 Pacific Hwy, St Leonards NSW*^	**65,750**	57,000	**5.88**	6.50	**7.00**	7.75	M3	Jun 2019
465 Victoria Ave, Chatswood NSW**	**41,625**	-	**5.75**	-	**7.00**	-	Directors	Dec 2018
77 Market St, Wollongong NSW	**36,200**	34,600	**7.25**	7.00	**8.00**	8.00	Directors	Dec 2018
13 Ferndell St, Granville NSW	**-**	20,700	**-**	6.75	**-**	8.00		
ACT								
60 Marcus Clarke St, Canberra ACT^	**62,000**	63,500	**7.00**	7.00	**7.50**	7.75	Colliers	Jun 2019
54 Marcus Clarke St, Canberra ACT^	**21,250**	20,900	**7.50**	7.50	**7.75**	7.75	Directors	Jun 2018
QLD								
825 Ann St, Fortitude Valley QLD	**164,000**	-	**6.25**	-	**7.00**	-	Directors	Dec 2018
483-517 Kingsford Smith Dr, Hamilton QLD^^	**-**	78,000	**-**	6.25	**-**	7.50	Colliers	Jun 2019
154 Melbourne St, South Brisbane QLD	**83,500**	78,500	**6.50**	6.75	**7.50**	7.25	CBRE	Jun 2019
100 Brookes St, Fortitude Valley QLD	**79,500**	-	**6.25**	-	**7.25**	-	Directors	Dec 2018
35 Robina Town Ctr Dr, Robina QLD	**54,000**	55,250	**7.25**	7.13	**6.75**	7.00	Colliers	Jun 2019
555 Coronation Dr, Brisbane QLD	**29,000**	32,500	**7.75**	7.50	**8.00**	7.75	Directors	Dec 2018
149 Kerry Rd, Archerfield QLD	**-**	28,100	**-**	6.25	**-**	7.25		
VIC								
818 Bourke St, Docklands VIC	**224,000**	-	**5.25**	-	**6.50**	-	Directors	Dec 2018
576 Swan St, Richmond VIC	**68,000**	63,500	**5.50**	5.75	**6.75**	6.75	Colliers	Jun 2019
2 Kendall St, Williams Landing VIC	**64,300**	-	**5.88**	-	**7.00**	-	Directors	Dec 2018
SA								
1 Richmond Rd, Keswick SA	**36,100**	33,000	**7.50**	7.50	**7.75**	7.75	Directors	Jun 2018
131-139 Grenfell St, Adelaide SA	**17,000**	19,250	**7.75**	8.00	**8.00**	8.25	Savills	Jun 2019

C2 Investment properties (continued)

Property	Fair value 30 June 2019 $'000	Fair value 30 June 2018 $'000	Capitalisation rate 30 June 2019 %	Capitalisation rate 30 June 2018 %	Discount rate 30 June 2019 %	Discount rate 30 June 2018 %	30 June 2019 Valuer	Last independent valuation date
WA								
144 Stirling St, Perth WA	**54,500**	56,000	**7.50**	7.50	**7.75**	7.00	JLL	Jun 2019
46 Colin St, Perth WA^	**35,250**	34,500	**7.25**	7.50	**7.50**	7.00	JLL	Jun 2019
	1,321,475	836,300						

* The Trust owns 50% of these properties.
** The Trust owns 25% of 425 Victoria Avenue, Chatswood NSW.
^ The Trust holds a leasehold interest in these properties.
^^ At 30 June 2019, this property was classified as investment property held for sale. Refer to C3 for further details.

The Trust disposed of 149 Kerry Road, Archerfield QLD and 13 Ferndell Street, Granville NSW for a gross sale price of $30,550,000 and $24,225,000 respectively.

The Trust's weighted average capitalisation rate for the year is 6.22% (2018: 6.68%).

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 value 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
Capitalisation rate	Decrease	Increase	5.25% - 7.75%
Discount rate	Decrease	Increase	6.50% - 8.00%
Net market rent	Increase	Decrease	$250 - $632

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

C3 Investment properties held for sale

On 24 June 2019, the Board approved a proposal for the sale of 438-517 Kingsford Smith Dr, Hamilton QLD. The property was being actively marketed as at year end and as such is classified as investment property held for sale.

Property	30 June 2019 Fair value $'000	30 June 2018 Fair value $'000	30 June 2019 Capitalisation rate %	30 June 2018 Capitalisation rate %	30 June 2019 Valuer	Last independent valuation date*
483-517 Kingsford Smith Dr, Hamilton QLD	**78,500**	-	6.25	-	**Colliers**	**Jun 2019**
3 Carlingford Rd, Epping	**-**	36,000	-	5.25		
	78,500	36,000				

The Trust entered into an unconditional contract for the sale of 3 Carlingford Rd, Epping NSW in June 2018. The contract provided for settlement on a deferred basis and the sale was completed on 16 November 2018 for $36.0 million.

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

Recognition and measurement

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These investment properties are carried at fair value. The valuation techniques to determine the fair value of investment properties held for sale are same as the valuation techniques of investment properties described in Note C2.

Where sale completion is delayed by events outside the control of the Trust, and the sale is not completed within one year from the date of classification, the Trust may still classify the asset as held for sale. In this circumstance, there must be sufficient evidence the Trust is committed to sell the asset, and as such obtain a firm purchase commitment from the buyer along with a favourable resolution for the Trust, for the delay. A favourable resolution for the Trust would be the right to receive rental income for the period, up until the date any sale was completed.

C4 Intangibles

	30 June 2019 $'000	30 June 2018 $'000
Goodwill	**6,356**	6,356
	6,356	6,356

Goodwill was generated on the merger with CUA on 29 June 2017. The details of the merger are in Note D1.

(i) Goodwill

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

(ii) Impairment

Goodwill is tested annually for impairment. It is impaired if the recoverable amount, calculated as fair value less costs to sell, is less than its carrying amount.

C4 Intangibles (continued)

(ii) Impairment (continued)

Based on impairment testing performed as at 30 June 2019 the fair value of the portfolio less costs to sell calculation, which is based on market capitalisation plus a portfolio premium, supports the recoverability of goodwill. Based on this testing recoverable amount exceeds the carrying amount by $141.7 million. A change in portfolio premium or market capitalisation exceeding this amount may lead to the carrying amount of goodwill exceeding its recoverable amount. At balance date and immediately after balance date, the current market price of the Trust units do not indicate a permanent structural decline in the fair valuation of equity below the net assets of the Trust. No intangibles were impaired in 2019 (30 June 2018: nil).

C5 Other non-current assets

	30 June 2019 $'000	30 June 2018 $'000
Non-current		
Other Non-Current Assets	-	2,912
	-	2,912

On 29 June 2017, the Trust entered into a contract for the acquisition of an investment property at 2 Kendall Street, Williams Landing. The Trust paid a 5% deposit, equivalent to $2,912,000, with the balance of the purchase price of $58,240,000 paid on the practical completion date which was 4 December 2018.

C6 Trade and other payables

	30 June 2019 $'000	30 June 2018 $'000
Current		
Trade creditors and expenses payable	**5,759**	5,159
Other current creditors and accruals	**9,165**	9,805
	14,924	14,964

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 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).

C7 Borrowings

	30 June 2019 $'000	30 June 2018 $'000
Non-current		
Secured loan	**498,504**	267,553
Borrowing costs	**(1,282)**	(1,592)
	497,222	265,961

At 30 June 2019, the Trust had the following secured debt facilities:

	30 June 2019 $'000	30 June 2018 $'000
Total facilities - bank loans	**555,000**	320,000
Facilities used at reporting date - bank loans	**(498,504)**	(267,553)
Facilities used at reporting date - bank guarantee	**(1,496)**	(1,496)
Facilities unused at reporting date - bank loans	**55,000**	50,951

As at 30 June 2019, the Trust had $290.0 million (2018: $160.0 million) of interest rate swaps hedged against its drawn debt. Refer to Note C8 for further details on interest rate swap contracts held at 30 June 2019.

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.

C8 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 variable rate 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:

C8 Derivatives (continued)

Interest rate swap contracts (continued)

Type of contract	Maturity date	Contracted fixed interest rate	Notional amount of contract $'000	Fair value of assets $'000	Fair value of liabilities $'000
30 June 2019					
Interest rate swap	**30 Oct 2023**	**2.39%**	**50,000**	**-**	**(2,681)**
Extendible interest rate swap*	**17 May 2021**	**1.27%**	**60,000**	**-**	**(710)**
Extendible interest rate swap*	**16 May 2022**	**1.33%**	**60,000**	**-**	**(817)**
Interest rate swap	**30 Oct 2023**	**2.39%**	**50,000**	**-**	**(2,681)**
Extendible interest rate swap^	**28 May 2021**	**1.15%**	**70,000**	**-**	**(291)**
			290,000	**-**	**(7,180)**

*The bank has the right to exercise an option to extend the interest rate swap expiry to 16 May 2024.

^The bank has the right to exercise an option to extend the interest rate swap expiry to 22 May 2022.

30 June 2018					
Interest rate swap	30 Jun 2020	2.23%	25,000	-	(66)
Interest rate swap	30 Jun 2020	2.22%	40,000	-	(59)
Interest rate swap	21 Dec 2020	2.35%	10,000	-	(42)
Interest rate swap	10 Jul 2020	2.16%	75,000	-	(226)
Interest rate swap	21 Dec 2020	2.32%	10,000	-	(35)
			160,000	-	(428)

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. Under the old accounting standard, the financial liabilities of the Trust were classified as FVTPL which has not changed on transition to AASB 9, where financial liabilities are still classified as FVTPL.

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.

C9 Issued capital

	30 June 2019 Units '000	30 June 2019 $'000	30 June 2018 Units '000	30 June 2018 $'000
Opening balance	**242,792**	**545,228**	178,241	397,637
Units issued	**113,499**	**275,845**	63,594	150,450
Distributions reinvested	**-**	**-**	957	2,272
Equity raising costs	**-**	**(7,753)**	-	(5,131)
Contribution from manager	**-**	**20,000**	-	-
Closing balance	**356,291**	**833,320**	242,792	545,228

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.

C10 Contingent assets, liabilities and commitments

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 30 June 2019.

C11 Cash and cash equivalents

	30 June 2019 $'000	30 June 2018 $'000
Cash and bank balances	**17,546**	18,978
	17,546	18,978

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

Net profit for the year	**53,572**	85,082
Adjustments:		
Net gain on fair value of investment properties	**(7,143)**	(41,957)
Loss on fair value of derivatives	**6,752**	646
Change in deferred rent and lease incentives	**1,240**	779
Change in capitalised leasing fees	**713**	751
Borrowing cost amortisation	**2,817**	560
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	**(1,192)**	571
Increase in other assets	**(524)**	(451)
Increase in payables	**1,311**	3,172
Net cash generated by operating activities	**57,546**	49,153

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

D Trust structure

D1 Interest in material subsidiaries

Centuria Metropolitan REIT No. 2 ('CMR2')

On 9 February 2017, the Responsible Entity announced a proposal for a corporate simplification strategy which involved the de-stapling of CMR1 and CMR2, and acquisition of 100% of the units in CMR2 by CMR1. On 15 March 2017, the unitholders of CMA voted to approve the simplification strategy, with an implementation date of 22 March 2017. On the implementation date, all of the units on issue in CMR2 were transferred to CMR1 in exchange for the issue of additional units in CMR1. As such, from this date CMR1 has been recognised as a wholly owned subsidiary within the Trust's consolidated financial statements. Accordingly, there is no non-controlling interest in the Trust following this date.

Centuria Urban REIT ('CUA')

On 3 March 2017, the Responsible Entity announced a merger proposal with CUA, of which it already owned an 8.76% interest, by way of acquiring 100% of the remaining units. On 14 June 2017, the unitholders of CUA voted to approve the merger, from which point the Trust is taken to have control over CUA. As such, from this date CUA's financial performance and financial position has been included within the Trust's consolidated financial statements. The Trust completed the acquisition of the remaining units effective 29 June 2017.

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised directly in profit or loss. Refer to Note C4 for details of management's assessment.

(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.

D1 Interest in material subsidiaries (continued)

Recognition and measurement (continued)

(ii) Basis of consolidation (continued)

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 security holders of consolidated subsidiaries are identified separately from the Trust’s security 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 Metropolitan 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.

Name of entity	**Country of domicile**	**Class of units**	**Equity interest**	
			30 June 2019	**30 June 2018**
			%	**%**
Centuria Urban REIT	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
Roger Dobson

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.

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.

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

At reporting date an amount of $299,938 (2018: $217,024) 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 2019	30 June 2018
Management fees	**6,866,825**	4,192,254
Property management fees	**2,725,561**	969,651
Custodian fees	**372,268**	163,679
Leasing fees	**248,660**	407,716
Due diligence acquisition fees	**150,000**	-
Project management fees	**146,991**	448,000
	10,510,304	6,181,300

Under the previous property management agreement, related party and external agent property management fees were billed and paid directly by the Trust. The revised agreement provides that Centuria Property Services Pty Limited ('CPS') as the manager, will pay all external agent property management fees on behalf of the Trust, and will recover these costs from the Trust as part of their billing process. As a result of this change, property management fees are higher compared to the prior period given it includes both external agent and related party property management fees.

Centuria Metropolitan REIT pay both external custodians and related party custodians for the custody services provided. Centuria Property Funds Limited ('CPFL') is the custodian for Centuria Urban REIT ('CUA') which is a subsidiary of Centuria Metropolitan REIT. The custodian fees above reflect the fees paid by the Trust to the related party custodian for the assets under their custody.

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 securities 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 2019, the Fund did not hold any units in the related parties to the Responsible Entity (30 June 2018: nil).

Securities in the Trust held by related parties

At 30 June 2019, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
30 June 2019		
Centuria Capital No. 2 Office Fund	**58,921,884**	**16.54%**
Over Fifty Guardian Friendly Society Limited	**14,861,980**	**4.17%**
Centuria Growth Bond Fund	**8,408,906**	**2.36%**
Centuria Capital No. 2 Fund	**3,396,219**	**0.95%**
Centuria Property Funds No. 2 Limited	**2,263,375**	**0.64%**
Centuria Balanced Bond Fund	**975,493**	**0.27%**
Nicholas Collishaw	**153,217**	**0.04%**
Peter Done	**128,994**	**0.04%**
Roger William Dobson	**123,480**	**0.03%**
John McBain	**75,057**	**0.02%**
Darren Collins	**30,000**	**0.01%**
Matthew Hardy	**29,378**	**0.01%**
Jason Huljich	**3,542**	**0.01%**
Total	**89,371,525**	**25.09%**

D2 Related parties (continued)

Securities in the Trust held by related parties (continued)

30 June 2018		
Centuria Capital No. 2 Office Fund	23,398,514	9.64%
Over Fifty Guardian Friendly Society Limited	14,861,980	6.12%
Centuria Growth Bond Fund	6,306,680	2.60%
Centuria Capital No. 2 Fund	4,244,695	1.75%
Centuria Balanced Bond Fund	731,620	0.30%
Nicholas Collishaw	153,217	0.06%
Peter Done	96,745	0.04%
Roger William Dobson	92,610	0.04%
John McBain	73,027	0.03%
Darren Collins	25,799	0.01%
Matthew Hardy	22,033	0.01%
Jason Huljich	3,542	0.01%
Total	**50,010,462**	**20.61%**

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 CMR1. The amounts reflected below do not include the performance and financial position of its subsidiaries.

	30 June 2019 $'000	30 June 2018 $'000
Results of parent entity		
Profit for the year	**53,572**	85,082
Total comprehensive income for the year	**53,572**	85,082

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

	30 June 2019 $'000	30 June 2018 $'000
Financial position of parent entity at year end		
Assets		
Current assets	**5,414**	5,538
Non-current assets	**445,015**	445,178
Total assets	**450,429**	450,716
Liabilities		
Current liabilities	**1,814**	5,122
Non-current liabilities	**4,293**	4,293
Total liabilities	**6,107**	9,415

D3 Parent entity disclosures (continued)

	30 June 2019 $'000	30 June 2018 $'000
Equity		
Issued capital	**420,540**	420,540
Retained earnings	**23,782**	20,761
Total equity	**444,322**	441,301

E Other notes

E1 Auditor's remuneration

	30 June 2019 $'000	30 June 2018 $'000
KPMG:		
Audit and review of financials	**155**	139
Property due diligence services	**8**	83
	163	222

E2 Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position are as follows:

Fair value

	Measurement	Fair value hierarchy	Carrying amount	Fair value
30 June 2019			**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	**Amortised cost**	**Not applicable**	**17,546**	**17,546**
Trade and other receivables	**Amortised cost**	**Not applicable**	**4,080**	**4,080**
			21,626	**21,626**
Financial liabilities				
Trade and other payables	**Amortised cost**	**Not applicable**	**5,759**	**5,759**
Borrowings (Excluding borrowing costs)	**Amortised cost**	**Not applicable**	**498,504**	**498,504**
Interest rate swaps	**Fair value**	**Level 2**	**7,180**	**7,180**
			511,443	**511,443**
30 June 2018				
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	18,978	18,978
Trade and other receivables	Amortised cost	Not applicable	1,325	1,325
			20,303	**20,303**
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	5,195	5,195
Borrowings (Excluding borrowing costs)	Amortised cost	Not applicable	267,553	267,553
Interest rate swaps	Fair value	Level 2	428	428
			273,176	**273,176**

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair value.

(i) 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.

E2 Financial instruments (continued)

Fair value (continued)

(i) Valuation techniques (continued)

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.

(ii) Fair value hierarchy

The table below sets out the Trust’s financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
30 June 2019				
Financial liabilities held at fair value				
Interest rate swaps	**7,180**	**-**	**7,180**	**-**
	7,180	**-**	**7,180**	**-**
30 June 2018				
Financial liabilities held at fair value				
Interest rate swaps	**428**	**-**	**428**	**-**
	428	**-**	**428**	**-**

There were no transfers between Level 1 and Level 2 during the period.

The Responsible Entity obtains independent valuations to measure the fair value of financial instruments at each reporting date. The Responsible Entity assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of International Financial Reporting Standards, including the level in the fair value hierarchy that the resulting fair value estimate should be classified.

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.

E2 Financial instruments (continued)

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.

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.

(i) 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 2019		**30 June 2018**	
	Note	**Effective interest rate**	**Total $'000**	**Effective interest rate**	**Total $'000**
Financial assets					
Cash and cash equivalents		**0.55%**	**17,546**	0.95%	18,978
Trade and other receivables		**-%**	**4,080**	-%	1,325
			21,626		20,303
Financial liabilities					
Borrowings (excluding borrowing costs)		**3.23%**	**498,504**	3.63%	267,553
Interest rate swaps		**0.54%**	**7,180**	0.20%	428
			505,684		267,981

(ii) 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 (2018: 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 2019			
Net profit/(loss)	100 bps	**5,536**	(7,069)
		5,536	(7,069)
30 June 2018			
Net profit/(loss)	100 bps	**(579)**	505
		(579)	505

E2 Financial instruments (continued)

Market risk (continued)

(ii) Interest rate sensitivity (continued)

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.

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 2019, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2019. 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 2019					
Trade and other payables	**-%**	**5,759**	**5,759**	**-**	**-**
Borrowings	**3.23%**	**516,365**	**14,815**	**456,542**	**45,008**
Derivative financial instruments	**0.54%**	**1,892**	**90**	**1,802**	**-**
		524,016	**20,664**	**458,344**	**45,008**
30 June 2018					
Trade and other payables	-%	5,159	5,159	-	-
Borrowings	3.63%	288,244	8,224	280,020	-
Derivative financial instruments	0.20%	434	326	108	-
		293,837	13,709	280,128	-

The principal amounts included in the above borrowings is $455.0 million (2018: $267.6 million).

E3 New accounting standards and interpretations

Adoption of new and revised accounting standards

In the current year, 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 year. New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Trust include:

- AASB 9 *Financial Instruments* - Effective for annual reporting periods beginning on or after 1 July 2019.

E3 New accounting standards and interpretations (continued)

Adoption of new and revised accounting standards (continued)

- AASB 15 *Revenue from Contracts with Customers* - Effective for annual reporting periods beginning on or after 1 July 2019.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement.*

(a) Classification - Financial assets and financial liabilities

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale. Loans and receivables are classified and measured at amortised cost. The Trust holds these assets in order to collect contractual cash flows, and the contractual terms are solely payments of outstanding principal and interest on the principal outstanding. The Trust’s available for sale financial assets are already measured at FVTPL.

The standard requires all financial liabilities to be subsequently classified at amortised cost, except in certain circumstances, of which none apply to the Trust. Accordingly, there is no change in the classification of the Trust’s payables and borrowings on adoption of AASB 9.

(b) Impairment - Receivables

AASB 9 replaces the ‘incurred loss’ model in AASB 139 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model is only relevant to the Trust’s financial assets measured at amortised cost.
The new accounting policy in Note C1 outlines the probability-weighted model used to determine ECL amounts. Based on the Trust's assessment, the new impairment model has no material impact on its equity at transition date.

(c) Hedge accounting

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard is aligned to a principles-based approach. The Trust’s risk management strategies and hedging documentation are aligned with the requirements of AASB 9 and accordingly there is no impact with the adoption of AASB 9 on the Trust’s derivatives and hedge accounting.

(d) Transition

Changes in the accounting policies resulting from the adoption of AASB 9 have been applied retrospectively. There has been no impact on the financial position previously reported as at 30 June 2018 and 31 December 2018 as a result of the adoption of AASB 9 and its retrospective application.

AASB 15 Revenue from customers

AASB 15 applies to all contracts with customers to deliver goods or services as part of the entity’s ordinary course of business excluding insurance contracts, financial instruments and leases, which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts* and contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based give-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

(a) Classification and measurement of revenue

Revenue is recognised over time if:

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

Where the above criteria are not met, revenue is recognised at a point in time.

E3 New accounting standards and interpretations (continued)

Adoption of new and revised accounting standards (continued)

In the notes to the financial statements, the Trust has disaggregated income for the current and comparative financial period to disclose recoveries revenue. Based on the Trust's assessment of when performance obligations are satisfied, there is no change in the timing of revenue recognition when comparing to the previous accounting policy, other than the change in terminology. Under AASB 15, recoveries revenue will be recognised over time.

(b) Transition
Changes in the accounting policies resulting from the adoption of AASB 15 have been applied retrospectively. There has been no impact on the Trust's previously reported financial position as a result of the adoption of AASB 15. Refer to Note B2 for further details.

The adoption of these new and revised Standards and Interpretations has not had any significant impact on the disclosures or amounts reported in these financial statements.

New standards and interpretations not yet adopted

(i) AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact
The new standard will primarily impact the accounting for the Trust's operating leases. As at the reporting date, the Trust has only one material non-cancellable operating lease commitment at 46 Colin Street, Perth WA. The application of the new standard will result in the recognition of a right of use asset along with a lease liability in the consolidated statement of financial position.

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

Upon adoption of the new leasing standard effective 1 July 2019, management estimate that the lease assets would increase by approximately $33,885,000 offset by a corresponding increase in lease liabilities amounting to $33,885,000, with no material impact to net profit.

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

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

E4 Events subsequent to reporting date

There have been no other events subsequent to balance date which would have a material effect on the Trust's consolidated financial statements at 30 June 2019.

E5 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 2019

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

(a) the consolidated financial statements and notes set out on pages 7 to 37 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 2019 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.

Peter Done
Director

Matthew Hardy
Director

Sydney
6 August 2019

Independent Auditor's Report

To the unitholders of Centuria Metropolitan REIT

Opinion

We have audited the ***Financial Report*** of Centuria Metropolitan 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 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- 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
- Directors' Declaration.

The ***Group*** consists of Centuria Metropolitan REIT (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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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.

Valuation of Investment Properties ($1,321.5m) and Investment Properties Held for Sale ($78.5m)	
Refer to Notes C2 and C3 to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment properties and investment properties held for sale is a key audit matter as they are significant in value (being 98% of total assets) and contain assumptions with estimation uncertainty. These estimates lead to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual investment properties. The Group's policy is investment properties and investment properties held for sale are valued at fair value. The fair value is determined by the Group using internal methodologies and through the use of external valuation experts. We focussed on the following significant assumptions contained in the Group's valuation methodology for investment properties: - Capitalisation rates; - Market rental yield; - Weighted average lease expiry and vacancy levels; - Capital adjustments; and - Leasing incentives. In assessing this Key Audit Matter, we involved our real-estate valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in.	Our procedures included: • Understanding the Group's process regarding the valuation of investment properties; • Assessing the methodology used in the valuation of investment properties for consistency with accounting standards, industry practice 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 and reading published reports and industry commentary to gain an understanding of prevailing market conditions; • On a portfolio basis, taking into account the asset classes, geographies and characteristics of individual investment properties, challenged, with reference to published reports or industry commentary, significant assumptions. These assumptions included capitalisation rates, market rental yields, weighted average lease expiry and vacancy levels, capital adjustments and leasing incentives; and • On a sample basis, we assessed the appropriateness of specific valuation assumptions through comparison to market analysis published by industry experts, recent market transactions, inquiries with the Group and historical performance of the investment properties. We also involved our real estate valuation specialists to assess significant assumptions where there are limited published reports or industry commentary available.

Other Information

Other Information is financial and non-financial information in Centuria Metropolitan 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 Directors' Report, Corporate Governance Statement and Additional ASX 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 express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the 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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Nigel Virgo

Partner

Sydney

6 August 2019

Corporate Governance Statement

The corporate governance statement for the Trust was last updated on 25 September 2018 and is available on the Centuria website at https://centuria.com.au/metropolitan-reit/corporate/corporate-governance/.

Additional stock exchange information

As at 31 July 2019

Distribution of securities

Holding	Number of securities	Number of holders	Percentage of total (%)
1 - 1000	288,349	723	0.1
1,001 - 5,000	4,859,817	1,556	1.4
5,001 - 10,000	9,847,919	1,271	2.8
10,001 - 100,000	53,016,483	2,019	14.9
100,001 and over	288,278,829	132	80.9
Total	**356,291,397**	**5,701**	**100.0**

Substantial security holders

	Number of units	Percentage of total (%)
CENTURIA CAPITAL GROUP	88,827,857	24.93
LEDERER GROUP	18,298,328	5.14
Total	**107,126,185**	**30.07**

Voting rights

All securities carry one vote per security without restriction.

Top 20 security holders

	Number of securities	Percentage of issued shares
HSBC CUSTODY NOMINEES	61,214,979	17.18
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	58,921,884	16.54
J P MORGAN NOMINEES AUSTRALIA LIMITED	45,179,219	12.68
CITICORP NOMINEES PTY LIMITED	38,093,107	10.69
NATIONAL NOMINEES LIMITED	25,416,846	7.13
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,441,627	1.81
CENTURIA FUNDS MANAGEMENT LIMITED	3,396,219	0.95
BINET PTY LTD	3,292,181	0.92
BNP PARIBAS NOMS PTY LTD	2,653,536	0.75
CENTURIA PROPERTY FUNDS	2,263,375	0.64
AMP LIFE LIMITED	2,243,466	0.63
G C F INVESTMENTS PTY LTD	2,144,926	0.60
ONE MANAGED INVESTMENT FUNDS	1,650,000	0.46
BNP PARIBAS NOMS (NZ) LTD	1,526,293	0.43
WYLLIE GROUP PTY LTD	1,288,198	0.36
CONTEMPLATOR PTY LTD	1,252,779	0.35
TRISTAR METALS PTY LTD	1,251,224	0.35
SOUTH CREEK INVESTMENTS PTY LTD	1,096,433	0.31
CITICORP NOMINEES PTY LIMITED	1,066,354	0.30
KOLL PTY LTD	1,000,000	0.28
	261,392,646	**73.37**